

Non-FAMP Calculation Considerations

- If TRRx sales included product delivered through wholesalers (as opposed to direct sales to pharmacies) and Mfg uses wholesale sales to compute non-FAMPs, then these TRRx sales and units must be removed from wholesale sales during current non-FAMP calculations
- If products sold to TRRx were originally booked as direct sales to a retail chain, it is likely that these sales were already excluded from the non-FAMP calculation
- If the TRRx transactions cause anomalies in the non-FAMP that are not taken care of through the normal chargeback smoothing methodology, communicate those issues to Mel Noel at the National Acquisition Center for consideration.

Non-FAMP Impact Scenarios

- **Scenario 1, Method 1**
 - Manufacturer sells only to Wholesalers
 - Manufacturer has no contractual agreements with the retail pharmacies
 - Manufacturer normally removes Federal sales by adjusting wholesale sales at contract selling price, in this case the assumed FCP of \$72
 - In absence of known sale price to TRRx Network, the manufacturer calculates TRRx refund using Non-FAMP = \$94.74
 - TRRx reports to manufacturer that retail pharmacies purchased 1,250 units of the NDC
 - Given the assumptions the actual refund to Tricare would be $1,250 \times (\$94.74 - \$72.00) = \$28,425$
 - When the manufacturer does not know the price to the retailer, the refund amount to Tricare that was figured based on non-FAMP cannot be used to re-state the non-FAMP.
 - The amount used to restate the non-FAMP must be at WAC.
 - The fact that Tricare has given Manufacturers a lesser price (Non-FAMP) to calculate the refund cannot translate to an assumption that the original sale occurred at other than WAC

- **Changes to non-FAMP (Scenario 1, Method 1)**
 - Government sales at FCP are increased by 1,250 units at \$72.00, units are increased by 1,250
 - An additional reduction is made to account for the TRRx refund which is the difference between WAC and the FCP times the number of units or $(\$100-\$72) \times 1,250 = \$35,000$

Original Calculation

	Dollars	Units
Wholesale Sales (WAC = \$100)	\$10,000,000.00	100,000
Less:		
Prompt Pay Discount (2%)	\$200,000.00	
Government Sales @ \$72.00	\$360,000.00	5,000
PHS (@ 602 price \$75.00)	\$2,250.00	30
Chargebacks	\$523,075.00	
Subtotal Reductions	\$1,085,325.00	
Non-Federal Dollars & Units	\$8,914,675.00	94,970
non-FAMP	\$93.87	

Revised Calculation

	Dollars	Units
Wholesale Sales (WAC = \$100)	\$10,000,000.00	100,000
Less:		
Prompt Pay Discount (2%)	\$200,000.00	
Government Sales @ \$72.00	\$450,000.00	6,250
PHS (@ 602 price \$75.00)	\$2,250.00	30
Chargebacks	\$523,075.00	
TRRx Refund @ WAC	\$35,000.00	
Subtotal Reductions	\$1,210,325.00	
Non-Federal Dollars & Units	\$8,789,675.00	93,720
non-FAMP	\$93.79	

- **Scenario 1, Method 2**
 - Manufacturer sells only to Wholesalers
 - Manufacturer has no contractual agreements with the retail pharmacies
 - Manufacturer normally removes Federal sales by adjusting wholesale sales and chargebacks
 - The FCP = \$72
 - In the absence of known sales price to TRRx Network, Manufacturer uses Non-FAMP = \$94.74

- **Changes to non-FAMP (Scenario 1, Method 2)**

- Government sales at “WAC” is increased by 1,250 x \$100.00, Units are increased by 1,250
- The TRRx refund for bookkeeping purposes is calculated as in Method 1.
- No further adjustment is necessary because the chargeback system is not affected by the transaction.

Original Calculation

	Dollars	Units
Wholesale Sales (WAC = \$100)	\$10,000,000.00	100,000
Less:		
Prompt Pay Discount (2%)	\$200,000.00	
Government Sales (@ WAC)	\$500,000.00	5,000
PHS (@ WAC)	\$3,000.00	30
Chargebacks	\$523,075.00	
(Less Gov and PHS Chargebacks)	-\$140,750.00	
Subtotal Reductions	\$1,085,325.00	
Non-Federal Dollars & Units	\$8,914,675.00	94,970
non-FAMP	\$93.87	

Revised Calculation

	Dollars	Units
Wholesale Sales (WAC = \$100)	\$10,000,000.00	100,000
Less:		
Prompt Pay Discount (2%)	\$200,000.00	
Government Sales (@ WAC)	\$625,000.00	6,250
PHS (@ WAC)	\$3,000.00	30
Chargebacks	\$523,075.00	
(Less Gov and PHS Chargebacks)	-\$140,750.00	
Subtotal Reductions	\$1,210,325.00	
Non-Federal Dollars & Units	\$8,789,675.00	93,720
non-FAMP	\$93.79	

- **Scenario 2, Method 1**

- Manufacturer sells only to Wholesalers
- Manufacturer has agreement with the retail pharmacy at a sales price of \$95.00
- Manufacturer normally removes Federal sales by adjusting wholesale sales at Government contract selling price, in this case the FCP = \$72
- TRRx reports to manufacturer that retail pharmacies purchased 1,250 units of the NDC
- Given the assumptions (wholesale sales only, known contract price to retail pharmacy) the actual refund to Tricare would be $1,250 \times (\$95.00 - \$72.00) = \$28,750$
- When the manufacturer knows the price to the retailer, those transactions will need to be replaced with Tricare transactions.

- **Changes to non-FAMP (Scenario 2, Method 1)**

- The chargeback transactions are decreased by the chargebacks for those units now classified as Tricare ($1,250 \times \$5.00 = \$6,250$)
- An additional reduction is made to account for the TRRx refund which is (for bookkeeping purposes in this scenario) the difference between WAC and the FCP times the number of units or $(\$100 - \$72) \times 1,250 = \$35,000$
- The fact that Tricare has given Manufacturers a lesser price (pharmacy contract price) to calculate the refund cannot translate to an assumption that the original sale occurred at other than WAC.

Original Calculation

	Dollars	Units
Wholesale Sales (WAC = \$100)	\$10,000,000.00	100,000
Less:		
Prompt Pay Discount (2%)	\$200,000.00	
Government Sales @ \$72.00	\$360,000.00	5,000
PHS (@ 602 price \$75.00)	\$2,250.00	30
Chargebacks	\$523,075.00	
Subtotal Reductions	\$1,085,325.00	
Non-Federal Dollars & Units	\$8,914,675.00	94,970
non-FAMP	\$93.87	

Revised Calculation

	Dollars	Units
Wholesale Sales (WAC = \$100)	\$10,000,000.00	100,000
Less:		
Prompt Pay Discount (2%)	\$200,000.00	
Government Sales @ \$72.00	\$450,000.00	6,250
PHS (@ 602 price \$75.00)	\$2,250.00	30
Chargebacks	\$516,825.00	
TRRx Refund @ WAC	\$35,000.00	
Subtotal Reductions	\$1,204,075.00	
Non-Federal Dollars & Units	\$8,795,925.00	93,720
non-FAMP	\$93.85	

- **Scenario 2, Method 2**

- Manufacturer sells only to Wholesalers
- Manufacturer has contractual agreements with the retail pharmacies at a sales price of \$95
- Manufacturer normally removes Federal sales by adjusting wholesale sales and chargebacks
- The FCP = \$72; Non-FAMP = \$94.74

- **Changes to non-FAMP (Scenario 2, Method 2)**

- Government sales at “WAC” is increased by 1,250 x \$100.00, Units are increased by 1,250
- The TRRx refund for bookkeeping purposes is calculated as in Method 1.
- No further adjustment is necessary because the chargeback system is not affected by the transaction

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Chargebacks	\$523,075.00	
(Less Gov and PHS Chargebacks)	-\$140,750.00	
Subtotal Reductions	\$1,085,325.00	
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Subtotal Reductions	\$1,204,075.00	
Non-Federal Dollars & Units	\$8,795,925.00	93,720
non-FAMP	\$93.85	