



## Contract Price Notification Green Paper

The Canadian Association for Pharmacy Distribution Management (CAPDM) Data & Information Committee recognized the need for the electronic supply of contract pricing as part of their efficient supply chain vision. Traditionally, contract price is negotiated between a manufacturer and buying group (retail or institutional) and provided to a distributor for implementation as part of a supply agreement. Contract pricing is further complicated since it deals with pricing for a third party, which could be different from the distributor's purchase price from the manufacturer.

The negotiation for contract pricing will continue to be completed between the representatives of the Manufacturer and end Buying group. Contract prices are usually provided in a form that requires manual entry into distributor systems. This process is both labour intensive and error-prone. In addition, contract pricing is normally required to be implemented very quickly, which compounds the potential for errors and claims. For this reason, the contract pricing information needs to be received in an electronic format that can be readily processed by the Buying group and the distributor.

Product pricing between seller and buyer was to be addressed as part of the ECCnet product catalogue, however at this point in time it has not yet materialized. Contract pricing is further complicated in that it is pricing for a third party which could differ from the distributor's purchase price from the manufacturer.

To address the issues relating to contract price notification, CAPDM's Data & Information Committee investigated available options. CAPDM recommends the implementation of the Price Authorization Acknowledgement/Status- EDI Message 845 (*see attachments*). This document contains a number of business examples that will clearly demonstrate the use of the 845 EDI transaction standard. The VICS EDI Standards, under UCC, has reviewed the 845 EDI transaction, and has sanctioned it to be the North American standard for pharmacy supply chain trading partners to transmit contract price notification information. To address these issues, the CAPDM Data & Information Committee has investigated available options, and recommends the implementation of the EDI 845- Price Contract Information transaction for the exchange of agreed upon contract pricing information.

### **Reasons to support the VICS 845 Transaction**

- a) The exchange of information on PRICE is related to three parties: Manufacturer, Buying Group and Distributor. This unique relationship is not covered in the 832 EDI transaction set which will be utilized within ECCnet.
- b) The transaction allows for the definition of the following:
  - ◆ Contract Reference Value
  - ◆ Buying Group-specific pricing
  - ◆ Definition of all parties
  - ◆ Specific date values to start and end contracts

**Benefits of 845 EDI Transaction**

1. Provides distributors with contract information using a standard EDI transaction
2. Start /stop dates allow for upcoming changes
3. Pricing by retail or hospital outlet or group and product
4. Ability to add, delete and change eligible parties and products
5. Synchronizes distributor, manufacturer and end client on contract pricing
6. Timely application of new contracts and changes to existing ones
7. No manual entry, no transcription errors by distributors
8. Allows the use of HIN or GLN for location identification numbering
9. It is already the standard used by U.S. healthcare for contract award notification
10. Can be used for manufacturer to distributor pricing
11. Communication direct (encrypted) to distributor ensures security of pricing data