



# Louisiana Department of Health Stakeholder Meeting

Pharmacy Cost of Dispensing Survey

August 2, 2021



**MYERS AND  
STAUFFER** L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

# AGENDA

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- BACKGROUND OF THE COD SURVEY
- OVERVIEW OF THE SURVEY PROCESS
- INDEPENDENT AND CHAIN NOTIFICATIONS
- SURVEY INSTRUMENT
- COD SURVEY REVIEW PROCESS
- COD SURVEY ANALYSIS AND REPORT
- Q & A



# MYERS AND STAUFFER LC

## ABOUT US

We are a public accounting firm with multiple engagement teams providing diverse services to state and federal agencies managing government-sponsored health care programs.

## OUR MISSION

We are dedicated to delivering Medicare and Medicaid expertise with exceptional service.

## WEBSITE

<https://www.myersandstauffer.com/>

# MYERS AND STAUFFER Pharmacy Practice

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## **Cost of Dispensing Surveys**

Since 1977, Myers and Stauffer has conducted more than 100 pharmacy COD survey projects in more than 30 states. We have reviewed and processed more than 40,000 pharmacy COD surveys.

## **Ingredient Costs**

Myers and Stauffer pioneered the actual acquisition cost (AAC) methodology. We have been the sole contractor to CMS to develop and maintain the NADAC. Myers and Stauffer maintains state AAC benchmarks for the Medicaid programs of several states.

# Survey Background

- LDH has contracted with Myers and Stauffer to perform the current cost of dispensing survey. Myers and Stauffer previously performed a cost of dispensing survey for LDH in 2014.
- The purpose of the cost of dispensing survey is to determine the cost of dispensing prescriptions to Louisiana Medicaid participants in order to properly evaluate an appropriate professional dispensing fee or fees.
- Federal regulations at 42 CFR § 447.518(d) require that when states propose changes to either the ingredient cost or professional dispensing fee, states must consider both to ensure that total reimbursement to the pharmacy provider is in accordance with requirements of section 1902(a)(30)(A) of the Social Security Act (i.e., requirements to ensure sufficient access to services). States must rely on state or national survey data as the basis for the professional dispensing fee.

# Survey Objectives

## **“Professional dispensing fee means the fee which —**

- (1) Is incurred at the point of sale or service and pays for costs in excess of the ingredient cost of a covered outpatient drug each time a covered outpatient drug is dispensed;
- (2) Includes only pharmacy costs associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid recipient. Pharmacy costs include, but are not limited to, reasonable costs associated with a pharmacist’s time in checking the computer for information about an individual’s coverage, performing drug utilization review and preferred drug list review activities, measurement or mixing of the covered outpatient drug, filling the container, beneficiary counseling, physically providing the completed prescription to the Medicaid beneficiary, delivery, special packaging, and overhead associated with maintaining the facility and equipment necessary to operate the pharmacy; and
- (3) Does not include administrative costs incurred by the State in the operation of the covered outpatient drug benefit including systems costs for interfacing with pharmacies.”<sup>1</sup>

<sup>1</sup> See 42 CFR § 447.502.

## Survey Distribution

- Survey forms will be mailed or emailed to all pharmacies enrolled in the Louisiana Medicaid pharmacy program.
- Myers and Stauffer help desk will provide assistance to pharmacies to complete the survey.
- Use financial statements or federal income tax return and other pharmacy records (e.g., dispensing logs, payroll records, etc.).
- Pharmacies should use most recently completed fiscal year for which records are complete (e.g., year ending December 31, 2020 or if not yet available, December 31, 2019).

## Survey Distribution

- Some portions of the survey can be completed by Myers and Stauffer if pharmacies are willing to send a copy of financial statements or federal income tax returns.
- COD surveys can be completed in an electronic (Excel) format or on paper
- Pharmacies will have approximately six weeks to complete and return the survey.
- Surveys can be returned via email, mail (business reply label), or fax.



## “Local Pharmacies”

- According to RS 46:460.36(3) "Local Pharmacy" means any pharmacy, domiciled in at least one Louisiana parish that meets both of the following criteria:
  - (a) Contracts with the managed care organization or the managed care organization's contractor in its own name or through a pharmacy services administration organization and not under the authority of a group purchasing organization.
  - (b) Has fewer than ten retail outlets under its corporate umbrella.
- Survey forms will be sent by postal mail to the address received from LDH and via email to those providers we are able to obtain an email address.
- Myers and Stauffer strongly encourages pharmacies to respond in an electronic format (Microsoft Excel). Pharmacies can request the Excel version through the help desk ([disp\\_survey@mslc.com](mailto:disp_survey@mslc.com)).
- The Excel version requires the same information as the paper version of the COD survey.
- The Excel version will help with calculating totals and performing basic error checks.

## Chain Pharmacies

- COD survey forms will be sent to a contact within the chain organization.
- Chain organizations will receive a list of stores identified as participating in Louisiana Medicaid for which the chain will need to respond. If new stores have been added or acquired they might not be identified on the list.
- A Microsoft Excel survey form is available for chains to respond for multiple stores. The Excel version for chain pharmacies is different than the version for independent pharmacies, but collects the same information.
- Information will need to be reported for each store.

# SURVEY INSTRUMENT

- Survey tool collects necessary information and meaningful attributes to analyze and evaluate pharmacy dispensing costs.
- Survey tool is intended to collect all pharmacy expenses. Allocations will be made between prescription dispensing activities and other non-prescription dispensing activities.
- Survey tool is designed to be reconciled to internal financial statements or IRS tax documents to ensure that all expenses are included and no expenses are duplicated.

# DRAFT SURVEY INSTRUMENT

## **Pharmacy Information (Page 1)**

- Provide address, phone number, etc.
- “Declaration by Owner/Manager and Preparer”.
- Exemptions from filing for new pharmacies or pharmacies that had a change in ownership.

# SURVEY INSTRUMENT

## **Section IA - Pharmacy Attributes (page 2 and page 3)**

- Report fiscal year
- Report total prescriptions dispensed
- Report pharmacy department sales and total sales
- Report pharmacy department square footage and total store square footage
- Additional attribute questions

# SURVEY INSTRUMENT

## **Section IC - Pharmaceutical Product Breakdown (page 4)**

- If a specialty pharmacy answers yes to question (u) in Section IA, the pharmacy should provide a breakdown of the specialty and non-specialty products dispensed in the pharmacy(s).
- Totals reported on page 4 must reconcile to number of prescriptions dispensed and sales reported on page 2, lines (a) and (b).
- Additional questions for specialty pharmacies.

# SURVEY INSTRUMENT

## Section IIA - Personnel Costs (page 5)

- Report all personnel costs for the store/facility.
- Owner/pharmacists and owner/non-pharmacists should be reported separately and include all bonuses and draws.
- Owner salaries are reviewed for reasonableness.
- Estimate of Full Time Equivalent employees (FTEs).
- Estimate percent of time spent in prescription department.
- Include pension and profit sharing and other employee benefits.

# SURVEY INSTRUMENT

## **Section IIB – Overhead Expenses (pages 6 and 7)**

- All overhead expenses should be reported.
- Page 6 contains many commonly reported expenses along with references to 2020 IRS tax forms.
- Page 7 allows pharmacies to report any additional expenses and provide a description.
- Pharmacies can send a copy of their financial statements or federal tax return (with supporting schedules) and Myers and Stauffer LC will complete pages 6 – 8.



# SURVEY INSTRUMENT

## **Section III-Reconciliation (page 8)**

- The reconciliation ensures that all expenses on financial statements or tax return have been included (and that none have been duplicated).
- List any expenses not on survey or any expenses that were not on financial statements to complete reconciliation.
- If you opt to send financial statements or a tax return, Myers and Stauffer LC will complete this section.
- The Excel version of the survey will assist with the reconciliation calculations.

## COD Survey Review Process

- Myers and Stauffer staff will review all submitted surveys and contact pharmacies if there are any questions.
- Pharmacies are strongly encouraged to use the Excel version of the COD survey which is more legible and assists with calculations reducing the need to contact pharmacies to verify information.
- Some pharmacies will be randomly selected for additional review procedures (i.e., submission of supporting documentation such as financial statements, prescription logs, store blueprints or diagrams).

# COD Survey Analysis and Report

- Myers and Stauffer will calculate the cost of dispensing at each pharmacy.
- Myers and Stauffer will calculate statistics to measure the average cost of dispensing for all pharmacies enrolled in Louisiana Medicaid. Various statistical breakdowns of interest will be provided to LDH.
- Methodology and findings of the survey will be described in a report to LDH. The report will only include survey information in an aggregate format.
- All submitted information will be kept strictly confidential by Myers and Stauffer and LDH.

# QUESTIONS

Please submit feed back concerning the survey tool or survey process to Myers and Stauffer by August 12, 2021.

Cost of Dispensing survey packets anticipated to be distributed around August 24, 2021.

For assistance with the cost of dispensing survey, pharmacies may contact Myers and Stauffer:

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*Toll-free: 1-800-374-6858*

*– or –*

*Email: [disp\\_survey@mslc.com](mailto:disp_survey@mslc.com)*



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