

November 30, 1994

MEDICAID DRUG REBATE PROGRAM

Release Number 45

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

NOTE TO: All State Medicaid Directors

CLARIFICATION OF TOLERANCE THRESHOLD

In the Medicaid Drug Rebate Program Release Number 44, we informed all State Medicaid Agencies of the establishment of a \$50 tolerance level, per labeler, for States to use in processing adjustments to rebate amounts due to changes in utilization data. At the request of many States, the \$50 tolerance level per labeler will also apply to initial rebate invoices. Therefore, effectively immediately, in any quarter States may choose not to invoice a manufacturer for rebate amounts of \$50 or less per labeler.

Any application of these tolerance thresholds is optional for States; that is, any State may choose to invoice a manufacturer for amounts at or below the tolerance level or process any quarterly adjustment based on utilization changes at or below the threshold as well.

If the tolerance is applied, however, the State must maintain documentation which clearly identifies the manufacturer's labeler code, the drug involved (NDC), the applicable quarter, and the amount to which the tolerance is applied.

STAGES OF THE DISPUTE RESOLUTION PROCESS

Stages of the Dispute Resolution Process (attached) have been designed to provide general guidelines and time-limits associated with the dispute resolution process. We still stress the importance of open communication between both parties and keeping the Regional Office Drug Payment Coordinators involved.



\_\_\_\_\_ Did you enclose a copy of the confirmation letter with the tape and is it being sent to the correct address?

Health Care Financing Administration  
Attention: Tape Library  
Lyon Building  
7131 Rutherford Road  
Baltimore, Maryland 21207

\_\_\_\_\_ If you re-used a HCFA tape/data cartridge, did you remember to remove all HCFA external labels?

Please adjust your current process to comply with the preceding checklist. If these standards are not met, the tape librarians will not be able to determine that these are utilization tapes. All unrecognizable tapes/data cartridges are erased by tape library personnel and made available for reuse. If you have any serious problems meeting these requirements, please contact Brian Edwards at (410) 597-3871.

**NEW LABELERS**

The following labelers have entered into drug rebate agreements and will join the rebate program on January 1, 1995:

Innecare (Labeler Code 53723);

Highland Packaging Company (Labeler Code 55782);

Wide River Chemical, Incorporated (Labeler Code 57610);

Astra/Merck Group of Merck & Company (Labeler Code 61113); and

Trinity Technologies Corporation (Labeler Code 61355).

**LABELER TERMINATIONS**

Almay, Incorporated (Labeler Code 00311) has voluntarily requested termination from the program which will be effective on January 1, 1995.

Auro Pharmaceuticals, Incorporated (Labeler Code 55829) is involuntarily being terminated from the program effective January 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 January 3, 1994 through November 28, 1994 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

4 Attachments

cc:

All State Technical Contacts

All Regional Administrators

All Associate Regional Administrators Division of Medicaid