June 12, 2003

MEDICAID DRUG REBATE PROGRAM **RELEASE #123**

For State Medicaid Directors

MULTIPLE PACKAGE SIZES – PRICING INCONSISTENCY PROBLEM

The purpose of the National Drug Code, as set up by the FDA, is to identify: 1) the drug company that owns the product, 2) the product code, distinguishing each product individually and 3) each package size the product is distributed in. Since the inception of
the Drug Rebate Program this practice has remained consistent in accordance with Section 1927 of the Social Security Act, the drug rebate agreement, the Operational Training Guide, and labeler releases.

Labelers are required to report information on drug products at the 11-digit level, giving information for each package size. However, these reporting requirements also state that ALL information be consistent for all package sizes of the same product, except for the Units Per Package Size, Product Name, and Termination Date. As set forth in the rebate agreement and the operational training guide, pricing data for the AMP is to be "weighted," and the BP (for "S" and "I" products) is to be the lowest price (per unit) the product was sold for that quarter, regardless of package size.

Beginning with q2/2003, the new software system for the MDRI program will reject inconsistent reporting between package sizes of a product (including quarterly pricing). Labelers were informed about this change to the MDRI program, asked to align their data base where package size data differed, and to send the appropriate corrections to CMS. Currently, most of the inconsistencies have been corrected; however, there are a number of

labelers that have products listed under the same product code but are, in fact, totally different products. Until these are corrected by the labelers, we will generate and send like URA records for all package sizes. The labelers, upon receiving your invoice, should recalculate the URA for each of these different products and send a ROSI to you each quarter. We will NOT send PPA records correcting these the next quarter. These inconsistencies will remain in our system until resolved.

Any questions regarding the above may be directed to a member of the Operations staff listed in section "O" of your Operations Guide.

DELETED NDCs FOR LEADER BRAND PRODUCTS, LABELER CODES 37205 AND 36652

Attached is a list of NDCs at the nine digit level for labeler codes 37205 and 36652 which have been deleted from the MDRI system because they are not rebateable products under the Medicaid Drug Rebate Program. Please do not invoice the labeler for these NDCs.

DISPUTE RESOLUTION PROGRAM (DRP) NATIONAL MEETING - SEPTEMBER 8 – 12, 2003

We are pleased to announce that the next National DRP meeting will be held September 8 – September 12, 2003 in Baltimore, Maryland. This meeting is a continuation of the highly successful meetings held in Denver. Many states and manufacturers have cited these meeting as essential to the resolution of outstanding rebate disputes.

While this meeting is open to all states and manufacturers, we strongly encourage those with significant amounts in dispute to attend. Since we are only having one National DRP meeting this fiscal year, we anticipate high attendance, therefore, we may not be able to accommodate all states and manufacturers that wish to attend the September meeting. We are requesting that, if possible, states plan on arriving in Baltimore in time to attend a "State's-only" meeting with the DRP Team Monday morning September 8th. We will provide details on that meeting later.

As in the past, prior planning is absolutely imperative to the success of these meetings so we are requesting that you register PROMPTLY by completing the registration form on our web page at http://www.cms.hhs.gov/medicaid/drugs/drpmtgs.asp and return it as instructed to Diane Dunstan, Lead Regional Office (RO) DRP Coordinator. Whenever possible, priority scheduling will be afforded those who respond first. We will ensure that we provide adequate DRP staff to conduct the meeting based on your timely

responses. In addition, you should begin planning now in order to obtain accommodations in Baltimore.

More detailed information on the meeting will be forthcoming on our web page, including a list of attendees. If you should have any questions you may contact any of the DRP Team members:

Sue Gaston (410) 786-6918 or sgaston@cms.hhs.gov
Diane Dunstan (303) 844-7040 or ddunstan@cms.hhs.gov
Tami Bruce (410) 786-1519 or tbruce@cms.hhs.gov.

In addition, if at any time you should have any DRP related issues please contact the appropriate RO DRP Coordinator. A list of the RO DRP Coordinators may be found at: http://www.cms.hhs.gov/medicaid/drugs/drpcoor.pdf.

MEDICAID PRESCRIPTION REIMBURSEMENT INFORMATION WEBSITE

A website has been established for Medicaid Prescription Reimbursement Information. This chart outlines the reimbursement methodologies by state that is in the approved state plan - co-pay amounts, dispensing fees, AWP, WAC and if a MAC program is in place. This information will be updated quarterly. The site may be found at http://www.cms.hhs.gov/medicaid/drugs/prescriptions.asp

PHARMACY PLUS DEMONSTRATIONS WEBPAGE

There is a new Pharmacy Plus Demonstrations webpage. This website includes the status of all Pharmacy Plus Demonstrations, a program summary, the template application for submitting a Pharmacy Plus Demonstration, instructions and worksheets for budget neutrality, and sample terms & conditions. The site may be found at www.cms.hhs.gov/medicaid/1115/pharmacyplus.asp.

REINSTATED LABELER

Perrigo Company (Labeler Code 00113) has signed a new rebate agreement and will be reinstated in the drug rebate program effective July 1, 2003.

NEW LABELERS

Labeler Name/Labeler Code	Mandatory Coverage Date	Optional Coverage Date
Tyco Healthcare Group, LP (Labeler Code 08080)	07/01/2003	04/29/2003

ESP Pharma, Inc. (Labeler Code 67286)	07/01/2003	04/28/2003

Contact information for the new/reinstated labelers is attached for your convenience.

TERMINATED LABELERS

The following labeler codes are being voluntarily terminated effective October 1, 2003:

Bayer Corporation (Labeler Codes 00118 and 00192);
Purdue (Labeler Code 00152);
Solvay Pharmaceuticals, Inc. (Labeler Code 00665);
Weeks & Leo (Labeler Code 11383); and
Syntex Laboratories (Labeler Code 18393).

OTHER ATTACHMENT

A copy of the current listing of the 90-day treasury bill auction rates beginning with the period September 24, 2001, is attached.

Please remember to direct your drug rebate questions to a staff member listed in section "O" of the Medicaid Drug Rebate Operational Training Guide.

/s/
Wayne Smith
Acting Director
Finance, Systems and Budget Group
Center for Medicaid and State Operations

4 Attachments
cc:
All State Drug Rebate Technical Contacts
All Regional Administrators

The following nine digit NDCs have been deleted from the Medicaid Drug Rebate Program because they are products which are not eligible for rebate:

37205-0002
37205-0004
37205-0005
37205-0026
37205-0028
37205-0029
37205-0032
37205-0033
37205-0038
37205-0040
37205-0041
37205-0043
37205-0044
37205-0046
37205-0057
37205-0058
37205-0059
37205-0062
37205-0063
37205-0073
37205-0088
37205-0090
37205-0096
37205-0098
37205-0100
37205-0108
37205-0129
37205-0141
37205-0143
37205-0147
37205-0158
37205-0180
37205-0189
37205-0227
37205-0240
37205-0252
37205-0254
37205-0259
37205-0263
37205-0264
37205-0783

36652-0205
36652-0543
36652-3010
36652-3020
36652-3060
36652-5010
36652-5020
36652-5410
36652-5420
36652-6000

37205-0267
37205-0307
37205-0311