

August 16, 1995

MEDICAID DRUG REBATE PROGRAM

Release Number 53

* * * IMMEDIATE ATTENTION REQUIRED * * *

NOTE TO: All State Medicaid Directors

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, please adopt the following changes 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. You need not indicate this information with each submittal. A one time notice to labelers is sufficient.
2. When offering explanations of utilization changes, be as brief as possible to avoid confusion.

As a reminder, please submit invoices to labelers in the required format and submit utilization changes, by quarter, on a separate invoice page.

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.

The workgroup also reviewed the methods of processing PPAs and the associated problems. As a result of this review, the instructions for processing PPAs contained in State Release Number 14 are hereby revised.

EFFECTIVE IMMEDIATELY, DO NOT INITIATE ANY PPAs TO THE LABELERS. This function is no longer the responsibility of the State. The responsibility for initiating PPAs rests with the labelers. All labelers are being instructed to 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 to require labelers to remit rebate payments based on accurate pricing data.

Please note that labelers are required to remit rebate payments for the current quarter using the correct pricing data. If a labeler discovers an error in the pricing data but cannot submit the corrected data to HCFA before the URA is calculated and sent to the States, the labeler is required to calculate the correct URA and remit rebate payments accordingly. In this instance, the State will receive a rebate amount different from that invoiced, along with an adjustment code explaining the URA change. Please make every effort to accommodate this procedure to avoid unnecessary PPA entries by everyone involved. The tape received by States in the following quarter will verify these types of changes.

NEW LABELERS

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

AP Pharmaceuticals, Incorporated (Labeler Code 00409),

Keene Pharmaceuticals, Incorporated (Labeler Code 00588),

Harmony Laboratories, Incorporated (Labeler Code 52512),

Liquipharm, Incorporated (Labeler Code 54198),

Accumed Pharmaceuticals, Incorporated (Labeler Code 60876); and

Optimum Pharmaceuticals LLC (Labeler Code 61298).

LABELER TERMINATIONS

American Pharmaceutical Company (Labeler Code 00084) has requested termination from the rebate program effective October 1, 1995.

Logen Pharmaceuticals (Labeler Code 00820) is being terminated effective October 1, 1995 for failure to submit pricing data.

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, 1995 through August 14, 1995 are attached.

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 State Technical Contacts
All Regional Administrators
All Associate Regional Administrators Division of Medicaid

HCFA'S MEDICAID DRUG REBATE STAFF

<u>Staff Member</u>	<u>Responsibilities</u>	<u>Area Code 410 Telephone</u>
<u>P O L I C Y</u>		
Estelle Chisholm	PHS Drug Pricing Rebate Regulations AIDS Drugs/Issues	786-3286
Experimental Drugs	Treatment Investigational New Drugs	
Sue Gaston	Coverage/Policy Issues Dispute Resolution VHCA/Formulary Regulations Federal Upper Limits	786-6918
Mike Keogh	Dispute Resolution General Policy Issues	786-5910
Larry Reed	Technical Director	786-3325
<u>O P E R A T I O N S</u>		
Judy Allison	Receipt of Quarterly Diskettes Labeler/State Contact Changes	786-3330
Al Beachley	Technical Director	786-3276
Christene Holmes	File Maintenance for AMP Reports/Disks	786-3328
Dan McCarthy	Reports to Congress Quarterly Tapes Status State/Labeler Releases	786-2079
Vince Powell	Prior Period Adjustments Pricing/Product File Elements Quarterly Pricing Reports Quarterly Edit Reports Overall Operational Issues	786-3314
Linda Rudolph	CPI-U Values Pricing Data State/Labeler Contact Changes	786-3317
Sue Williams	RAR Workgroup Forms Requirements	786-3334
<u>D U R</u>		
Christina Lyon		786-3332
Altamease Arnold		786-5907

HCFA's MEDICAID DRUG REBATE STAFF

<u>Staff Member</u>	<u>Responsibilities</u>	Area Code 410 <u>Telephone</u>
<u>O T H E R</u>		
Patty Manger	Secretary	786-5917
Drug Rebate FAX		786-0390

Our mailing address remains as: P.O. Box 26686
Baltimore, Maryland 21207

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