

EXHIBIT I

DEPARTMENT OF HUMAN SERVICES, MEDICAL SERVICES

SUBJECT: State Plan #2016-002 and Supplemental Rebate Agreement

DESCRIPTION: The Arkansas Medicaid State Supplemental Rebate Program along with the State Supplemental Rebate Agreement (SSRA) was approved by CMS in the State Plan Amendment (SPA 04-04) with an effective date of October 15, 2004. The State Plan Amendment indicated that any additional versions of the State Supplemental Rebate Agreement negotiated between the state and manufacturer(s) after November 16, 2004 would need to be submitted to CMS for authorization. Arkansas's State Supplemental Rebate Agreement has not changed since the initial approval which uses the state's pharmacy reimbursement methodology to calculate State Supplemental Rebate Payment by manufacturers. Due to the final Outpatient Drug Rule moving to a reimbursement model based on actual acquisition cost, Arkansas Medicaid is revising the SSRA to transition to the more standard WAC based State Supplemental Rebate Payment calculation. In addition, Arkansas Medicaid is updating the entire SSRA to include additional definitions and process consistent with other Medicaid State's SSRAs in which Magellan Medicaid Administration has standings.

PUBLIC COMMENT: No public hearing was held. The public comment period expired on September 6, 2016. The department received no comments.

The proposed effective date is November 1, 2106.

CONTROVERSY: This is not expected to be controversial.

FINANCIAL IMPACT: There is no financial impact.

LEGAL AUTHORIZATION: The Department of Human Services is authorized to "make rules and regulations and take actions as are necessary or desirable to carry out the provisions of this chapter [Public Assistance] and that are not inconsistent therewith." Arkansas Code Annotated § 20-76-201 (12).

QUESTIONNAIRE FOR FILING PROPOSED RULES AND REGULATIONS
WITH THE ARKANSAS LEGISLATIVE COUNCIL AND JOINT INTERIM COMMITTEE

DEPARTMENT/AGENCY Department of Human Services
DIVISION Division of Medical Services
DIVISION DIRECTOR Dawn Stehle
CONTACT PERSON Thomas Herndon
ADDRESS PO Box 1437, Slot S295,
Little Rock, AR 72203
PHONE NO. 501-396-6013 **FAX NO.** 501-404-4619 **E-MAIL** thomas.herndon@
dhs.arkansas.gov
NAME OF PRESENTER AT COMMITTEE MEETING Tami Harlan
PRESENTER E-MAIL tami.harlan@dhs.arkansas.gov

INSTRUCTIONS

- A. Please make copies of this form for future use.**
- B. Please answer each question completely using layman terms. You may use additional sheets, if necessary.**
- C. If you have a method of indexing your rules, please give the proposed citation after “Short Title of this Rule” below.**
- D. Submit two (2) copies of this questionnaire and financial impact statement attached to the front of two (2) copies of the proposed rule and required documents. Mail or deliver to:**

Donna K. Davis
Administrative Rules Review Section
Arkansas Legislative Council
Bureau of Legislative Research
One Capitol Mall, 5th Floor
Little Rock, AR 72201

- 1. What is the short title of this rule? State Plan #2016-002 and Supplemental Rebate Agreement
- 2. What is the subject of the proposed rule? Updating the Supplemental Rebate Agreement
- 3. Is this rule required to comply with a federal statute, rule, or regulation? Yes No
If yes, please provide the federal rule, regulation, and/or statute citation. _____
- 4. Was this rule filed under the emergency provisions of the Administrative Procedure Act? Yes No
If yes, what is the effective date of the emergency rule? _____

When does the emergency rule expire? _____

Will this emergency rule be promulgated under the permanent provisions of the Administrative Procedure Act? Yes No

5. Is this a new rule? Yes No
If yes, please provide a brief summary explaining the regulation. _____

Does this repeal an existing rule? Yes No
If yes, a copy of the repealed rule is to be included with your completed questionnaire. If it is being replaced with a new rule, please provide a summary of the rule giving an explanation of what the rule does. _____

Is this an amendment to an existing rule? Yes No
If yes, please attach a mark-up showing the changes in the existing rule and a summary of the substantive changes. **Note: The summary should explain what the amendment does, and the mark-up copy should be clearly labeled "mark-up."**

6. Cite the state law that grants the authority for this proposed rule? If codified, please give the Arkansas Code citation. Arkansas Statute 20-76-201

7. What is the purpose of this proposed rule? Why is it necessary? The Arkansas Medicaid State Supplemental Rebate Program along with the State Supplemental Rebate Agreement (SSRA) was approved by CMS in the State Plan Amendment (SPA 04-04) with an effective date of October 15, 2004. The State Plan Amendment indicated that any additional versions of the State Supplemental Rebate Agreement negotiated between the State and manufacturer(s) after November 16, 2004 would need to be submitted to CMS for authorization. Arkansas's State Supplemental Rebate Agreement has not changed since the initial approval which uses the State's pharmacy reimbursement methodology to calculate State Supplemental Rebate Payment by manufacturers. Due to the final Outpatient Drug Rule moving to a reimbursement model based on actual acquisition cost Arkansas Medicaid is revising the SSRA to transition to the more standard WAC based State Supplemental Rebate Payment calculation. In addition, Arkansas Medicaid is updating the entire SSRA to include additional definitions and a process consistent with other Medicaid State's SSRAs in which Magellan Medicaid Administration has standings.

8. Please provide the address where this rule is publicly accessible in electronic form via the Internet as required by Arkansas Code § 25-19-108(b).
<https://www.medicaid.state.ar.us/general/comment/comment.aspx>

9. Will a public hearing be held on this proposed rule? Yes No

If yes, please complete the following:

Date: _____

Time: _____

Place: _____

10. When does the public comment period expire for permanent promulgation? (Must provide a date.)
September 6, 2016

11. What is the proposed effective date of this proposed rule? (Must provide a date.)

November 1, 2016

12. Do you expect this rule to be controversial? Yes No

If yes, please explain. _____

13. Please give the names of persons, groups, or organizations that you expect to comment on these rules?
Please provide their position (for or against) if known.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Human Services

DIVISION Division of Medical Services

PERSON COMPLETING THIS STATEMENT Brian Jones

TELEPHONE NO. 501-537-2064 **FAX NO.** 501-404-4619 **EMAIL:** brian.jones@dhs.arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE State Plan #2016-002 & Supplemental Rebate Agreement

1. Does this proposed, amended, or repealed rule have a financial impact? Yes No
2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule? Yes No
3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes No

If an agency is proposing a more costly rule, please state the following:

(a) How the additional benefits of the more costly rule justify its additional cost;

(b) The reason for adoption of the more costly rule;

(c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and;

(d) Whether the reason is within the scope of the agency's statutory authority; and if so, please explain.

4. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

(a) What is the cost to implement the federal rule or regulation?

Current Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Next Fiscal Year

General Revenue _____
Federal Funds _____
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total _____

Total _____

(b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue	\$0	_____
Federal Funds	\$0	_____
Cash Funds		_____
Special Revenue		_____
Other (Identify)		_____
Total	\$0	_____

General Revenue	\$0	_____
Federal Funds	\$0	_____
Cash Funds		_____
Special Revenue		_____
Other (Identify)		_____
Total	\$0	_____

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ _____

\$ _____

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ \$0 _____

\$ \$0 _____

Date changes to the state plan have no financial impact.

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes No

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:

- (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
- (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

SUMMARY FOR STATE PLAN AMENDMENT #2016-002 AND SUPPLEMENTAL REBATE AGREEMENT

The Arkansas Medicaid State Supplemental Rebate Program along with the State Supplemental Rebate Agreement (SSRA) was approved by CMS in the State Plan Amendment (SPA 04-04) with an effective date of October 15, 2004. The State Plan Amendment indicated that any additional versions of the State Supplemental Rebate Agreement negotiated between the State and manufacturer(s) after November 16, 2004 would need to be submitted to CMS for authorization. Arkansas's State Supplemental Rebate Agreement has not changed since the initial approval which uses the State's pharmacy reimbursement methodology to calculate State Supplemental Rebate Payment by manufacturers. Due to the final Outpatient Drug Rule moving to a reimbursement model based on actual acquisition cost Arkansas Medicaid is revising the SSRA to transition to the more standard WAC based State Supplemental Rebate Payment calculation. In addition, Arkansas Medicaid is updating the entire SSRA to include additional definitions and a process consistent with other Medicaid State's SSRAs in which Magellan Medicaid Administration has standings.