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.

TIMELY RECEIPT OF UTILIZATION TAPES AND NOTICES OF MAILING

Factor 28 of the System Performance Review (SPR) program is concerned with grading the States on the timely submission of both the quarterly utilization tapes and notices of mailing. Both items are to be submitted within 90 days after the end of each calendar quarter in order to obtain points for factor 28.

In our release number 30 dated July 16, 1993, we discussed this same issue and included a checklist which we are including, again, with this release. Please ensure that your confirmation letters include the volume serial number and date that each tape or data cartridge was sent.

Finally, we are enclosing a listing that displays the processing dates for the tapes received from the 1/91 through the 2/94 calendar quarters.

MEDICAID DRUG REBATE PROGRAM STATE UTILIZATION TAPE SUBMISSION PROCEDURES

The HCFA tape library receives a large quantity of tapes from many outside sources. To ensure that your tape/data cartridge is received and processed correctly, please follow the checklist below: Is the correct naming convention used for the dataset on tape? DRUG.REBATE.Uqyy.xx where q = quarteryy = year xx = State abbrev.DO NOT USE FOREIGN.CART.DRqyy.xx or FOREIGN.TAPE.Drqyy.xx! Is there an external label on the tape indicating that it is a drug rebate tape? (A label with a dataset name containing "DRUG.REBATE" will take care of this requirement). Did you generate a confirmation letter indicating the file name, volume serial number and date the tape/data cartridge was sent? Is this letter being sent to the correct address?

> Health Care Financing Administration 2-A-1 Security Office Park Building Attention: Brian Edwards 6325 Security Boulevard Baltimore, Maryland 21207

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:

Innercare (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