



TMA UBO Pharmacy Rates Update

Presented by the UBO Support Team

October __, 2008

Agenda

- Pharmacy Rate File Summary
- Background
- Pharmacy Rate File Details
- Communication Activities
- NDC Issue
- Questions

UBO Pharmacy Pricing

- The UBO Pharmacy Rate File does **not** limit availability of pharmaceuticals
- It only establishes what will be charged if billed

Pharmacy Rates Update Summary

- April 2008 Managed Care Pricing File (MCPF) used to set the next rate file that is effective on October 15, 2008
- **New rate file contains 123,513 National Drug Codes (NDCs)**
- Approx 60% of NDC codes are for prescription drugs
- Approx 40% of NDC codes are for Over the Counter (OTC) drugs

Background

UBO Requirement to Use Reasonable Charges

- 32 CFR 220.8 states reasonable charges:
 - “...rates used by the CHAMPUS program to reimburse authorized providers...”
 - (6) “...charges for pharmacy, durable medical equipment and supplies are based on CHAMPUS prevailing rates in cases in which such rates are available, in cases in which such rates are not available, on the average full cost of these items...”
- TRICARE Reimbursement Manual, Chapter 1, Section 15 states, “the allowable charge will be the acquisition cost plus a flat fee¹...the acquisition cost is the Average Wholesale Price as reported by the latest annual Drug Topics Blue Book.”
- ¹ The flat fee is the processing fee paid to the managed care support contractor

Alternatives for Pharmaceutical Acquisition Cost Data

- **Average Wholesale Price (AWP)**
 - Used currently by TRICARE, Medicaid, most Commercial payers and historically by Medicare
 - Data widely available (Red Book, Blue Book)
 - Not defined by law or regulation
 - Does not account for the discounts available to various payers
- **Average Sales Price (ASP)**
 - Used by Medicare and some Commercial payers
 - Does not account for all costs to a pharmacy
 - Lacks transparency and predictability
 - Discourages generic dispensing based on reimbursement

Alternatives for Pharmaceutical Acquisition Cost Data (Contd)

- **Wholesale Acquisition Cost (WAC)**
 - Not defined by law or regulation
 - Not based on actual sales figures or pricing
 - Used currently by some states for Medicaid
 - Under consideration for current TRICARE RFP
 - Does not account for the discounts available to various payers
- **Average Manufacturer Price (AMP)**
 - Defined as average price paid to manufacturers by wholesalers
 - Data will be publicly available and updated monthly
 - Will be used for Medicaid reimbursement of generic drugs
 - Will include a defined calculation methodology

Pharmacy Rate File Details

Chronology of UBO Pharmacy Pricing Methodology

- 2004 & 2005 – Lowest unit measure price of all NDCs within a GSN
 - Plus dispensing fee
- Aug 2006 – Median unit measure price of all NDCs within a GSN
 - Plus dispensing fee
- July 2007 – Median AWP unit measure price of all NDCs within a GSN
 - No dispensing fee
 - Does not include OTCs
- Jan 2008 – Median AWP unit measure price of all NDCs within a GSN
 - No dispensing fee
 - Includes diabetic OTCs only
- October 2008 – Median AWP unit measure price of all NDCs within a GSN
 - No dispensing fee
 - Includes all OTCs

UBO Pharmacy Pricing Methodology

- Uses the **median** AWP unit measure (e.g., per tablet) price of all National Drug Codes (NDCs) within a Generic Sequence Number (GSN) and applies that rate to all of the NDCs within that GSN
 - A GSN is a grouping of all NDCs with the same active ingredient(s), strength, and dosage form
 - When there is no AWP unit measure price for a GSN use the median Prime Vendor Price (PVP) unit measure price
- Does **not** charge a separate dispensing fee
 - The AWP covers our supply, personnel and facility costs
 - Most drug retailers no longer bill dispensing costs separately

Unit Cost of Measure: Market Comparison

Most Frequently Prescribed NDCs in FY07	Average Unit Measure Price for Brands	Average Unit Measure Price for Generics
UBO – April 2008 Rate File	\$2.62	\$2.62
Costco.com	\$2.44	\$1.67
Drugstore.com	\$2.61	\$1.97
CVS.com	\$2.74	\$2.36

Of the top 100 most frequently prescribed drugs (based on NDC) in the Pharmacy Data Transaction Service (PDTs), we were able to obtain unit measure pricing for 56 from all three on-line commercial pharmacies. This table reflects the average unit measure cost for those 56 drugs. The comparison does not include any shipping or handling charges applied by the commercial pharmacies.

Manual Pricing Adjustments

- 6 GSN rates were reset to the Jan 2008 rates due to high pricing variances comparing the Jan2008 and proposed April 2008 rates
- 22 GSN rates were adjusted manually
 - 13 out of the 22 GSN rates had NDCs that used PVP as the only source for pricing
 - GSN rate changes were for intravenous admixtures (15), intravenous injections (3), inhalers (2), and kits (2)
- Major reasons for rate adjustment
 - Wrong package size
 - Different unit of measure

Communication Activities

- Coordinate new rates with TMA Pharmacy Committee
- Brief Resource Management Steering Committee (RMSC)
- Brief UBO Advisory Working Group (AWG)
- Hold open teleconferences for MTF UBO staff and other interested parties regarding the Updated Pharmacy Rates
- Notify DoD Education Activity (DoDEA) as to upcoming rate update
- Publish an article in the UBO Quarterly Newsletter
- Release Pharmacy Price Estimating Tool (PPET) to allow Pay Patients at the MTF to view drug prices so that they can make informed purchasing decisions
- Release new rates package on October 15, 2008
- Other communication activities?

NDC Issue

Brands with available Generics

NDC	GSN	Supplier	NAME	GENERIC
00173045301	018368	PVP	FLONASE 0.05% NASAL SPRAY	FLUTICASONE PROPIONATE
00006074082	016578	PVP	ZOCOR 20 MG TABLET	SIMVASTATIN
00006003144	046941	PVP	FOSAMAX 70 MG TABLET	ALENDRONATE SODIUM
00006074954	016579	PVP	ZOCOR 40 MG TABLET	SIMVASTATIN
00054465025	004222	PVP	ROXICET 5/325 TABLET	OXYCODONE/ACETAMINOPHEN
00006074982	016579	PVP	ZOCOR 40 MG TABLET	SIMVASTATIN
00597003001	029157	PVP	MOBIC 15 MG TABLET	MELOXICAM
00006074054	016578	PVP	ZOCOR 20 MG TABLET	SIMVASTATIN
00088110955	033716	PVP	ALLEGRA 180 MG TABLET	FEXOFENADINE HCL
00074662419	006651	PVP	SYNTHROID 100 MCG TABLET	LEVOTHYROXINE SODIUM
00029600732	008996	PVP	AMOXIL 500 MG CAPSULE	AMOXICILLIN
00088110947	033716	PVP	ALLEGRA 180 MG TABLET	FEXOFENADINE HCL
00009738701	008350	AWP	MOTRIN 800 MG TABLET	IBUPROFEN
00006073582	016577	PVP	ZOCOR 10 MG TABLET	SIMVASTATIN
00597002901	029156	PVP	MOBIC 7.5 MG TABLET	MELOXICAM
00186109005	016599	PVP	TOPROL XL 50 MG TABLET SA	METOPROLOL
00074455219	006649	PVP	SYNTHROID 50 MCG TABLET	LEVOTHYROXINE SODIUM
00029600922	008998	PVP	AMOXIL 250 MG/5 ML SUSPENSION	AMOXICILLIN
00074518219	006650	PVP	SYNTHROID 75 MCG TABLET	LEVOTHYROXINE SODIUM
00310013410	000392	PVP	ZESTRIL 40 MG TABLET	LISINOPRIL
00006054354	040238	PVP	ZOCOR 80 MG TABLET	SIMVASTATIN
00056017290	006562	PVP	COUMADIN 5 MG TABLET	WARFARIN SODIUM

Retail Pricing for Generics

•ZOCOR/SIMVASTATIN

GENERIC NAME	MHS UNIT PRICE	Costco (30)	Costco (100)	CVS (30)	CVS (90)	Drugstore. Com (30)	Drugstore. com (90)
SIMVASTATIN 5 MG	\$ 1.79			\$ 0.92	\$ 0.92	\$ 0.60	\$ 0.48
SIMVASTATIN 10 MG	\$ 2.40	\$ 0.27	\$ 0.13	\$ 0.87	\$ 0.82	\$ 0.67	\$ 0.56
SIMVASTATIN 20 MG	\$ 4.18	\$ 0.32	\$ 0.17	\$ 1.69	\$ 1.61	\$ 0.93	\$ 0.82
SIMVASTATIN 40 MG	\$ 4.18	\$ 0.35	\$ 0.20	\$ 1.69	\$ 1.61	\$ 0.93	\$ 0.84
SIMVASTATIN 80 MG	\$ 4.18	\$ 0.45	\$ 0.27	\$ 1.70	\$ 1.61	\$ 1.10	\$ 1.00

•ZESTRIL/LISINOPRIL

GENERIC NAME	MHS UNIT PRICE	Costco (30)	Costco (100)	CVS (30)	CVS (90)	Drugstore. Com (30)	Drugstore. com (90)
LISINOPRIL 5 MG	\$ 0.81	\$ 0.29	\$ 0.11	\$ 0.38	\$ 0.37	\$ 0.50	\$ 0.22
LISINOPRIL 10 MG	\$ 0.85	\$ 0.22	\$ 0.11	\$ 0.43	\$ 0.42	\$ 0.43	\$ 0.36
LISINOPRIL 20 MG	\$ 0.90	\$ 0.19	\$ 0.10	\$ 0.44	\$ 0.43	\$ 0.47	\$ 0.36
LISINOPRIL 40 MG	\$ 1.31	\$ 0.41	\$ 0.23	\$ 0.68	\$ 0.65	\$ 0.67	\$ 0.51

Questions

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