

August 16, 1995



**MEDICAID DRUG REBATE PROGRAM Release No. 18**

**\* \* \* IMMEDIATE ATTENTION REQUIRED \* \* \***

**NOTE TO: All Participating Drug Manufacturers**

**DISCONTINUATION OF THE MEDICAID DRUG REBATE HOTLINE**

Effective immediately the Drug Rebate Hotline is no longer operational. Because the volume of inquiries has significantly decreased over the past two years, we believe the Hotline has served its purpose and usefulness. To continue serving the needs of the program and to provide assistance, Attachment A lists the members of the Medicaid Drug Rebate staff, their general areas of responsibilities, and their new telephone numbers. Please feel free to contact a staff member with any questions you may have.

**NOTIFICATION OF HCFA'S IMPLEMENTATION OF INTERIM DECISIONS OF THE REMITTANCE ADVICE REPORT (RAR) WORKGROUP**

The RAR Workgroup is continuing to develop improvements to the RAR and various related processes. In the interim, the workgroup would like to relay the following decisions which affect the Drug Rebate Program operations.

- A. Standardizing the State submittal of utilization changes to labelers.

The workgroup determined that standardization of this process is not feasible. However, labelers are frequently not aware of whether unit changes are being submitted to them as an overlay of previous data or as a plus or minus to previous data. Also, oftentimes

when unit changes are submitted a lengthy explanation of the reason for the change is attached to the invoice. Labelers have indicated that lengthy explanations become confusing in many instances.

Therefore, **effective immediately**, the States have been asked to adopt the following to the process of submitting utilization changes to labelers.

1. Indicate to the labelers how utilization changes are being submitted, i.e., overlay or plus/minus units. States are not required to indicate this information to labelers with each submittal. A one time notice is sufficient.
2. When offering explanations of utilization changes, be as brief as possible to avoid confusion.

#### B. Definition and Processing of Prior Period Adjustments (PPAs)

The workgroup reviewed and agrees with HCFA's definition of PPAs as established in 1991 to accommodate a change in the Drug Rebate Program system regarding the Unit Rebate Amount (URA). PPAs are adjustments to the URA which occur: 1) whenever there is a change in the Average Manufacturer Price (AMP) and/or Best Price (BP) for a prior quarter; 2) when the baseline AMP changes; or 3) when, for OBRA 1993 URAs, the market date changes. (A prior quarter is one for which data has already been sent to you.) The above changes require an adjustment to a previous rebate amount paid based on the utilization submitted for the quarter in question.

PPAs ARE NOT DEFINED AS STATE CHANGES TO UTILIZATION DATA FOR PRIOR QUARTERS.

The workgroup also reviewed the methods of processing PPAs and the associated problems. As a result of this review, the instructions previously issued informing States to generate PPAs are hereby revised.

**EFFECTIVE IMMEDIATELY**, States are no longer required to initiate PPAs. The responsibility for initiating PPAs rests with the labelers. All labelers should begin initiating PPAs to the States if they are not already doing so. This decision is in keeping with the intent of the Federal statute requiring labelers to remit rebate payments based on accurate pricing data.

Please be reminded that you are required to remit rebate payments for the current quarter using the correct pricing data.

If you discover an error in the pricing data but cannot submit the corrected data to HCFA before the URA is calculated and sent to the States, you are responsible for calculating the correct URA and remitting rebate payments accordingly. This procedure avoids the generation of unnecessary PPAs. We have asked the States to make every effort to accommodate this procedure to avoid unnecessary PPA entries by everyone involved. Along with your rebate payment, please remember to report an adjustment code for the URA change or submit a written explanation of the change.

Any corrected pricing data you use to calculate current quarter rebates but have not sent to HCFA must be sent with or prior to the next quarter's pricing submission. PPA verification records (types 2 and 3) will be included on the next quarterly tape to the States.

#### COMPUTER VIRUSES ON DISKETTES

We highlighted the problems we have been experiencing with computer viruses on quarterly pricing diskettes in Release Number 16.

If anything, this situation got WORSE with the 95-2 quarterly data submissions. Not only are we spending valuable down time on our computers during our most critical period of the quarter, but you run the risk of not getting your data resubmitted on a clean diskette before the cut-off, thus having your pricing data missing for the URA calculation and tape mail-out to States.

Please remember to do a virus check on your diskettes EACH QUARTER before submitting them to us. Failure to do this, thereby submitting "contaminated" diskettes to HCFA, results in noncompliance with the Drug Rebate Program.

#### LABELER DESK TOP TRAINING GUIDE

The Medicaid Drug Rebate staff is beginning to develop a desk top training guide for labelers. This guide will contain comprehensive information ranging from program orientation to policy/coverage/payment issues, all operational processes, and dispute resolution. We welcome any suggestions you may have regarding items for inclusion in the guide, specifically any areas which you feel require very detailed instructions. You may send your suggestions to the post office box used for all other drug rebate mailings.

WEEKLY U.S. TREASURY BILL DISCOUNT RATES

Attached is the latest listing of the 90-day treasury bill auction rates from January 3, 1995 through August 14, 1995. These rates are to be used to calculate interest owed States on overdue rebates.

TOPIC INDEX

For your convenience, also attached is a topic index of all items covered in prior releases.

Please direct your drug rebate questions to a staff member on the listing provided.

Larry Reed  
Technical Director  
Office of Medical Services  
Medicaid Bureau

3 Attachments

cc:

All Regional Administrators

All Associate Regional Administrators Division of Medicaid