



Sovereign
States
Drug
Consortium

Iowa
Maine
Mississippi
Oregon
Utah
Vermont
West Virginia
Wyoming

March 30, 2012

Dear Manufacturer:

The purpose of this letter is to inform you that the Member States of the Sovereign States Drug Consortium (SSDC) are opening solicitations and negotiations for their multi-state supplemental rebate pool for rebate calendar year 2013. Goold Health Systems (GHS) is the vendor which will act on behalf of the SSDC in this process.

The SSDC is approved by the Centers for Medicare and Medicaid Services (CMS) as a Medicaid supplemental rebate pool. The current Member States of the SSDC are Iowa, Maine, Mississippi, Oregon, Utah, Vermont, West Virginia, and Wyoming. You can find state-specific CMS approval letters on the SSDC's website at www.rxssdc.org.

The SSDC is working with other states to encourage additional participation. Manufacturers will be notified if, during the course of the negotiation period or during the rebate calendar year, a state or states opt to join the SSDC. The SSDC website will indicate the status of each state's CMS approval. If a state joins during negotiations, additional utilization data will be made available.

The Member States of the SSDC appreciate the collaborative relationships they have developed with manufacturers and hope that these partnerships will continue.

As of April 9, 2012 you may use the www.rxssdc.org website to complete and submit any Supplemental Rebate Offer. As Medicaid supplemental rebates, you can be assured that rebate amounts are confidential and cannot be disclosed in accordance with Section 1927(b)(3)(D) of the Social Security Act.

SSDC drug utilization data will be available on the website. This is Medicaid utilization data for the Member States that has been approved by CMS for Medicaid rebates.

Each individual Member State's Supplemental Rebate Agreement (SRA) is posted on the www.rxssdc.org website. The SRAs posted are as approved by CMS or as submitted to CMS for approval for the coming rebate calendar year. In the case of the latter, that CMS status is indicated. In this vein, it should be particularly noted that in light of recent proposed CMS rule changes, some Member States may be amending SRAs in the near future to deal with line extension notice requirements, line extension early contract terminations and line extension price guarantees from a state net point of view. At the moment, states are just beginning this process. When information is available, states will be identified and draft amended SRAs will be posted once submitted to CMS for approval.

It is strongly recommended that you review each individual Member State's SRA prior to submitting your offer. Offers should be made with the understanding that the terms and conditions as found in the posted SRAs apply in these negotiations. The Member States of the SSDC will not modify these SRAs at the request of individual manufacturers. If a manufacturer makes an offer with a proposal for a modification to a SRA or SRAs, the proposal may be summarily rejected by an affected Member State. However, each Member State reserves the right to determine that a change to the form of its SRA is appropriate and will notify manufacturers

of any such change during the course of the negotiations. Once a manufacturer's offer has been accepted and the terms have been mutually agreed to, no change in a SRA will be entertained for rebate calendar year 2013.

This round of agreements will become effective January 1, 2013. Manufacturers with existing multi-year contracts extending through or beyond the end of 2013 do not need to re-submit initial offers though manufacturers may opt to improve their current offers if they wish. The SSDC has established a deadline of May 8, 2012 for the submission of initial Supplemental Rebate Offers. Offers received after that date will not be considered until the best and final offer (BAFO) period.

Although it is not required, most manufacturers will find that it is in their best interests to also supply GHS with their AMP and Best Price data. The passing of the Health Care Reform law earlier this year has resulted in States losing part of their CMS rebates to the federal government. The eight percent increase in the minimum CMS rebate from 15.1% to 23.1% will be entirely "recaptured" by the federal government *unless* the drug has a Best Price that results in a rebate exceeding the old 15.1% minimum. In these cases, the State will be allowed to retain existing rebates that fall between the old 15.1% minimum and the new 23.1% minimum that are attributable to Best Price. Naturally, drugs with such beneficial Best Prices will have competitive advantages over drugs with unhelpful Best Prices. Potentially avoiding an 8% rebate loss to the federal government is a vital consideration. If you choose not to provide this information we will assume that your Best Price is not above the 15.1% minimum and act accordingly in completing the financial net cost analyses. Your AMP and Best Price data will be treated confidentially, as is all the information submitted on the GHS website, and will only be used for the SSDC supplemental rebate bid analysis. You can supply your AMP and Best Price data at <https://www.rxssdc.org/REBATE/GHSREBATE/app.html#LOGIN> under the Quarterly Pricing link. Any questions regarding the details of this process or requests for assistance may be directed to rxoffers@rxssdc.org.

It is important to emphasize that offers will only be reviewed from companies that are currently in good standing with respect to rebate payments to Member States. The SSDC will meet June 19 and 20, 2012 to review the offers together and indicate their choices. Valid offers will receive notices no later than June 29, 2012 with a tentative acceptance, rejection, or request for best and final offer (BAFO). Any bidders in categories affected by improved offers or where offers were rejected will be allowed to submit a BAFO. All BAFOs must be received by July 13, 2012. For products affected by BAFOs, the notice of disposition will occur August 10, 2012.

A supplemental rebate agreement must be completed on all agreed upon offers. The Member States of the SSDC will not present any bids for Preferred Drug List (PDL) consideration without signed agreements.

Note, submitting a Supplemental Rebate Offer does not guarantee that a product will be placed on a PDL, and the lack of a Supplemental Rebate Offer does not necessarily mean that a product will not be placed on a PDL.

Member SSDC states will continue to conduct their own Pharmacy and Therapeutics (P&T) Committee Meetings related to the review of their PDLs. The PDLs will become effective beginning January 1, 2013.

Attached you will find a brief overview of the process. A more detailed explanation will be available on the website on April 9, 2012.

Any questions regarding how to submit bids may be directed to rxoffers@rxssdc.org or through the Support link on the website.

Sincerely,

Sovereign States Drug Consortium
Iowa, Maine, Mississippi, Oregon, Utah, Vermont, West Virginia & Wyoming



Sovereign
States
Drug
Consortium

Iowa
Maine
Mississippi
Oregon
Utah
Vermont
West Virginia
Wyoming

Sovereign State Drug Consortium 2013 Multi-State Supplemental Rebate Process

How SSDC Multi-State Offers Work

For those familiar with making drug rebate offers one state at a time, the 2013 SSDC Multi-State offering system will work slightly different. Though the entering of offers will be similar, there are specific rules regarding offers.

Changes have been made to the SSDC website. All users are encouraged to download the User Manual and review prior to submitting offers. **ALL OFFERS SUBMITTED FOR THE 2013 CONTRACT YEAR WILL BE BASED ON Wholesale Acquisition Cost (WAC).**

1. Registration –

- Manufacturers will be required to complete a User ID Registration Page on the SSDC web page.
- There will be a 24 Hour Waiting Period to approve users.
- On April 9, 2012 all prior users will need to reset their password and re-enter their labeler numbers for security purposes. Manufacturers should **not** submit offers until after April 9, 2012.
- In order to assure timely bid offers, all registrations should be submitted more than 48 hours prior to May 3, 2012 (initial offers due no later than May 8, 2012).

2. Offer Entry –

- Offers must be entered through the SSDC web site.
- Offers must be entered one NDC at a time.
- NDC drop-down boxes will be provided based on labeler information provided at registration.
- WACRebate will pre-fill for your review.
- Select formula choice.
- Enter offer, either as a percent of WAC or a guaranteed net price amount, depending on selected formula. Formula definitions are listed in item 4, below.
- An offer must be made for each of the state groups, 1 – 8.
- Calculate.

3. Offer Review –

- State net prices or supplemental rebate amount will be calculated based on offers submitted and formula selection
- Review offers and change if necessary
- NOTE: Some SSDC Member States contract using First DataBank. The SSDC website calculates the supplemental rebate using Medispan WAC.
- Acknowledge offer and submit.
- NOTE: A workspace has been added for manufacturers who wish to enter their offers but place them in a holding cell prior to submitting. The user can then choose to submit the saved offers in a batch.

4. Formulas –

- Manufacturers may choose only one of the two following formulas for calculating per-unit rebate amounts, per NDC. Formulas will be locked in for all offers on a submitted NDC. The same formula choice will be used for all states per NDC.
 - **Formula 1, Percentage of WAC:**
A supplemental rebate dollar figure that is calculated on a percentage of WAC and as such will be paid for the term of the Agreement. If WAC changes, the supplemental rebate amount will fluctuate accordingly.
 - **Formula 2: Guaranteed Net Price (GNP):**
A guaranteed net price for the State, proposed by the manufacturer, for the duration of the Agreement. Fluctuations in WAC and CMS RPUs will affect the rebate amount to achieve the guaranteed net price offered to the State.

5. Preferred Brand Levels – *More fully defined in website instructions*

- Levels 1 - 4
 - Level 1 one exclusive brand product.
 - Level 2 two co-preferred brand products
 - Level 3 three co-preferred brand products
 - Level 4 four or more preferred brand products.
 - Certain PDL classes may be affected by generic first requirements on a State by State basis. These situations will be clarified during the bidding process.

6. Rejected/Countered/Accepted Offers –

- Manufacturer will receive notification via email that offers have been received and will be directed to a Labeler Review Screen within the SSDC website for review.
- Manufacturer will receive offer status via email and will be directed to the Accepted/Rejected Offer Review screen within the SSDC website for review.
- Manufacturer will be able to submit new offer based on current status until bids close and will be directed to a Labeler Review Screen within the SSDC website for review.
- Manufacturer will be able to review history of offer and will be directed to a Labeler Review Screen or Accepted/Rejected Offer Review screen within the SSDC website for review.