August 12, 1996

MEDICAID DRUG REBATE PROGRAM Release No. 23

* * * IMMEDIATE ATTENTION REQUIRED * * *

NOTE TO: All Participating Drug Manufacturers

HANDS-ON TRAINING

In our last release, we requested that you complete a survey regarding hands-on training, if you were interested, where would you like it to be held, when, etc. There was about a 25% response to this survey; Western State companies asked for Denver as a training site, and Eastern State companies favored Baltimore or New Jersey.

Based on the survey, travel allocations, one-site hotel and conference availabilities during "non-peak" periods of the next few quarters, etc., it appears that hands-on training, at least for the present, is going to be shelved. Later this year (around October), the operations training guide will be completed and sent to each of you. Although this is not as good as the guide AND hands-on training, it is the best we can offer at the moment. We hope that training will be available sometime during the first six months of Calendar Year 1997. For more information, please call Vince Powell on (410) 786-3314 or Sue Williams on (410) 786-3334.

CHANGING DRUG CATEGORY FOR SPECIFIC QUARTERS FORWARD

It has come to our attention that a repackager can encounter a situation where the Drug Category of a specific NDC can change from/to "N" and require the URA to be calculated under those rules from that quarter forward, rather than corrected back to the start of the program or Market Date of the product. This situation will occur when the repackager, who has been buying

from the Innovator of the product, and pays rebates based on the "S/I" calculation, begins to buy from a Non-Innovator. The repackager does NOT change NDC numbers for this product; however, he should only (from this quarter forward) be required to pay rebates based on the "N" calculation. Likewise, the repackager should begin paying at the "S/I" calculation level when the reverse is true.

Beginning IMMEDIATELY, if you are a repackager and encounter this situation, Drug Category changes FOR THIS SITUATION ONLY, MUST be documented and mailed or faxed to HCFA FOR MANUAL INPUT. DO NOT submit the Drug Category change through the "regular" process. Doing this will cause the system to "assume" that this is a CORRECTION and will recalculate URAs back as far as product history exists, in turn generating PPAs to the States. If you have any questions, please call Vince Powell on (410) 786-3314. Also, please send these changes to Vince's attention. When faxing, please use (410) 786-0390.

VERMONT REBATE INVOICES

Background

The State of Vermont received approval for a Section 1115 waiver effective on January 1, 1996. Many States, including Vermont, use this 1115 demonstration authority to see if the addition of more State residents to the Medicaid rolls can be done under a capitated payment arrangement without increasing the amount of State and Federal dollars they are already spending. Capitated payment arrangements usually involve a State contracting with one or more Heath Maintenance Organizations (HMOs) or Managed Care Organizations (MCOs) to furnish complete or selected health services to all or part of its Medicaid beneficiaries for a set capitation rate. Generally, if outpatient drug services are included in the capitation rate, the State no longer qualifies to submit rebate invoices for payment.

Vermont elected to maintain its outpatient drug services in a fee-for-service arrangement in order to continue receiving rebates from participating drug labelers. Additionally, they added two new groups of beneficiaries to the State Medicaid rolls. One of these two new groups must pay a large percentage of the prescription costs. This means that the State reimbursement data for selected drugs can result in a lower than expected unit acquisition cost. We are alerting drug companies of this situation so as to avoid additional and unnecessary disputes based on State acquisition cost data.

Current Situation

Invoices from the State of Vermont for the 1-96 calendar quarter contain, in many cases, multiple line items for the same National Drug Codes NDC(s). This was done so that disputes for any of the three classes of Medicaid beneficiaries could be accurately tracked by State personnel. This unannounced format change has proven to be extremely difficult to process by drug labelers with automated systems that can only accommodate one entry per NDC.

Action Plan

Since many drug labelers have paid the 1/96 invoice, Vermont informed HCFA that it will contact the remaining drug labelers to ascertain whether they need the regular format of the invoice in order to generate rebate checks. If the established invoice format is required, the State of Vermont will generate a new, standard rebate invoice format. The clock for computing interest on invoices in this category is to be re-set to the date Vermont sends its new invoice for the 1/96 quarter. Rebate invoices for the 2/96 calendar quarter will be generated using the standard format. Questions concerning this item should be referred to Al Beachley at (410) 786-3276 or Vince Powell at (410) 786-3314.

OTHER ATTACHMENTS

Copies of the topic index and the latest listing of the 90-day treasury bill auction rates for the period of September 5, 1995 through July 29, 1996 are attached.

Please remember to direct your drug rebate questions to a staff member on the listing we provided with release number 18.

Sally K. Richardson
Director
Medicaid Bureau

2 Attachments

cc:

All Regional Administrators
All Associate Regional Administrators, Division of Medicaid