

November 1, 2006

RE: Public Law Price Updates and PPA Submission

Dear Federal Supply Schedule Manufacturer:

The following information is provided in order to assist your firm in updating its Pharmaceutical Pricing Agreement (PPA) – Addendum A and the Federal Supply Schedule (FSS) contract pricing for covered drugs. These revisions are mandated by Section 603 of Public Law 102-585, Veterans Health Care Act of 1992 (the Act).

You recently received instructions from Pharmacy Benefits Management Strategic Health Group (PBM) to assist in calculating the 2007 Federal Ceiling Price (FCP) for each covered drug awarded under your FSS contract. This is the first step in the process, and your annual report must be completed by November 15, 2006 and prior to updating your current FSS contract.

**Request of Modification Submission:** A request to update the Department of Veterans Affairs, Department of Defense, Public Health Service (including Indian Health Service) and the Coast Guard pricing must be submitted to your Contracting Officer for consideration in the form of a request for modification **on or before Monday, December 4, 2006**. Requests for changes must be submitted by this date in order to allow time for approval and submission of changes to the agencies' authorized Prime Vendors for a January 1, 2007 effective date. Your firm will be required to honor the updated 2007 FCP calculations effective January 1, 2007, if these recalculations result in a lower price than currently awarded under the FSS contract. **Please note: This cut-off date applies to all modifications during this period and not just the Public Law changes, e.g. temporary price reductions, product additions, product deletions, etc.**

To help your efforts and ours in ensuring timely approval and submission of changes to our Prime Vendor, attached please find a copy of the Request for Modification Form. It is requested that you provide any spreadsheet information on a diskette or e-mail the file to your Contracting Officer. Please be sure to use a font size of no smaller than 12 when submitting your information, as well as providing information in numeric order of your NDC numbers. **Note: Changes received after December 4, 2006 or modifications that have been submitted with missing and/or inaccurate information will most likely have an adjusted effective date of January 15, 2007 or later.** These changes must be based on the calculations submitted to PBM and the established FCP. If your current FSS prices are below the calculated 2007 FCPs, no contract modification action is required.

**Addendum A:** Enclosed please find a copy of the Addendum A form for 2007 to be completed and returned to your Contracting Officer **as soon as possible, but not later than December 4, 2006** to coincide with your submitted modification request. The Addendum A should reflect only the established 2007 FCP for each covered drug line item, without the Industrial Funding Fee (IFF). The authorized official who signed your company's PPA (or an authorized successor) must complete and sign the new Addendum A to the PPA for 2007. Please note: **Our office must receive an original hard copy with signature.** (If additional space is needed, please provide an attachment using the same format as the Addendum A Form.)

If you have any questions or need additional information, please contact your Contracting Officer at (708) 786-5180. You may fax the documents and follow-up with hard copy originals. The office fax numbers are (708) 786-4974 or (708) 786-4975. Thank you for your cooperation in providing your request(s) to modify your current FSS contracts and your updated Addendum A for the year 2007

Sincerely,

Cheryl Ward-Roberts  
Assistant Director  
Federal Supply Schedule Service – Pharmaceutical Team (049A1F1)

Enclosures: PPA 2007 Addendum Form, Request for Modification Form

**PHARMACEUTICAL PRICING AGREEMENT  
ADDENDUM A  
2007 ANNUAL**

<u>PRODUCT BRAND NAME</u>	<u>NDC NUMBER</u>	<u>FEDERAL CEILING PRICE PER PACKAGE UNIT (NDC)</u>
---------------------------	-------------------	---

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.
- 14.
- 15.

\*\*Please do not include IFF in the price provided. This should represent your calculated FCP price only.

<b>Manufacturer and Contract Number:</b>	V797P-
<b>Name and Title of signator:</b>	
<b>Signature and Date:</b>	

DEPARTMENT OF VETERANS AFFAIRS  
NATIONAL ACQUISITION CENTER  
FEDERAL SUPPLY SERVICE (049A1F1)  
PHARMACEUTICAL TEAM  
P.O. BOX 76, BLDG. 37 (1ST. AVE., 1 BLOCK NORTH OF 22ND ST.)  
HINES, ILLINOIS 60141

## FEDERAL SUPPLY SCHEDULE

### REQUEST FOR MODIFICATION FORM

For Federal Supply Schedules:  
FSC 65, Part I, Section B – Pharmaceuticals  
FSC 65, Part VII – InVitro Diagnostics, Reagents, Test Kits, and Test Sets

**THIS COPY IS FOR YOUR CONTRACT FILE AND SHOULD BE USED AS YOUR MASTER COPY.**

**CONTRACTOR**: Please use this form in conjunction with the Modification Clause, 552.243-72 and Generic Item Modifications, AS212, of your contract. This form should be used to submit ALL changes to your FSS contract. Pages 3 and 6 include a suggested format of the required information needed to be submitted with your request. You may replace our form with your own format as long as it contains all the required information and any attachments if necessary.

**Submit only the pages that pertain to the change(s) being requested and please do not submit this cover page.**

This request for modification form(s) may be faxed to (708) 786-4975 or 4974 and **MUST** be followed by an original copy.

**Note**: Please review the required information needed for each type of change and submit all required information pertaining to that specific change in your package. If all required material is not received, your Contracting Officer may return your package with no additional action.

PAGE 1

REQUEST FOR MODIFICATION FORM

Contractor Name: \_\_\_\_\_ Date submitted to VANAC: \_\_\_\_\_

Contract No.: V797P-\_\_\_\_\_

FSS Schedule: Please check the correct schedule: ( ) 65 Part I, Section B - Pharmaceuticals ( ) 65 Part VII, InVitro Diagnostics/Reagents

PRODUCT ADDITIONS: Special Item Number (SIN) Category: \_\_\_\_\_ (42-1, 42-2A, 42-2B, 42-3, 42-4, 42-5, 555-1, 555-2, 555-3, 555-4, 555-5, 555-6, 555-7, 555-8, 555-9, 555-10 or 622)

NOTE - If this modification request is for items covered under 65 Part I, Section B, Pharmaceuticals, Public Law 102-585, Veterans Health Care Act of 1992, please be sure to provide your calculation pricing to PBM (Pharmacy Benefits Management) before submitting to the modification request to the VANAC.

A) Provide below the proposed delivery time and manufacturing location(s) for the offered items. (This may be the same as the initial award, but must be restated for the proposed items.) The manufacturer's point of contact must be located in the United States.

DELIVERY TIME \_\_\_\_\_ days ARO (after receipt of order)

MANUFACTURING NAME AND COMPLETE ADDRESS: \_\_\_\_\_ (DO NOT list distributors or P. O. Box Number) \_\_\_\_\_

MANUFACTURER'S CONTACT PERSON: \_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

B) If 42-2A item - Have the calculations been provided to PBM? YES \_\_\_\_\_ NO \_\_\_\_\_ If you have questions regarding your calculations, please contact George Hill at 708-786-4387.

C) Provide a DATED, COMMERCIAL PRICE LIST for the proposed items. If one is not available, provide dated, internal pricing document(s) that clearly identify the commercial list price of the items proposed and certification that pricing provided and date is true and correct.

D) Provide a listing of the following information for each item(s) offered:

- 1) Proposed item - Generic name, Trade/Brand Name, National Drug Code (NDC) or item number and description, including strength, size, etc.
2) Proposed FSS price without Industrial Funding Fee (IFF) and proposed FSS price with IFF.
3) Proposed discount off the commercial price list.
4) Either Actual or Estimated Commercial Annual sales for each item offered.
5) Either Actual or Estimated Annual Government sales for each item offered.
6) DEALERS/SUPPLIERS: Submit letter of commitment from the manufacturer which assures the offeror a source of supply sufficient to satisfy the Government's requirements for the contract period (see Clause I-FSS-644 of your contract)

REQUEST FOR MODIFICATION FORM

PRODUCT ADDITIONS (CONTINUED)

E) Identify your lowest commercial price for each item offered, as described below:

1) If the lowest price is being proposed to the Government, identify your Most Favored Customer Commercial (MFC), the price this customer receives and whether this customer is the agreed upon tracking customer or within the category of customers awarded under your contract.

2) If the lowest price is not being offered to the Government, then provide all of your firm's commercial prices that are lower which represent significant and frequent discounting practices excluding true ad hoc discounts. Include the following information for all items: generic name, trade/brand name, NDC number, commercial price, name of the commercial customer receiving this price, justification why the Government was not offered this lower price.

3) Because these are product additions and no tracking customer has been agreed upon for these items, please provide a proposed tracking customer or category of customers for these items. This will not affect the previously awarded items and the previously agreed upon tracking customer or category of customers.

F) Is/Are the item(s) being offered for distribution under Government Authorized Prime Vendor Programs? This will include all current eligible users of the program (i.e. Department of Defense, Bureau of Prisons, Indian Health Service facilities, etc.)

YES \_\_\_\_\_ NO \_\_\_\_\_

G) Complete the following certification:

I, \_\_\_\_\_ certify that items offered are not replacements for previously deleted items with a lower cost.

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NOTE: The effective date of the modification will be determined at the time of approval of the request by the Contracting Officer. Effective dates will be assigned as either the 1st or 15th of the month. Approval of the modification is contingent upon your publication of a supplement to the FSS price list.

PLEASE PROVIDE AUTHORIZED SIGNATURE AND DATE BELOW:

\_\_\_\_\_  
Signature and title of authorized person (Contractor) Date

\_\_\_\_\_ Approved \_\_\_\_\_ Approved as Amended \_\_\_\_\_ Disapproved

\_\_\_\_\_  
Signature of Contracting Officer Date Effective Date

Prepared by:

\_\_\_\_\_  
Signature of NAC Contract Specialist (if applicable) Date NAC CO Review

SUGGESTED FORMAT (Excel compatible)

**REQUEST FOR MODIFICATION FORM**

Contractor Name: \_\_\_\_\_

Date submitted to VANAC: \_\_\_\_\_

Contract No.: V797P-\_\_\_\_\_

FSS Schedule: Please check the correct schedule:      ( ) 65 Part I, Section B - Pharmaceuticals      SIN: \_\_\_\_\_  
 ( ) 65 Part VII – InVitro Diagnostics/Reagents

Industrial Funding Fee (IFF): ( ) Embedded      ( ) Absorbed

Prime Vendor Participation:      ( ) Yes      ( ) No

Proposed Tracking Customer(s) for item(s) being added for purposes of the Price Reduction Clause: \_\_\_\_\_

Is the MFC the previously agreed upon tracking customer or within the tracking customer category under this FSS contract? YES \_\_\_\_\_ NO \_\_\_\_\_

**PRODUCT ADDITIONS**

Provide the following information for each item to be added to your contract. Please submit this information in a minimum **FONT SIZE OF 12(Arial)**.

Commercial Information (See Commercial Sales Practices section of your contract for instructions)

NDC#1	NDC#2	NDC #3 or Item #	Generic Name <u>and</u> Trade Name	Commercial List Price	Estimated/Actual Annual Comm. Sales	*MFC Name	*MFC Price	MFC Discount off List Price	Quantity/Volume (include quantity or volume tiers)	FOB Terms	Additional Discounts or Concessions (i.e. PPT)

\* Most Favored Commercial Customer - See page 2, paragraph E, (1) & (2). Also, if paragraph E, (2) applies, please include a separate spreadsheet with all required information.

FSS Information

NDC # or Item #	Generic Name <u>And</u> Trade Name	Unit	Strength	Size	Estimated/Actual Annual Gov't. Sales	Percent (%) Discount off commercial list price	Proposed FSS Price without IFF	Proposed FSS Price with IFF

**If there are multiple line items, please submit all items on one spreadsheet.**



**REQUEST FOR MODIFICATION FORM**

**PRICE REDUCTIONS (CONTINUED)**

B) Indicate below if the price reduction being offered is temporary or permanent. If temporary, indicate the applicable time frame.

( ) Permanent                      ( ) Temporary (Time Frame: *Begin* \_\_\_\_\_ *End* \_\_\_\_\_)

C) Indicate below if the reduced pricing is limited to specific eligible users of the FSS program.

( ) No                      ( ) Yes (If yes, indicate below the specific agencies entitled to the reduced price by checking the appropriate box)

VA	SVH2	CMOPs	DoD	BOP	IHS	Big 4	Other

Legend:

SVH2 = Option 2 State Veterans Homes; CMOP = Consolidated Mail Outpatient Pharmacy; DoD = Department of Defense; BOP = Bureau of Prisons; IHS = Indian Health Service; Big 4=VA, DoD, HHS (including IHS) & US Coast Guard

D) Provide on an attachment, the item(s) to be reduced, NDC #, current FSS pricing, proposed reduced pricing, current Tracking Customer Price and if temporary, please provide the time frame.

**PUBLIC LAW 102-585 PRICING UPDATES** (Applies to SIN 42-2A only)

A) Provide a listing of all "covered drug" NDC numbers and proposed price changes (decreases or increases) required/permitted by Public Law 102-585.

B) Complete the following certification:

I, \_\_\_\_\_ understand that the Public Law calculated Federal Ceiling Price is the maximum price for an NDC and that the Price Reduction Clause may cause the actual FSS selling price to the Government to fall below the FCP. I have reviewed (a) my commercial pricing and the price/discount relationship applicable to my awarded tracking customer, and (b) the Price Reduction Clause with regard to the maintenance of the established price/discount relationship, and (c) I certify that the attached updated prices do not adversely disturb the price/discount relationship established for this FSS contract.

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**NOTE:** The effective date of the modification will be determined at the time of approval of the request by the Contracting Officer. **Effective dates will be assigned as either the 1st or 15th of the month.** Approval of the modification is contingent upon your **publication of a supplement** to the FSS price list.

**PLEASE PROVIDE AUTHORIZED SIGNATURE AND DATE BELOW:**

\_\_\_\_\_  
Signature and title of authorized person (Contractor)                      Date

( ) Approved                      ( ) Approved as Amended                      ( ) Disapproved

\_\_\_\_\_  
Signature of Contracting Officer                      Date                      Effective Date

**Prepared by:**

\_\_\_\_\_  
Signature of NAC Contract Specialist (if applicable)                      Date                      NAC CO Review



**SUGGESTED FORMAT (Excel compatible)**

**REQUEST FOR MODIFICATION FORM**

Contractor Name: \_\_\_\_\_ Contract No.: V797P-\_\_\_\_\_ Date submitted to VANAC: \_\_\_\_\_

FSS Schedule: Please check the correct schedule:  65 Part I, Section B - Pharmaceuticals  
 65 Part VII – InVitro Diagnostics/Reagents

Prime Vendor Participation:  Yes  No SIN: \_\_\_\_\_

**PRICE INCREASE AND/OR DECREASE**

Please check appropriate modification type:  
 Price Increase pursuant to Modification Clause or Generic Modification Clause (Complete columns A thru R)  
 Price Increase/Decrease in accordance with update to **PL 102-585** pricing (**SIN 42-2A items only**) (Complete columns A thru E, G & H, J&K)  
 Price Reduction: (**Complete columns A thru H, J & K, M & N, P-R**)  Permanent  Temporary (Time Frame \_\_\_\_\_)

Please submit this information in a minimum **FONT SIZE OF 12**.

A	A	A	B	C	D	E	F	G	H	I	J	K	L
NDC#1	NDC#2	NDC# 3 or Item #	Generic Name & Trade Name	Unit	Strength	Size	Current FSS Price	Prop FSS w/o IFF	Prop FSS with IFF	% FSS Change	Previous Tracking Customer Price	Current Tracking Customer Price	% Tracking Customer Change

	M	N	O	P	Q	R
NDC # or Item #	Previous Comm. Price	Current Comm. Price	% Comm. Change	FSS Contract Modification # that added product	Effective date of FSS contract modification that added product	Awarded FSS tracking customer ratio

**If there are multiple line items, please submit all items on one spreadsheet.**



**REQUEST FOR MODIFICATION FORM**

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Contractor Name: \_\_\_\_\_ Date submitted to VANAC: \_\_\_\_\_

Contract No.: V797P-\_\_\_\_\_ SIN: \_\_\_\_\_

FSS Schedule: Please check the correct schedule:      ( ) 65 Part I, Section B - Pharmaceuticals  
 ( ) 65 Part VII – InVitro Diagnostics/Reagents

**ADMINISTRATIVE/OTHER CHANGES:**

**Tracking Customer:**

State the reason for change below or on an attachment:

\_\_\_\_\_

\_\_\_\_\_

*Provide the following Commercial Sale Practice (CSP) data for the affected NDC:*

**Commercial Information:**

NDC#	Generic Name	Commercial List Price (Dated)	MFC Name	MFC Price	MFC Discount off List Price	Additional Discounts or Concessions

**FSS Information:**

NDC#	Generic Name and Trade Name	Unit	Strength and Size	Percent (%) Discount off commercial list price	Proposed FSS price without IFF	Proposed FSS price with IFF	FSS Contract Modification # that added product	Effective date of FSS contract modification that added product	Awarded FSS tracking customer ratio

**Tracking Customer (TC) Information:**

Proposed Tracking Customer	Percent (%) Discount off commercial list price	TC Net Price	TC Sales (12 months)	Comments

*Please provide a narrative below or in a cover letter explaining in detail why the proposed tracking customer (TC) is an appropriate customer in terms of ensuring the Government price/discount remains representative of market prices and will continue to benefit from positive price changes.*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**REQUEST FOR MODIFICATION FORM**

**ADMINISTRATIVE/OTHER CHANGES (Continued):**

**NDC Number Change:**

To ensure our customers experience a smooth transition from the current NDC number to the new NDC number, we may want to establish a transition period for incorporation of the new NDC number on your FSS contract. We need to ensure product under the new NDC number has been shipped to our Prime Vendor and ordering activities are aware of the NDC number change. As part of the transition, we may ask you to maintain both NDC numbers on the contract and honor chargebacks for a brief period of time. The transition period will depend on the commercial availability of the old NDC.

**Part I – Product Status**

Please address the questions below:

1. Has new NDC product been shipped to the Prime Vendor(s): **Yes** \_\_\_\_ **No** \_\_\_\_ . What was the date product shipped to the PV: \_\_\_\_\_
2. Is stock of old NDC still available in the supply chain and/or inventory? **Yes** \_\_\_\_ **No** \_\_\_\_ . If YES, how much and what is estimated depletion date? \_\_\_\_\_
3. Do you agree to maintain both NDC on the FSS contract for a period of time: **Yes** \_\_\_\_ **No** \_\_\_\_ . If yes, until what date: \_\_\_\_\_

**Part II – List of Affected NDC (use an attachment if necessary)**

<u>Old NDC</u>	<u>New NDC</u>	<u>Product Description</u>	<u>Strength</u>	<u>Package Size</u>

**Miscellaneous Administrative Changes:**

*Provide explanation of changes being proposed on an attachment which do not fit the above administrative changes choices. (I.e. address change, BPA and/or Incentive Agreement updates, item description change etc.)*

*Reason for Change:*

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 NOTE: The effective date of the modification will be determined at the time of approval of the request by the Contracting Officer. **Effective dates will be assigned as either the 1st or 15th of the month.** Approval of the modification is contingent upon your **publication of a supplement** to the FSS price list.



**DEPARTMENT OF VETERANS AFFAIRS  
NATIONAL ACQUISITION CENTER  
FEDERAL SUPPLY SCHEDULE SERVICE (049A1F1)  
P.O. BOX 76  
HINES, IL 60141**

RE: Implementation of Public Law 102-585, Section 603 (Veterans Healthcare Act of 1992)

Dear Manufacturer:

38 U.S.C. 8126(a) requires at least a 24% discount be given to "a Federal agency" that procures a covered drug under a depot contracting system or through the Federal Supply Schedule (FSS). Section 8126(b) describes the relevant "Federal agencies" as VA, DoD, PHS (including Indian Health Service), and Coast Guard. As you probably know, although these four Federal agencies place the overwhelming majority of all pharmaceutical orders made on the FSS, there are many other governmental or not-for-profit organizations which are authorized by Congress or the General Services Administration to use the FSS. Non-Federal-agency users of the FSS are not entitled to Federal Ceiling Prices (FCPs) established under the Law, unless manufacturers elect to give them the benefit of the FCPs. By publishing a single FSS price list after the award of a contract, manufacturers will be offering to sell their products to all FSS users at the same price, regardless of whether that price reflects the FCP.

At this time, we would like to point out some of the ramifications of such a decision and ask each covered-drug manufacturer to formally elect to offer a single price to all FSS users or to adopt a dual price list (one for "the Federal agencies" and one for other FSS users and State Veteran Homes) whenever the FCPs of products are below what the FSS contract's most favored customer (MFC) price would be.

In deciding whether to elect a single or dual price list approach, each manufacturer should consider, in addition to the sections of the Law mentioned above, the requirements of Section 8126(d). That provision deals with establishing FCPs in the second and subsequent years of a multi-year contract and requires two computations; the lower of the two computed prices becomes the second or subsequent year's multi-year contract ceiling price.

Where the FCP and FSS-MFC price are approximately the same or where the FSS negotiated price is lower than the FCP, it may not seem necessary to make an election because there would be no current economic impact from the choice of a single or dual price list policy. (There would already be a single FSS price with no alternative to choose from.) However, even in these situations, VA has decided that each manufacturer must elect to establish a single FSS contract price for all users or dual price lists (where applicable) for the remainder of the contract period.

At this time, the beginning of the solicitation for the new contract period of the schedule, your company must elect either a single or dual price list granting the benefits of FCPs to all FSS users where appropriate or a dual FSS price list, one version being applicable only to "the Federal agencies". The latter election may be implemented on an item-by-item basis so that, where the FCP is lower than an MFC price, a manufacturer may elect to allow the ceiling price figure to stand as the all-FSS selling price for some items but not for others.

Also, it should be remembered that the FSS contract price (and not the FCP, unless the Manufacturer specifies otherwise) will be subject to the FSS Price Reduction Clause with its comparable customer discount tracking mechanism.

We ask that an authorized representative of your company make the required election using the enclosed form and include it with your solicitation offer. If your company elects separate FSS price lists, it will have the responsibility of providing the correct price list to the "Federal Agencies" and all other FSS users.

We thank you for your cooperation. If you have any questions regarding this letter, you may call the undersigned at (708) 786-5167 or Carole O'Brien at (708) 786-4957.

Sincerely,

MELBOURNE A. NOEL, JR.  
Government Trial Attorney

ATTACHMENT TO SOLICITATION M5-Q50A-05

**MANUFACTURER'S FSS PRICE LIST ELECTION FORM  
UNDER PUBLIC LAW 102-585**

(Please fill in and execute the single paragraph below that reflects the Manufacturer's choice. Return the executed form with your offer being submitted under solicitation M5-Q50A-03.)

1. [Manufacturer Name] \_\_\_\_\_ through the undersigned, its officer or agent authorized to make this election, has read and understood VA's "Dear Manufacturer" letter concerning election of an FSS price list policy. Said manufacturer hereby elects to publish **a single annual FSS price list** that adopts for **all FSS users** the current Federal ceiling price (FCP) figure(s) for any covered drug whose FCP is below the most favored customer (MFC) price. This election will be effective immediately upon award of a contract and will remain in effect through the termination of the FSS Contract.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
TITLE

(OR)\*\*\*\*\*  
\*\*\*\*\*

2. [Manufacturer Name] \_\_\_\_\_ through the undersigned, its officer or agent authorized to make this election, has read and understood VA's "Dear Manufacturer" letter concerning election of an FSS price list policy. Said manufacturer hereby elects **NOT** to publish a single FSS price list extending Federal ceiling price benefits to all FSS users, but rather, where a covered drug's FCP is lower than the company's MFC price, to publish **separate price lists**, one containing FSS contract prices to non-covered Federal-agency users and one containing those FCP capped prices which the Manufacturer wishes to extend only to the covered Big 4 (VA, DoD, PHS/HIS, and Coast Guard) Federal agencies. This election will be effective immediately upon award of a contract and will remain in effect through the termination of the FSS contract.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
TITLE



<b>AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT</b>			1. CONTRACT ID CODE	PAGE OF PAGES <b>1   1</b>
2. AMENDMENT/MODIFICATION NO. <b>07-01</b>	3. EFFECTIVE DATE <b>January 1, 2007</b>	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)	
6. ISSUED BY <b>Dept of Veterans Affairs National Acquisition Center (049A1F1) FSS Division - Pharmaceuticals P.O. Box 76, 1<sup>st</sup> Avenue north of Cermak Road, Building 37 Hines, IL 60141 Attn:</b>		7. ADMINISTERED BY (If other than Item 6) <b>Dept of Veterans Affairs National Acquisition Center (049A1F1) FSS Division - Pharmaceuticals P.O. Box 76, 1<sup>st</sup> Avenue north of Cermak Road, Building 37 Hines, IL 60141</b>		
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State, and ZIP Code)  <b>Pharmaceutical Company 12345 N. Main Street Anywhere, IL 60007</b>		(√)	9A. AMENDMENT OF SOLICITATION NO. <hr/>	
			9B. DATED (SEE ITEM 11) <hr/>	
			10A. MODIFICATION OF CONTRACT/ORDER NO. <b>V797P-5555X</b>	
			10B. DATED (SEE ITEM 13) <b>November 1, 2006</b>	
CODE	FACILITY CODE			

**11. THIS ITEM APPLIES TO AMENDMENTS OF SOLICITATIONS**

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of offers  is extended,  is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:

- (a) by completing Items 8 and 15, and returning \_\_\_\_\_ copies of the amendment; (b) by acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. **FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER.** If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)	
<b>13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.</b>	
(√)	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
<b>X</b>	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: <b>MODIFICATION CLAUSE 552.243-72 (Feb 1996)</b>
	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor  is not,  is required to sign this document and return 1 copies to the issuing office.

**14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)**

This bilateral modification is issued to incorporate the attached price changes pursuant to Public Law 102-585

**This modification is contingent upon the vendor publishing a FSS pricelist supplement. All other terms and conditions remain unchanged**

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print) <b>AUTHORIZED CONTRACTOR NAME</b>		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) <b>W. R. Satterfield, III - Contracting Officer</b>	
15B. CONTRACTOR/OFFEROR  <i>AUTHORIZED CONTRACTOR SIGNATURE</i> <hr/> <i>(Signature of person authorized to sign)</i>	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA  BY _____ <i>(Signature of Contracting Officer)</i>	16C. DATE SIGNED

<b>AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT</b>		1. CONTRACT ID CODE	PAGE OF PAGES 1   1
2. AMENDMENT/MODIFICATION NO. 07-01	3. EFFECTIVE DATE January 1, 2007	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
6. ISSUED BY Dept of Veterans Affairs National Acquisition Center (049A1F1) FSS Division - Pharmaceuticals P.O. Box 76, 1 <sup>st</sup> Avenue north of Cermak Road, Building 37 Hines, IL 60141 Attn:		7. ADMINISTERED BY (If other than Item 6) Dept of Veterans Affairs National Acquisition Center (049A1F1) FSS Division - Pharmaceuticals P.O. Box 76, 1 <sup>st</sup> Avenue north of Cermak Road, Building 37 Hines, IL 60141	
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State, and ZIP Code)  Pharmaceutical Company 12345 N. Main Street Anywhere, IL 60007		(√)	9A. AMENDMENT OF SOLICITATION NO.  9B. DATED (SEE ITEM 11)
CODE		10A. MODIFICATION OF CONTRACT/ORDER NO. <b>V797P-5555X</b> 10B. DATED (SEE ITEM 13) <b>November 1, 2006</b>	
FACILITY CODE			

## 11. THIS ITEM APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers  is extended,  is not extended.

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended by one of the following methods:

- (a) by completing Items 8 and 15, and returning \_\_\_\_\_ copies of the amendment; (b) by acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. **FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER.** If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

## 12. ACCOUNTING AND APPROPRIATION DATA (If required)

## 13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

- (√) A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
- B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
- C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
- X D. OTHER (Specify type of modification and authority)  
**MODIFICATION CLAUSE 552.243-72 (Feb 1996)**

E. IMPORTANT: Contractor  is not  required to sign this document and return 0 copies to the issuing office.

## 14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

This unilateral modification is issued to incorporate the attached price changes pursuant to Public Law 102-585

**This modification is contingent upon the vendor publishing a FSS pricelist supplement. . All other terms and conditions remain unchanged**

Except as provided herein, all terms and conditions of the document referenced in Item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) <b>W. R. Satterfield, III - Contracting Officer</b>		
15B. CONTRACTOR/OFFEROR  (Signature of person authorized to sign)	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA  BY _____ (Signature of Contracting Officer)	16C. DATE SIGNED

EXCEPTION TO SF 30  
APPROVED BY OIRM 11-84

30-105-04

STANDARD FORM 30 (REV. 10-83)  
Prescribed by GSA  
FAR (48 CFR) 53.243



**WELCOME  
TO  
Tips for Successful  
End-of-Year PL Updates**



# Agenda Outline

- I. **Background**
- II. **Contracting Process**
- III. **PV Issues**
- IV. **Industrial Funding Fee Changes**
- V. **Modification Process**
- VI. **Implementation of Dual Prices**
- VII. **NFAMP Calculation Methodology Change**
- VIII. **FCP Appeal Process**
- IX. **End of the Year Update**



# Public Law Background

Presented by: Mel Noel



# Introduction

- ◆ **Public Law 102-585 § 603:  
Veterans Health Care Act (VHCA)  
of 1992.**
  - **Effective January 1, 1993.**
  - **Imposed pricing calculations.**



# Introduction

- ◆ **Public Law 102-585 § 603:  
Veterans Health Care Act (VHCA)  
of 1992.**
  - **Requirements for affected vendors**
    - **Master Agreement.**
    - **Pharmaceutical Pricing Agreement (PPA).**
    - **Interim Agreement, if applicable.**
    - **FSS Contract.**



# Who is eligible?


- ◆ **The big 4 (VA, DoD, Public Health Service (PHS) (including Indian Health Service) and the Coast Guard.**
- ◆ **State Veteran Homes who have a sharing agreement with the VA and have elected options 2, 3 or 4 (VHA IL 10-99-001).**
- ◆ **Division of Immigration Health Services purchases of drugs for use in their clinics (10/19/01).**





# What Drugs are Covered

- ◆ Sole source and multi-source innovator drugs for which a prescription is required, marketed under an original New Drug Application (NDA) approved by FDA.
- ◆ Biologics marketed under a FDA license
- ◆ This definition includes drugs marketed as “generics” which are marketed under an NDA.



# Obligations of Covered Drug Manufacturers

- ◆ Signify adherence to statutory requirements by signing a Master Agreement (MA) (Evergreen) and Pharmaceutical Pricing Agreement (PPA) (Addendum A to PPA revised each year).
- ◆ Make available on FSS each of its covered drugs.



# Penalties for non-participation

- ◆ A manufacturer of a covered drug that fails to enter into a MA and does not offer the product on the FSS suffers a significant economic penalty. Such manufacturer may not be paid by “Big Four”, Medicaid or PHS grantees for any drug or biological.



# **Transferred covered drugs**

- ◆ **Dear Manufacturer letter dated October 15, 1997.**
- ◆ **Drugs transferred with exclusivity from one Manufacturer to another maintain their originally computed FCP throughout the year.**
- ◆ **The new manufacturer may enter a zero in the old-Non FAMP field when calculating the FCP applicable to their first full year of ownership.**



# Introduction of New Drugs

- ◆ **Provisional FCP (A means of pricing a new covered drug at introduction prior to accumulating 30 days of sales).**
- ◆ **Temporary FCP (based on 30 days of sales).**
- ◆ **Permanent FCP (based on one full quarter of sales).**



# Provisional FCP

- ◆ Provisional FCPs may be placed on the FSS upon launch but the price must be agreed upon by the CO and may not exceed the wholesale price less prompt pay discount less 24 percent.
- ◆ Beginning October 1, 2001, manufacturers employing provisional FCPs need not tender to “Big Four” ordering activities the difference between the provisional FCP and the temporary FCP when the latter is lower than the former.

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# Temporary FCP


- ◆ The temporary non-FAMP and FCP will be reported based upon the first 30 days of wholesale sales.



# Permanent FCP


- ◆ After one full quarter of experience, calculate and report a permanent non-FAMP and FCP effective for the remainder of the year.






# New drug calculation based on quarter of introduction

- ◆ If a new covered drug is introduced in the first quarter: (January to March).
  - The Temporary FCP is determined by taking  $.76$  of the non-FAMP based on the 1<sup>st</sup> 30 days of sales. The non-FAMP price should include any cash discounts if they pertain.
  - The Non-FAMP must be recalculated and a final FCP reported based on sales from day of product introduction through June 30. Data is due and effective on August 1.




# **New drug calculation based on quarter of introduction**

- ◆ **If a new drug is introduced in the 2nd or 3rd quarters: April through September:**
  - **The Temporary FCP is determined by taking .76 of the non-FAMP based on the 1st 30 days of sales. The non-FAMP price should include any cash discounts if they pertain.**




# **New drug calculation based on quarter of introduction**

- ◆ **If a new drug is introduced in the 2nd or 3rd quarters: April through September:**
  - **The Non-FAMP will be recalculated using the data submitted for the following year's FCP and will be multiplied by .76 to produce the final FCP. This data is part of the annual report and is due on November 15. The final FCP will be effective from November 16 through December 31.**



# **New drug calculation based on quarter of introduction**

- ◆ **If a new drug is introduced in the fourth quarter October to December:**
  - **The Temporary FCP is determined by taking .76 of the non-FAMP based on the 1st 30 days of sales. The non-FAMP price should include any cash discounts if they pertain.**



# **New drug calculation based on quarter of introduction**

- ◆ **If a new drug is introduced in the fourth quarter October to December:**
  - **The Non-FAMP must be recalculated and a final FCP reported based on sales from day 1 of product introduction through March 31. Data is due and effective on May 1.**



# Contracting Process

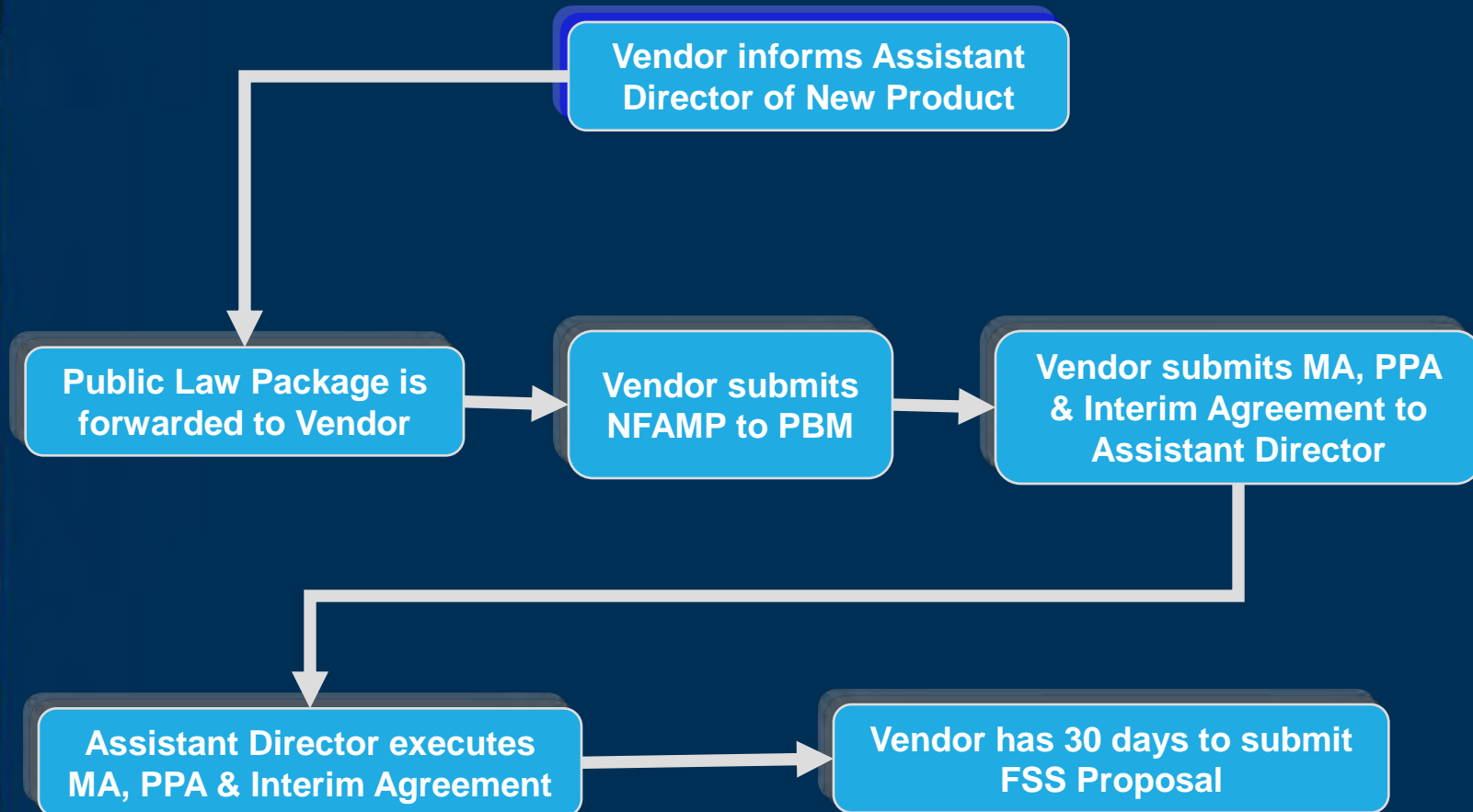
Presented by: Cheryl Ward-Roberts



# Interim Agreement

- ◆ Letter contract that is an interim agreement
  - Authority provided by FAR 16.603-2
  - Pursuant to Sect. 603 of Public Law 102-585
- ◆ Establishes a “binding commitment” when immediate performance is required
- ◆ Created to allow sufficient time to negotiate and award a new FSS contract

# Interim Agreement







# FSS Solicitation

- ◆ **Federal Business Opportunities** – All solicitations are announced and posted. Solicitation M5-Q50A-03-R1 can be viewed at the following website:  
<http://www.fedbizopps.gov>
- ◆ **Request for solicitation copy** – Can submit written request or download solicitation from the Federal Business Opportunities website.
- ◆ **Open & Continuous solicitation** – Since there's no solicitation due date, proposals are submitted at vendor's convenience.



# **FSS Solicitation Content**

- 1. Cover Page Notices**
- 2. Checklist**
- 3. Table of Contents**
- 4. Standard Form 1449 – Solicitation/Contract/Order for Commercial Items**
- 5. Schedule of Items**
- 6. Clauses**
- 7. Commercial Sales Practices Format**
- 8. Small Business Subcontracting Plan**
- 9. Other Related Attachments**

# FSS Four Phase Process

*(From offer submission to contract award)*



**Phase 1 – Review**



**Phase 2 – Evaluation**



**Phase 3 – Negotiation**



**Phase 4 – Contract Award**



# Phase 1 - Review

- ◆ Proposal is reviewed for missing information and clarifications.
- ◆ Missing information letter is generated by the contracting officer and sent to the offeror.
- ◆ Offeror is provided an opportunity to submit additional information.



# Phase 2 - Evaluation

- ◆ Each proposal is evaluated based on the offeror's commercial sales practices (CSP) and not their competitors.
- ◆ Most Favored Customer pricing is identified based upon CSP disclosures. MFC is the customer or class of customer which receives the best discount and/or price arrangement on a given item from a supplier.
- ◆ Contracting officer identifies comparable commercial terms and conditions as they relate to Federal customer needs.
- ◆ Negotiation targets are established based on offeror's discounting policy, terms and conditions for all customers (federal and non-federal).



# Phase 3 - Negotiation

- ◆ **Negotiation discussions are usually conducted via telephone conferences.**
- ◆ **Agreement is reached regarding the tracking customer, prices, and related terms and condition for the contract.**
- ◆ **Final Proposal Revisions (FPR) are submitted in writing at close of negotiations.**



# What are the negotiated terms?

- ◆ Tracking Customer
- ◆ Basic Discount
- ◆ Quantity Discount
- ◆ BPA Incentive Programs
- ◆ Delivery Terms
- ◆ Expedited Delivery
- ◆ Prompt Payment
- ◆ FOB Terms
- ◆ Minimum Order
- ◆ Warranty Terms
- ◆ Return Goods Policy
- ◆ Annual Rebates
- ◆ Distribution Programs (PPV)



# Phase 4 – Contract Award

- ◆ **Determining Factors for contract award:**
  - Did the Government achieve a fair and reasonable price?
  - Did offeror complete all certifications and regulatory requirements in their entirety?
  - Is past performance history satisfactory?
  - Is the offeror financially responsible or capable?
  - Is it in the overall best interest of the Government?





# Contract Award Actions

- ◆ Award package is issued to schedule contractor identifying discounts, terms, and conditions of award.
- ◆ Vendor must prepare and maintain an “Authorized Federal Supply Schedule Pricelist” in accordance with the Contract Price List Clause.
- ◆ VANAC submits award information to PBM and to GSA for posting on the Schedules E-Library.



# PPV Issues IFF Changes

Presented by: Cheryl Ward-Roberts



# Prime Vendor Issues

## ◆ Participation in PV

- Obligation
- Non-participants
  - Sell Direct

## ◆ NDC Lock-outs

## ◆ NDC Changes



# Industrial Funding Fee

## ◆ IFF Changes

- Reduced from 0.5% to 0.25%
- Effective January 1, 2007

## ◆ Reason for Change

- OA&MM NAC is Supply-fund based and is required to charge fees to recover cost
- Reduction in fee determined sufficient to cover operating cost



# Industrial Funding Fee

## ◆ Implementation

- Updated clause 552.238-74 “IFF & Sales Reporting”
- Instruction Letter – Generics
- Instruction Letter – Covered Drugs
  - Information provided in Nov 1<sup>st</sup> NAC letter
  - Update IFF with End-of-the-Year PL Update



# Industrial Funding Fee

- ◆ The formula used to back out the 0.5% fee and add in the 0.25%:
  - Step 1: Current FSS contract price  $\times (1 - 0.005) = \text{XX Figure}$  (Contract price without .5% IFF).
  - Step 2:  $\text{XX Figure} / (1 - 0.0025) = \text{New adjusted FSS contract price}$  (with .25% IFF).



# Modification Process

Presented by: Bob Satterfield



# Modification Process

- ◆ **New Request for Mod Form**
  - Oct 2006
  - Oct 2006 v 2.0
  
- ◆ **Electronic Submission of CSP Data is encouraged (Excel format)**
  
- ◆ **Product Addition**
  - Single Price
  - Dual Price
  - Drug Transfers
  - Price Changes





# Modification Process

## ◆ Price Changes

### ■ Reductions

- Voluntary
- Revised Price List
- Grant More Favorable Terms than in Price List
- Tracking Customer Violation
- Public Law
- Price Changes



# Modification Process

## ◆ Price Changes

### ■ Increases

- EPA
- Public Law

### ■ Public Law

### ■ Deletions

### ■ Administrative Changes



# Implementation of Dual Prices

Presented by: Bob Satterfield



# Dual Prices

- ◆ Use Mod Form → Product Addition
  - Complete pages 1-3
  - Confirm Mfg, Proposed TC, CSP Disclosure
- ◆ Single/Dual Price Election Form
- ◆ Goal is same; receive pricing equal to/better than MFC
- ◆ Negotiated Pricing
- ◆ Tracking Customer Ratio is Math based



# Dual Prices

- ◆ Dual Price will not be awarded unless Govt can determine price is fair & reasonable
- ◆ Dual Price typically not negotiated if FCP is Provisional or Temporary since CSP data is not available.
- ◆ Dual Price is not established under Interim Agreements.



# Methodology Changes

Presented by:

Mark Myers, CPA  
Office of Inspector General  
Office of Contract Review



# Methodology Changes

- ◆ Any methodology changes should be filed by Nov 1.
- ◆ Methodology changes must be approved in advance and the old non-FAMP period must be recalculated to reflect the change in methodology.
  - Decision to exclude returns
  - Decision to smooth/not smooth chargebacks



# FCP Appeals

- ◆ Do immediately.
- ◆ Appeals fall into to 2 basic categories:
  - Requests for relief
    - Requests for relief generally occur because of some anomalies in the calculation.
  - Formal FCP appeal
    - FCP appeals generally occur because the calculated FCP is proper but would cause the manufacturer to sell at a loss.





# FCP Appeals

- ◆ **Communicate anomaly to 025NAC.**
- ◆ **FCP Committee will consider what relief, if any, can be granted.**
- ◆ **FCP formal appeals must follow the guidance in the Dear Manufacturer letter dated February 24, 1993 and be accompanied by the required certification.**



# Communication of Errors

- ◆ Any errors that were detected during the calculation of your annual non-FAMPs, especially those that require restating the old non-FAMP period, need to be communicated to VA.
- ◆ The following slides detail the process to correct any errors detected.



# Communication of Errors

- ◆ **Communication between the parties is key.**
- ◆ **Barriers to effective communication include not having access to the parties who are conducting the analysis.**
- ◆ **VAOIG will insure that the key VA parties are apprised of the status of the disclosure.**



# Basic Process

- ◆ Once a manufacturer determines that an error has occurred affecting the Federal Ceiling Price (FCP), the following initial steps should be taken:
  - Determine the cause of the error.
  - Make necessary changes to the reporting system to rectify the error.
  - Determine the scope of the error.
  - Disclose the error.



# **Disclose the Error**

- ◆ **Inform your contracting officer with copies to General Counsel, PBM and OIG.**
- ◆ **Include in your notification a description of the error and the expected time line for completion of internal analysis and submission to VA for review.**

The background of the slide is a dark blue gradient. On the left side, there is a vertical decorative element. The top portion shows a row of classical white columns with fluted shafts and decorative capitals. Below this, a bright golden waterfall flows downwards, creating a shimmering, textured effect.

# Steps in the Process

- ◆ The methodology used to recompute your non-FAMPs must be approved by VA in order to prevent unnecessary work by the manufacturer in the event that the methodology is not approved.



# Steps in the Process

## ◆ Data required include:

- a full explanation of the error(s).
- steps taken to ensure that the error(s) has been corrected.
- measures taken to ensure that the error does not occur in the future.
- All data supporting the recalculated non-FAMPs along with the data supporting the originally filed non-FAMPs.



# Steps in the Process

- ◆ Once the methodology is approved, recalculation of non-FAMPs and FCPs can commence.
- ◆ If the error spanned more than one year and affects the current year pricing, the focus should be on first correcting the current year on a provisional basis.
- ◆ Any recalculation must go back to the old non-FAMP period in order to calculate the FCP using a consistent methodology across the periods.



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# Recalculations

- ◆ VAOIG will review the new calculations to include the underlying data as compared to the originally filed non-FAMPs and their underlying data.



# Steps in the Process

- ◆ Corrected non-FAMPs and FCPs for the current year need to be submitted to both Pharmacy Benefits Management (PBM) and your contracting officer. These FCPs should reflect a good estimation of what the final calculated prices will be. This submission will be considered provisional pending full recalculation.



# Recalculations

- ◆ All years affected by the error must be recalculated.
- ◆ Remember the first years (of a multi-year contract) are 1993, 1996, 1998 and 2004.



# Recalculations

- ◆ If the manufacturer is a single pricer, each year of recalculation affects the second and subsequent year of a multi-year contract. This means that an error that affects more than one year will be dependent upon the prior year.



# Determining Overcharges

- ◆ Determine amounts due for periods prior to the disclosure by figuring all actual charges in excess of the recalculated FCPs (no offsets).
- ◆ Calculation of overcharges should be performed after the modification to the FSS contract implements the corrected FCPs so that the overcharge calculation can take into account all of the relevant sales transactions.



# Determining Overcharges

- ◆ **Overcharges are only calculated on sales to the Big 4 agencies, regardless of whether you are a single or dual-pricer.**
- ◆ **Manufacturers should identify purchases by DoD separately from the other Big 4 agencies.**



# Determining Overcharges

- ◆ When calculating final amounts due, the period that the current “provisional” prices were in effect (a period less than one calendar year) is handled differently than the period prior to disclosure.
- ◆ If the final recalculations result in slightly different FCPs, offsets are allowed against the provisionally corrected prices.

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# Determining Overcharges

- ◆ This means that if the final recalculated FCPs are both higher and lower than the provisional prices filed when the error initially was disclosed and corrected on a provisional basis, differences can be netted to determine amounts due, if any.



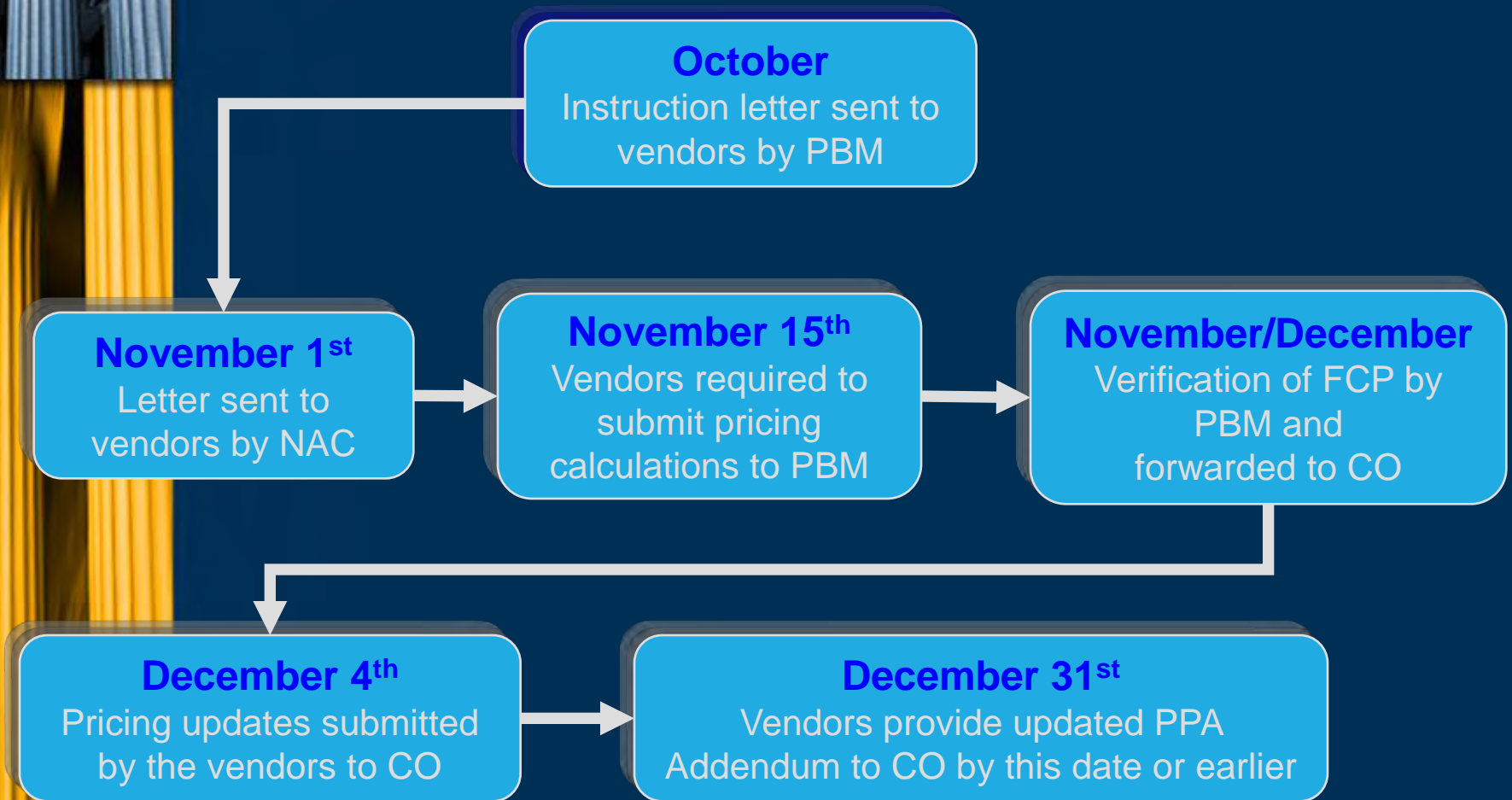


# End of the Year Update

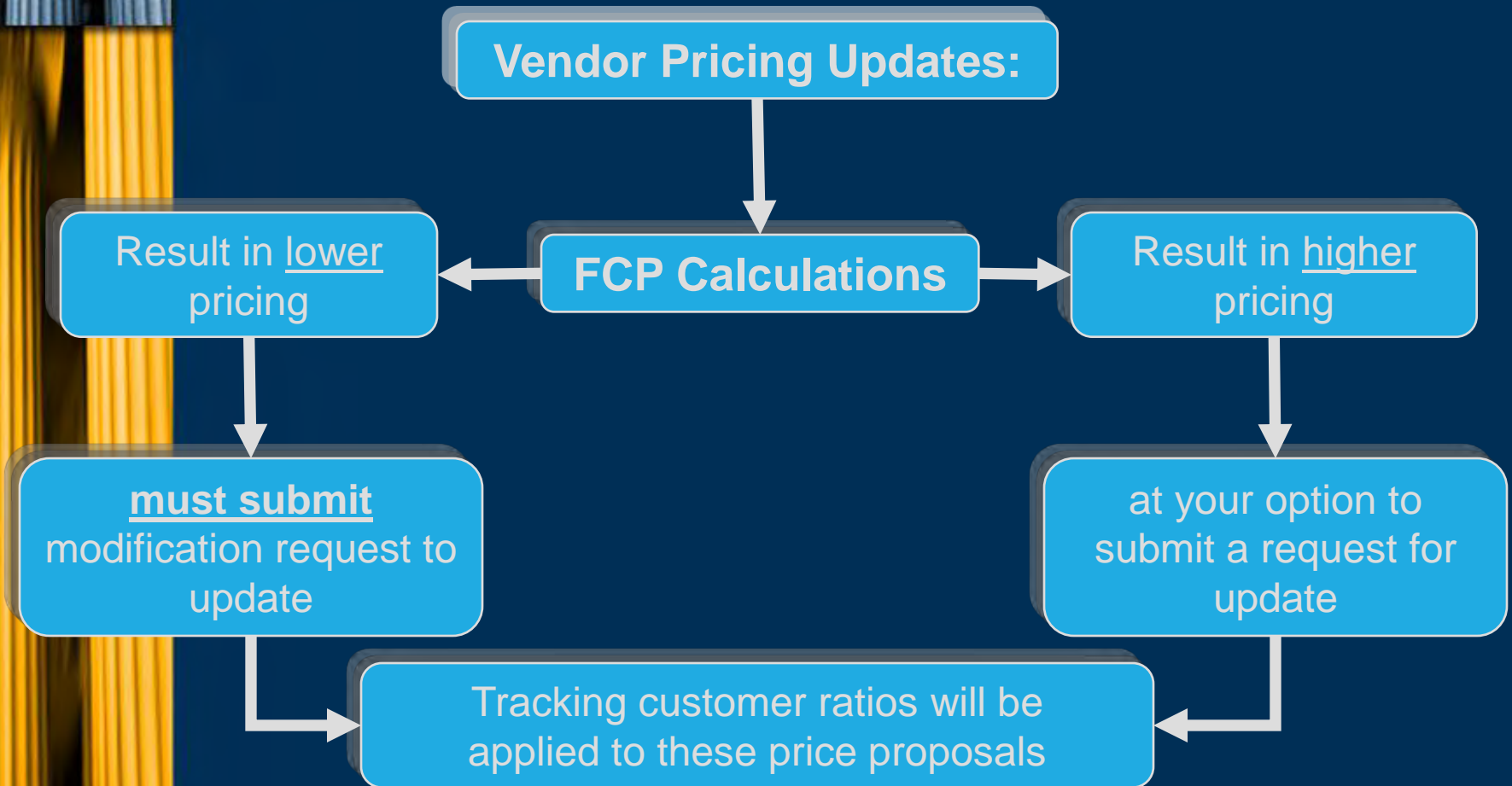
Presented by: Cheryl Ward-Roberts

Bob Satterfield

# Year-end Public Law Timeline



# Year-end Public Law Updates





# Year-end Public Law Updates

- ◆ **Need to meet established deadlines to ensure January 1<sup>st</sup> effective date**
  - Due dates outlined in October letter
  - Reiterated in November 1<sup>st</sup> letter
- ◆ **Update FSS pricelist to incorporate pricing updates**

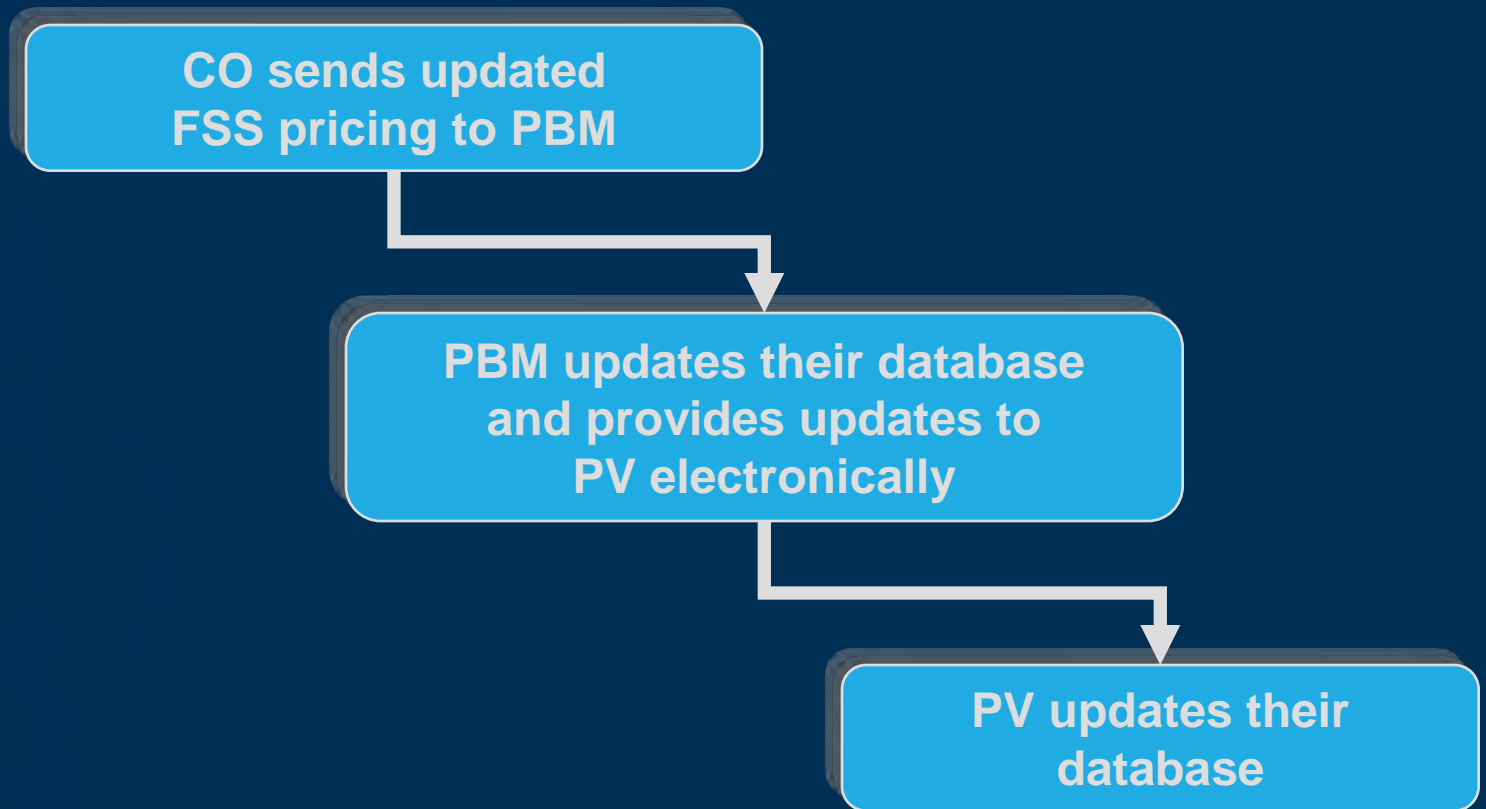


# Workload Analysis

## ◆ Taking a look at the numbers

- Average Modifications Actions Processed: 250 per month
- Modifications Actions Processed during PL: 730
- PL line items reviewed: 8,510 in December 2005

# Dissemination of Data





# Pricing Scenarios

## Disclaimer:

Please note the pricing scenarios are meant to provide an illustration of the review process used by the contracting officer in determining if the price offered is compliant with Public Law and Price Reduction Clause. The numbers used are based on actual proposals reviewed by VA. The numbers have been changed to protect the innocent. The CPI-U (Consumer Price Index-Urban) used is 2.06% from 2007.



# Pricing Scenarios

## ◆ CO Reviews:

### ■ FCP Compliance

- (Ensure the Proposed price does not exceed FCP)

### ■ Max “K” FSS (TC x TC Ratio)

- (Ensure the Proposed price is compliant the with tracking customer ratio (TC) pursuant to the Price Reduction (PRP) clause of the FSS Contract. Proposed price cannot exceed PRP)

### ■ Max CPI-U Cap (Current FSS x CPI-U)

- (Ensure the Dual price proposed does not exceed the Maximum allowable price which is capped by the change in the Consumer Price Index – Urban (CPI-U))



# Pricing Scenarios

## ◆ The MATH

- Max “K” FSS = TC Price X TC Ratio
  - (This is the maximum allowable price pursuant to the Price Reduction Clause of the FSS contract)
- TC Ratio = Govt Price/TC Prices (Round to 2 decimals)
- Max CPI-U = Current FSS Price X CPI-U

Legend:

“K” = Contract; TC = Tracking Customer;

CPI-U = Consumer Price Index – Urban

PRC = Price Reduction Clause



# Pricing Scenarios

- ◆ FCP Increases  
Single Price

# FCP Price Increase – Single Price

- ◆ Current FSS Price: \$93.41
- ◆ Proposed FSS Price: \$106.00
- ◆ Tracking Customer Price: \$106.00
- ◆ TC Ratio: 1.00
- ◆ FCP: \$110.97

- ◆ What is the Max K FSS? (TC Price X TC Ratio)

**\$106.00, based on PRC**

- ◆ Is the proposed price acceptable?

**Yes, proposed price is less than FCP  
and compliant with PRC**

# FCP Price Increase – Single Price

- ◆ Current FSS Price: \$11.66
- ◆ Proposed FSS Price: \$17.27
- ◆ Tracking Customer Price: \$22.75
- ◆ TC Ratio: 1.00
- ◆ FCP: \$17.27

- ◆ What is the Max K FSS? (TC Price X TC Ratio)

**\$22.75, based on PRC**

- ◆ Is the proposed price acceptable?

**Yes, proposed price is equal to FCP  
and compliant with PRC**



# Pricing Scenarios

- ◆ **FCP Decreases**  
**Single Price**

# FCP Price Decrease – Single Price

◆ Current FSS Price:	\$29.76
◆ Proposed FSS Price:	\$28.33
◆ Tracking Customer Price:	\$39.12
◆ TC Ratio:	1.00
◆ FCP:	\$28.33

◆ What is the Max K FSS? (TC Price X TC Ratio)

**\$39.12, based on PRC**

◆ Is the proposed price acceptable?

**Yes, proposed price equals FCP and is compliant with PRC**

# FCP Price Decrease – Single Price

◆ Current FSS Price:	\$205.65
◆ Proposed FSS Price:	\$196.57
◆ Tracking Customer Price:	\$329.32
◆ TC Ratio:	1.00
◆ FCP:	\$196.57

◆ What is the Max K FSS? (TC Price X TC Ratio)

**\$329.32, based on PRC**

◆ Is the proposed price acceptable?

**Yes, price equals FCP and is compliant with PRC**



# Pricing Scenarios

◆ Dual Price



# Big 4 Price Changes (Company A)

◆ Current Big 4 Price:	\$269.34
◆ Proposed Big 4 Price:	\$289.34
◆ Tracking Customer Price:	\$315.84
◆ TC Ratio:	1.00
◆ CPI-U	2.06%
◆ FCP:	\$289.34

- ◆ **What is the Max K FSS?** (TC Price X TC Ratio)  
**\$315.84, based on PRC**
- ◆ **Is the proposed price acceptable?**  
**Offer is compliant with FCP; need to review the Dual price before accepting**

# Dual Price Changes (Company A)

- ◆ Current Dual Price: \$275.93
- ◆ Proposed Dual Price: \$289.34
- ◆ Tracking Customer Price: \$315.84
- ◆ TC Ratio: .99
- ◆ CPI-U 2.06%
- ◆ FCP: \$289.34

- ◆ What is the Max K FSS? (TC Price X TC Ratio)  
**\$312.68**
- ◆ What is the Max CPI-U? (Current FSS Price X CPI-U)  
**\$281.61**
- ◆ Is the proposed price acceptable?  
**No, proposed price exceeds Max CPI-U**
- ◆ Is Big 4 > Dual?  
**Yes, therefore single price to all = \$281.61**

# Big 4 Price Changes (Company B)

◆ Current Big 4 Price:	\$60.64
◆ Proposed Big 4 Price:	\$68.68
◆ Tracking Customer Price:	\$69.73
◆ TC Ratio:	1.00
◆ CPI-U	2.06%
◆ FCP:	\$56.39

◆ **What is the Max K FSS?** (TC Price X TC Ratio)

**\$69.73, based on PRC**

◆ **Is the proposed price acceptable?**

**No, proposed price exceeds exceeds FCP;  
price needs to be lowered to FCP**

# Dual Price Changes (Company B)

◆ Current Dual Price:	\$84.73
◆ Proposed Dual Price:	\$72.68
◆ Tracking Customer Price:	\$69.73
◆ TC Ratio:	1.00
◆ CPI-U	2.06%
◆ FCP:	\$56.39

- ◆ What is the Max K FSS? (TC Price X TC Ratio)  
**\$69.73**
- ◆ What is the Max CPI-U? (Current FSS Price X CPI-U)  
**\$86.48**
- ◆ Is the proposed price acceptable?  
**No, proposed price exceeds Max K FSS pursuant to PRC; price needs to be lowered to \$69.73**
- ◆ Is Big 4 > Dual?  
**No**

# Big 4 Price Changes (Company C)

◆ Current Big 4 Price:	\$97.71
◆ Proposed Big 4 Price:	\$95.06
◆ Tracking Customer Price:	\$100.56
◆ TC Ratio:	.95
◆ CPI-U	2.06%
◆ FCP:	\$95.06

◆ **What is the Max K FSS?** (TC Price X TC Ratio)

**\$95.53, based on PRC**

◆ **Is the proposed price acceptable?**

**Yes, proposed price is equal to FCP and less than Max K FSS pursuant to PRC**

# Dual Price Changes (Company C)

◆ Current Dual Price:	\$97.71
◆ Proposed Dual Price:	\$99.50
◆ Tracking Customer Price:	\$100.56
◆ TC Ratio:	.95
◆ CPI-U	2.06%
◆ FCP:	\$95.06

- ◆ What is the Max K FSS? (TC Price X TC Ratio)  
**\$95.53**
- ◆ What is the Max CPI-U? (Current FSS Price X CPI-U)  
**\$99.72**
- ◆ Is the proposed price acceptable?  
**No, proposed price exceeds Max K FSS pursuant to PRC; price needs to be lowered to \$95.53**
- ◆ Is Big 4 > Dual?  
**No**

# Big 4 Price Changes (Company D)

◆ Current Big 4 Price:	\$521.78
◆ Proposed Big 4 Price:	\$550.68
◆ Tracking Customer Price:	\$550.68
◆ TC Ratio:	1.00
◆ CPI-U	2.06%
◆ FCP:	\$557.38

- ◆ **What is the Max K FSS?** (TC Price X TC Ratio)  
**\$550.68, based on PRC**
- ◆ **Is the proposed price acceptable?**  
**Proposed price is compliant with Max K FSS and FCP, appears acceptable. Check Dual**

# Dual Price Changes (Company D)

◆ Current Dual Price:	\$567.77
◆ Proposed Dual Price:	\$568.09
◆ Tracking Customer Price:	\$550.68
◆ TC Ratio:	.98
◆ CPI-U	2.06%
◆ FCP:	\$557.38

- ◆ What is the Max K FSS? (TC Price X TC Ratio)  
**\$539.67**
- ◆ What is the Max CPI-U? (Current FSS Price X CPI-U)  
**\$579.47**
- ◆ Is the proposed price acceptable?  
**No, proposed price exceeds Max K FSS pursuant to PRC**
- ◆ Is Big 4 > Dual?  
**Yes, therefore single price to all = \$539.67**



# Big 4 Price Changes (Company E)

◆ Current Big 4 Price:	\$147.21
◆ Proposed Big 4 Price:	\$134.03
◆ Tracking Customer Price:	\$167.01
◆ TC Ratio:	1.00
◆ CPI-U	2.06%
◆ FCP:	\$134.03

- ◆ **What is the Max K FSS?** (TC Price X TC Ratio)  
**\$167.01, based on PRC**
- ◆ **Is the proposed price acceptable?**  
**Yes, proposed price equals FCP and is less than Max K FSS pursuant to PRC**

# Dual Price Changes (Company E)

◆ Current Dual Price:	\$160.72
◆ Proposed Dual Price:	\$153.65
◆ Tracking Customer Price:	\$167.01
◆ TC Ratio:	.90
◆ CPI-U	2.06%
◆ FCP:	\$134.03

- ◆ What is the Max K FSS? (TC Price X TC Ratio)  
**\$150.31**
- ◆ What is the Max CPI-U? (Current FSS Price X CPI-U)  
**\$164.03**
- ◆ Is the proposed price acceptable?  
**No, proposed price exceeds Max K FSS; price needs to be lowered to \$150.31**
- ◆ Is Big 4 > Dual?  
**No**



# Points of Contact

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# QUESTIONS & ANSWERS



**THANK YOU!**