12.a. Prescribed drugs. (continued)

(i) the pharmacy is registered with the Department by filing an addendum to the provider agreement;

(ii) a minimum 30-day supply of the drug is dispensed, although a lesser quantity may be dispensed for an acute course of medication therapy for a specified time period;

(iii) the national drug code from the drug stock container used to fill the unit dose package is identified to the Department;

(iv) the unit dose package containing the drug meets the packaging standards set forth in Minnesota Statutes that govern the return of unused drugs to the pharmacy for reuse and documentation that unit dose packaging meets permeability standards of the Board of Pharmacy; and

(v) the pharmacy provider credits the Department for the actual acquisition cost of all unused drugs that are eligible for return and reuse.

(10) Delivery charges for a drug are not covered.

Drug Formulary:

All drugs and compounded prescriptions made by a manufacturer that are covered under a signed rebate agreement with CMS are included in the drug formulary, with the following limitations on coverage:

(1) Over-the-counter drugs must be listed in the Department's "Health Care Programs Provider Manual," on a remittance advice message, or in a Department-issued provider update. The following over-the-counter drugs are covered only when prescribed by a licensed practitioner or a licensed pharmacist who meets standards established by the Department, in consultation with the Board of Pharmacy:

12.a. Prescribed drugs. (continued)

(a) antacids;
(b) acetaminophen;
(c) aspirin;
(d) family planning products;
(e) insulin;
(f) products for the treatment of lice;
(g) vitamins for adults with documented vitamin deficiencies;
(h) vitamins for children under the age of seven and pregnant or nursing women; and
(i) any other drug identified by the Department, in consultation with the Drug Formulary Committee.

(2) The following categories of drugs are not covered pursuant to §1927(d)(2):

(a) Effective August 1, 2003, drugs used for weight loss, except that medically necessary lipase inhibitors may be covered for recipients with type 2 diabetes.

(b) Agents when used to promote fertility.

(c) Agents when used for cosmetic purposes or hair growth.

(d) Covered outpatient drugs that the manufacturer seeks to require as a condition of sale that associated tests or monitoring services be purchased exclusively from the manufacturer or its designee.

(e) Drugs described in §107(c)(3) of the Drug Amendments of 1962 and identical, similar, or related drugs (within the meaning of 21 CFR §310.6(b)(1) (DESI drugs)).

(3) The following categories of drugs are covered with limitations pursuant to §1927(d)(2):

(a) Agents when used for the symptomatic relief of cough and colds must be listed in the Department's "Minnesota Health Care Programs Provider Manual," on a remittance advice message, or in a Department-issued provider update.

12.a. Prescribed drugs. (continued)

(b) Prescription vitamins and mineral products for children, pregnant and nursing women, and recipients with documented vitamin deficiencies. The limitations do not apply to fluoride treatments. Prenatal vitamins are restricted to pregnant and nursing women.

Notwithstanding the above paragraph, some vitamins and mineral products are available for the treatment or prevention of certain diseases:

(1) niacin;
(2) calcium and calcium/vitamin D; and
(3) generic preparations equivalent to Ocuvite.

Prior Authorization:

A. The following requirements, found in §1927(d)(5) of the Act, are met:

- The prior authorization program provides a response by telephone or other telecommunication device within 24 hours of a request

- The prior authorization program provides for the dispensing of at least a 72-hour supply of a covered drug in an emergency situation (except for those drugs that are excluded or restricted from coverage, as noted above)

B. Based on the requirements in §1927, the State has the following policies for the supplemental drug rebate program for Medicaid recipients:

1) The single-state model rebate agreement between the State and drug manufacturers for drugs provided to Medicaid recipients, submitted to CMS on February 17, 2004 and entitled "State of Minnesota Supplemental Rebate Agreement," has been ~~approved~~ authorized by CMS.

The single-state rebate agreements developed upon this model agreement will be terminated according to the provisions in those agreements and will precede participating in, and collecting supplemental rebates from, the Michigan Multi-State Pooling Agreement.

12.a. Prescribed drugs. (continued)

2) CMS has authorized the State of Minnesota to enter into the Michigan Multi-State Pooling Agreement (MMSPA). The amendment to the Supplemental Drug Rebate Agreement was submitted to CMS on April 30, 2004 and has been authorized by CMS.

3) Supplemental drug rebates received by the State in excess of those required under the national drug rebate agreement will be shared with the Federal government on the same percentage basis as applied under the national drug rebate agreement.

4) Manufacturers with supplemental rebate agreements are allowed to audit utilization data.

5) The unit rebate amount is confidential and will not be disclosed except in accordance with §1927(b)(3)(D) of the Act.

6) A drug that the Department determines comes within its single-state or multi-state supplemental drug rebate program for Medicaid recipients as allowed by §1927, but for which a manufacturer has not signed a supplemental drug rebate agreement ~~approved~~ authorized by CMS, will be prior authorized.

Even if a manufacturer has not signed a supplemental drug rebate agreement, there is never prior authorization for any atypical antipsychotic drug prescribed for the treatment of mental illness if:

- there is no generically equivalent drug available; and
- the drug was initially prescribed for the recipient before July 1, 2003; or
- the drug is part of the recipient's current course of treatment.

Amendment to the Supplemental Drug-Rebate Agreement
Between
The State of Michigan, First Health Services Corporation
And
[Insert Manufacturer Name]

WHEREAS, the State of Michigan, First Health Services Corporation ("First Health"), and ("Manufacturer") have entered into a Supplemental Drug-Rebate Agreement Contract # **[Insert Contract Number]** (the "Agreement"), effective as of **[insert date]**; and

WHEREAS, the States of Vermont, Nevada, Alaska, and New Hampshire have become parties to the **Michigan Multi-State Pooling Supplemental Rebate Agreement** by executing the Addendum provided for in Section 9.9 of the Agreement; and

WHEREAS, the states of Hawaii and Tennessee have evidenced an intent to become parties to the Agreement; and

WHEREAS, the Centers for Medicare and Medicaid Services ("CMS") is now requiring certain changes to the Agreement before it will authorize them; and

WHEREAS, additional states have indicated their willingness to become Participating States, as defined in Section 3.14 of the Agreement, and thereby participate in the State Supplemental Rebates (as defined in Section 3.19 of the Agreement) available under the Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, PROMISES, AND CONDITIONS CONTAINED HEREIN, THE PARTIES AGREE TO THE FOLLOWING AMENDMENTS TO THE AGREEMENT.

1. Section 1.1: The states of Vermont, Nevada, Alaska, and New Hampshire are added on the second line and "State" is changed to "States."

2. Any and all references to "U.S. Territories" is stricken from the entire Agreement.

3. Section 2.1: On line 3 "State" is changed to "States" and the clauses beginning immediately thereafter with "and/or" are deleted down to "Participating States" on line 8. On the third line, the words "CMS approved state-funded programs" are replaced with "non-Medicaid programs approved by CMS in the Medicaid state plan(s)".

4. Section 3.3: Is deleted in its entirety and "'Client State(s)'" is stricken from the entire agreement.

5. Section 3.11: "State" within the parentheses on line one is made "States." In line three, "HHS approved state-funded programs" is deleted and replaced with "non-Medicaid programs approved by CMS in the Medicaid state plan(s)".

6. Section 3.12: This section is deleted in its entirety. "First Health Client's States" and "FH Client's States" are stricken from this Agreement.

7. Section 3.14: This section is modified to read as follows:

"'Participating State(s)' means the (i) States as named in Section 1.1 hereof, and (ii) other states that, subsequent to the execution of this Agreement by the States, elect to participate under this Agreement and have all necessary authorizations and approvals from CMS to do so. Unless otherwise approved by CMS on a state-by-state basis, Participating States shall be limited to ones that have a CMS approved contract under which First Health has been engaged to provide PBA Services to that state. For each new Participating State, a unilateral amendment ("New Participating State Amendment") to this Agreement shall be executed by the new Participating State and First Health and sent to the Manufacturer prior to the Participation Commencement Date. Each Participating State, including the new Participating State, must submit a state plan amendment adding the new Participating State to the Agreement to CMS for approval. A copy of the form Amendment is attached hereto as Exhibit A."

8. Section 3.16: This section is modified to read as follows:

"'Participation Commencement Date' means the latter of the date (i) a Manufacturer's Supplemental Covered Product is effectively placed in a Participating States Preferred Drug List Program by distribution of it (via website or otherwise) to providers and prescribers, or (ii) the New Participating State Amendment is received by the Manufacturer from a new Participating State. It is the date when the Participating States entitlement to a rebate from the Manufacturer begins to accrue."

9. Section 3.20: On the second line: the phrase "state funded, HHS approved programs" is deleted and replaced with "non-Medicaid programs approved by CMS in the state plan(s) as provided in Section 2.1 hereof".

10. Section 5.1: The last sentence of this section is modified to read:

"Each Participating State will notify Manufacturer and First Health, within ten (10) business days of adoption and publication of a new or revised Preferred Drug List, when Manufacturer's Supplemental Covered Product is added to the Participating State's Preferred Drug List by providing Manufacturer and First Health a copy of the Preferred Drug List in accordance with the notice provisions of Section 9.2 hereof."

11. Section 8.3 is modified by deleting items (ii) and (iii) so that it now reads as follows:

"Termination by a FH Client of its PBA Services Agreement with First Health shall, as of the same termination effective date, terminate this Agreement as to that Participating State."

12. Section 9.2: This section is modified by adding the notice addresses for Nevada, Vermont, New Hampshire, and Alaska, which are as follows:

Director of Pharmacy
Office of Vermont Health Access
103 South Main Street
Waterbury, VT 05671-1201

Division of Health Care Financing and Policy
Nevada Department of Human Resources
Mark Willden, Director
1100 East Williams Street
Carson City, Nevada 89701

State of New Hampshire Department of Health and Human Services
Commissioner John Stephen
129 Pleasant Street
Concord, NH 03301

Dwayne Peeples
Director of Health Care Services
State of Alaska Health & Social Services Department
Health Care Services Division
4501 Business Park Boulevard, Ste. 24
Anchorage, AK 99503

13. Section 9.9: This section is modified to read as follows:

"This Agreement will not be altered except by (i) an amendment in writing signed by all the parties, other than (ii) in the case of the addition of a new Participating State(s), by its execution of the New Participating State Amendment, both (i) and (ii) of which shall require the approval of CMS. It is acknowledged that the intent of the previous sentence is that the addition of a new Participating State(s) by amendment shall only require the consent of First Health and the approval of CMS, not Manufacturer. Manufacturer agrees that any Participating State may be added to this Agreement by amendment and that said Participating State's covered Medicaid (and other non-Medicaid programs approved by CMS in the Medicaid state plan(s)) lives shall apply to the provisions of Schedules 2 and 3 and will affect the rebates to all Participating States in accordance with Schedules 2 and 3. The New Participating State Amendment shall be executed by First Health and the new Participating State with a copy provided to Manufacturer for its records. Other than as stated herein, no individual is authorized to alter or vary the terms or make any representation or inducement relative to it, unless the alteration appears by way of a written amendment, signed by duly appointed representatives of the Participating State(s), First Health, and the Manufacturer."

14. Section 9.11: In the second line, replace "other state funded" with "non-Medicaid programs approved by CMS in the Medicaid state plan(s)".

15. Except as expressly amended herein, all other terms, conditions and provisions of the Agreement shall remain in full force and effect and the parties hereto hereby ratify and confirm the same as of the date hereof. To the extent that any provisions of this Amendment conflict with the provisions of the Agreement, the provisions of Amendment shall control.

As evidence of their agreement to the foregoing terms and conditions, the parties have signed below.

MANUFACTURER

By: _____ Date: _____
Name: _____
Title_____

FIRST HEALTH SERVICES CORPORATION

By: _____ Date: _____
Name: Teresa R. DiMarco
Title: President

STATE OF MICHIGAN, DEPARTMENT OF COMMUNITY HEALTH

By: _____ Date:_____
Name: _____
Title: _____

STATE OF VERMONT, DEPT. OF PREVENTION, ASSISTANCE, TRANSITION AND ACCESS

By: _____ Date: _____
Name: _____
Title: _____

STATE OF NEVADA, DEPARTMENT OF HEALTH CARE FINANCING AND POLICY

By: _____ Date:_____
Name: _____
Title: _____

STATE OF ALASKA, DIVISION OF HEALTH CARE SERVICES

By: _____ Date:_____
Name: _____
Title: _____

STATE OF NEW HAMPSHIRE DEPARTMENT OF HEALTH & HUMAN SERVICES

By: _____ Date:_____
Name: _____
Title: _____

EXHIBIT A

New Participating State Amendment to Supplemental Drug-Rebate Agreement Between The States of Michigan, Vermont, New Hampshire, Alaska and Nevada; First Health Services Corporation And (Manufacturer Name ("Manufacturer"))

WHEREAS, the State of Michigan, First Health Services Corporation ("First Health"), and Manufacturer have entered into a Supplemental Drug-Rebate Agreement (the "Agreement"), effective as of _____ ; and

WHEREAS, the participating States as named in Section 8 below have become parties to the Agreement as Participating States by previous amendment or addenda; and

WHEREAS, additional states have indicated their willingness to become a new Participating State, as defined in Section 3.14 of the Agreement, and thereby participate in the State Supplemental Rebates (as defined in Section 3.19 of the Agreement) available under the Agreement.

Now, therefore, in consideration of the mutual covenants, promises, and conditions contained herein and in the Agreement, the parties agree as follows:

1. The State of Minnesota is hereby added as a party to the Agreement as a new Participating State, as defined in Section 3.14 of the Agreement.

2. This Amendment shall become effective upon the date determined in accordance with Section 3.16 of the Agreement.

3. An executed copy of this Amendment shall be sent via certified mail, return receipt requested to Manufacturer's address of record as set forth in the Agreement within five (5) business days of its execution by the parties. Any notice to Participating State shall be sent to the names and address in section 9 of this Exhibit:

4. This Addendum adds a new Participating State to the Agreement and does not otherwise change or alter the Agreement. The new Participating State(s) understand(s) and agrees to be bound by the terms of the Agreement.

5. The undersigned State acknowledges that manufacturer rebate pricing information is confidential information under applicable

EXHIBIIT A

Federal law and shall be exempt from public disclosure pursuant to State Code Section Minnesota Statutes, section 13.02, subdivision 9.

6. The undersigned State represents that it has not requested authorization from CMS to include any state pharmaceutical assistance program within the rebate provisions of the Agreement. The above representation shall not prohibit the undersigned State from requesting CMS authorization to include (other) pharmaceutical assistance programs within the Agreement at a later date. Upon receipt of CMS authorization, State shall given written notice to Manufacturer of the date Manufacturer's Supplemental Covered Product is effectively placed on the preferred drug list of the undersigned State's non-Medicaid programs approved by CMS in the Medicaid state plan(s) by completing the attached Exhibit A1.

7. The approximate enrollment in the undersigned State's Medicaid program at the time of execution of this Amendment is 173,000.

8. As of the effective date of this Amendment, the following are all of the Participating States under the Agreement:

Michigan	Alaska
Vermont	Nevada
New Hampshire	Minnesota

9. The contact information for each of the Participating States listed above in section 8 and new states shall be as follows:

State of Michigan
Department of Community Health
Medical Services Administration
Attn: Dave McLaury
400 S. Pine Street
Lansing, MI 48933

State of Vermont
Director of Pharmacy
Office of Vermont Health Access
103 South Main Street
Waterbury, VT 05671-1201

State of Nevada
Division of Health Care Financing and Policy
Nevada Department of Human Resources
Mark Willden, Director
1100 East Williams Street
Carson City, Nevada 89701

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State of New Hampshire	State of New Hampshire Department of Health and Human Services Commissioner John Stephen 129 Pleasant Street Concord, NH 03301
State of Alaska	Dwayne Peeples Director of Health Care Services State of Alaska Health & Social Services Department Health Care Services Division 4501 Business Park Boulevard, Ste. 24 Anchorage, AK 99503
State of Minnesota	Cody Wiberg, Pharm.D., R.Ph. Pharmacy Program Manager Health Care Purchasing and Delivery Systems Division Minnesota Department of Human Services 444 Lafayette Road No. St. Paul, MN 55155-3854

STATE OF Minnesota,
DEPARTMENT OF Human Services

By: _____
Name: Brian Osberg
Title: Assistant Commissioner
Date: _____

FIRST HEALTH SERVICES CORP

By:
Name: _____
Title:
Date: _____

EXHIBIT A1

Participating State's Non-Medicaid Programs Approved by CMS in the Medicaid State Plan(s)

Participating State: Minnesota

Non-Medicaid programs approved by CMS in the Medicaid State Plan(s)	Date of Approval
1. None	
2.	
3.	
4.	
5.	
6.	