February 23, 1995

MEDICAID DRUG REBATE PROGRAM

Release Number 48

* * * IMMEDIATE ATTENTION REQUIRED * * *

NOTE TO: All State Medicaid Directors

REMITTANCE ADVICE REPORT (RAR)

The proposed RAR developed by the Dispute Resolution Workgroup is
finalized. The RAR functions as a reconciliation report to reduce
disputes by standardizing data exchange and improving communication
between manufacturers and States.

Pending the publication of the drug rebate regulation mandating the
RAR, we are encouraging all manufacturers to voluntarily use the
draft RAR to report the remittance of rebate payments, adjustments
to previous rebate payments, and disputed rebate amounts. The
proposed RAR, instructions, data definitions, automated reporting
format, and a listing of the adjustment and dispute codes have been
made available to manufacturers for their immediate use. We are
attaching these documents for your information. At this time, we
do not anticipate any changes to the proposed RAR.

TOLERANCE THRESHOLD FOR INTEREST

In those instances where the administrative cost of recovering
interest payment(s) exceeds the interest payable to the State,

the State may apply the $50 tolerance level per labeler to interest payments. **Application of this tolerance is optional for States; that is, any State may choose to invoice a labeler for interest amounts at or below the tolerance level.** In all cases where a State chooses to apply tolerance levels, adequate documentation should be maintained by both the States and the labeler.

USE OF INFORMATION FROM OUTSIDE SOURCES

We have been made aware of a situation where some States are relying on information furnished by an organization other than HCFA to determine whether to buy drug products marketed by a participating drug labeler. The organization in question furnishes data on virtually every drug product being marketed. Individual drug product data include an indicator that purports to verify that a drug labeler is paying rebates. In several instances, the indicator was found to be less than 100 percent reliable and caused public relations problems on a national scale. Also, we continue to receive complaints from drug labelers that one or more States do not have selected drug
products in their formularies despite receiving that data from HCFA.

Please remember that the use of additional data furnished by outside organizations is not endorsed by HCFA in the drug rebate program due to the many problems that can occur. Whenever these types of questions occur, you are strongly encouraged to notify HCFA to get the matters resolved.

STATE APPLICATION OF THE FEDERAL UPPER LIMIT (FUL) PROGRAM

It has come to our attention that a brand name drug that exceeds the Federal Upper Limit established for it may actually cost the State less than generic versions when rebates are paid for that brand name drug.

We would like to remind you that States are permitted to raise the FUL of any drug product provided the State lowers the FUL of another drug product so that in the aggregate the State pays no more than it would have had the State implemented the FULs as established. This can be done by looking at last year's paid claims to determine the number of tablets/capsules purchased and multiplying that number by the amount it wishes to raise the FUL. This amount is the shortfall the State must recover.

The shortfall can be recovered by lowering the FUL for another drug product by an amount equal to the number of units paid for last year multiplied by the amount the State lowers that FUL. If the State enters this information in its file and can demonstrate that it has made these changes based upon last year's paid claims experience, the State will be held harmless should utilization change and a shortfall result. If this methodology is used, these numbers must be updated annually in accordance with 42 CFR 447.333. Questions on this topic should be referred to Pete Rodler at (410) 966-4582.

NEW LABELERS

We received a rebate agreement from MedImmune, Incorporated (Labeler Code 60574) which is the selling agent for a product owned by Mass Public Health Bio Lab (Labeler Code 14362). MedImmune will be joining the rebate program retroactive to January 1, 1995.

We also received a rebate agreement from American Pharmacal, Incorporated (Labeler Code 60574) which is the parent company for Innercare (Labeler Code 53723). American Pharmacal will be joining the rebate program retroactive to January 1, 1995.

The following labeler has entered into a drug rebate agreement and will join the rebate program on April 1, 1995:

Warner-Lambert (Labeler Code 00501).

Also, the following labeler has entered into a drug rebate agreement and will join the rebate program on July 1, 1995:

Nomax, Incorporated (Labeler Code 51801).

LABELER TERMINATION

Pharmakraft, Incorporated (Labeler Code 59516) has requested termination from the program to be effective on April 1, 1995.

OTHER ATTACHMENTS

Copies of the topic index and the latest listing of the 90-day treasury bill auction rates for the period of July 5, 1994 through February 21, 1995 are attached.

Please continue to contact us with your drug rebate questions by using the Drug Rebate hotline at (410) 966-3249.

                              Sally K. Richardson
                                   Director
                                Medicaid Bureau

3 Attachments

cc:

All State Technical Contacts

All Regional Administrators

All Associate Regional Administrators Division of Medicaid

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DATA ELEMENT NAME: Company Name

DATA DEFINITION: Name of company as it appears on the signed rebate agreement.

SPECIFICATIONS: Alpha-numeric values, first twenty-five positions of company name, left justified, blank filled.

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DATA ELEMENT NAME: Labeler Code

DATA DEFINITION: First segment of National Drug Code that identifies the manufacturer, labeler, relabeler, packager, repackager or distributor of the drug.

SPECIFICATIONS: Numeric values only, 5 positions right justified, zero filled; no blanks.

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DATA ELEMENT NAME: Period Covered

DATA DEFINITION: Calendar quarter and year covered by this report.

SPECIFICATIONS: Numeric values, 3 position field, QYY; no blanks

Valid values for Q:

1 = January 1 – March 31
2 = April 1 – June 30
                          3 = July 1 – September 30
                          4 = October 1 – December 31

Valid values for YY: Last two digits of calendar year covered.

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DATA ELEMENT NAME: Contact

DATA DEFINITION: Labeler's contact person receiving the State
                      invoice.

SPECIFICATIONS: Alpha-numeric values, twenty positions, left
                      justified, first name and last name separated
                      by 1 blank.

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DATA ELEMENT NAME: Phone

DATA DEFINITION: Telephone number of contact person.

SPECIFICATIONS: Alpha-numeric values, ten positions, area code
                      and phone number.

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DATA ELEMENT NAME: Fax

DATA DEFINITION: Telephone Fax number of contact person.

SPECIFICATIONS: Alpha-numeric values, ten positions, area code
                      and phone number.

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DATA ELEMENT NAME: State

DATA DEFINITION: State postal abbreviation.

SPECIFICATIONS: Alpha values, 2 position field;
                      no blanks

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DATA ELEMENT NAME: Invoice Number

DATA DEFINITION: Identification number of invoice submitted by
                      State and associated with this report. If
                      invoice contains no identification number, this
                      field will be blank.

SPECIFICATIONS: Alpha-numeric values, 10 position field, right
                      justified.

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DATA ELEMENT NAME: Product Code

DATA DEFINITION: Second segment of National Drug Code.

SPECIFICATIONS: Alpha-numeric values, 4 position field, right
justified, zero filled; no blanks.

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DATA ELEMENT NAME: Package Size Code

DATA DEFINITION: Third segment of National Drug Code.

SPECIFICATIONS: Alpha-numeric values only, 2 digit field, right
justified, zero filled; no blanks.

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DATA ELEMENT NAME: Product Name

DATA DEFINITION: First ten positions of product name as it
appears in the product description submitted to
HCFA.

SPECIFICATIONS: Alpha-numeric values, 10 positions, left
justified; blank filled.

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DATA ELEMENT NAME: Rebate Amount Per Unit

DATA DEFINITION: HCFA-calculated rebate amount per unit as shown
on the State invoice (if present).

SPECIFICATIONS: Numeric values, 11 positions: 5 whole numbers
and 6 decimals, right justified. If not
available, this field will be zero filled;
no blanks.

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DATA ELEMENT NAME: Units Invoiced

DATA DEFINITION: State-calculated number of units paid for. If
                    the number of units has been adjusted through
                    correspondence or telephone contact between the
                    State and the manufacturer, the Units Invoiced
                    will reflect the adjusted number.

SPECIFICATIONS: Numeric values, 12 positions: 9 whole numbers
                    and 3 decimals, right justified, zero filled;
                    no blanks.

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DATA ELEMENT NAME: Units Paid

DATA DEFINITION: Manufacturer-calculated number of units paid
                    for.

SPECIFICATIONS: Numeric values, 12 positions: 9 whole numbers
                    and 3 decimals, right justified, zero filled;
                    no blanks.

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DATA ELEMENT NAME: Rebate Amount Invoiced

DATA DEFINITION: State-calculated rebate amount invoiced by the
                    State per NDC.

SPECIFICATIONS: Numeric values, 9 positions: 7 whole numbers and
                    2 decimals, right justified. If not available,
                    this field will be zero filled;
                    no blanks.

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DATA ELEMENT NAME: Rebate Amount Paid

DATA DEFINITION: Amount per NDC that the manufacturer is
                    remitting to the State with this report.

SPECIFICATIONS: Numeric values, 9 positions: 7 whole numbers and
                    2 decimals, right justified; No blanks.

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DATA ELEMENT NAME: Adjusted Rebate Per Unit

DATA DEFINITION: Rebate amount per unit if different than the
                     rebate amount per unit as shown on the State
                     invoice (if present).

SPECIFICATIONS: Numeric values, 11 positions: 5 whole numbers
                     and 6 decimals, right justified. Calculate to
                     7 decimals and round to 6; No blanks.

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DATA ELEMENT NAME: Adjustment Codes

DATA DEFINITION: Reason(s) manufacturer has adjusted the rebate
                     per unit or the number of units invoiced. Refer
                     to the page 3 of the automated reporting format
                     or the RAR form for values.

SPECIFICATIONS: Alpha-numeric, 3 positions.
                     Valid values: 1 through 6.
                     Maximum: 3 Adjustment Codes per NDC

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DATA ELEMENT NAME: Credit/Debit Indicator

DATA DEFINITION: Indicator to determine if the Invoice
                     Adjustment Amount is added to or subtracted from
                     the Rebate Amount Invoiced.

SPECIFICATIONS: Alpha-numeric, 1 position, blank filled.

                     Valid values:
                     C = Credit (Subtract this amount from the
                          rebate amount invoiced.)

                     D = Debit to manufacturer (Add this amount to
                          the rebate amount invoiced.)

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DATA ELEMENT NAME: Invoice Adjustment Amount

DATA DEFINITION: Amount of the credit or debit resulting from the
                     adjustment to the Rebate Amount Invoiced by the
                     State for the period covered by this report.

SPECIFICATIONS: Numeric values, 11 positions: 5 whole numbers
                     and 6 decimals, right justified.

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DATA ELEMENT NAME: Dispute Codes

DATA DEFINITION: Reason(s) manufacturer has disputed the invoice
                     submitted by the State. Refer to page 3 of the
                     automated reporting format or the RAR form for
                     values.

SPECIFICATIONS: Alpha-numeric, 3 positions.
                     Valid values: A through I.
                     Maximum: 3 Dispute Codes per NDC

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DATA ELEMENT NAME: Withheld Invoice Amount

DATA DEFINITION: The rebate amount invoiced by the State that the
                     manufacturer is disputing for the period
                     covered by this report.

SPECIFICATIONS: Numeric values, 9 positions: 7 whole numbers and
                     2 decimals, right justified.

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DATA ELEMENT NAME: Total Units Invoiced

DATA DEFINITION: Total number of State-calculated units
                     invoiced.

SPECIFICATIONS: Numeric values, 10 positions: 8 whole numbers
                     and 2 decimals, right justified.

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DATA ELEMENT NAME: Total Units Paid

DATA DEFINITION: Total number of manufacturer-calculated units
                    paid.

SPECIFICATIONS: Numeric values, 10 positions: 8 whole numbers
                    and 2 decimals, right justified.

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DATA ELEMENT NAME: Total Rebate Amount Invoiced

DATA DEFINITION: Total rebate amount the State invoiced the
                    labeler for all NDCs for the period covered by
                    this report.

SPECIFICATIONS: Numeric values, 10 positions: 8 whole numbers
                    and 2 decimals, right justified, zero filled;
                    no blanks.

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DATA ELEMENT NAME: Total Rebate Amount Paid

DATA DEFINITION: Total amount of rebate the labeler paid to the
                    State for all NDCs for the period covered by this
                    report.

SPECIFICATIONS: Numeric values, 10 positions: 8 whole numbers
                    and 2 decimals, right justified, zero filled;
                    no blanks.

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DATA ELEMENT NAME: Total Invoice Adjustment Amount

DATA DEFINITION: Total amount of adjustments the labeler made to
                    the rebate amount invoiced by the State for all
                    NDCs for the period covered by this report.

SPECIFICATIONS: Numeric values, 10 positions: 8 whole numbers
                    and 2 decimals, right justified, zero filled;
                    no blanks.

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DATA ELEMENT NAME: Total Withheld Invoice Amount

DATA DEFINITION: Total amount the labeler is withholding from the
                     rebate amount invoiced by the State for all NDCs
                     for the period covered by this report.

SPECIFICATIONS: Numeric values, 10 positions: 8 whole numbers
                     and 2 decimals, right justified, zero filled;
                     no blanks.

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