



**Department of Veterans Affairs  
Veterans Health Administration  
Pharmacy Benefits Management  
PO Box 126  
Hines, IL 60141**

October 19, 1999

578/119D

Dear Manufacturer:

The following information is provided to assist your company in reporting the annual data mandated by Section 603 of Public Law 102-585 (Veterans Health Care Act of 1992; 38 U.S.C. 8126). Annual Non-Federal Average Manufacturers Price (NFAMP) calculations with 2000 Federal Ceiling Prices (FCP) for covered drugs are to be reported to Associate Chief Consultant, Pharmacy Benefits Management (PBM) (formerly Chief, Drug & Pharmaceutical Product Management (DPPM)), **on or before November 15, 1999**. (Any anticipated changes in your company's method of accounting for chargebacks, etc., must be implemented in accordance with Generally Accepted Accounting Principles (G.A.A.P.) and explained to the above office prior to submission of annual data.)

Each covered drug's mandated FCP for 2000 (the third year of FSS multiyear contracts for statutory purposes) will be determined by adopting the lower of two calculation results. These two calculations are described in (1) 38 U.S.C. 8126 (d)(1) and (2) 38 U.S.C. 8126 (d)(2), (a)(2) & (c). The same percent change in Consumer Price Index - Urban (CPIU) will be utilized in performing both calculations. This change in CPIU is identified as the percent change from September 1998 to September 1999. **The Bureau Of Labor Statistics data shows the percent change to be 2.63%, which will be used as the CPIU for the Federal Ceiling Price calculations due on November 15, 1999.**

The one-half percent industrial funding fee (IFF) being incorporated into FSS contracts will not be included in calculations of non-FAMP or reporting of FCP, but will be included in the FSS selling price. Please see instructions from your contracting officer.

The Section 8126 (d)(1) calculation will begin with the **permanent Federal Supply Schedule (FSS) contract price of a covered drug in effect on September 30, 1999**. For those manufacturers that elected dual FSS pricing, the **FSS contract price is the September 30, 1999 price charged to other government agencies** and other authorized Schedule users, **not** the price paid by the Department of Veterans Affairs, Department of Defense (DoD), or Public Health Service (PHS)/Indian Health Service & Coast Guard. The appropriate FSS price will then be increased by the above percent change in CPIU to arrive at the 2000 FSS price cap. This cap applies to all "other user" FSS prices in 2000.

The Section 8126 (a)(2) & (c) calculation will begin with the 1999 annual non-FAMP computation; it will continue by multiplying that number by .76 and then subtracting any additional discount calculated based on a difference between "old" and "new" non-FAMPs. **The lower of the above calculation and the 2000 FSS price cap will become the 2000 FCP.** If there are "no sales" in a benchmark third quarter of a year that is used to derive the new NFAMP or old NFAMP, there can be no additional discount calculation for that particular item. In those cases, the additional discount will be entered as zero (0). If a covered drug had no reportable sales in 1999, its calculated 2000 FCP will be the 2000 FSS price cap.

If they meet the other VA criteria, nominal prices for exclusion from non-FAMP's for 2000 calculations must be prices that do not exceed 10 percent of that particular item's non-FAMP during the third quarter of 1999 (7/1/99 through 9/30/99). Where sales to end-users are required for calculation of non-FAMP due to the absence of wholesale sales, you need not include purchases by PHS grantees or disproportionate share hospitals if the prices for those transactions were determined by PHS pursuant to Sect. 602 of the Veterans Health Care Act of 1992. Also, in figuring wholesale sales, you need not include the chargebacks required to satisfy end-user purchases by these entities at prices determined by PHS under Sect. 602. However, sales to these entities at prices lower than Sect. 602 prices must be included in NFAMP calculations.

As an added service to streamline efficiency for the 2000 report, PBM is enclosing a diskette with all your company's covered line items in database form. The diskette contains a file that will display your company's covered items. All that you need to run the diskette is access to a personal computer that has Microsoft Windows (versions 3.x, 95, 98 or NT), and then follow the enclosed diskette instructions for use. The database contains certain pre-filled fields based on the Public Law data supplied last year by your company. For example: we have provided the 1999 NFAMP Old (1998 NFAMP New which is the time period of 7/1/98 through 9/30/98). Therefore, all that is required of your company is that you furnish the 1999 Annual NFAMP and NFAMP New in the appropriate fields. After you return the completed diskettes to Pharmacy Benefits Management, we will calculate Change in NFAMP, Additional Discount, and 2000 Federal Ceiling Price. Pharmacy Benefits Management will send you a printout of your company's calculated 2000 Federal Ceiling Prices via facsimile or e-mail file within seven days after our receipt of your data. If we do not hear from your company within five workdays after we send the printout, we will assume that you agree with VA's calculations of the federal ceiling prices.

If there are changes to the data which PBM has provided in the pre-filled fields (e.g. Office of Inspector General audit recommendations), you have the option of changing the information on a separate electronic or hard copy submission. If your company elects to do so, you **must** submit a letter of explanation regarding all changes.

**It is highly recommended and preferred that you submit your data in electronic format, using either the enclosed diskette, our electronic bulletin board service, or Pharmacy Benefits Management e-mail.** You may submit the data as you have in the past on the form provided using the instructional packet as a guide to Public Law 102-585 compliance if you do not have access to a personal computer system.

All correspondence related to NFAMP calculations, FCP calculations, quarterly NFAMP reports, annual FCP reports, FCP reports for new products, FCP recalculations for new products, corrections to quarterly NFAMP reports and correction to annual FCP reports should be forwarded to:

George J. Hill, R.Ph., M.B.A.  
Public Law Database Manager  
Pharmacy Benefits Management (119D)  
P.O. Box 126  
Hines, Illinois 60141

Express Mail: 5th Ave. & Roosevelt Rd.  
Building 1, Room A148

E-Mail: [NonFamp@med.va.gov](mailto:NonFamp@med.va.gov)

The quarterly non-FAMP report for the third quarter of 1999 consists of the same data as the "new NFAMP" (7/1/99-9/30/99) reported on the annual calculation form for 2000 FCP's which is due by **November 15, 1999**. Consequently, it will not be necessary to submit the NFAMP Third Quarter 1999 Report separately. However, manufacturers that do not meet the November 15, 1999 annual reporting deadline will be subject to penalties for late

data reporting as described in the Master Agreement, paragraph IV. B. **Please note that 38 U.S.C. 8126 (e)(2) and Sect. 1927 (b)(3) of the Social Security Act (reflected in the Master Agreement) impose a civil money penalty on late reporting manufacturers in the amount of \$10,000.00 for each day in which required information has not been provided. VA asks that you submit the required annual data as soon as possible after the CPI-U change is posted in October and you receive this package.**

Section 8126(e) of the Law states that quarterly NFAMP reports are due 30 days after the end of the quarter. These figures should be as accurate as possible, since they serve as an indicator of pricing trends and will be used during Inspector General (IG) audits. Nevertheless, to assist manufacturers in providing the most accurate quarterly NFAMP calculations possible, the Pharmacy Benefits Management Section (PBM) will not seek imposition of late penalties for unreported data until 45 days after the end of each quarter. Again, please note that each year the NFAMP third quarter data may be submitted as part of the Annual Report (which is due 45 days after the end of the third quarter).

After your company reports its annual 1999 NFAMP data in the format on the enclosed diskette or sheets, the authorized official who signed your company's PPA addendum in 1999 (or an authorized successor) must prepare and sign a new PPA addendum, listing each covered drug and its 2000 FCP. This addendum should then be forwarded before December 1, 1999 to the VA National Acquisition Center (90N-P), Building 37, First Avenue, 1 block North of Cermak Rd., P.O. Box 76, Hines, Illinois 60141.

**It is strongly suggested and recommended at this time that you review your company's computer hardware and Public Law data software capabilities for complying with Year 2000 (Y2K) requirements, and perform corrective measures where necessary.** If you have any questions about any of the above information, please call George Hill or John Weisman at (708) 202-2079, extensions 24939 or 24930, respectively. You may also send your Public Law 1999 Non-FAMP Reports via facsimile to (708) 202-7987. Please note that these are new telephone numbers.

Sincerely,

Michael Valentino, R.Ph.  
Associate Chief Consultant  
Pharmacy Benefits Management Strategic Healthcare Group  
VACO Pharmacy Service

Enclosures: 8  
Instructions for VHA's 1999 Non-FAMP Report  
Data Sheet  
Data Diskette  
Diskette Instructions  
Dear Manufacturer Letters from VA Office of General Counsel (4)

**Instructions for VHA's 1999 Non-FAMP Report for Public Law 102-585 due November 15, 1999.**

<1> Preparation Date: [ ][ ]-[ ][ ]-[ ][ ]

Explanation - The date the report is prepared. Format is intended to be month-day-year. Example 11/01/99. [PREP\_DATE]

**\*\*Note\*\*** Page [ ][ ][ ] of [ ][ ][ ]

Explanation - If hard copy report is provided, pages should be numbered to assure complete document is received. (Not part of electronic database submission, only used in hard copy paper submission.)

<2> FDA Assigned Labeler Code: [ ][ ][ ][ ][ ]

Explanation - First segment of National Drug Code that identifies the manufacturer, labeler, relabeler, packager, repackager or distributor of the drug. Field is right justified and leading zeros are added to provide 5-digit code. [NDC\_1]

<3> Product Code: [ ][ ][ ][ ]

Explanation - Second segment of the National Drug Code. Field is right justified and leading zeros are added to provide 4-digit code. [NDC\_2]

<4> Pkg. Code: [ ][ ]

Explanation - Third segment of the National Drug Code. Field is right justified and leading zero is added if necessary to provide 2-digit code. [NDC\_3]

<5> Units per Pkg: [ ][ ][ ][ ][ ][ ][ ][ ]

Explanation - Number of units per package. Example - bottles of 1000 tablets would be "1000"; Liquid bottles of 473 ML would be "473ML"; Aerosol containers of 17.5 GM would be "17.5GM". Maximum of 8 characters, free text. [UNT\_PKG].

<6> Date Entered Market: [ ][ ]-[ ][ ]-[ ][ ]

Explanation - Date the specific product and package size (NDC) was first commercially made available for sale. **This field is not mandatory for line items that entered the market before October 1992.** The Format is intended to be month-day-year. Example 12-02-95. [DATE\_ENTER]

<7> Dosage Form: [ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ]

Explanation - Dosage form of the product. Example- Capsules or CAP, Aerosol, Solution. Field identification may be obtained from United States Pharmacopoeia Dispensing Information, Volume III or you may provide the same 3-digit code used to identify "UNIT TYPE" provided to the Healthcare Finance Administration (HCFA). Maximum 12 characters, free text. [DOSE\_FORM]

<8> Strength: [ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ]

Explanation - Product strength. Example- 250MG; 325MG/5ML; etc. Field identification may be obtained from United States Pharmacopoeia Dispensing Information, Volume III. Maximum 12 characters, free text. [STRENGTH]

<9> Product Name Listed on FDA Application (limit 63 characters):







## FORMAT OF 1999 NON-FAMP DATA RELATED TO PUBLIC LAW 102-585

The following data elements must be provided to the Pharmacy Benefits Management Section (PBM) of the Veterans Health Administration:

Structure for database: NFAMP00.DBF

Field	Field Name	Type	Width	Dec
1	PREP_DATE	Date	8	
2	NDC_1	Character	5	
3	NDC_2	Character	4	
4	NDC_3	Character	2	
5	UNT_PKG	Character	8	
6	DATE_ENTER	Date	8	
7	DOSE_FORM	Character	12	
8	STRENGTH	Character	12	
9	FDA_NAME	Character	63	
10	TRADE_NAME	Character	35	
11	GENERIC	Character	35	
12	PCT_CPIU	Numeric	5	2
13	FSS99	Numeric	10	2
14	FSS00MAX	Numeric	10	2
15	NFAMP_99	Numeric	10	2
16	NFAMP_OLD	Numeric	10	2
17	NFAMP_NEW	Numeric	10	2
18	NFAMP_CHG	Numeric	10	2
19	ADD_DISC	Numeric	10	2
20	CALCMAX00	Numeric	10	2
21	FCP_00	Numeric	10	2
22	CNT_NO	Character	11	
23	COMPANY_OF	Character	40	
Total	**		339	

PLEASE NOTE: Page Numbers are not required in the electronic submission structure.

The database format is compatible with DBASE III Plus, FoxPro, Visual FoxPro, Quick Silver, DBXL or equivalent (\*.DBF) and should be placed on a 3.5 inch high density disk or provided through direct electronic communications. To expedite the electronic transmissions, the data may be compressed using PKZIP. PKZIP may also be used to reduce size of file provided on a 3.5-inch high-density disk.

An ASCII format is an alternate method of providing data in the above sequence, using a comma delimiter file.

If previous data was submitted in the ASCII format in the above sequence, using a (2) caret (^) as the delimiter between fields and limiting the maximum field length in the above manner, reports may continue to be submitted as such. If the caret delimiter is used, each line item entry should end with the tilde (~) and a hard return. If a field is null, the carets dividing fields should appear, indicating a null entry (example - ^^). An electronic bulletin board has been established for the purpose of submitting the NFAMP data electronically. The bulletin board telephone number is 708-202-7947. Electronic submission may also be accomplished via e-mail to [NonFamp@med.va.gov](mailto:NonFamp@med.va.gov). If electronic submission is not possible, data may be submitted on diskette or manually (Form OMB NO. 2900-0393 rev 9/99) enclosed to:

George J. Hill, R.Ph., M.B.A.  
Public Law Database Manager  
Pharmacy Benefits Management (119D)  
Building 1, Room A148  
P.O. Box 126  
5th Ave. and Roosevelt Road  
Hines, IL 60141

For contract questions, you may contact Carole O'Brien or your contracting officer, at the National Acquisition Center, Pharmaceutical Products Division, (708)-786-4956.