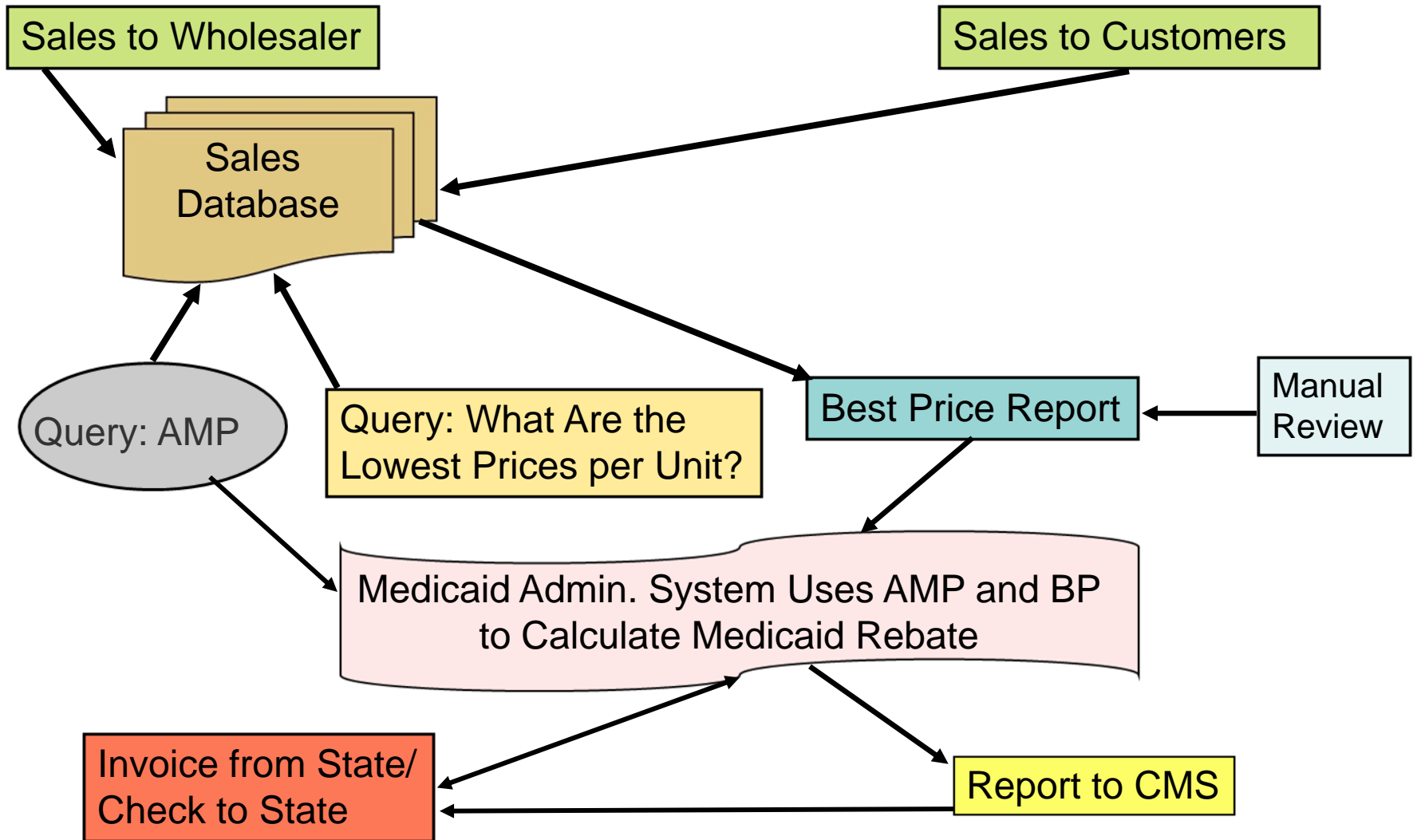


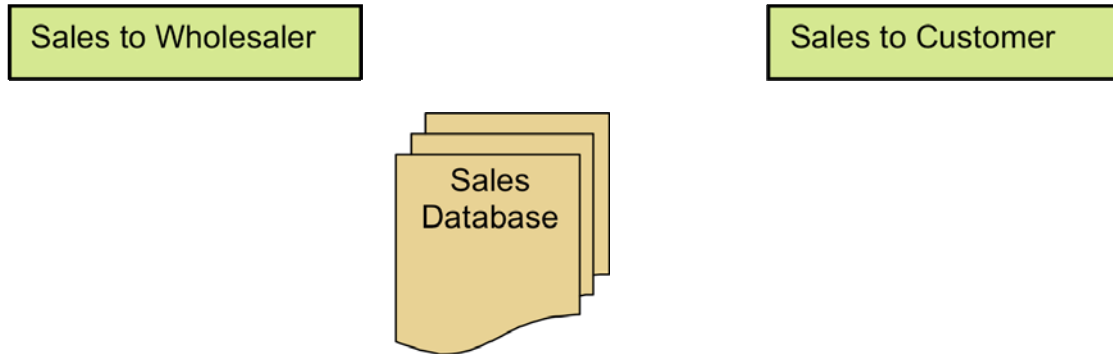
How Manufacturers Report Best Price



GUIDE TO POWER POINT: HOW MANUFACTURERS REPORT BEST PRICE

The following PowerPoint slide shows how drug companies report Best Price. As you click through the presentation, the process appears, step-by-step:

1. Manufacturers' sales to wholesalers and sales to customers (green boxes) are regularly input into the manufacturers' sales database (brown file papers).



2. At the end of each quarter, manufacturers run a query of the database, asking for the lowest prices per unit, e.g, per pill, for each dosage of each drug sold that is covered by Medicaid. (beige box)

Query: What Are the
Lowest Prices per Unit?

3. The result of the above query is the Best Price Report. (blue box)

Best Price Report

4. Typically, manufacturers do a manual review to remove mistakes from the Best

Price Report. (light blue box)

Manual
Review

5. Manufacturers then typically use software known as the Medicaid Administrative System to calculate the Medicaid Rebate. (pink box)

Medicaid Admin. System Uses AMP and BP
to Calculate Medicaid Rebate

6. However, since the software also needs the manufacturers' AMP (Average Manufacturers Price) to calculate the rebate to the States, manufacturers also run an AMP query of the Sales Database. (grey oval)

Query
AMP

7. Manufacturers then submit (typically electronically) the Best Price Report, AMP, and the calculated rebate to the Centers for Medicaid and Medicare Services (CMS). (yellow box)

Report to
CMS

8. CMS takes the manufacturers' calculations and informs each State what its rebate should be per unit for each drug covered by Medicaid.
9. Each State takes CMS' calculations and, based upon the utilization of each drug per unit invoices the manufacturers. The manufacturers then send a check to each State. This is typically done within 60 days of the end of each quarter.