HEALTH CARE
AUTHORITY

Michelle Lujan Grisham, Governor
Kari Armijo, Secretary
Alex Castillo Smith, Deputy Secretary
Kathy Slater Huff, Deputy Secretary
Niki Kozlowski, Acting Deputy Secretary
Alanna Dancis, Acting Medicaid Director

May 27, 2026

Courtney Miller, Director
CMS/Center for Medicaid & CHIP Services
Medicaid & CHIP Operations Group
601 E. 12th St., Room 355
Kansas City, MO 64106

Dear Ms. Miller:

Enclosed, please find documents related to New Mexico State Plan Amendment (SPA) 26-0003, *Supplemental Pharmacy Rebates and Reimbursement Methodology*.

New Mexico is requesting to implement a unified, single Preferred Drug List (PDL) for Medicaid and update reimbursement methodology, effective July 1, 2026.

The estimated total Federal Budget Impact is ($983,782) in federal funds for Federal Fiscal Year (FFY) 2026 and ($3,924,694) in federal funds for FFY 2027. Savings are attributed to supplemental rebates.

The HCA followed a process that included public notification, tribal notification, and web posting. Documentation of these activities is attached, along with the transmittal form and supporting SPA materials.

We appreciate your consideration of this state plan amendment. Should you have any questions, please contact Valerie Tapia at: Valerie.Tapia@hca.nm.gov or (505) 257-8420.

Sincerely,

Alanna Dancis
Acting Medicaid Director

cc: Dana Brown, CMS

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 26 — 0003

2. STATE: NM

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT — (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
7/1/2026

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447 Subpart I

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2026 $ (983,782)
b. FFY 2027 $ (3,924,694)

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 3.1A1 Page 2-3
Attachment 4.19-B pages 4-5
Attachment 4.19-B pages 5a (New)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 3.1A1 Page 2-3
Attachment 4.19-B pages 4-5

9. SUBJECT OF AMENDMENT
The NM HCA plans to implement a unified, single Preferred Drug List (PDL) for Medicaid and update reimbursement methodology effective 7/1/2026.

10. GOVERNOR'S REVIEW *(Check One)*
( ) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
(●) OTHER, AS SPECIFIED:
Delegated to the Acting Medicaid Director

11. SIGNATURE OF STATE AGENCY OFFICIAL
[signature]

12. TYPED NAME
Alanna Dancis

13. TITLE
Acting Medicaid Director, Medical Assistance Division

14. DATE SUBMITTED
5/27/2026

15. RETURN TO
Alanna Dancis
Medical Assistance Division
P.O. Box 2348
Santa Fe, NM 87504-2348

FOR CMS USE ONLY

16. DATE RECEIVED

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

Instructions on Back

12.a. Prescribed Drugs: Description of Service Limitation

Citation(s)	Provision(s)
☒	(d) prescription vitamins and mineral products.
☒	(e) nonprescription drugs. Selective non-prescription (over the counter) medications will be covered as listed on the state's website.
☒	(f) covered outpatient drugs which the manufacturer seeks to require as a condition of sale that associated tests or monitoring services be purchased exclusively from the manufacturer, or its designee.

Supplemental Rebates

- Beginning July 1, 2026, New Mexico became part of The Optimal Preferred Drug List (PDL) $olution (TOP$). TOP$ negotiates supplemental rebates for New Mexico. The State retains all options to accept or reject offers. Drugs from manufacturers who do not participate in the supplemental rebate program will continue to be available to Medicaid beneficiaries.

- The State may enter into a single, state-specific Supplemental Rebate Agreement (SRA) with a drug manufacturer to be utilized by fee-for-service providers and Managed Care Organizations (MCOs) contracted with the Medicaid program. These contracts will be executed based on the model agreement entitled "State of New Mexico Supplemental Rebate Agreement" authorized for use beginning July 1, 2026.

- The State may enter into value-based contracts with a drug manufacturer. These contracts will be executed based on the model agreement entitled "Value-Based Supplemental Rebate Agreement" authorized for use beginning January 1, 2025.

- Supplemental rebates received by the State for the Medicaid population in excess of those required under the National Drug Rebate Agreement (NDRA) will be shared with the federal government. The State will remit the federal portion of any supplemental rebates collected on the same percentage basis as applied under the NDRA.

12.a. Prescribed Drugs: Description of Service Limitation

- All drugs covered by the Medicaid program, irrespective of a prior authorization agreement, will comply with the provisions of the NDRA.

- The prescribed drugs benefit will remain consistent with all other requirements and service limitations as described under "Item 12.a Prescribed Drugs" in State Supplement A to Attachment 3.1-A.

Single State-Managed Preferred Drug List

- Effective July 1, 2026, New Mexico shall implement a state-managed, unified PDL to be utilized by fee-for-service providers and MCOs contracted with the Medicaid program.

Drug Shortages

- Prescribed drugs that are not covered outpatient drugs (including drugs authorized for import by the Food and Drug Administration) are covered when medically necessary during drug shortages identified by the Food and Drug Administration.

II. Payment for Prescribed Drugs

For the New Mexico Medicaid Fee-for-Service program:

A. Payment

Reimbursement for the drug ingredient cost shall be the lowest of:

1. The Affordable Care Act Federal Upper Limit (FUL) plus the Professional Dispensing Fee (PDF);
2. The National Average Drug Acquisition Cost (NADAC) plus the PDF;
3. The Wholesaler's Average Cost (WAC);
4. The pharmacy's reported ingredient cost plus the PDF; or
5. The Usual and Customary charge (U&C).

The PDF is $10.30.

When the drug item is for a brand name drug that is also a multi-source drug, the Actual Acquisition Cost (AAC) will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

B. Allowed Fees in Addition to the Professional Dispensing Fee (PDF)

Reimbursement for compounding fees is limited to the provider's usual additional charge for compounding not to exceed $12.00.

C. Payment Provisions for Blood Clotting Factors

Reimbursement for clotting factors will be at the lower of the submitted ingredient cost or WAC plus a $10.30 PDF, not to exceed the pharmacy's U&C.

D. Payment Provisions for 340B Drugs

Payment to 340B covered entities for drugs purchased at 340B prices authorized under Section 340B of the Public Health Services Act will be at the 340B actual acquisition cost plus a $10.30 PDF, not to exceed the pharmacy's U&C.

E. Payment Provisions for Drugs Acquired Under Federal Supply Schedule (FSS) Pricing

Payment for drugs purchased at FSS prices will be at the FSS actual acquisition cost of the drug plus a $10.30 PDF, not to exceed the pharmacy's U&C.

F. Payment to Indian Health Service Pharmacies and Tribal 638 Healthcare Pharmacies

1. Payment to all Indian Health Service and Tribal 638 pharmacies shall be at the All-Inclusive Rate (AIR), published annually in the Federal Register. One AIR reimbursement shall be made for each pharmacy claim and is not limited to a certain number of prescriptions per day. Submission of a pharmacy claim means that the Medicaid beneficiary received at least one drug item dispensed from the pharmacy, whether a new item or a refill.
2. The applicable AIR shall be determined by the date of service submitted on the pharmacy claim. Pharmacies reimbursed using the AIR will not be eligible for a PDF.
3. The AIR for pharmacy services may be billed in addition to the AIR for other outpatient facility medical or behavioral health services that are provided on the same day.

When the drug item is for a brand name drug that is also a multi-source drug, the AAC will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

G. Payment for Drugs Not Distributed by a Retail Community Pharmacy and Distributed Through the Mail (Such as Specialty Drugs)

Reimbursement for the drug ingredient cost shall be the lowest of:

1. The Affordable Care Act Federal Upper Limit (FUL) plus the Professional Dispensing Fee (PDF);
2. The National Average Drug Acquisition Cost (NADAC) plus the PDF;
3. The Wholesaler's Average Cost (WAC);
4. The pharmacy's reported ingredient cost plus the PDF; or
5. The Usual and Customary charge (U&C).

The PDF is $10.30.

When the drug item is for a brand name drug that is also a multi-source drug, the AAC will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

H. Payment for Drugs Not Distributed by a Retail Community Pharmacy (Such as a Long-Term Care Facility)

Reimbursement for the drug ingredient cost shall be the lowest of:

1. The Affordable Care Act Federal Upper Limit (FUL) plus the Dispensing Fee (PDF);
2. The National Average Drug Acquisition Cost (NADAC) plus the PDF;
3. The Wholesaler's Average Cost (WAC);
4. The pharmacy's reported ingredient cost plus the PDF; or
5. The Usual and Customary charge (U&C).

The PDF is $10.30.

When the drug item is for a brand name drug that is also a multi-source drug, the AAC will be calculated using the generic equivalent of the brand name drug unless the prescriber has written in his or her own hand "brand medically necessary" on the prescription, in which case reimbursement will be at the AAC of the NADAC for the brand name drug item plus a $10.30 PDF, not to exceed the pharmacy's U&C.

I. Investigational Drugs

The New Mexico Medicaid program does not cover investigational drugs.

J. Physician Administered Drugs

Physician administered drugs are reimbursed at the Average Sales Price (ASP) determined by CMS and posted on the federal "ASP Drug Pricing Files" webpage, which is updated quarterly. A PDF is not paid. An administration fee, set at the Medicare rate, is paid only when the drug item is a vaccine covered under the Vaccines for Children program.