


DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

| | |
|--------------|---------------|
| TO | DATE |
| <i>Wells</i> | <i>3-4-11</i> |

| DIRECTOR'S USE ONLY | ACTION REQUESTED |
|---|---|
| 1. LOG NUMBER <i>101289</i> | <input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____ |
| 2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Fack, Deps, CMS file</i>  | <input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> FOIA DATE DUE _____ <input checked="" type="checkbox"/> Necessary Action |

| APPROVALS (Only when prepared for director's signature) | APPROVE | * DISAPPROVE (Note reason for disapproval and return to preparer.) | COMMENT |
|--|---------|---|---------|
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26 12
Baltimore, Maryland 21244-1850



Center for Medicaid, CHIP and Survey & Certification

Disabled and Elderly Health Programs Group

March 1, 2011

RECEIVED

MAR 04 2011

Mr. Anthony Keck, Director
Department of Health & Human Services
P. O. Box 8206
1801 Main Street
Columbia, SC 29201

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Keck:

This letter is to inform you that the estimated quarterly rebate offset amount (EQROA) for your State is \$2,043,923 for the third calendar quarter of 2010.

Effective January 1, 2010, the Patient Protection and Affordable Care Act, PL 111-148, and the Health Care and Education Reconciliation Act of 2010, PL 111-152, together called the Affordable Care Act, increased the minimum rebate amounts that drug manufacturers are required to pay under the Medicaid drug rebate program, with different formulas for single source and innovator multiple source (brand name) drugs and noninnovator multiple source (generic) drugs. Section 2501 of the Affordable Care Act also required that amounts attributable to these increased rebates be remitted to the Federal government. Therefore, in accordance with those provisions, we have estimated the amount of the offset based on utilization and other data. As we explained in SMDL #10-019, we are offsetting 50 percent of the total Quarterly Rebate Offset Amount.

We will populate this amount on behalf of the State onto the 64.9 base form, line 7A5 – Increased ACA Offset Fee for Service, as an offset. The EQROA provided to you in this letter is currently available for viewing on the CMS-64 for the quarter ending March 31, 2011. As described in SMDL # 10-019, the EQROA will be reconciled with the total quarterly rebate offset amount (QROA) when CMS' systems are modified to provide States with the unit rebate offset amount (UROA).

If you have any question regarding the EQROA methodology or the EQROA provided in this letter, please contact Meagan Khan at meagan.khan@cms.hhs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Barbara Edwards', written in a cursive style.

Barbara Coulter Edwards
Director

CMS Regional Administrator
Atlanta Regional Office

CMS Associate Regional Administrator
Division of Medicaid and Children's Health
Atlanta Regional Office

dog # 389

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FIR 11/108

Description of Estimated Quarterly Rebate Offset Amount

Section 2501 of the Affordable Care Act provides for an increase in the rate of rebates that drug manufacturers must pay under the Medicaid drug rebate program that was established by OBRA 90. The Act requires that rebate dollars "attributable" to the increased rebate rates be remitted to the Federal government.

Prior to the ACA, CMS provided states with an NDC-specific list of unit rebate amounts (URA) that constituted the amount of money that the State should invoice drug manufacturers for rebates for each of their products. These rebate dollars are collected by the State and split with the Federal government based on the FMAP rate.

Due to the implications of ACA, CMS must now provided an updated URA (to account for increases in the rebate percentage) as well as a unit rebate offset amount (UROA) that will represent the amount of rebate for each drug that is attributable to ACA and, thus, due in full to the Federal government. Due to the complex nature and resources required to produce these two data feeds for states, CMS has indicated that updated URA/UROA files will likely not be available until summer 2011.

In order to allow for the Federal government to garner the rebate benefits of increased rebate rates in the meantime, CMS devised as system based on historical claims data from 3Q2008 through 2Q2009 that would allow for an estimated quarterly rebate offset amount (EQROA).

Essentially, the \$2,043,923 stated in the letter represents an estimate of the increased amount of rebate dollars being received by SC Medicaid that are attributable to the Affordable Care Act, and, in accordance with that legislation, are 100% federal dollars.

A detailed description of how the EQROA is determined is available in SMDL#10-019, available at: <https://www.cms.gov/smdl/downloads/SMD10019.pdf>.

Explanation to
your question

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OFFICE OF DIRECTOR

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| TO <i>Wells</i> | DATE <i>3-4-11</i> |
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JB Fay
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3/21
Followed

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*WHAT EXACTLY IS THIS LETTER
TURNING ME?*

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Sincerely,

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Barbara Coulter Edwards
Director

CMS Regional Administrator
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