

**DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR**

**ACTION REFERRAL**

TO	DATE
Wells	1-18-07

<b>DIRECTOR'S USE ONLY</b>	<b>ACTION REQUESTED</b>
1. LOG NUMBER 000469	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR cc: Boasling, Mr. Kerr	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" type="checkbox"/> Necessary Action

<b>APPROVALS</b> (Only when prepared for director's signature)	<b>APPROVE</b>	<b>* DISAPPROVE</b> (Note reason for disapproval and return to preparer.)	<b>COMMENT</b>
1.			
2.			
3.			
4.			

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop 52-14-26  
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations  
Disabled and Elderly Health Programs Group (DEHPG)

**RECEIVED**

JAN 9 2007

JAN 18 2007

Dear State Medicaid Director:

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Recently, the Centers for Medicare & Medicaid Services (CMS) has received some pharmacy related State plan amendments (SPAs) requesting significant changes in methods and standards for setting payment rates without submission of a public notice in the formal SPA package. This letter serves as a reminder of the State Medicaid agency responsibility with regard to issuance of public notice of changes in the methods and standards for setting payment rates.

42 CFR section 447.205(a) provides that, except for certain specified exceptions, the agency must provide public notice of any significant proposed change in its methods and standards for setting payment rates for services, preceding the effective date of the change. All significant changes in payment rates to providers require advance public notice. States must ensure that both the content of the notice and publication of the notice meet the criteria as listed in 42 CFR sections 447.205(c) and (d) for any significant reimbursement changes.

This policy helps to ensure transparency and invites public comment on proposed changes in State Medicaid reimbursement.

Sincerely,

Gale P. Arden  
Director

"Rec. Action"