

February 1, 1996

MEDICAID DRUG REBATE PROGRAM

Release Number 57

* * * IMMEDIATE ATTENTION REQUIRED * * *

NOTE TO: All State Medicaid Directors

OVERPAYMENTS DUE TO AVERAGE MANUFACTURER PRICE (AMP)
RECALCULATIONS

As a result of recalculations of its AMPs and our review of those recalculations, The G.D. Searle Company (labeler codes 00014, 00025, and 00905) has submitted revised AMPs for the first quarter of 1991 through the first quarter of 1995, and will be recovering overpayments from States for excessive rebates paid during those quarters. These recalculations are necessary since the company had failed to properly compute AMP for pricing data prior to the second quarter 1995. In many States, these recalculations resulted in significant overpayments.

Beginning with third quarter 1995 invoices, and on a State-by-State basis, Searle will begin recoupment of the overpayments from current and subsequent quarterly rebates (if necessary) until the overpayments have been recovered. Searle has indicated that it will contact each State representative to inform you of this action and has expressed a willingness to work with individual States to recover the overpayments over several quarters, if necessary, to minimize financial hardship. In the meanwhile, States should continue to invoice Searle for current quarters as usual.

Although we have authorized Searle to revise its AMPs and begin recoupment of overpayments based on the reduced unit rebate amounts, there is an audit of Searle's AMPs underway by the Office of the Inspector General. If the audit reveals that the revised AMPs are unacceptable and that the overpayments were overstated, we will require the company to repay any amounts due the States.

If you have any questions on this particular issue, please call Mike Keogh of the Drug Rebate staff on (410) 786-5910.

HCFA CLOSURE DURING FEDERAL FURLOUGHS

HCFA was included in the recent closure of several Agencies of the Federal Government due to the Congressional/White House budget stalemate. During this period the majority of HCFA personnel were furloughed, NOT on duty and, therefore, unable to answer telephone calls or return messages.

If this or a similar situation occurs in the future, please be aware that we are NOT on the job and cannot assist you. Please leave messages on our voicemail and we will return your calls as soon as we return to work.

REPORTING UTILIZATION CHANGES TO LABELERS

In Release Number 53, dated August 16, 1995, States were asked to inform labelers of the method used to submit utilization changes, i.e., either overlay or +/- . The purpose of this request was to assist labelers in expediting the review and processing of invoices.

To date, only a handful of States have informed labelers of the State's method of reporting unit changes. To simplify your response to labelers, attached is a short form which you can either submit with your next invoice or send separately. Please take a minute to complete the form to help avoid any future confusion in labelers' reviews of unit changes. This form is a one-time submittal to labelers, unless you change your method of reporting utilization changes.

INFORMATION SHARING

HCFA drug rebate staff often receives calls requesting information on subject matters already covered in State releases. (We are not referring to calls requesting clarification of release items.) The major requests are: where do I send something and who do I call for . . . ? We have determined that this problem occurs primarily because information in the releases is not being shared with all personnel responsible for the drug rebate program in your State. Unfortunately, HCFA can accommodate only one name per State (in addition to the State Medicaid Director) to receive releases. Therefore, it is important that you share the releases, or specific release items, with those in your State who are responsible for the subject matters at hand. In particular, if you have not already done so, please share release number 53, which lists HCFA's drug rebate staff/phone numbers.

Your cooperation in this matter is appreciated and will assist everyone in better managing their time and workloads.

ADDITIONAL ADJUSTMENT CODE FOR FORMS HCFA-304 AND HCFA-304a

In release number 56 we provided, for your information, draft copies of the Reconciliation of State Invoice (ROSI), Form-304, and the Prior Quarter Adjustment Statement, Form-304a. These forms were developed for labelers' responses to State invoices. Appendix C to these forms lists adjustment/dispute codes. This is to inform you that we are adding an adjustment code "I" to that list. This code will read, "Rebate per unit amount adjusted through correspondence between labeler/State. USE THIS CODE ONLY in instances where the State has reported a rebate per unit that does not reflect an amount based on pricing data reported by the labeler, and adjustment code A is not applicable."

This adjustment code is being added at the request of labelers who are receiving invoices containing rebate per unit amounts that do not reflect any pricing data reported to HCFA. Adjustment code I is being incorporated in HCFA's request to the Office of Management and Budget (OMB) for approval of forms 304 and 304a.

Due to the revised process for requesting OMB form approval and the recent government shutdown affecting HCFA, we do not expect OMB approval of forms 304 and 304a before April 30. Once OMB approval is received, HCFA will determine the implementation period necessary for these forms. However, we will not require labelers to implement sooner than one quarter after approval. Please keep in mind that labelers may begin using these forms voluntarily anytime before OMB approval.

LABELER CODE CORRECTION

HealthPoint Medical (a division of DPT Laboratories) submitted the wrong labeler code (00640) with their drug rebate agreement. HCFA records now show labeler code 00064 as the correct identification for HealthPoint Medical. This company anticipates launching its first drug product in January. Please change your identification for this company to reflect the corrected labeler code.

NEW LABELERS

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

Propharma, Incorporated (Labeler Code 50313),

Dayton Laboratories (Labeler Code 52041),

Apothecus Pharmaceutical Corporation (Labeler Code 52925),
VersaPharm Incorporated (Labeler Code 61748),
The Liposome Company, Incorporated (Labeler Code 61799), and
Gilead Sciences, Incorporated (Labeler Code 61958).

Labeler Code 00053 (formerly known as Armour/Behring) is now part of a joint venture with a foreign company; the company holding this labeler code will now be known as Centeon. All contact information remains the same.

LABELER TERMINATIONS

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

Innotek, Incorporated (Labeler Code 58551),
Allied-Med, Division of Pharmed Group (Labeler Code 58859),
U.S. Apothecary Labs dba Crown Labs (Labeler Code 59403),
Commons Bros., Incorporated (Labeler Code 59501),
Biodevelopment Corporation (Labeler Code 59527),
TMK Pharmaceuticals (Labeler Code 59582),
Horizon Pharmaceuticals, Incorporated (Labeler Code 60904),
and
Circa Pharmaceuticals, Incorporated (Labeler Code 71114).

Reed and Carnrick (Labeler Codes 00021 and 55372) which is owned by Block Drugs has requested to be terminated from the program effective April 1, 1996. Many of their drug products were purchased by Schwarz Pharma and are being marketed under Labeler Code 00091. Rebate invoices for Labeler Codes 00021 and 55372 are being processed by Schwarz Pharma. Questions relating to the drug products can be referred to Christine Marsh of Schwarz Pharma at (414) 238-5417.

OTHER ATTACHMENTS

Copies of the topic index and the latest listing of the 90-day treasury bill auction rates for the period of June 5, 1995 through January 29, 1996 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

WEEKLY U.S. T-BILL DISCOUNT RATE

The latest weekly 90-day treasury bill auction rates for June 5, 1995 through January 29, 1996 are:

DATE OF AUCTION	TRUE DISCOUNT RATE
06/05/95	5.649
06/12/95	5.744
06/19/95	5.628
06/26/95	5.512
07/03/95	5.702
07/10/95	5.566
07/17/95	5.628
07/24/95	5.640
07/31/95	5.607
08/07/95	5.578
08/14/95	5.587
08/21/95	5.600
08/28/95	5.504
09/05/95	5.463
09/12/95	5.504
09/19/95	5.409
09/25/95	5.293
10/02/95	5.504
10/10/95	5.471
10/16/95	5.483
10/23/95	5.376
10/30/95	5.450
11/06/95	5.525
11/13/95	5.599
11/20/95	5.503
11/27/95	5.438
12/04/95	5.450
12/11/95	5.463
12/18/95	5.306
12/26/95	5.054
01/02/96	5.190
01/09/96	5.178
01/16/96	5.170
01/22/96	5.137
01/29/96	5.157

