

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Myers</i>	DATE <i>9-9-09</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>301126</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Ms. Forther</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.			



September 4, 2009

IMMEDIATE ATTENTION REQUESTED

RECEIVED

The Honorable Mark Sanford
Office of the Governor
P.O. Box 12267
Columbia, SC, 29211

SEP 08 2009

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Governor Sanford,

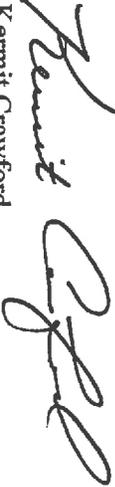
In March of this year, the United States District Court for the District of Massachusetts approved a class action settlement that has the effect of altering the manner by which First Databank ("FDB") and Medi-Span calculate the average wholesale price ("AWP") of prescription drugs. The provision of pharmacy services to South Carolina Medicaid patients will be fundamentally impacted by this settlement because South Carolina Medicaid uses AWP to set prescription drug reimbursement.

FDB and Medi-Span will reduce the mark-up of wholesale acquisition cost ("WAC") for the roughly 1,400 drugs subject to the settlement from 1.25 of WAC to 1.20 of WAC; the mark-up which calculates a prescription drug's AWP. Both FDB and Medi-Span have also indicated they will voluntarily reduce the mark-up to 1.20 of WAC for any other drug listed with a mark-up greater than 1.20, even if such drug is not subject to the settlement. These changes are scheduled to occur on September 26, 2009.

Walgreen Co. ("Walgreens") is asking that South Carolina Medicaid make the revisions necessary to off-set the reduction in reimbursement for prescription drugs dispensed to South Carolina Medicaid patients. Walgreens believes this can be accomplished by either adjusting the discount off of AWP by a percent comparable to the reduction in WAC cost as a result of the settlement or switching to a new reimbursement metric such as WAC. Such a change will ensure that South Carolina Medicaid reimburses pharmacies at the same currently negotiated rate both before and after the change to AWP and that Walgreens can continue to provide the high quality pharmacy care that South Carolina Medicaid patients deserve.

On behalf of Walgreens, we welcome the opportunity to meet and discuss this matter with you in greater detail. Walgreens is proud to participate in South Carolina Medicaid. We look forward to the continued opportunity to provide South Carolina Medicaid patients the care that has made Walgreens *the pharmacy America trusts*. Should you have any questions or concerns, please do not hesitate to contact Casey Cesnovar at 847-315-4142 or Casey.Cesnovar@walgreens.com

Sincerely,


Kermit Crawford

Senior Vice President, Pharmacy Services
Walgreen Co.

CC: Ms. Emma Forkner, Director
Department of Health & Human Services

