

SMDL # 01-009

January 18, 2001

Dear State Medicaid Director:

This letter addresses concerns that have been raised to the Health Care Financing Administration (HCFA) regarding the ability of certain AIDS Drug Assistance Programs (ADAPs) to fully participate in the ADAP 340B rebate option. The ADAP 340B rebate option was first established by the Health Resources and Services Administration (HRSA) through their Federal Register Notice dated June 29, 1998 (enclosed). The rebate option is designed to work for ADAPs much the same way that the Medicaid Drug Rebate Program works for State Medicaid Agencies. ADAPs provide reimbursement to local pharmacies for a drug; the ADAPs then submit claims for rebates to the manufacturer of that drug. The manufacturer then sends a rebate to the ADAP.

The difference between the Medicaid Drug Rebate Program and the ADAP 340B rebate option is that in the Medicaid Drug Rebate Program, State Medicaid Agencies have access to information regarding the Unit Rebate Amount (URA). The URA is based on confidential pricing information which participating manufacturers are required by law to submit to HCFA for purposes of administering the Medicaid Drug Rebate Program. HCFA, in turn, provides the URA to State Medicaid Agencies for the purpose of requesting Medicaid rebates from manufacturers. ADAPs, however, do not have access to the URA pricing information. Because they do not know what amount of rebate to expect from manufacturers when they submit rebate claims, ADAPs cannot verify that they have received the full amount of rebate from manufacturers.

I am urging you to work with the ADAP in your State to assist in the submission of rebate claims to manufacturers within the requirements of the drug pricing confidentiality provisions. For example, the ADAP could provide information on rebate claim forms regarding the number of units of each drug that were dispensed on a quarterly basis. The ADAP could then send the claim forms to the Medicaid agency to add the URA information to the form. Your agency would then submit the claim form to the manufacturer on behalf of the ADAP. Once the ADAP receives the rebate from the manufacturer, your agency can again assist the ADAP by verifying that they received the full rebate amount due. It is our understanding that several State Medicaid agencies already provide this assistance to the ADAPs in their States and do not find it to be a significant workload.

Thank you in advance for any assistance you can offer to ADAPs to help them operate their programs in the most efficient manner possible.

Sincerely,

/s/

Timothy M. Westmoreland
Director

Enclosure

cc:

HCFA Regional Administrators

HCFA Associate Regional Administrators for Medicaid and State Operations

Joann Spearman, Health Resources and Services Administration

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