

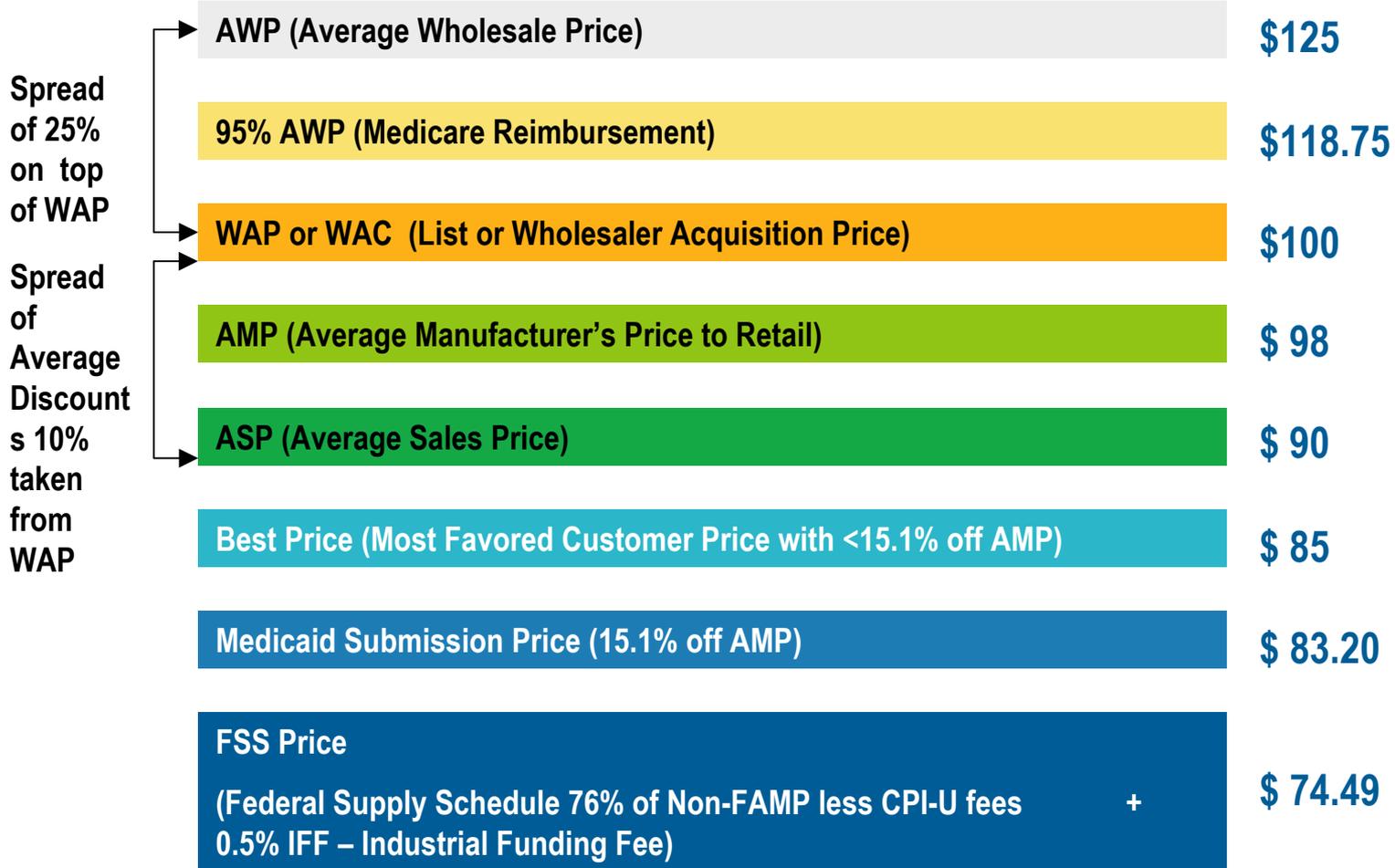


Pharmaceutical Pricing and Contracting: An Overview

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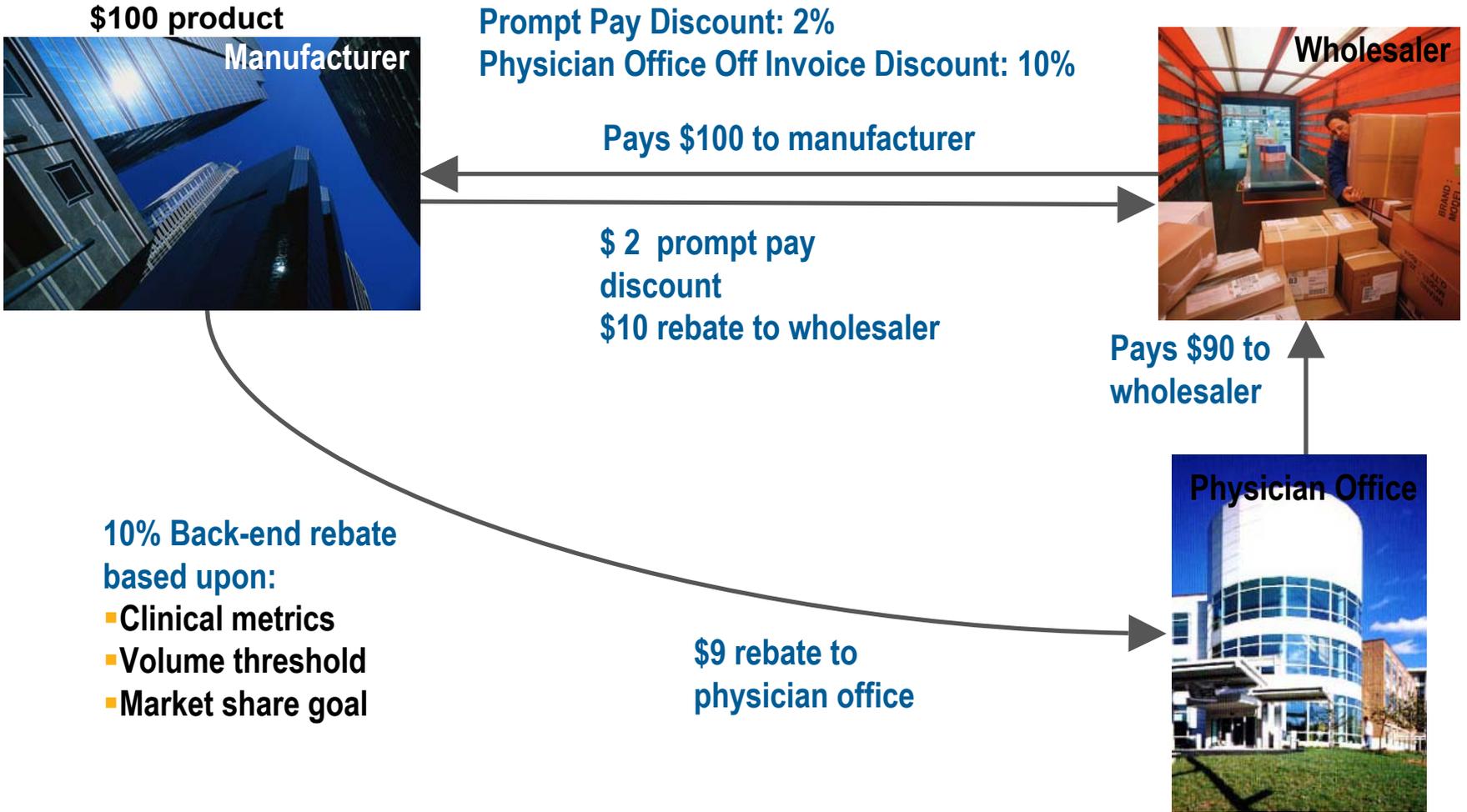
Pharmaceutical Pricing Definitions (illustration based on fictional \$100 product)



There are Various Entities Who Can Receive Discounts from Manufacturers



A Variety of Discounts are Offered to Customers



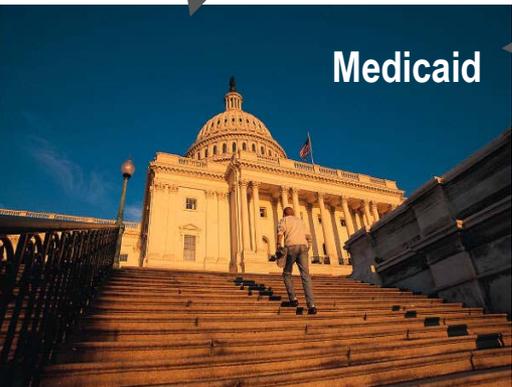
Medicaid Receives Payment from Manufacturer and the Federal Government

\$125 AWP/\$100 WAC/ AMP = \$90



**Medicaid Matching Funds Disseminated
CMS Sets Federal Upper Limits for Drugs**

Medicaid Rebate = \$13.5



Pharmacy Reimbursement = 90% AWP = \$112.50

Dispensing Fee = \$4.00



AMP Reform is Critical to Future Manufacturer Rebates as well as Medicaid Reimbursement

- The DRA mandated that the definition of AMP be clarified
- There are a number of outstanding issues in regard to calculating AMP:
 - » Determining if certain rebates are included in AMP
 - Long term care pharmacy
 - PBM
 - » Clarifying how prompt pay terms and fair-market-value fees are incorporated
 - » Addressing lagged price concessions, returned goods, and update frequency
- AMP reform will have two primary impacts on the industry:
 - » Medicaid rebate calculations and payments
 - » Medicaid pharmacy reimbursement rates