



**Sovereign
States
Drug
Consortium**

**Iowa
Maine
Vermont**

August 9, 2006

Dear Manufacturer:

The purpose of this letter is to inform you that the Sovereign States Drug Consortium (SSDC) States of Iowa, Maine and Vermont are opening negotiations for the second year of their multi-state supplemental rebate pool.

The SSDC has been approved by the Centers for Medicare and Medicaid Services (CMS) as a Medicaid supplemental rebate pool. You can find the CMS approval letters for each currently participating state under "Site Documents" at the www.rxssdc.org website. The SSDC is working with other states to encourage additional participation. In addition, the SSDC is engaged in procuring a vendor to act on behalf of the SSDC in rebate bid solicitation and negotiations for the future. In the meantime, GHS is acting as the SSDC's current agent in this capacity.

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

Please visit the www.rxssdc.org website to complete and submit the Supplemental Rebate Offer spreadsheet. This round of agreements will become effective January 1, 2007. Manufacturers with existing multi-year contracts extending through or beyond the end of 2007, do not need to re-submit initial offers though manufacturers may opt to improve their current offers if they wish. The Consortium has established a deadline of Noon EST September 8th, 2006 for the submission of initial/improved, completed Supplemental Rebate Offers. Offers received after that date will not be considered until the next annual open offer period. The only potential exceptions will be for new products subsequently entering the market.

The Consortium will meet September 18th and 19th to review the offers together and indicate their choices. Manufacturers that have submitted timely, valid offers will receive notices of tentative acceptance, rejection or counteroffers no later than Noon EST September 21st, 2006. If a company wishes to improve a rejected offer or respond to a counteroffer, it must do so by Noon EST on September 27th, 2006. Any bidders in PDL categories affected by improved offers will then be notified by Noon EST, September 29th, 2006, and allowed to submit a best and final offer. All best and final offers (BAFO) must be received by Noon EST, October 4th, 2006. For products affected by BAFOs, the tentative notice of disposition will occur Noon EST, October 6th, 2006.

Manufacturers will be notified if during the course of the negotiation period a state or states opt to join the SSDC and the utilization data of any additional member will be made available.

Note, submitting a Supplemental Rebate Offer does not guarantee that a product will be placed on a Preferred Drug List (PDL), and the lack of a Supplemental Rebate Offer does not necessarily mean that a product will not be placed on a PDL. It is also 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.

Member SSDC states will continue to conduct their own P&T Committee Meetings. The Consortium may provide assistance to member states on optimal PDL design as requested, but each state will be responsible for the clinical input and review required. The participant state P&T Committees will then evaluate their draft PDL. The PDLs will become effective January 1, 2007.

Attached you will find a brief overview of the process. A more detailed explanation is available at the website. The Consortium drug utilization data is also located at this site. This is Medicaid utilization data for the member states and does not include any utilization for Medicaid/Medicare beneficiaries for their Medicare Part D benefit that the states may have covered in this period.

Any questions regarding how to submit bids may be directed to Kim Rackleff via email at krackleff@ghsinc.com.

Sincerely,

Sovereign States Drug Consortium
Iowa, Maine & Vermont



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2006 Multi-State Supplemental Rebate Process

How Multi-State Offers Work

For those familiar with making drug rebate offers one State at a time, the 2006 Multi-State offering system will work slightly different. Though the entering of offers will be similar, there are specific rules regarding offers that labelers should be aware of.

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
- Prior users will need to re-enter their labeler numbers for security purposes
- In order to assure timely bid offers, all registrations should be submitted more than 48 hours prior to September 8th, 2006.

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
- AWP/CMS Rebate will pre-fill for your review
- Select formula choice
- Enter offer, either as a percent of AWP 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 – 3
- 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
- Acknowledge offer and submit

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 AWP:**

A supplemental rebate dollar figure that is calculated on a percentage of AWP and as such will be paid for the term of the Agreement. If AWP changes, the supplemental rebate amount will fluctuate accordingly.
 - **Formula 2: Guaranteed Net Price (GNP):**

A guaranteed net price for State, proposed by the Manufacturer, for the duration of the Agreement. Fluctuations in AWP and CMS 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
 - Step-care will not be used to influence the preferred prescribing choices of physicians in these levels
- Levels 5 - 8
 - This offer assumes that every drug within this range is subject to Prior Authorization (PA) and that your drug would be designated as the first, second, third choice, etc. Step care will be used to influence the prescribing choices of physicians

6. Rejected/Countered/Accepted Offers –

- Manufacturer will receive notification via email that offers have been received
- Manufacturer will receive offer status via email
- Manufacturer will be able to submit new offer based on current status until bids close
- Manufacturer will be able to review history of offer