



**CABINET FOR HEALTH AND FAMILY SERVICES
DEPARTMENT FOR MEDICAID SERVICES**

Ernie Fletcher
Governor

275 E. Main Street, 6W-A
Frankfort, KY 40621
(502) 564-4321
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Mark D. Birdwhistell
Secretary

Glenn Jennings
Commissioner

December 27, 2006

Renard L. Murray, D.M.
Associate Regional Administrator
Centers for Medicare and Medicaid Services
61 Forsyth Street, Suite 4T20
Atlanta, Georgia 30303-8909

Dear Dr. Murray:

Kentucky Title XIX State Plan Transmittal No. 6-016
Behavioral Pharmacy Management Program

The Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Medicaid Services located at 275 East Main Street, Frankfort, KY 40621-0001, is considering implementing the following quality improvement program:

A three-way agreement between the Commonwealth of Kentucky (Department for Medicaid Services), Comprehensive Neuroscience, Inc. (CNS) and Eli Lilly and Company (Lilly) for the sole benefit of Kentucky Medicaid patients. (for a copy of the agreement, see Attachment 1).

This program would solely focus on Medicaid fee for service patients within the Commonwealth of Kentucky. Therefore, cost reductions, if any, derived from the program should logically accrue to both Kentucky Medicaid and the federal government in the same proportion as the Kentucky Medicaid and federal government currently share Medicaid costs for the Medicaid patients within the Commonwealth of Kentucky.

It is our understanding that the proposed arrangements described herein are "best price" exempt, would not impact Average Manufacturer's Price (AMP) and comply with all Medicaid laws and regulations. The purpose of this correspondence is to request your confirmation of our understanding in writing.

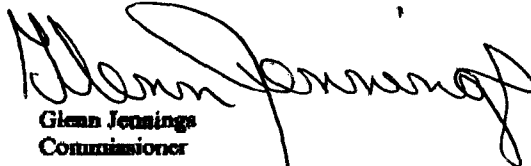
It is important to emphasize that under this arrangement Kentucky Medicaid shall ensure that Zyprexa per its package label, in all formulations, strengths and package sizes is included on a timely and unrestricted basis on any Preferred Drug List or other list or mechanism that would have similar effect, developed and implemented during the term of this Agreement. Furthermore, Kentucky Medicaid agrees it will not restrict or actively discourage or disadvantage the use of Zyprexa in any way within the package label or treat it less favorably than any other product within its therapeutic category. Nothing in the agreement is intended to preclude any physician from exercising his/her independent medical judgment in determining the most appropriate medication to prescribe to a particular patient in the best interest of that patient.

Dr. Murray
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Thank you for your interest in the Commonwealth of Kentucky and Lilly's efforts to make available the services discussed herein to the Medicaid patients in the Commonwealth. We look forward to hearing from you in the near future.

If additional information is needed, please contact my office at 502-564-4321.

Sincerely,



Glenn Jennings
Commissioner



Derek Asay
Manager, Federal and Quality Accounts
Eli Lilly and Company

cc: Larry Reed
Marge Watchorn

Enclosure

GJ/NW/SO/KS

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
06-016

2. STATE
Kentucky

DR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
October 1, 2006

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
Section 1927(c) of the Social Security Act

7. FEDERAL BUDGET IMPACT:
a. FFY 2007 - budget neutral
b. FFY 2008 - budget neutral

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 3.1-A page 7.5.2(a)
Att. 3.1-B page 31.1(a)

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Same

10. SUBJECT OF AMENDMENT:

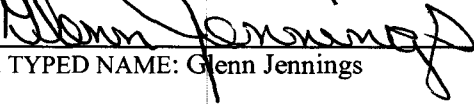
Behavioral Pharmacy Management Program

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED: Review delegated
to Commissioner, Department for Medicaid
Services

SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME: Glenn Jennings

14. TITLE: Commissioner, Department for Medicaid Services

15. DATE SUBMITTED: December 27, 2006

16. RETURN TO:

Department for Medicaid Services
275 East Main Street 6W-A
Frankfort, Kentucky 40621

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

- (b) CMS has authorized Kentucky's collection of supplemental rebates through the MMSPA.
 - (c) Supplemental 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.
 - (d) All drugs covered by the program, irrespective of a supplemental rebate agreement, will comply with the provision of the national drug rebate agreement.
 - (e) Any contracts not authorized by CMS will be submitted for CMS approval in the future.
 - (f) As specified in Section 1927(b)(3)(D) of the Act, notwithstanding any other provisions of law, rebate information disclosed by a manufacturer shall not be disclosed by the state for purposes other than rebate invoicing and verification.
- (9) Behavioral Pharmacy Management Program
- (a) Kentucky has entered into a contract with Comprehensive NeuroScience, Inc. (CNS), and Eli Lilly and Company (Lilly). Lilly will forward funds to CNS to set up and conduct a two-year Behavioral Pharmacy Management Program for the Medicaid fee for service program. CNS will utilize data to identify use of behavioral drugs that are not in line with best practices and consult with the provider. Kentucky will accept CNS services in lieu of the supplemental rebate. Kentucky will also provide data to CNS only for the purposes of these services. Kentucky will submit this contract to CMS for approval, and CMS will provide documentation to Kentucky that the proposed arrangement is (i) "best price" exempt, and (ii) complies with Medicaid laws and regulations.
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