

# Unit Rebate Amount (URA) Calculation for Line Extension Drugs with example

## Step 1: Calculate Standard URA = Basic URA + Additional URA

Basic URA is the greater of Average Manufacturer Price (AMP) minus Best Price or AMP times 23.1%

To calculate Additional URA: divide baseline AMP by baseline consumer price index for urban consumers (CPI-U). Multiply the result by the quarterly CPI-U. If this result is equal to or less than the quarterly AMP, then the Additional URA is zero.

## Step 2: Calculate Alternative URA = Basic URA + Product of the quarterly AMP of the line extension drug and the highest additional rebate (calculated as a percentage of AMP) under section 1927 for any strength of the initial brand name listed drug.

The additional rebate ratio for an initial drug is its additional URA divided by its quarterly AMP.

Determine the additional rebate ratio for each potential initial drug. Determine which potential initial drug has the highest additional rebate ratio and multiply that result by the quarterly AMP of the line extension drug.

## Step 3: Determine the URA for the line extension drug = Greater of (1) Standard URA or (2) Alternative URA.

## Step 4: Determine if the URA is greater than 100 percent of the Quarterly AMP

- a. If the URA is greater than or equal to 100 percent of the Quarterly AMP, then the URA = Quarterly AMP (consistent with section 1927(c)(2)(D) of the Act.)
- b. If the URA is less than 100 percent of Quarterly AMP, then use the URA.

## Example

Note: AMP and Best Price are 6 places to the right of the decimal point  
CPI-U is 3 places to the right of the decimal point

- Baseline average manufacturer price (AMP) (line extension) = 100.000000
- Quarterly AMP (QAMP) (line extension) = 300.000000

- Best price (line extension) = 250.000000
- Baseline consumer price index for all urban consumers (CPI-U) = 170.000
- Current Quarterly CPI-U = 200.000

## Step 1: Calculate Standard URA

### (Basic Rebate Amount + Additional Rebate Amount)

#### A. Basic Unit Rebate Amount is the greater of:

a) Quarterly AMP  $\times$  23.1% =  $300.000000 \times 23.1\% = 69.3000000$  (rounded to 7 decimal places)

b) Quarterly AMP – Best Price =  $300.000000 - 250.000000 = 50.0000000$  (result is zero-padded to 7 decimal places)

The greater of the two results (69.3000000 or 50.0000000) is 69.3000000

Basic Unit Rebate Amount = 69.3000000

#### B. Additional URA = Quarterly AMP – [(Baseline AMP/Baseline CPI-U) $\times$ Quarterly CPI-U]

=  $300.000000 - [100.000000/170.000 \times 200.000]$

=  $300.000000 - 117.6470588$  (Rounded to 7 decimal places) = 182.3529412

Additional URA = **182.3529412**

If the result above is zero or less than zero, then the Additional URA is zero.

#### C. Standard URA = Basic URA + Additional URA

=  $69.3000000 + 182.3529412 = 251.6529412$

Round above result to 6 decimal places

Standard URA = 251.652941

Round above result to 4 decimal places

Standard URA = 251.6529

Standard URA for Line Extension Drug = **251.6529**

## Step 2: Calculate Alternative URA

**(Basic URA + Product of the AMP of the line extension drug and the highest additional rebate (calculated as a percentage of AMP) under section 1927 for any strength of the initial brand name listed drug)**

- Quarterly AMP (line extension) = 300.000000
- Best Price (line extension) = 250.000000

### A. Calculate the Basic URA = the greater of:

a) Quarterly AMP  $\times$  23.1% = 300.000000  $\times$  23.1% = 69.3000000 (rounded to 7 decimal places) or

b) Quarterly AMP – Best Price = 300.000000 – 250.000000 = 50.0000000 (zero-padded to 7 decimal places)

The greater of the two results (69.3000000 or 50.0000000) is 69.3000000

**Basic URA = 69.3000000**

### B. Calculate the Alternative Additional URA

**(Product of the Quarterly AMP of the line extension drug and the highest additional rebate (calculated as a percentage of AMP) for any strength of the initial brand name listed drug.)**

- Additional URA (initial brand name listed drug) strength A = 200.0000000
- Additional URA (initial brand name listed drug) strength B = 125.0000000
- Additional URA (initial brand name listed drug) strength C = 110.0000000

The additional URA value above is rounded from 7 places after the decimal point to 6 places after the decimal point prior to performing the next step in the calculation.

- Quarterly AMP (initial brand name listed drug) strength A = 280.000000
- Quarterly AMP (initial brand name listed drug) strength B = 275.000000
- Quarterly AMP (initial brand name listed drug) strength C = 270.000000

### Calculate additional rebate ratio for initial brand name listed drug(s)

Additional rebate ratio = additional rebate amount for initial brand name listed drug / quarterly AMP of initial brand name listed drug

- Additional rebate ratio strength A =  $200.000000/280.000000 = 0.714285714$  (this result is truncated after the 9<sup>th</sup> decimal place)
- Additional rebate ratio strength B =  $125.000000/275.000000 = 0.454545454$  (this result is truncated after the 9<sup>th</sup> decimal place)
- Additional rebate ratio strength C =  $110.000000/270.000000 = 0.407407407$  (this result is truncated after the 9<sup>th</sup> decimal place)

Select the Initial Drug with the Highest Additional Rebate Amount Ratio = 0.714285714 (Strength A)

- Quarterly AMP of line extension drug × highest additional rebate ratio for any strength of the initial brand name listed drug =  $300.000000 \times 0.714285714 = 214.2857142$  (round result to 7 decimal places)
- Alternative Additional URA = **214.2857142**

### C. Calculate the Alternative URA = Basic Unit Rebate Amount + Alternative Additional URA

$$69.3000000 + 214.2857142 = 283.5857142$$

**Round above result to 6 decimal places**

Alternative URA, Rounded to 6 Places = 283.585714

**Round above result to 4 decimal places**

Alternative URA, Rounded to 4 Places = 283.5857

## Step 3: Determine the Line Extension Drug URA

(Greater of (1) Standard URA or (2) Alternative URA)

The line extension drug's URA = the greater of:

(Step 1) Standard URA = 251.6529 or

(Step 2) Alternative URA = 283.5857

**URA = 283.5857**

## **Step 4: Determine if the URA is greater than or equal to 100 percent of the Quarterly AMP**

**(a. If the URA is greater than or equal to 100 percent of the Quarterly AMP, then the URA = Quarterly AMP (consistent with section 1927(c)(2)(D) of the Act.) b. If the URA is less than 100 percent of Quarterly AMP, then use the URA)**

100 percent of Quarterly AMP =  $100\% \times 300.000000 = 300.000000$

URA = 283.5857

283.5857 is less than 300.000000

**URA is equal to 283.5857**