



APR 28 1997

7500 SECURITY BOULEVARD
BALTIMORE MD 21244-1850



MEDICAID DRUG REBATE PROGRAM Release No. 28

* * * IMMEDIATE ATTENTION REQUIRED * * *

NOTE TO: All Participating Drug Manufacturers

BEST PRICE (BP) AND AVERAGE MANUFACTURER PRICE (AMP) CALCULATIONS
FOR PHARMACY BENEFIT MANAGERS (PBMs)

Previously, PBMs were instrumental in establishing and managing drug formularies for third party customers. Now, manufacturers have developed a myriad of arrangements whereby specific discounts and other chargebacks or rebates are paid to the PBM who, in turn, passes these on to the purchaser. In such situations to the extent the discounts, chargebacks or rebates paid to the PBM to subsequently adjust drug prices, they should be included within the best price calculations. Where the effect on the manufacturer for using the PBM is to adjust actual drug prices at the wholesale or retail level of trade, such adjustments need to be recognized in best price calculations.

To the extent manufacturers are offering PBMs lower drug prices at the wholesale or retail level of trade, these lower prices should be recognized in the best price calculations. Best price is based on the lowest price available to any entity except those excluded under the statute or rebate agreement. Therefore, where the use of the PBM by manufacturers establishes lower prices, these lower prices should be reflected in best price calculations. However, we do acknowledge that there are many PBM/manufacturer arrangements and that only those that adjust actual drug prices will be captured in best price calculations.

Drug prices to PBMs have no effect on the AMP calculations unless the PBM is acting as a wholesaler as defined in the rebate agreement.

DISKETTE USERS - WINDOWS VERSION ONLY

When you have a product that is to be terminated, you must supply pricing data for four quarters beyond the termination date. We discovered that the WINDOWS VERSION of the MDRI diskette system, just recently released, will NOT bring a record into the pricing screen once it is past the termination date. This is a problem; it has been corrected here and it will be included in the next release of the MDRI diskette system in the near future, along with millennium changes. Please understand that this does NOT mean that you should leave these records out of your quarterly pricing submission. Until the new version is released, please include a separate list of your terminated NDCs (those that require pricing) with the proper AMP/BP information along with your diskette containing all "normal" pricing. There is a version of the executable module that contains a fix for this problem. If you wish the corrected version, it is available and can be downloaded from the HCFA home page through the internet. It is called MDRIEXE.EXE. This will only correct the termination date problem. The millennium changes are NOT included. That will be out later. AGAIN, please note this is for WINDOWS DISKETTE USERS ONLY. Labelers using the DOS version should ignore this message.

Questions should be directed to Vince Powell on (410) 786-3314 or Judy Allison on (410) 786-3330.

LABELER USE OF ROSI/PQAS FORMS

In labeler release #22, dated June 12, 1996, we stated that use of these forms was mandatory starting in the first quarter of 1997. This means that submission of 4Q96 rebates to States is the quarter in which these forms are to be used. There may be some misunderstanding in this area. Not all labelers have been able to use these for 4Q96 rebates. Because there have been some problems in implementing the use of these forms, we have granted a one quarter grace period. If you are not able to use the ROSI/PQAS forms this quarter, please submit your rebates to States as you did before with a letter explaining that you have not, as yet, been able to institute the use of these forms. In this case, please understand that your rebate payments for 1Q97, due to States during the second quarter of 1997, will be the quarter that your use of these forms will be mandatory.

DISPUTE RESOLUTION PROJECT (DRP) MEETINGS IN DENVER

DRP meetings will be continuing in Denver during this fiscal year. We have meetings planned for the weeks of July 7 and September 15. If you would like to consider taking part in or

receiving information about any of these meetings, please complete the attached form and either FAX or mail it to Diane Dunstan, Denver Regional Office (RO) Drug Rebate coordinator. The FAX number and mailing address are on the form. Please understand, completing this form in no way obligates you to attend these meetings. After getting information about the meetings and States involved from Diane, whether you do or do not wish to attend is entirely up to you. Anyone interested should submit this form to Diane as quickly as possible. Each weekly session will allow for a maximum of four drug companies. The Denver RO is responsible for the entire Western consortium. This is an opportunity for settling disputes with a large number of States utilizing only one visit to Denver. At the present time, we cannot guarantee meetings in Denver beyond this fiscal year. Diane can be reached at (303) 844-6149, extension 222.

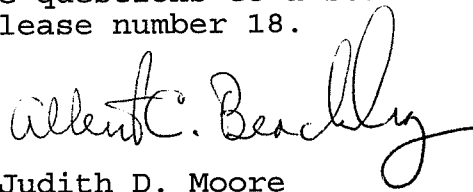
REBATE LIABILITY ON HEALTH MAINTENANCE ORGANIZATION FEE FOR SERVICE DRUG CLAIMS

It has come to our attention that at least one manufacturer has disputed all rebate claims from some States on drugs dispensed to HMO-covered Medicaid recipients. We are taking this opportunity to advise manufacturers (and States in our next release) of our policy on this issue. Medicaid rebates are not due on drugs for which payment is included under a capitated program. Rebates are due, however, if a State Medicaid agency reimbursed the pharmacy on a fee-for-service basis for any portion of a drug claim, including Medicaid claims on drugs for HMO-covered Medicaid recipients.

OTHER ATTACHMENTS

Copies of the topic index and the latest listing of the 90-day treasury bill auction rates for the period of July 1, 1996 through April 21, 1997 are attached.

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

for 
Judith D. Moore
Acting Director
Medicaid Bureau

3 Attachments

cc:

All Regional Administrators

All Associate Regional Administrators, Division of Medicaid

DISPUTE RESOLUTION MEETINGS
DENVER, COLORADO
(WEEK OF) JULY 7 AND SEPTEMBER 15

I am interested in information regarding the Dispute Resolution meetings during the weeks of July 7 and/or September 15, 1997. I understand that completing this form does not obligate me or my company in attending any meetings.

NAME: _____

PHONE NUMBER: _____

COMPANY: _____

LABELER CODE(S): _____

I AM INTERESTED IN:

JULY: _____

SEPTEMBER: _____

PLEASE FAX TO: DIANE DUNSTAN (303) 844-3753

OR MAIL TO: DIANE DUNSTAN
Drug Rebate Coordinator
Division of Medicaid
Federal Office Bldg. Room 576
1961 Stout Street
Denver, CO. 80294-5358