

DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
April 8, 1999

MEDICAID DRUG REBATE PROGRAM RELEASE #41

TODAY'S NEWS for Participating Drug Manufacturers

IMPORTANT NOTICE - VERMONT INCREASED UTILIZATION

Effective February 1, 1999, Medicaid pharmacy services will no longer be provided partially through Vermont's Managed Care Program and will be carved out and provided on a fee for service basis under the Medicaid program. Thus, manufacturers should expect an increase in utilization effective February 1, 1999 and the subsequent increase in rebate claims from the State of Vermont. This notice is being provided with the intent of obviating unnecessary disputes based on the increased utilization.

PRIOR PERIOD ADJUSTMENT (PPA) REALIGNMENT EXERCISE WITH STATES

In our state release #87, we informed the states that we would be sending many additional PPA records along with the 4Q1998 Unit Rebate Amount file. We did this because we realized we had been calculating the Unit Rebate Amount (URA) slightly different than we had stated it should be done at the beginning of the program. We were using a floating-point decimal rather than calculating to 7 and rounding to 6 decimal places. We converted our calculation method to that of rounding and thought that by recomputing ALL URAs from the start of the program and sending these PPAs to the states, they could match to their old open NDCs, closing those that matched. In addition, our URA values and yours would match. We instructed the states to NOT reopen old NDCs and send them on to you as a change. It appears that many states did, in fact, open old NDCs that were closed and passed these records to you asking you to review and adjust where possible. These records resulted in balances of from several cents to as high as one dollar.

We are working with States to correct these PPAs and are asking that labelers use the URA calculation method established at the start of the rebate program (i.e., "calculate to 7, round to 6.")

The following paragraph represents our recent instructions to the states asking them to re-close these NDCs and not send you any PPA FYI records. I hope this will clean up most of the chaos caused by this problem. Questions should be directed to Vince Powell on (410) 786-3314.

"In release #87, dated February 9, 1999, you were told about the large number of "old" PPA records you would be seeing on the 4th quarter URA tape. These were for the purpose of URA realignment ONLY. We understand that many states opened these old quarters and included very

small adjustments on invoices because of this. First, please remember that PPAs are NEVER supposed to be used to make adjustments on your invoices. Second, these were to assist you in closing out old, very small outstanding amount issues, due to rounding differences between HCFA and the labelers. Therefore, any URA amounts on your files where the HCFA and labeler URAs match up to the 4th decimal place but are different beyond that, should be closed out; do NOT send PPA FYI records to the labelers."

URA DISCREPANCY REPORT

As mentioned in release number 37, dated August 14, 1998, we have evaluated the number of corrections related to the URA Discrepancy Report. The report was sent to you for three consecutive quarters beginning with Q21998. Because of the very limited number of corrections received, we are no longer going to send this report to you. We believe that all necessary corrections to baseline information have been made.

ORDERNET EDI FORMAT

HCFA and Sterling Commerce are working to notify labelers that use ORDERNET EDI format to transmit quarterly data to HCFA. As you may already know, the ORDERNET EDI format, also known as the NWDA fixed format, is not able to handle Year 2000 data. Sterling Commerce offers four options to make your transition to another data format as simple as possible. The contact person and phone number at Sterling Commerce is Lori Brofford 614-793-7083.

CPI-U VALUE TABLE FOR YOUR RECORDS

Attached please find a table showing CPI-U values for all months from September, 1990 (benchmark CPI-U) through December, 1998. Please keep for future reference.

OTHER ATTACHMENTS

A copy of the topic index and a current listing of the 90-day treasury bill auction rates for the period beginning September 15, 1997 are 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.

Sally K. Richardson
Director

cc:

All Regional Administrators
All Associate Regional Administrators, Division of Medicaid