

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations

SMDL #08-008

November 3, 2008

Dear State Medicaid Director:

The Centers for Medicare & Medicaid Services (CMS) is issuing this State Medicaid Director Letter to notify you of the latest update to the Federal Upper Limit (FUL) listing. This letter will also provide you with information on certain provisions in the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), Public Law 110-275, regarding pharmacy reimbursement for multiple source drugs under the Medicaid program and publication of average manufacturer prices (AMPs).

Prior to the passage of the Deficit Reduction Act of 2005 (DRA), CMS updated the FUL list on a quarterly basis. The last update was issued in December 2006, in accordance with procedures that pre-dated the effective date of these DRA amendments.

Section 203 in MIPPA prohibits CMS from taking any action, prior to October 1, 2009, to impose the specific upper limits for multiple source drugs established under 42 CFR 447.514(b) as published on July 17, 2007. In accordance with the law, the specific upper limit under 42 CFR 447.332 (as in effect on December 31, 2006) applicable to payments for multiple source drugs shall continue to apply through September 30, 2009, for purposes of Federal financial participation. Therefore, CMS will update the FULs for multiple source drugs using the methodology in 42 CFR 447.332 as in effect on December 31, 2006.

These FULs will continue to be disseminated through transmittals consistent with the MIPPA provisions. The first transmittals include updates with respect to multiple source drug listings and will be followed by transmittals which will update published prices. We have published our first transmittal on the Medicaid Federal Upper Limit Web site, at: <http://www.cms.hhs.gov/Reimbursement/>. We will continue to give States a 30-day period to implement the FUL prices with each publication.

Additionally, MIPPA prohibits CMS from making AMPs publicly available prior to October 1, 2009. In accordance with that provision, we will not include that information on our Web site.

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If you have any questions regarding these provisions, you may contact Ms. Gale Arden, Director, Disabled & Elderly Health Programs Group, at (410) 786-6810, or Ms. Deirdre Duzor, Director, Division of Pharmacy, at (410) 786-4626.

Sincerely,

/s/

Herb B. Kuhn
Deputy Administrator
Acting Director, Center for Medicaid and State Operations

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
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