

November 28, 1995

MEDICAID DRUG REBATE PROGRAM

Release Number 56

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

NOTE TO: All State Medicaid Directors

HCFA's IMPLEMENTATION OF FINAL DECISIONS OF THE REMITTANCE ADVICE REPORT (RAR) WORKGROUP

The RAR Workgroup has completed its tasks and HCFA hereby implements the workgroup's final recommendations.

1. **PRIOR PERIOD ADJUSTMENTS (PPA)** - A workgroup decision was previously implemented in Release Number 53, dated August 16, 1995, regarding PPAs. However, a few States have concerns regarding the revised process for PPAs and its effect on their systems. Some labelers voiced that they would still like to see what the State believes to be PPAs. Although the decision regarding how PPAs are handled has not changed, the workgroup wanted to accommodate both parties. Therefore, States can opt to attach a listing of PPAs to their invoice for informational purposes only. Any dollar amount associated with the PPA listing should NOT be part of the dollars claimed on the invoice. (NOTE: Labelers are not obligated to respond to any PPAs incorporated into the State's invoice.)

This PPA list should match what the labeler submits to you as PPAs, with the following exception. There are instances when the labeler incurs a pricing change, reports it to HCFA as required, but the change is not received by HCFA before the deadline for processing the unit rebate amount (URA) tape sent to you. When this occurs, the PPAs submitted to you by the labelers will not match your records. HCFA's next quarterly tape should be used to verify the PPAs submitted to you by the labeler. **Please remember** that labelers are required to remit rebates using the correct URA.

Any discrepancies between your listing and what the labeler submits to you as PPAs should be discussed with the labeler. Any discrepancies in the URA which can not be settled via discussions with the labeler or review of the HCFA tapes should be directed to HCFA.

2. **RAR** - The RAR has been revised and renamed to better describe its purpose. The form which labelers will use to uniformly notify and explain the remittance of rebate payments to States is now called the Reconciliation of State Invoice (ROSI). The ROSI was developed to accompany the labeler's payment in response to the State's **current quarter invoice only**; therefore, retroactive use of the ROSI is prohibited.

Because the original RAR did not meet the needs of labelers or States regarding prior quarter adjustment activity, and because spacing does not allow for such incorporation on the ROSI, a second form has been developed. This form, the Prior Quarter Adjustment Statement (PQAS) will be used by labelers to uniformly reconcile and explain **prior quarter actions/payments only**. Prior quarter actions include reconciling unit changes received from the State, revising previously disputed units, and PPAs.

Draft copies of the ROSI and the PQAS, their instructions, electronic fields, data element definitions, and adjustment/dispute codes are attached for your information. This material will be sent to all labelers informing them that they may optionally begin using the ROSI and the PQAS until HCFA receives forms approval from the Office of Management and Budget (OMB). Once OMB approval is received, the ROSI and the PQAS will be mandatory.

- a. **PROGRAM DEFINITIONS** - Because there have been varying definitions and uses of the terms "adjustment" and "dispute," the following definitions of these terms are officially adopted. (The official definition of PPAs is contained in Release Number 53.)

Adjustment - A correction in the number of units for any given NDC, or a correction to the rebate per unit (RPU) by the labeler for any given NDC. (NOTE: The terms RPU and URA are synonymous.)

Corrections to the number of units invoiced and the RPU can be made by the labeler for various reasons as described in the Adjustment/Dispute Code list for the ROSI/PQAS.

Corrections to the number of units (utilization changes) can be made by the State via a subsequent invoice. Among other reasons, these changes may be caused by:

1. Pharmacy providers billing on the wrong NDC;
2. Pharmacy providers billing quantity of units improperly; or
3. A programming error.

Corrections to the RPU by the labeler may be caused by such things as:

1. Changes in AMP and/or BP from those previously reported;
2. Price changes incorrectly reported to HCFA; or
3. Zero RPU reported by a State.

Dispute - A disagreement between the labeler and the State regarding the number of units the State invoiced for any given quarter. The actual number of units disputed is the difference between those invoiced by the State and those which the labeler is paying for, after any adjustments.

Disputes are initiated by the labeler for various reasons as described in the Adjustment/Dispute Code list for the ROSI/PQAS. The disputed units must be NDC and reason specific. Dollar amounts associated with disputed units accrue interest. (The Dispute Resolution Process is set forth in State Release Number 45.)

Questions regarding implementation of the workgroup's decisions should be directed to Sue Williams on 410-786-3334.

DRUG LABELER REINSTATEMENTS

Chemrich Laboratories, Incorporated (Labeler Code 10235) and Xactdose, Incorporated (Labeler Code 50962) have submitted missing drug prices for all quarters and signed new rebate agreements. Both labelers' next period of participation in the drug rebate program will begin on January 1, 1996.

NEW LABELERS

The following labelers have entered into drug rebate agreements and will join the rebate program on January 1, 1996:

Akorn Manufacturing Incorporated (Labeler Code 11098);

Purdue Pharma L.P. (Labeler Code 59011);

PolyMedica Pharmaceuticals Incorporated (Labeler Code 61451);

Faulding Pharmaceutical Company (Labeler Code 61703);

Salix (Labeler Code 62022); and

Coloplast Corporation (Labeler Code 62123).

LABELER TERMINATIONS

The following labelers are being terminated effective January 1, 1996 for failure to submit pricing data:

C.O. Truxton, Incorporated (Labeler Code 00463);

Bolan Pharmaceuticals, Incorporated (Labeler Code 44437);

LNK International, Incorporated (Labeler Code 50844);

Henley Healthcare/Division of Maxxim Medical, Incorporated (Labeler Code 57437);

Johnson Laboratories, Incorporated (Labeler Code 58118);

Ampharco USA (Labeler Code 59015);

Topi-Cana Specialty Products (Labeler Code 59197); and

Venture Pharmaceuticals (Labeler Code 59785).

Shionogi USA, Incorporated (Labeler Code 45809) has requested termination from the rebate program. This labeler will terminate effective January 1, 1996.

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 November 20, 1995 are attached.

Please remember to direct your drug rebate questions to a staff member on the listing we provided with release number 53.

Sally K. Richardson
Director
Medicaid Bureau

3 Attachments

cc:

All State Technical Contacts

All Regional Administrators

All Associate Regional Administrators, Division of Medicaid

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(Revised 28 November 1995)

WEEKLY U.S. T-BILL DISCOUNT RATE

The latest weekly 90-day treasury bill auction rates for January 3, 1995 through

DATE OF AUCTION	TRUE DISCOUNT RATE	
01/03/95	5.947	
01/09/95	6.042	01/17/95
7/95	5.909	03/06/95
7/95	5.731	04/24/95
05/01/95	5.922	
05/08/95	5.806	
05/15/95	5.889	05/22/95
3/95	5.702	07/10/95
1/95	5.600	08/28/95
09/05/95	5.463	
09/12/95	5.504	
09/19/95	5.409	09/25/95
10/30/95	5.450	11/06/95
DATE OF AUCTION	TRUE DISCOUNT RATE	
11/20/95	5.503	

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