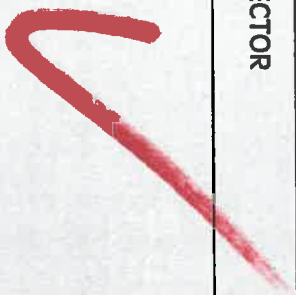


DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

cc- Jim Assery

ACTION REFERRAL

TO <i>Woods / Giese</i>	DATE <i>1-8-08</i>
----------------------------	-----------------------

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000331</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR 	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>1-10-08?</i>
	<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.			

JAN - THIS SEEMS LIKE NEC. ACT. TO ME, NOT A REPLY.

felix

1/10/08

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

ACTION REFERRAL

TO <i>Miguel</i>	DATE <i>1-8-08</i>
---------------------	-----------------------

DIRECTOR'S USE ONLY		ACTION REQUESTED	
1. LOG NUMBER <i>000331</i>		<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____	
2. DATE SIGNED BY DIRECTOR _____		<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____	
		<input type="checkbox"/> FOIA DATE DUE _____	
		<input checked="" type="checkbox"/> Necessary Action	

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

Talecris
BIOTHERAPEUTICS

*Log: Myers
Approved Sign.*

RECEIVED

January 3, 2008

JAN 07 2008

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Robert Kerr
Director
Department of Health & Human Services
1801 Main Street
Columbia, SC 29202

Dear Mr. Kerr:

As you know, effective November 1, 2007, the new wholesale acquisition cost (WAC) price for Gamunex® is \$86.54/g and for Prolastin® is \$0.37/g. This letter is designed to give you additional information about the increases in WAC price and class of trade pricing.

Talecris is a global biotherapeutic and biotechnology company that discovers, develops and produces treatments for people with life-threatening disorders in a variety of therapeutic areas including immunology, pulmonology and hemostasis. We are proudly building upon a 60-year legacy of innovation and a commitment to improving the lives of people who rely on its therapeutic products. Talecris is now uniquely positioned to build upon a history of dedication to patient care to create a standard of excellence in the field of biotherapeutics.

The manufacture of plasma therapies, such as Gamunex® and Prolastin®, is complex, costly, and requires substantial investment and long-term commitment and planning. It includes hundreds of steps, from collecting plasma, fractionation, purification, inspection and packaging.

To better serve patients who rely upon these therapies, we have taken extraordinary steps in an effort to maintain and substantially increase production. Together, these factors serve as a substantial basis for our decision to increase our prices.

In anticipation of, and in response to, the growing reliance on our therapies over the last decade, we have invested significant resources to increase production. Talecris is the only company who manufactures IVIG from raw material to the final product entirely in the United States. We have invested more than \$250 million to build the only facility of its size dedicated to IVIG production. This facility, in Clayton, North Carolina, is a highly efficient state-of-the-art manufacturing facility.

As part of our commitment to ensuring access to life-saving therapies, we made a major commitment toward continuing to provide reliable supplies by purchasing a network of plasma collection centers in late 2006. Known as Talecris Plasma Resources, Inc. (TPR), these centers will further ensure a reliable, consistent supply of plasma for the long-term. In the last year, we have invested over \$150 million in the vertical integration of our plasma supply chain. In 2007, together with our third party suppliers, we opened 18 plasma centers. Looking forward to 2008, we have a similar number of properties under various stages of development;

and between our initial acquisition of plasma centers and our growth of new plasma centers, we have added over 2,000 employees to our payroll.

In addition to our efforts to increase our production capacity, Talecris is committed to research and development. Over the last five years, we have significantly increased our spending on research and development. Our research and development team focuses their efforts on the discovery of new protein therapies, life-cycle management, the development of advanced manufacturing technologies, and innovative virus removal and inactivation techniques.

With these investments comes an increase in overall costs. Therefore, in the last year alone, our cost of goods has increased significantly and in excess of our price increases. Accordingly, we have decided to increase our prices for these products. There are exceptions that impact the amount and the timing of these increases, which are outlined below.

Prolastin®. While we increased the WAC price of Prolastin® by 8.8% on November 1, 2007, we are delaying temporarily an increase in both the hospital and physician classes of trade. At present, our hospital and physician customers are unable to acquire Prolastin® at a price consistent with Medicare reimbursement rates. Taking a proportional price increase in these classes of trade November 1 would only have worsened an already troubling reimbursement situation. Such financial burdens on these important classes of trade may create a complicated access issue for Prolastin® patients in the Alpha 1 community who rely on the product for therapy.

For patient care and business reasons, we distribute Prolastin® through an agent, named Centric Health Resources LLC. Under this distribution model, our agent delivers Prolastin® directly to the patient's choice of location. It then, as our agent, seeks reimbursement for the Prolastin® delivered to patients from third party payors. This direct-to-patient model enables our patients to receive Prolastin® at their designated location, regardless of changes in address or insurance company. Using this model of distribution provides greater assurances that patients will have access to Prolastin®.

The class of trade associated with this distribution model accounts for a substantial majority of our sales. Sales are also made to two other classes of trade—hospitals and physicians—which account for a minority of our sales. Before the November 1 increase, the hospital class of trade was priced at WAC. This price was the same as the class of trade associated with the direct-to-patient distribution model. At that time, sales at the physician class of trade occurred at a price that was discounted below the WAC price.

Mindful of the significant patient access issues that the current reimbursement situation may create, we are delaying temporarily the recent price adjustment for the hospital and physicians classes of trade until July 1, 2008. At that time, we intend to increase these classes of trade by the same amount as the WAC increase, or as close to that amount as reasonably possible without putting these customers under water for purposes of Medicare reimbursement.



Gamunex®. The price increase for Gamunex® is generally consistent across classes of trade. There are exceptions, however, for two sets of customers, which have been increased 1.5 percent rather than the full 1.85 percent, in order to prevent our prices to those customers from exceeding the rate of Medicare reimbursement. It is our goal that class of trade prices permit providers to purchase our product at a price that does not exceed Medicare reimbursement rates. The WAC price has been increased proportionate to the increase experienced by all of the classes of trade, with the two exceptions noted.

Thank you for your attention to this very important matter.

Sincerely,

John Perkins
Vice President & General Manager
US Commercial Operations