

Unit Rebate Amount (URA) Calculation for Single Source or Innovator Multiple Source Drugs

The Centers for Medicare & Medicaid Services' Medicaid Drug Rebate (MDR) system calculates the unit rebate amount (URA) using the labeler's reported pricing. The specific methodology used is determined by law and depends upon whether a drug is classified as single source ("S" drug category), innovator multiple source ("I" drug category), non-innovator multiple source ("N" drug category), a clotting factor drug (CF), or an exclusively pediatric drug (EP).

Definition of Baseline AMP and Baseline CPI-U

A drug's Baseline AMP and Baseline CPI-U values vary depending upon the drug's Market Date. The current definitions for both the Baseline AMP and the Baseline CPI-U follow:

Baseline AMP* – The AMP for the first quarter after the drug's Market Date.

Baseline CPI-U* – The CPI-U for the month prior to the first quarter after the drug's Market Date.

* Please note that this methodology is applied to drugs with Market Dates of October 1, 1993 or greater.

Definition of Quarterly CPI-U

The quarterly CPI-U is equal to the CPI-U value of the month prior to the quarter being calculated.

URA Calculation Example for "S" or "I" Drugs (That Are Not CF or EP Drugs)

Product "X" Baseline AMP = 0.277450
Product "X" Quarterly AMP = 0.311824
Product "X" Quarterly BP = 0.267440
Product "X" Baseline CPI-U = 151.6
Quarter "X" Quarterly CPI-U = 175.0

Step 1 – Basic Rebate Calculation

- The basic rebate amount for S/I drugs is the greater of AMP minus BP or AMP times 23.1%.
- The basic rebate amount for S/I drugs with an EP indicator is the greater of AMP minus BP or AMP times 17.1%.
- The basic rebate amount for S/I drugs with a CF indicator is the greater of AMP minus BP or AMP times 17.1%.

Formula: Basic Rebate Amount = the greater of the Quarterly AMP x 23.1% or the Quarterly AMP – the Quarterly BP

- Quarterly AMP x 23.1% = $0.311824 \times 0.231 = 0.0720313440$
- This value is rounded to 7 places = 0.0720313
- Quarterly AMP – Quarterly BP = $0.311824 - 0.267440 = 0.044384000$
- This value is rounded to 7 places = 0.0443840
- The greater of the two results (i.e., 0.0720313 and 0.0443840) is 0.0720313 ; therefore, the Basic Rebate Amount equal 0.0720313

Step 2 – Additional Rebate Calculation

Formula: (Baseline AMP / Baseline CPI-U) x Quarterly CPI-U

- Baseline AMP / Baseline CPI-U = $(0.277450 / 151.6) \times 175 = 0.3202675396$
- This amount is rounded to 7 places = 0.3202754
- Compare the additional rebate amount (0.3202754) to the quarterly AMP (0.311824): if the number is less than the quarterly AMP, subtract it from the quarterly AMP to determine the additional rebate amount; if the number is equal to or greater than the quarter's AMP, the additional rebate amount is equal to zero.
- In this example, 0.3202754 is greater than 0.311824 ; therefore, the Additional URA = 0.000000

Step 3 – Total Rebate Calculation

Formula: Total Rebate Amount = Basic Rebate Amount (Rounded to 7 Places) + Additional Rebate Amount (Rounded to 7 Places)

- Basic Rebate + Additional Rebate = $0.0720313 + 0.000000 = 0.0720313$
- This amount is rounded to 6 places = 0.072031
- This amount is rounded to 4 places = 0.0720
- Total Rebate Amount = 0.0720

Step 4 – Comparison of Total Rebate Amount to Quarterly AMP

- If the total rebate amount is greater than the quarterly AMP, it is reduced to equal AMP.
- Total Rebate Amount = 0.0720
- Quarterly AMP = 0.311824
- Since the Quarterly AMP is greater than the Total Rebate Amount, the Total Rebate Amount does not change.