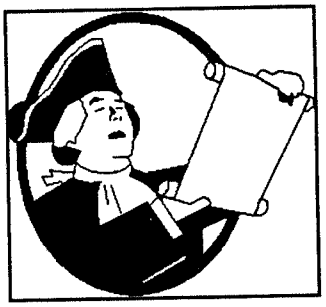
DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

6325 Security Boulevard
Baltimore, MD 21207

APR. 16, 1991

MEDICAID DRUG REBATE PROGRAM Release No. 03



NOTE TO: All State Medicaid Directors

* * * * IMMEDIATE ATTENTION REQUIRED* * * *

Two more drug companies submitted incorrect labeler codes to us on their signed rebate agreements. The companies are SmithKline Beecham and Cetus. The following changes should be made to the list of approved labeler codes for the period beginning January 1, 1991:

- SmithKline Beecham - correct code is 00766 not 07660;
- Cetus - correct code is 00702 not 07020.

Both companies are submitting revised signed agreements.

In response to an alert from the First Data Bank (FDB), we want to clarify the following issues:

- Dupont in Wilmington, Delaware has submitted three additional labeler codes: 00060, 00094 and 00590. They will be effective for the period beginning July 1, 1991.
- Iolab Corporation in Claremont, California (Labeler Code 00058) may share its code with one or more companies. We continue to emphasize that the labeler code is controlling, not the company name. Additionally, this company is a subsidiary of Johnson and Johnson which is shown as the legal contact for Iolab;
- L. Perrigo in Allegan, Michigan (Labeler Code 00113) may be known as or share its labeler code with OSCO (American Stores); again, the labeler code, not the company name, is controlling; Perrigo is responsible for rebating monies for all outpatient drug products with labeler code 00113;
- Warner-Lambert Company has three labeler codes, including 11370, which has been questioned by FDB. Until further notice, 11370 is a correct labeler code and is not to be confused with a Universal Product Code (UPC) of 12547, suggested by FDB.

We are aware that these labeler code changes will require you to send additional notices to the pharmacy community. All State implementation costs for the Medicaid Drug Rebate Program except those related to Drug Utilization Review and Electronic Claims Management -- for which separate Federal matching rates are provided -- qualify for 75 percent Federal reimbursement in Federal fiscal year (FY) 1991, pursuant to Section 4401(b)(2) of the Omnibus Budget Reconciliation Act of 1990. The same section specifies a match rate of 50 percent after FY 1991. However, any such costs which qualify for Medicaid Management Information System (MMIS) matching rates in accordance with the applicable provision of Part 11 of the State Medicaid Manual will be eligible for MMIS matching rates after FY 1991.

Several drug companies that are not covered until July 1, 1991 report that pharmacies have notified them that orders for their drug products are being cancelled, that their drug products can no longer be dispensed or that they should come and pick up existing inventories at the pharmacies. Please ensure that your pharmacy community understands that this program pertains to Medicaid only. Our concern is that there may be a mistaken belief that Medicaid Program approval is tied to Food and Drug Administration (FDA) approval.

Also, several drug companies which specialize in medical supplies have been told by pharmacies that their supplies are not covered for Medicaid reimbursement since they did not sign the Drug Rebate Agreement. That assumption is not correct. Medical supplies and devices are not "covered outpatient drugs" subject to the Drug Rebate Agreement, and continue to be eligible for Federal funding whenever covered by a State Medicaid program.

We are enclosing the record formats for the data that HCFA will send to each state, and that the States will send to each participating drug manufacturer and to HCFA. The Office of Management and Budget approval numbers appear on each format.

The paper format was developed with the State Systems Technical Advisory Group. It is mandatory, as are the electronic formats; no other formatted listings may be substituted. We are also sending the formats to each participating drug manufacturer so that their data processing departments can prepare to receive the data.

I am including our first technical note to you which highlights a concern shared by many manufacturers involving the Unit Type and Units Per Package Size fields.

The last enclosure pertains to our need to know each State's preference in magnetic media between HCFA and the State. We plan to use magnetic tape or 3480 cartridge until we can find a reliable high speed telecommunications network. **We would appreciate a 48 hour response time for this survey.** The form is to be completed and sent to HCFA via telecopier (fax) at (301) 966-3252. Your quick response will be greatly appreciated.

Please continue to refer your questions to us by calling the Drug Rebate Hotline at (301) 966-3249.

Christine Nye
Director
Medicaid Bureau

5 Enclosures

cc: All Regional Administrators

Form Approved
OMB No. 0938-0582

HCFA RECORD SPECIFICATION
MEDICAID DRUG REBATE DATA
RECORD FORMAT

Source: HCFA
Target: State Agencies

Field	Size	Position	Remarks
Record ID	4	1 - 4	Constant of "01@@"
Labeler Code	5	5 - 9	NDC #1
Product Code	4	10 - 13	NDC #2
Package Size Code	2	14 - 15	NDC #3
Period Covered	3	16 - 18	QYY
Prd. FDA Reg. Name	10	19 - 28	
Drug Category	1	29 - 29	See Data Element Definitions
DESI Indicator	1	30 - 30	See Data Element Definitions
FDA Thera. EQ. CD.	2	31 - 32	See Data Element Definitions
Unit Type	3	33 - 35	See Data Element Definitions
Units Per Pkg Size	10	36 - 45	9999999V999
Rebate Amt. per Unit	11	46 - 56	99999V999999
FDA Approval Date	6	57 - 62	MMDDYY
Date Entered Market	6	63 - 68	MMDDYY
Termination Date	6	69 - 74	MMDDYY
Drug Type Indicator	1	75 - 75	See Data Element Definitions
Correction Flag	1	76 - 76	See Data Element Definitions
Filler	4	77 - 80	

version 1, 2/13

Form Approved
OMB No. 0938-0582

HCFA RECORD SPECIFICATION
MEDICAID DRUG REBATE DATA
RECORD FORMAT

Source: State Agencies
Target: HCFA & Manufacturers

Field	Size	Position	Remarks
Record ID	4	1 – 4	Constant of "01**"
State Code	2	5 – 6	P.O. Abbreviation
Labeler Code	5	7 – 11	NDC #1
Product Code	4	12 – 15	NDC #2
Package Size Code	2	16 – 17	NDC #3
Period Covered	3	18 – 20	QYY
Prd. FDA Reg. Name	10	21 – 30	
Rebate Amt. per Unit	11	31 – 41	99999V999999
Total Units Reimbursed	12	42 – 53	999999999V999
Total Rebate Amt. Claimed	9	54 – 62	9999999V99
No. of Prescriptions	6	63 – 68	999999
Total Reimbursement Amt.	10	69 – 78	99999999V99
Correction Flag	1	79 – 79	See Data Element Definitions
Filler	1	80 – 80	

version 1, 2/13

Form Approved
OMB No. 0938-0582

STATE OF _____

DATE: _____ MEDICAID AGENCY PAGE _____ OF _____

SOURCE: STATE AGENCIES
TARGET: MANUFACTURERS

MEDICAID DRUG REBATE INVOICE

MANUFACTURER: _____ STATE CODE: _____ INVOICE #: _____

ADDRESS 1: _____ PERIOD COVERED: _____

ADDRESS 2: _____

CITY: _____ STATE: _____ ZIP: _____

NDC NUMBER	DRUG NAME	REBATE AMT. PER UNIT	TOTAL UNITS REIMB.	TOTAL REBATE AMT. CLAIMED	NO. OF SCRIPTS	TOTAL REIMB. AMOUNT	COR FLG
TOTALS:				*			

Note:
NDC# = Labeler Code (5)
Product Code (4)
Pkg. Size Code (2)

* Please remit this amount to: _____ Medicaid Agency

Address: _____

_____

Attn: _____

HCFA-R-144

MEDICAID DRUG REBATE PROGRAM

Technical Note 91-01

Several manufacturers have expressed concern that rebate requests from states may be inflated due to the way pharmacies report the quantity of drugs dispensed. This concern revolves around the field, **UNITS PER PACKAGE SIZE,"** where the amount in this field is some value other than "1" (for unbreakable packages).

An example is a 15CC tube of ointment that is sold in the original container only and cannot be dispensed into smaller amounts from this container. The **UNIT TYPE** would be **CC** and the **UNITS PER PACKAGE SIZE** would be 15.

The pharmacist may submit a bill to you in one of two ways depending upon the state in which the pharmacist practices. In one instance, he would bill for **ONE TUBE** , and in the other he would bill for **15CCs**. Both ways are correct; however, the State **must** treat each differently.

In this example, HCFA will provide States with a Unit Rebate Amount per **CC**, and show **UNITS PER PACKAGE SIZE** as 15. When you are billed by and pay pharmacies for a tube, you will use the **UNIT TYPE (CC)** and multiply the total number of tubes you paid for by the value in the **UNITS PER PACKAGE SIZE (15)** to calculate the total number of units for which you paid. e.g. 2 Tubes x 15cc = 30cc.

However, where the pharmacist bills you the actual number of CCs, you must **not** multiply that figure by a Units Per Package Size of 15.

Please ensure that your staff are aware of this situation and properly calculate the total units reimbursed when sending utilization data to the drug manufacturers.

STATES' MAGNETIC TAPE MEDIA

SURVEY

HCFA needs to determine what characteristics the format of drug rebate data will take. HCFA operates in an IBM MVS/XA environment and supports both 3480 cartridge and 1600/6250 bpi round tape media. The use of 3480 cartridge is the more preferable method of transmitting portable media to and from HCFA.

HCFA is interested in your systems capabilities to produce and receive magnetic tape media.

Please complete this questionnaire and return to HCFA.

A. Make and model of your mainframe computer _____

_____

B. Operating System _____

C. Magnetic Tape Media Information

1. Tape Cartridge _____ Yes _____ No

2. Round Tape Reel _____ Yes _____ No

   If Yes to C2: _____ Mini _____ Full Reel

   Tape Density : _____ 1600 bpi _____ 6250 bpi

D. Given a preference, which of the above options would you choose to produce and receive drug rebate data to and from HCFA ?

_____