

Wolters Kluwer Health Average Wholesale Price (AWP) Policy

Effective June 21, 2010

This policy is designed to provide important information for Wolters Kluwer Health drug price information customers/licensees and other interested parties about the nature and source of the information published by Wolters Kluwer Health under the common industry designation, “average wholesale price” or “AWP” (AWP). Please read the following information carefully and in its entirety.

Important Preliminary Notices about AWP:

AWP is not based on actual transactional, marketplace price data.

Despite its name and its sometime use as a price index, the AWP published by Wolters Kluwer Health is not an average of actual wholesale prices. It is not intended to represent, and cannot be assumed to reflect, actual transaction prices. A wholesaler or other direct purchaser from a pharmaceutical manufacturer may agree to sell its products to one or more of its customers at prices that on their face or effectively are lower than the AWP published by Wolters Kluwer Health. AWP information published by Wolters Kluwer Health does not reflect any such lower pricing that may be made available in actual purchase transactions through a variety of methods, including, but not limited to, purchase, prompt-pay or other discounts, volume or other rebates or credits, or a variety of other price reduction arrangements.

AWP relies and is based exclusively on information reported by manufacturers.

In determining information it publishes as AWP, Wolters Kluwer Health relies exclusively upon pricing information reported directly to it by pharmaceutical manufacturers (which, for purposes of this policy, should be read to include distributors, labelers or repackagers, where they set relevant pricing). Wolters Kluwer Health does not perform (i) any independent investigation into or verification of the accuracy of any pricing information reported to it by manufacturers, or (ii) any survey or independent analysis of actual prices paid by wholesalers, retailers, hospitals, physicians or other drug purchasers in actual marketplace purchase transactions. As a result, Wolters Kluwer Health’s published AWP will change only as a result of and only following a pharmaceutical manufacturer’s report of a drug price change directly to Wolters Kluwer Health.

Source and Basis of, and Procedures for Determining, Wolters Kluwer Health’s Published AWP:

As noted above, as the basis for the AWP that it publishes for a particular drug, Wolters Kluwer Health relies (without independent inquiry or verification) on (i) the Suggested Wholesale Price (SWP) information reported to it directly by the relevant manufacturer or (ii) if no such SWP is reported, the Wholesale Acquisition Cost (WAC) or Direct Price (DP) information reported to it directly to it by the manufacturer. For important additional information about these reference prices, see below under “Additional Information about Pricing Terms Used in this Policy.” Wolters Kluwer Health will publish AWP information

for a particular drug only if the manufacturer directly reports to Wolters Kluwer Health an SWP or, alternatively, a WAC or DP for that drug.

In all cases in which the manufacturer supplies Wolters Kluwer Health with an SWP, even if accompanied by either or both of a WAC or DP, Wolters Kluwer Health's AWP for that drug will be the manufacturer's reported SWP. As a result, the AWP published by Wolters Kluwer Health may be greater than 120% of the manufacturer-reported WAC or DP in cases where the AWP is based on a manufacturer's reported SWP.

In all cases in which the manufacturer does not supply an SWP for a particular drug, Wolters Kluwer Health publishes as the AWP for that drug a price determined by applying a markup to either the manufacturer's reported WAC or, in cases where the manufacturer does not supply a WAC, the manufacturer's reported DP. The markup Wolters Kluwer Health applies to the WAC or DP for active drugs is based either on a standard markup of 20% or a markup from certain historical, wholesaler-reported data where that historical markup is less than 20%.¹ Wolters Kluwer Health has not performed and does not perform any independent analysis, investigation or verification relating to the accuracy or actual use of either the 20% standard markup or any lower percentage markup obtained from such historical wholesaler data.

Additional Information about Pricing Terms Used in this Policy:

Suggested Wholesale Price (SWP) is the price that a manufacturer suggests wholesalers charge when selling the manufacturer's drug to the wholesaler's customers, as reported by the manufacturer directly to Wolters Kluwer Health. The SWP does not necessarily represent the actual sales price used by a wholesaler in any specific transaction or group of transactions with its own customers. Wholesalers determine the actual prices at which they sell drug products to their respective customers, based on a variety of competitive, customer and market factors.

Wholesale Acquisition Cost (WAC) is the price directly reported to Wolters Kluwer Health by a manufacturer as the list price at which wholesalers may purchase drug products from that manufacturer. WAC does not represent an actual sales price in any single transaction or group of transactions between a manufacturer and a wholesaler, as any manufacturer may agree to sell its products to one or more customers at a lower price through any number of methods, including, but not limited to, discounts, rebates, credits or other net price reduction arrangements.

Direct Price (DP) is the price directly reported to Wolters Kluwer Health by a manufacturer as the list price at which non-wholesalers and healthcare providers may purchase drug products from that manufacturer. Wolters Kluwer Health generally does not receive a reported DP for drugs that are sold by a manufacturer exclusively through wholesalers, although in some cases both a DP and a WAC may be provided at the manufacturer's discretion. DP does not represent an actual sales price in any single transaction or group of transactions between a manufacturer and a non-wholesaler or healthcare provider, as any manufacturer may agree to sell its products to one or more

¹ Products that became inactive prior to September 27, 2009 (per the manufacturer's report to Wolters Kluwer Health) may have markup factors greater than 20% and were and remain subject to previous Wolters Kluwer Health AWP Editorial Policies effective at that time.

customers at a lower price through any number of methods, including, but not limited to, discounts, rebates, credits or other net price reduction arrangements.

General Policy Terms:

As with its other policies, Wolters Kluwer Health reserves the discretionary right to change this policy or to update or revise any of its price reporting methodologies from time to time. Wolters Kluwer Health recommends that its licensee customers and other interested parties refer back to this website for any policy updates or changes in connection with their ongoing review and use of the AWP information published by Wolters Kluwer Health.