

DRAFT MEMORANDUM OF UNDERSTANDING ADDRESSING CERTAIN
DISTRIBUTIONS OF COMPOUNDED DRUG PRODUCTS
BETWEEN THE STATE OF [insert STATE] AND
THE U.S. FOOD AND DRUG ADMINISTRATION

I. PURPOSE

This Memorandum of Understanding (MOU) establishes an agreement between the State of [insert State] and the U.S. Food and Drug Administration (FDA) regarding the distribution of inordinate amounts of compounded human drug products interstate and the appropriate investigation by the State of [insert State] of complaints relating to human drug products compounded in such State and distributed outside such State. This is the MOU provided for by section 503A(b)(3)(B)(i) of the Federal Food, Drug, and Cosmetic Act (the FD&C Act) (21 U.S.C. 353a), and does not apply to veterinary drug products, biological products subject to licensure under section 351 of the Public Health Service Act (42 U.S.C. 262), and drugs that are compounded by outsourcing facilities.

II. BACKGROUND

- a. Section 503A of the FD&C Act describes the conditions that must be satisfied for drug products compounded by a licensed pharmacist or licensed physician to be exempt from three sections of the FD&C Act requiring:
 1. Compliance with current good manufacturing practice (section 501(a)(2)(B) (21 U.S.C. 351(a)(2)(B));
 2. Labeling with adequate directions for use (section 502(f)(1) (21 U.S.C. 352(f)(1)); and
 3. FDA approval prior to marketing (section 505 (21 U.S.C. 355)).
- b. To qualify for these exemptions, among other things, a compounded drug product must meet the conditions in section 503A(b)(3)(B) of the FD&C Act, under which the drug product is compounded in a State that:
 1. Has entered into an MOU with FDA that addresses the distribution of inordinate amounts¹ of compounded drug products interstate and

¹The definition of *inordinate amounts* in this MOU is separate and distinct from and should not be used in relation to the term *inordinate amounts* as it is used in section 503A(b)(1)(D) of the FD&C Act (pertaining to compounding a drug product that is essentially a copy of a commercially available drug product). The interpretation of this term in each instance necessarily is based on the particular context of the distinct provisions within 503A in which the term appears.

provides for appropriate investigation by a State agency of complaints relating to compounded drug products distributed outside such State (section 503A(b)(3)(B)(i)); or

2. Has not entered into an MOU with FDA and the licensed pharmacist, licensed pharmacy, or licensed physician distributes (or causes to be distributed) compounded drug products out of the State in which they are compounded in quantities that do not exceed 5 percent of the total prescription orders dispensed or distributed by such pharmacy or physician (section 503A(b)(3)(B)(ii)).
- c. Section 503A(b)(3) of the FD&C Act directs FDA to develop a standard MOU for use by the States in complying with section 503A(b)(3)(B)(i). The content of this MOU conforms to the standard MOU developed by FDA for this purpose.

III. SUBSTANCE OF AGREEMENT

- a. Investigation of Complaints Relating to Compounded Drug Products Distributed Outside the State
 1. Appropriate agencies of the State of [insert State] will investigate complaints received relating to drug products compounded by a pharmacist and distributed outside the State by a pharmacy. Primary responsibility for investigating complaints involving drug products compounded by a pharmacist will generally lie with the [insert State Board of Pharmacy or other appropriate State agency].
 2. Complaints relating to compounded drug products distributed outside the State that will be investigated include reports received by the State concerning adverse drug experiences or product quality issues associated with drugs compounded by a pharmacist. See Appendix A for definitions of *adverse drug experiences* and *product quality issues*.
 3. Any investigations performed by the State of [insert State] under this MOU will include, but are not limited to, taking steps to assess (1) whether there is a public health risk associated with the compounded drug product; and (2) whether any public health risk associated with the product is adequately contained.
 4. Based on findings from an investigation of a complaint about drug products compounded by a pharmacist and distributed outside the State, if the complaint is found to be valid, the State of [insert State], in accordance with and as permitted by State law, will take the action that the State considers to be appropriate and warranted to ensure that the relevant compounding pharmacy investigates the root cause of the problem that is the subject of the complaint and undertakes sufficient

corrective action to address any identified public health risk relating to the complaint, including the risk that future similar complaints may occur.

5. The State of [insert State] will notify FDA by sending an email to StateMOU@fda.hhs.gov with the information described in section III.c.1.a of this MOU as soon as possible, but no later than 3 business days after receiving any complaint relating to a drug product compounded by a pharmacist and distributed outside the State involving a serious adverse drug experience or serious product quality issue. After this notification, the State will share with FDA the results of the investigation that it conducted. See Appendix A for definitions of *serious adverse drug experience* and *serious product quality issue*.
6. If the State of [insert State] receives a complaint involving an adverse experience or product quality issue relating to a drug compounded by a physician and distributed outside the State, the State will notify the appropriate regulator of physician compounding within the State. If the complaint involves a serious adverse drug experience or serious product quality issue, the State will also notify FDA by sending an email to StateMOU@fda.hhs.gov with the information in section III.c.1.a of this MOU as soon as possible, but no later than 3 business days, after receiving the complaint.
7. The State of [insert State] will maintain records of the complaint, the investigation of the complaint, and any response to or action taken as a result of the complaint, beginning when the State receives notice of the complaint. The State will maintain these records for at least 3 years. The 3-year period begins on the date of final action on a complaint, or the date of a decision that the complaint requires no action.

b. Distribution of Inordinate Amounts of Compounded Drug Products Interstate

1. For purposes of this MOU, a pharmacy or physician has distributed an inordinate amount of compounded drug products interstate if the number of prescription orders for compounded drug products distributed interstate during any calendar month is greater than 50 percent of the number of prescription orders for compounded drug products distributed or dispensed both intrastate and interstate by such pharmacy or physician during that month.
2. On an annual basis (at minimum), the State of [insert State] will identify, using surveys, reviews of records during inspections, or other mechanisms available to the State, compounding pharmacies that distribute inordinate amounts of compounded drug products interstate by collecting information regarding the total number of prescription orders for compounded drug products distributed or dispensed

intrastate and the total number of prescription orders for compounded drug products distributed interstate.

3. If the State of [insert State] becomes aware of a physician who is distributing compounded drug products interstate, the State will coordinate with the appropriate regulator of physician compounding within the State to determine, using surveys, reviews of records during inspections, or other mechanisms available to the State, whether the physician distributes inordinate amounts of compounded drug products interstate by collecting information regarding the total number of prescription orders for compounded drug products distributed or dispensed intrastate and the total number of prescription orders for compounded drug products distributed interstate.
4. For pharmacies or physicians that have been identified as distributing inordinate amounts of compounded drug products interstate, the State also will collect information regarding the total number of prescription orders for sterile compounded drugs distributed outside the State; the number of States in which the compounding pharmacy or physician is licensed or number of States into which the compounding pharmacy or physician distributes compounded drug products; and whether the State inspected for and found during its most recent inspection that the compounding pharmacy or physician distributed compounded drug products without valid prescription orders for individually identified patients.
5. The State will notify FDA by sending an email to StateMOU@fda.hhs.gov within 30 days of identifying a pharmacy or physician within its jurisdiction that has distributed inordinate amounts of compounded drug products interstate and will include the information described in section III.c.1.b of this MOU.

c. Submission and Disclosure of Information

1. When submitting information to StateMOU@fda.hhs.gov regarding complaints relating to compounded drug products distributed outside the State or regarding distribution of inordinate amounts of drugs interstate, the following minimum information will be included:
 - a. Complaints:
 - i. Name and contact information of the complainant;
 - ii. Name and address of the pharmacy/physician that is the subject of the complaint;

- iii. Description of the complaint, including a description of any compounded drug product that is the subject of the complaint;
- iv. State's initial assessment of the validity of the complaint relating to a compounded drug product distributed outside the State, if available; and
- v. Description and date of any actions the State has taken to address the complaint.

b. Inordinate Amounts:

- i. Name and address of the pharmacy/physician that distributed inordinate amounts of compounded drug products interstate;
 - ii. The total number of prescription orders for compounded drug products distributed or dispensed intrastate;
 - iii. The total number of prescription orders for compounded drug products distributed interstate;
 - iv. The total number of prescription orders for sterile compounded drug products distributed interstate;
 - v. The number of States in which the compounding pharmacy or physician is licensed or into which the pharmacy or physician distributes compounded drug products, and
 - vi. Whether the State inspected for and found during its most recent inspection that the compounding pharmacy or physician distributed compounded human drug products without valid prescription orders for individually identified patients.
2. The parties to this MOU will share information consistent with applicable statutes and regulations. The parties recognize that a separate agreement under 21 CFR 20.88 or commissioning of officials under 21 CFR 20.84 may be necessary before FDA can share information that is protected from public disclosure. Such an agreement, or commissioning terms, will govern FDA's sharing of the following types of information:
- Confidential commercial information, such as information that would be protected from public disclosure under Exemption 4

of the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(4));

- Personal privacy information, such as information that would be protected from public disclosure under Exemption 6 or 7(C) of the FOIA (5 U.S.C. 552(b)(6) and(7)(C)); or
- Information that is otherwise protected from public disclosure by Federal statutes and their implementing regulations (e.g., the Trade Secrets Act (18 U.S.C. 1905), the Privacy Act (5 U.S.C. 552a), other FOIA exemptions not mentioned above (5 U.S.C. 552(b)), the FD&C Act (21 U.S.C. 301 et seq.), the Health Insurance Portability and Accountability Act (Public Law 104-191), and FDA's regulations in parts 20 and 21 (21 CFR parts 20 and 21)).

FDA agrees that information provided to FDA by the State of [insert State] will only be disclosed consistent with applicable Federal law and regulations governing the disclosure of such information, including, but not limited to, the FOIA (5 U.S.C. 552(b)), the FD&C Act (21 U.S.C. 301 et seq.), 21 U.S.C. 331(j), 21 U.S.C. 360j(c), the Trade Secrets Act (18 U.S.C. 1905), FDA's regulations in 21 CFR parts 20 and 21, and other pertinent laws and regulations.

IV. ENFORCEMENT AUTHORITIES AND LEGAL STATUS OF AGREEMENT

The parties to this MOU recognize that FDA and the State of [insert State] retain the statutory and regulatory authorities provided by the FD&C Act, other Federal statutes and attendant regulations, and State statutes and regulations. The parties also recognize that this agreement does not restrict FDA or any other Federal agency from taking enforcement action, when appropriate, to ensure compliance with Federal statutes, including the FD&C Act and attendant regulations, or prevent the State of [insert State] from taking enforcement action, as appropriate, to ensure compliance with applicable State statutes and regulations. This MOU does not create or confer any rights for or on any person. By signing this MOU, the [insert name of State agency] affirms that it now possesses and will maintain, at the discretion of the State legislature, the legal authority (under State statutes and/or regulations) and the resources necessary to effectively carry out all aspects of this MOU. If State law changes such that the State no longer has the legal authority or resources necessary to effectively carry out all aspects of this MOU, the State will notify FDA.

V. NAME AND ADDRESS OF PARTICIPATING AGENCIES

U.S. Food and Drug Administration
Center for Drug Evaluation and Research

Office of Compliance
 Office of Unapproved Drugs and Labeling Compliance
 10903 New Hampshire Avenue
 Bldg. 51, Suite 5100
 Silver Spring, MD 20993-0002
 Telephone: (301) 796-3110
 Email: StateMOU@fda.hhs.gov

[State]
 TBD

Upon signing the MOU, each party must designate one or more liaisons to act as points of contact. Each party may designate new liaisons at any time by notifying the other party's liaison(s) in writing. If, at any time, an individual designated as a liaison under this agreement becomes unavailable to fulfill those functions, the parties will name a new liaison within 2 weeks and notify the other party's liaison(s).

VI. PERIOD OF AGREEMENT

- a. When accepted by both parties, this MOU will be effective from the date of the last signature and will continue until terminated by either party. It may be terminated in writing by either party, upon a 30-day notice of termination. Notice of termination will be sent to the address listed in section V of this MOU.
- b. If the State does not adhere to the provisions of this MOU, including conducting an investigation of complaints related to compounded drug products distributed outside the State, the MOU may be terminated upon 30-days' notice of termination.

In case of termination, FDA will post a notice of the termination on its Web site and the State will notify all licensed pharmacists, pharmacies, and physicians within the State of the termination and advise them that as of 30 days from the date of the posting of the termination notice, compounded drug products may be distributed (or caused to be distributed) out of the State only in quantities that do not exceed 5 percent of the total prescription orders dispensed or distributed by the licensed pharmacy or physician (section 503A(b)(3)(B)(ii) of the FD&C Act).

VII. APPROVALS

APPROVED AND ACCEPTED FOR THE U.S. FOOD AND DRUG ADMINISTRATION	APPROVED AND ACCEPTED FOR THE STATE OF [insert State]
By (Type Name)	By (Type Name)
Title	Title

Date	Date

Appendix A. Definition of Terms Used in the MOU

- **Adverse Drug Experience:** Any adverse event associated with the use of a drug in humans, whether or not considered drug related, including the following: an adverse event occurring in the course of the use of a drug product in professional practice; an adverse event occurring from drug overdose, whether accidental or intentional; an adverse event occurring from drug abuse; an adverse event occurring from drug withdrawal; and any failure of expected pharmacological action (21 CFR 310.305(b)).
- **Distribution:** *Distribution* means that a compounder has sent a drug product out of the facility in which the drug was compounded. Such distribution may include, but is not limited to, delivery or shipment to a physician's office, hospital, or other health care setting for administration, and dispensing the drug product by sending it to a patient for the patient's own use.

Note: To qualify for the exemptions under section 503A, a compounder must obtain a prescription for an individually identified patient (section 503A(a) of the FD&C Act). This MOU will not alter this condition.

- **Product Quality Issue:** Information concerning (1) any incident that causes the drug product or its labeling to be mistaken for, or applied to, another article; or (2) any bacteriological contamination; any significant chemical, physical, or other change or deterioration in the distributed drug product; or any failure of one or more distributed batches of the drug product to meet the applicable specifications (21 CFR 314.81(b)(1)). Contamination in general, including but not limited to mold, fungal, bacterial, or particulate contamination, is a product quality issue.
- **Serious Adverse Drug Experience:** Any adverse drug experience occurring at any dose that results in any of the following outcomes: death, a life-threatening adverse drug experience, inpatient hospitalization or prolongation of existing hospitalization, a persistent or significant disability/incapacity, or a congenital anomaly/birth defect. Important medical events that may not result in death, be life-threatening, or require hospitalization may be considered a serious adverse drug experience when, based upon appropriate medical judgment, they may jeopardize the patient or subject and may require medical or surgical intervention to prevent one of the outcomes listed in this definition. Examples of such medical events include allergic bronchospasm requiring intensive treatment in an emergency room or at home, blood dyscrasias or convulsions that do not result in inpatient hospitalization, or the development of drug dependency or drug abuse (21 CFR 310.305(b)).
- **Serious Product Quality Issue:** Any product quality issue that may have the potential to cause a serious adverse drug experience (e.g., possible contamination, superpotent product).