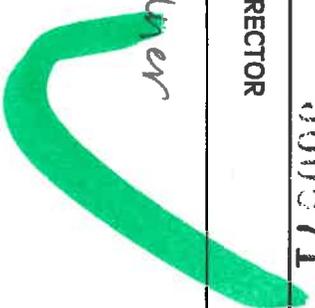


DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Myers</i>	DATE <i>6-3-09</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000671</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Ms. Forliver</i> 	<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.			



TARGET

RECEIVED

May 29, 2009

JUN 03 2009

Director Emma Forkner
Department of Health and Human Services
P.O. Box 8206
Columbia, South Carolina 29202

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Director Forkner,

As you may be aware, in March of this year the federal district court in Massachusetts approved a class action settlement whereby the wholesale acquisition cost ("WAC") to average wholesale price ("AWP") mark-up will be reduced from 1.25 to 1.20 on over 1400 prescription drugs. First DataBank and Medi-Span have announced that they will apply the 1.20 mark-up to all other prescription drugs with a WAC to AWP mark-up greater than 1.20. Consequently, as of September 26, 2009, Target will receive lower reimbursements than it does today for all brand name drugs with a WAC to AWP mark-up greater than 1.20. To help ensure Target can continue to provide prescription services to (State) Medicaid recipients, we must address this decrease in Target's reimbursements.

Target believes the AWP rollback should be economically neutral for both Target and (State Medicaid Agency). Under the AWP conversion model used to create the enclosed pricing amendment proposal, Target and (State Medicaid Agency) each maintain their respective current economic positions. Thus after this pricing amendment becomes effective, (State Medicaid Agency) will continue to reimburse Target at the levels used today.

Two years from now a new pricing methodology will replace AWP. When the new pricing methodology to be used becomes clear, we will work with you to further amend our current agreement.

Please e-mail me at Rx.Contracting@target.com with any questions you have regarding the enclosed amendments. A Contract Manager from my team will follow up with you within the next week to begin discussing these revisions to our agreement. To ensure we can accurately implement our new arrangement, the revised reimbursement schedule and amendments must be in place by August 1, 2009. Thank you in advance for your cooperation and I look forward to working with you.

Sincerely,

Keri Jones
Senior Vice President, Healthcare & Beauty



TARGET

AWP Rollback Conversion Table

<u>Current AWP Discount</u>	<u>Rollback AWP Discount</u>
10.00%	6.25%
10.50%	6.77%
11.00%	7.29%
11.50%	7.81%
12.00%	8.33%
12.50%	8.85%
13.00%	9.38%
13.50%	9.90%
14.00%	10.40%
14.50%	10.94%
15.00%	11.45%
15.50%	11.98%
16.00%	12.50%
16.50%	13.02%
17.00%	13.54%
17.50%	14.06%
18.00%	14.58%
18.50%	15.10%
19.00%	15.63%
19.50%	16.15%
20.00%	16.67%
20.50%	17.19%
21.00%	17.70%
21.50%	18.23%
22.00%	18.75%
22.50%	19.27%
23.00%	19.79%
23.50%	20.31%
24.00%	20.83%
24.50%	21.35%
25.00%	21.88%