



Iowa Department of Human Services

Survey of the Average Cost of Dispensing a
Medicaid Prescription in the State of Iowa

July 2022

DEDICATED TO GOVERNMENT HEALTH PROGRAMS



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS



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Chapter 1: Executive Summary

Introduction

The 85th Iowa General Assembly enacted during the 2013 Iowa Legislative session the requirement that the Department of Human Services (DHS) base the Medicaid pharmacy program dispensing fee on the results of a cost of dispensing survey performed by the DHS. The survey is required to be completed by all medical assistance program participating pharmacies every two years. DHS contracted with the firm of Myers and Stauffer LC to conduct the cost of dispensing survey.

The cost of dispensing survey followed the methodology and used a survey instrument similar to those used by Myers and Stauffer in previous surveys for DHS and Medicaid pharmacy engagements in several other states. The methodology was consistent with guidelines from the Centers for Medicare and Medicaid Services (CMS) in its finalized rule for Medicaid pharmacy reimbursement regarding the components of pharmacy cost that are appropriately reimbursed by the pharmacy dispensing fee of a state Medicaid program (CMS-2345-FC).

Myers and Stauffer obtained from DHS a list of pharmacy providers currently enrolled in the Iowa Medicaid pharmacy program. According to the provider list, there were 954 pharmacy providers that were enrolled in the Iowa Medicaid program. All 954 enrolled pharmacies were requested to submit survey information for this study.

Myers and Stauffer performed basic desk review procedures to test completeness and accuracy of all dispensing cost surveys submitted. There were 780 pharmacies that filed cost surveys that could be included in this analysis. Data from these surveys, in conjunction with pharmacy-specific cost-finding algorithms, was used to calculate the average cost of dispensing at each pharmacy and results from these pharmacies were subjected to statistical analysis.

Summary of Findings

Per the survey of pharmacy dispensing cost for pharmacies participating in the Iowa Medicaid program, the mean cost of dispensing, weighted by Medicaid volume, was \$10.97 per prescription for all pharmacies including specialty pharmacies.¹ For non-specialty pharmacies only, the mean cost of dispensing, weighted by Medicaid volume, was \$10.18 per prescription.

¹ For purposes of this report, “specialty” pharmacies are those pharmacies that reported sales for intravenous, home infusion, blood factor and/or other specialty products of 30 percent or more of total prescription sales.



Table 1.1 Dispensing Cost for Iowa Medicaid Pharmacies

	All Pharmacies Inclusive of Specialty	Non-specialty Pharmacies Only
Pharmacies Included in Analysis	780	711
Unweighted Mean (Average) ^A	\$19.80	\$11.91
Weighted Mean (Average) ^{A,B}	\$10.97	\$10.18
Unweighted Median ^A	\$11.42	\$11.17
Weighted Median ^{A,B}	\$10.68	\$10.62

^A Inflated to common point of December 31, 2021 (midpoint of year ending June 30, 2022).

^B Weighted by Medicaid volume.

Conclusions

Cost of Dispensing Trends

Currently, DHS pays a professional dispensing fee of \$10.38. This amount was based on results of the 2020 cost of dispensing survey and specifically associated with average cost as measured by the mean weighted by Medicaid volume for all pharmacies. The value for the same metric in the 2022 survey is \$10.97, an increase of \$0.59 or approximately 5.7 percent.

Myers and Stauffer has performed multiple cost of dispensing studies for Iowa and other states since 2010 and in most of these surveys we have observed a pattern of little to no cost increase over time. In some instances, we have even observed a slight decrease in the cost of dispensing per prescription in the same state over a period of several years. While some input costs, including labor, increased over this time period, other factors, including increased efficiencies associated with dispensing prescriptions, restrained the increase in the cost of dispensing, *on a per prescription basis*. This phenomenon has been observed by other researchers as well.

However, an increase in the average cost of dispensing has been observed in the most recent cost of dispensing survey. The vast majority of pharmacies which submitted data for this survey reported expenses and other pharmacy information for a fiscal year period which included all or most of calendar year 2021. During this time period pharmacies continued to experience the impacts of the COVID-19 pandemic. Furthermore, broader economic factors, including significant inflationary pressures, appear to have had an impact on the cost of dispensing and increases in cost were observed within both the overhead and labor components of the cost of dispensing.

Another factor which contributes to the higher cost of dispensing observed in this most recent survey is a subtle increase in the percentage of Medicaid prescriptions dispensed by pharmacies which were classified as specialty for purposes of this report. Pharmacies classified as specialty tend to have a higher cost of dispensing, and the contribution to the measure of the mean cost of dispensing, weighted by Medicaid volume, is impacted by this shift in volume. While the volume shift in favor of pharmacies classified as specialty was only an additional 0.3 percent of Medicaid prescription volume, this change does have an impact on the mean cost of dispensing weighted by Medicaid volume for all pharmacies combined.



Professional Dispensing Fee Options

Federal regulations at 42 CFR § 447.518(d) require that when states propose changes to either the ingredient portion of pharmacy reimbursement or the 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. The Iowa Medicaid program moved to an actual acquisition cost (AAC) methodology for ingredient reimbursement in February 2013 and adopted a professional dispensing fee based on the results of a previous cost of dispensing survey. The current survey results provide DHS with information to continue to evaluate its professional dispensing fee.

Based on the results of the survey of pharmacy dispensing cost, a single dispensing fee of \$10.97 would reimburse the weighted average cost of dispensing prescriptions to Iowa Medicaid members inclusive of both specialty and non-specialty pharmacies. A single dispensing fee of \$10.17 would reimburse the weighted average cost of dispensing prescriptions to Iowa Medicaid members for non-specialty pharmacies but would not account for the cost of dispensing prescriptions by specialty pharmacies.

The use of a single dispensing fee for all pharmacies represents the simplest reimbursement option and is the most widely used methodology for pharmacy dispensing fees among state Medicaid programs. Despite indications that the cost of dispensing in specialty pharmacies varies from the cost of dispensing in non-specialty pharmacies, the use of a differential dispensing fee for specialty pharmacies is relatively infrequent among state Medicaid programs. Several states have set dispensing fees based on the cost of dispensing observed at non-specialty pharmacies. This report includes average cost of dispensing measurements for several categories of specialty pharmacies which can be considered in the process of evaluating professional dispensing fees for the Iowa Medicaid program.



Chapter 2: Dispensing Cost Survey and Analysis

The Iowa Department of Human Services (DHS) engaged Myers and Stauffer LC to perform a study of costs incurred by pharmacies participating in the Iowa Medicaid pharmacy program to dispense prescription medications. There are two primary components related to the provision of prescription medications: dispensing cost and drug ingredient cost. Dispensing cost consists of the overhead and labor costs incurred by a pharmacy to fill prescription medications.

Within its definition of the term “professional dispensing fee”, the Centers for Medicare and Medicaid Services (CMS) has provided some guidelines for appropriate costs to be reimbursed via a Medicaid pharmacy dispensing fee. The definition states:

“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.”²

Since CMS published CMS-2345-FC in February 2016, states have transitioned their fee-for-service (FFS) pharmacy programs to professional dispensing fees based on its requirements. There is some variety in the specific ways in which state Medicaid agencies have established professional dispensing fees. There are 32 states that apply a single state-wide professional dispensing fee to all prescription claims. These single state-wide dispensing fees range from \$8.96 (Rhode Island) to \$12.46 (North Dakota). There are eight states which have adopted tiered professional dispensing fees which are based on annual pharmacy total prescription volume. In states with volume-based tiers for professional dispensing fees, there are between two and four dispensing fee tiers. Seven states have adopted differential professional dispensing fees that are based on other criteria. For example, in Alaska professional dispensing fees vary based on whether a pharmacy is located on or off of the state’s road system. In North Carolina,

² See 42 CFR § 447.502 and “Medicaid Program; Covered Outpatient Drugs.” (CMS-2345-FC) Federal Register, 81: 20 (1 February 2016) p 5349.



professional dispensing fees have been linked to the preferred or non-preferred status of a drug or to the generic dispensing rate measured for a pharmacy.

It is noteworthy that dispensing fees within Medicaid FFS programs are significantly different than dispensing fees used in most commercial insurance plans, Medicare Part D plans and some Medicaid managed care plans. Those health plans often contract with commercial pharmacy benefit managers (PBMs) who pay dispensing fees that are significantly less than those paid by most Medicaid FFS programs. These PBMs do not typically use ingredient reimbursement methodologies that are based on average acquisition cost (AAC), as are used in Medicaid FFS programs, but rather use other industry standard benchmarks such as the Average Wholesale Cost (AWP) to which various discounts are applied. Dispensing fees paid by commercial PBMs are often less than \$1.00 and are markedly less than the average cost of dispensing, on a per prescription basis, incurred by most pharmacies.

Methodology of the Dispensing Cost Survey

In order to determine costs incurred to dispense pharmaceuticals to members of the Iowa Medicaid pharmacy program, Myers and Stauffer utilized a survey method consistent with federal regulations for the expenses to include within a pharmacy dispensing fee (42 CFR § 447.502) and the methodology of previous surveys conducted by Myers and Stauffer in several other states. Myers and Stauffer collaborated with DHS to refine the survey tool to meet their objectives.

Survey Distribution

Myers and Stauffer obtained from DHS a list of pharmacy providers currently enrolled in the Iowa Medicaid pharmacy program. According to the provider list, there were 954 pharmacy providers enrolled in the program. Surveys were mailed to all 954 pharmacy providers on February 2, 2022. Each surveyed pharmacy received a copy of the cost survey (Exhibit 1) and a letter of explanation from DHS (Exhibit 2a and Exhibit 2b).

Concerted efforts to encourage participation were made to enhance the survey response rate. A survey help desk was provided by Myers and Stauffer. A toll-free telephone number and email address were listed on the survey form and pharmacists were instructed to call or email to resolve any questions they had concerning completion of the survey form. The letter of explanation offered pharmacy owners the option of having Myers and Stauffer complete certain sections of the survey for those that were willing to submit copies of financial statements and/or tax returns. For convenience in completing the cost of dispensing survey, the survey forms were made available in both a printed format and in an electronic format (Microsoft Excel).

Myers and Stauffer hosted informational presentations via a web application and conference line on February 10, 2022 and February 15, 2022. Providers were given an overview of the cost of dispensing survey process and survey tool. Providers were given the opportunity for question and answer during the presentation and encouraged to reach out to the help desk if they had further questions or needed assistance completing the survey.



Reminder postcards were sent on March 3, 2022 to surveyed pharmacies (Exhibits 3). An additional postcard was sent on March 31, 2022 with a further reminder and an extension of the original due date of March 31, 2022 to April 13, 2022 (Exhibits 4).

To further encourage survey participation, a reminder email was sent to all non-respondent providers on March 1, 2022. Additional reminder emails were sent to providers on March 21, 2020 and March 30, 2022.

Providers were given instructions to report themselves as ineligible for the survey if they met certain criteria. Pharmacies were to be deemed ineligible if they had closed their pharmacy, had a change of ownership, or had less than six months of cost data available (e.g., due to a pharmacy that recently opened, or changed ownership). Of the 954 surveyed pharmacies, 19 pharmacies were determined to be ineligible to participate (based on the returned surveys).

Surveys were accepted through April 20, 2022. As indicated in Table 2.1, 780 surveyed pharmacies submitted a usable cost survey for this study resulting in a response rate of 83 percent.

Some of the submitted cost surveys contained errors or did not include complete information necessary for full evaluation. For cost surveys with such errors or omissions, the pharmacy was contacted for clarification. There were limited instances in which issues on the cost survey were not resolved in time for inclusion in the final analysis.³

The following table, 2.1, summarizes the dispensing cost survey response rate.

³ There were 22 incomplete surveys received on or before April 20, 2022 that were eventually determined to be unusable because they were substantially incomplete or missing essential information. These issues could not be resolved in a timely manner with the submitting pharmacy. These incomplete surveys were not included in the count of 780 usable surveys received.



Table 2.1 Dispensing Cost Survey Response Rate

Pharmacy Category	Medicaid Enrolled Pharmacies	Pharmacies Exempt or Ineligible from Filing	Eligible Pharmacies	Usable Cost Surveys Received	Response Rate
Chain ⁴	629	2	627	600	96%
Non-chain	325	17	308	180	58%
TOTAL	954	19	935	780	83%
In-State Urban ⁵	367	5	362	317	88%
In-State Rural	314	9	305	246	81%
Out-of-State	273	5	268	217	81%
TOTAL	954	19	935	780	83%

Tests for Reporting Bias

For the pharmacy traits of affiliation (i.e., chain or non-chain) and location (i.e., urban or rural), the response rates of the submitted surveys were tested to determine if they were representative of the population of Medicaid provider pharmacies. Since the overall response rate of the surveyed pharmacies was less than 100 percent, the possibility of bias in the response rate should be considered. To measure the likelihood of this possible bias, chi-square (χ^2) tests were performed. A χ^2 test evaluates differences between proportions for two or more groups in a data set.

Of the 780 usable cost surveys, 600 were from chain pharmacies and 180 were from non-chain pharmacies. There was a response rate of 96 percent for chain pharmacies compared to a response rate of 58 percent for non-chain pharmacies. The results of the χ^2 test indicated that the difference in response rate between chain and non-chain pharmacies was statistically significant at the 5 percent confidence level. This implies that non-chain pharmacies were underrepresented in the sample of usable surveys received. No adjustments to the cost of dispensing data were made as a result of this observation.

A χ^2 test was also performed with respect to the urban versus rural location for responding pharmacies that were located in the state of Iowa. Of the 681 non-exempt pharmacies located in the state of Iowa, 367 pharmacies (or 54 percent) were located in an urban area. The remaining 314 pharmacies (or 46 percent) were located in a rural area. The number of pharmacies that returned a completed survey from an urban location was 317 (a response rate of 88 percent) and

⁴ For purposes of this survey, a chain was defined as an organization having four or more pharmacies under common ownership or control on a national level.

⁵ For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the pharmacies zip code and the "Zip Code to Carrier Locality File" from the Centers for Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.



the number of pharmacies that returned a completed survey from a rural location was 246 (a response rate of 81 percent). The results of the χ^2 test indicated that the difference in response rate between urban and rural pharmacy locations (within the state) was not statistically significant at the 5 percent confidence level.

Desk Review Procedures

A desk review was performed for 100 percent of surveys received. This review identified incomplete cost surveys; pharmacies submitting these incomplete cost surveys were contacted by telephone and/or email to obtain information necessary for completion. The desk review process also incorporated a number of tests to determine the reasonableness of the reported data. In many instances, pharmacies were contacted to correct or provide confirmation of reported survey data that was flagged for review as a result of these tests for reasonableness.

Cost Finding Procedures

For all pharmacies, the basic formula used to determine the average dispensing cost per prescription was to calculate the total dispensing-related cost and divide it by the total number of prescriptions dispensed:

$$\text{Average Dispensing Cost} = \frac{\text{Total (Allowable) Dispensing Related Cost}}{\text{Total Number of Prescriptions Dispensed}}$$

Although the denominator of the cost of dispensing formula (i.e., the “total number of prescriptions dispensed”) is relatively straight-forward, the calculation of the numerator of the formula (i.e., “total allowable cost related to dispensing prescriptions”) can be complex. “Cost finding” principles must be applied since not all reported pharmacy expenses were strictly related to the prescription dispensing function of the pharmacy. Most pharmacies are also engaged in lines of business other than the dispensing of prescription drugs. For example, many pharmacies have a retail business with sales of groceries, durable medical equipment, medical supplies, over-the-counter (OTC) drugs, non-medical items and other goods. The existence of these other lines of business necessitates that procedures be applied to estimate the portion of expenses that are associated with the prescription dispensing function of the pharmacy.

“Cost finding” is the process of recasting cost data using rules or formulas in order to accomplish an objective. In this study, the objective is to estimate the cost of dispensing prescriptions to Medicaid members. To accomplish this objective, some pharmacy expenses must be allocated between the prescription dispensing function and other business activities. This process identified the reasonable and allowable costs necessary for dispensing prescriptions to Medicaid members.

For purposes of the study, the cost of dispensing was considered as two primary components: overhead and labor. The cost finding rules employed to determine the cost of dispensing associated with the overhead and labor components are described in the following sections.



Overhead Costs

Overhead cost per prescription was calculated by summing the allocated overhead of each pharmacy and dividing this sum by the number of prescriptions dispensed. Overhead expenses that were reported for the entire pharmacy were allocated to the prescription department based on one of several methods as described on the following pages:

- **All, or 100 percent**

For overhead expenses that were considered to be entirely related to prescription functions, 100 percent of the expenses were allocated.

Overhead expenses that were considered entirely prescription-related include:

- Prescription department licenses.
- Prescription delivery expense.
- Prescription computer expense.
- Prescription containers and labels. (For many pharmacies the costs associated with prescription containers and labels are captured in their cost of goods sold. Subsequently, it was often the case that a pharmacy was unable to report expenses for prescription containers and labels. In order to maintain consistency, a minimum allowance for prescription containers and labels was determined to use for pharmacies that did not report an expense amount for containers and labels. The allowance was set at the 95th percentile of prescription containers and labels expense per prescription for pharmacies that did report prescription containers and labels expense: \$0.754 per prescription).
- Certain other expenses that were separately identified on Lines (32a) to (32t) of Page 7 of the cost survey (Exhibit 1).⁶

- **None, or 0 percent**

For overhead expenses that are not considered to be related to prescription functions, none of the expenses were allocated.

Overhead expenses that were not allocated as a prescription expense include:

- Income taxes ⁷
- Bad debts ⁸

⁶ "Other" expenses were individually analyzed to determine the appropriate basis for allocation of each expense: sales ratio, area ratio, 100 percent related to cost of dispensing or 0 percent (i.e., not allocated).

⁷ Income taxes are not considered an operational cost because they are based upon the profit of the pharmacy operation.

⁸ Bad debt expense is not referenced in CMS guidelines for professional dispensing fees at 42 CFR § 447.502. Furthermore, the exclusion of bad debts from the calculation of the cost of dispensing is consistent with Medicare cost reporting principles. See Provider Reimbursement Manual, CMS Pub.15-1, Section 304:



- Advertising⁹
- Charitable Contributions¹⁰
- Credit Card Processing Fees¹¹
- Certain expenses reported on Lines (32a) through (32t) of Page 7 of the cost survey (Exhibit 1) were excluded if the expense was not related to the dispensing of prescription drugs.

Most expenses were assumed to be related to both prescription and nonprescription functions of the pharmacy and were allocated using either an area ratio or a sales ratio as described below:

- **Area ratio**

In order to allocate expenses that were considered to be reasonably related to building space an area ratio was calculated. The process to calculate the area ratio included multiple steps. First, a ratio was calculated as prescription department floor space (in square feet) divided by total floor space. This initial ratio was then increased by a factor of 2.0 from the square footage values reported on the cost survey. The use of this factor creates an allowance for waiting and counseling areas for patients, a prescription department office area and common store area needed to access the prescription department. Finally, the resulting ratio was adjusted downward, when applicable, to not exceed the sales ratio (in order to avoid allocating 100 percent of these costs in the instance where the prescription department occupies the majority of the area of the store). This final calculation was considered to be the area ratio to use for cost allocation purposes.

"The allowance of unrecovered costs attributable to such bad debts in the calculation of reimbursement by the Program results from the expressed intent of Congress that the costs of services covered by the Program will not be borne by individuals not covered, and the costs of services not covered by the Program will not be borne by the Program."

It is recognized that some bad debts may be the result of Medicaid co-payments that were not collected. However, it was not possible to isolate the amount of bad debts attributable to uncollected Medicaid co-payments from the survey data. Additionally, there may be programmatic policy reasons to exclude uncollected Medicaid co-payments from the calculation of the cost of dispensing. Inclusion of cost for uncollected co-payments in the dispensing fee might serve to remove incentives for pharmacies to collect Medicaid co-payments when applicable. Given that co-payments were established to bring about some measure of cost containment, it may not be in the best interest of a Medicaid pharmacy program to allow uncollected co-payments to essentially be recaptured in a pharmacy professional dispensing fee.

⁹ Advertising expense is not referenced in CMS guidelines for professional dispensing fees at 42 CFR § 447.502. Furthermore, the exclusion of most types of advertising expense is consistent with Medicare cost reporting principles. See Provider Reimbursement Manual, CMS Pub. 15.1, Section 2136.2:

"Costs of advertising to the general public which seeks to increase patient utilization of the provider's facilities are not allowable."

¹⁰ Charitable contributions are not referenced in CMS guidelines for professional dispensing fees at 42 CFR § 447.502. Individual proprietors and partners are not allowed to deduct charitable contributions as a business expense for federal income tax purposes. Any contributions made by their business are deducted along with personal contributions as itemized deductions. However, corporations are allowed to deduct contributions as a business expense for federal income tax purposes. Thus, while Line 13 on the cost report recorded the business contributions of a corporation, none of these costs were allocated as a prescription expense. This provides equal treatment for each type of ownership.

¹¹ Credit card processing fees were not allowed on the basis that prescriptions for Medicaid members are not predominantly paid through credit or debit card payments.



Overhead expenses allocated on the area ratio include:¹²

- Depreciation
- Real estate taxes
- Rent¹³
- Repairs
- Utilities

- **Sales ratio**

Remaining expenses that were shared by both the prescription and non-prescription functions of the pharmacy were allocated using a sales ration which was calculated as prescription sales divided by total sales.

Overhead expenses allocated using the sales ratio include:

- Personal property taxes
- Other taxes
- Insurance
- Interest
- Accounting and legal fees
- Telephone and supplies
- Dues and publications

Labor Cost

Labor cost was calculated by allocating total salaries, payroll taxes, and benefits based on the percent of time spent in the prescription department. The allocations for each labor category were summed and then divided by the number of prescriptions dispensed to calculate labor cost of dispensing per prescription. There are various classifications of salaries and wages requested on the survey (Lines (1) to (12) of Page 5 of the survey – Exhibit 1) due to the different treatment given to each labor classification.

Although some employee pharmacists spent a portion of their time performing nonprescription duties, it was assumed in this study that their economic productivity when performing nonprescription functions was less than their productivity when performing prescription duties.

¹² Allocation of certain expenses using a ratio based on square footage is consistent with Medicare cost reporting principles. See Provider Reimbursement Manual, CMS Pub. 15-2, Section 3617.

¹³ The survey instrument included special instructions for reporting rent and requested that pharmacies report “ownership expenses of interest, taxes, insurance and maintenance if building is leased from a related party”. This treatment of related-party expenses is consistent with Medicare cost reporting principles. See Provider Reimbursement Manual, CMS Pub. 15-2, Section 3614:

“Cost applicable to home office costs, services, facilities, and supplies furnished to you by organizations related to you by common ownership or control are includable in your allowable cost at the cost to the related organizations. However, such cost must not exceed the amount a prudent and cost conscious buyer pays for comparable services, facilities, or supplies that are purchased elsewhere.”



The total salaries, payroll taxes, and benefits of employee pharmacists were multiplied by a factor based upon the percent of prescription time. Therefore, a higher percentage of salaries, payroll taxes, and benefits was allocated to the labor cost of dispensing than would have been allocated if a simple percent of time allocation were utilized. Specifically, the percent of prescription time indicated was adjusted by the following formula:¹⁴

$$\frac{(2)(\%Rx\ Time)}{(1 + (\%Rx\ Time))}$$

The allocation of salaries, payroll taxes, and benefits for all other prescription employees (Line (2) and Lines (4) to (12) of Page 5 of the survey – Exhibit 1) was based directly upon the percentage of time spent in the prescription department as indicated on the survey. For example, if the reported percentage of prescription time was 75 percent and total salaries were \$10,000, then the allocated cost associated with dispensing prescriptions would be \$7,500.

Owner Compensation Issues

Since compensation reported for owners are not expenses that have arisen from arm's length negotiations, they are not similar to other expenses. Accordingly, limitations were placed upon the allocated salaries, payroll taxes, and benefits of owners. A pharmacy owner may have a different approach toward other expenses than toward his/her own salary. Owners may pay themselves above the market cost of securing the services of an employee. In this case, paying themselves above market cost effectively represents a withdrawal of business profits, not a cost of dispensing. In contrast, owners who pay themselves below market cost for business reasons also misrepresent the true cost of dispensing.

To estimate the expense that would have been incurred had an employee been hired to perform the prescription-related functions actually performed by the owner, upper and lower limits were imposed on owner salaries and benefits. For purposes of setting limits on owner compensation, separate limits were applied to owners who are pharmacists and owners who are not pharmacists. Constraints for owners were set using upper and lower thresholds for hourly compensation that represented approximately the 95th and 40th percentiles of salaries and benefits for employee pharmacists and employee non-pharmacists (adjusted by an estimate of full-time equivalent (FTE) staff count to estimate hourly wages). The upper and lower constraints that were developed are shown in Table 2.2. Adjustments to owner salaries and benefits were only applied if the reported amounts were below the lower limit or in excess of the upper limit in which case the reported amounts were adjusted up or down to the respective limits.

¹⁴ Example: An employee pharmacist spends 90 percent of his/her time in the prescription department. The 90 percent factor would be modified to 95 percent: $(2)(0.9) / (1+0.9) = 0.95$. Thus, 95 percent of the reported salaries, payroll taxes, and benefits would be allocated to the prescription department. It should be noted that most employee pharmacists spent 100 percent of their time in the prescription department.



Table 2.2 Hourly Wage Limits for Owners

Owner Type	Lower Limit (Hourly)	Upper Limit (Hourly)
Pharmacist	\$57.22	\$82.16
Non-Pharmacist	\$16.81	\$53.27

A sensitivity analysis of the owner labor limits was performed in order to determine the impact of the limits on the overall analysis of pharmacy cost of dispensing. Of the 780 pharmacies in the cost analysis, owner limits impacted 76 pharmacies, or 9.7 percent. Of these, 50 pharmacies had costs *reduced* as a result of application of these limits (on the basis that a portion of owner salary “cost” appeared to represent a withdrawal of profits from the business), and 26 pharmacies had costs *increased* as a result of the limits (on the basis that owner salaries appeared to be below their market value). In total, the final estimate of average pharmacy cost of dispensing per prescription was decreased by approximately \$0.03 as a result of the owner salary limits.

Overall Labor Cost Constraints

An overall constraint was placed on the proportion of total reported labor that could be allocated as prescription labor. The constraint assumes that a functional relationship exists between the proportion of allocated prescription labor to total labor and the proportion of prescription sales to total sales. It is also assumed that a higher input of labor costs is necessary to generate prescription sales than nonprescription sales, within limits.

The parameters of the applied labor constraint are based upon an examination of data submitted by all pharmacies. These parameters are set in such a way that any resulting adjustment affects only those pharmacies with a percentage of prescription labor deemed unreasonable. For example, the constraint would come into play for an operation that reported 75 percent pharmacy sales but 100 percent pharmacy labor since, some labor must be devoted to generating the 25 percent nonprescription sales.

To determine the maximum percentage of total labor allowed, the following calculation was made:

$$\frac{0.3(\text{Sales Ratio})}{0.1 + (0.2)(\text{Sales Ratio})}$$

A sensitivity analysis of the labor cost constraint was performed in order to determine the impact of the limit on the overall analysis of pharmacy cost. The analysis indicates that of the 780 pharmacies included in the cost of dispensing analysis, this limit was applied to 35 pharmacies. In total, the final estimate of average pharmacy cost of dispensing per prescription was decreased by approximately \$0.01 as a result of the labor cost restraint.



Inflation Factors

All allocated costs for overhead and labor were totaled and multiplied by an inflation factor. Inflation factors are intended to reflect cost changes from the middle of the reporting period of a particular pharmacy to a common fiscal period ending June 30, 2022 (specifically from the midpoint of the pharmacy's fiscal year to December 31, 2021 which is the midpoint of the fiscal period ending June 30, 2022). The midpoint and terminal month indices used were taken from the Employment Cost Index (ECI), (all civilian, all workers; seasonally adjusted) published by the Bureau of Labor Statistics (BLS) (Exhibit 5). The use of inflation factors is preferred in order for pharmacy cost data from various fiscal years to be compared uniformly. The majority of submitted cost surveys were based on a fiscal year which ended on or within four months of December 31, 2021.

Cost of Dispensing Analysis and Findings

The dispensing costs for surveyed pharmacies are summarized in the following tables and paragraphs. Findings for pharmacies are presented collectively, and additionally are presented for subsets of the surveyed population based on pharmacy characteristics.

There are several statistical measurements that may be used to express the central tendency of a distribution, the most common of which are the mean and the median. Findings are presented in the forms of means and medians, both weighted and unweighted.

The measures of central tendency used in this report include the following:

Unweighted mean: the arithmetic average cost of dispensing for all pharmacies.

Weighted mean: the average cost of dispensing for all prescriptions dispensed by surveyed pharmacies, weighted by prescription volume. The resulting number is the average cost for all prescriptions, rather than the average for all pharmacies as in the unweighted mean. This implies that low volume pharmacies have a smaller impact on the weighted average than high volume pharmacies. This approach, in effect, sums all costs from surveyed pharmacies and divides that total cost by the total number of prescriptions from the surveyed pharmacies. The weighting factor can be either total prescription volume or Medicaid prescription volume.

Median: the value that divides a set of observations (such as cost of dispensing) in half. In the case of this survey, the median is the value such that one half of the pharmacies in the set have a cost of dispensing that is less than or equal to the median and the other half of the pharmacies have a cost of dispensing that is greater than or equal to the median.

Weighted Median: this is determined by finding the pharmacy observation that encompasses the middle value prescription. The implication is that one half of the prescriptions were dispensed at a cost equal to or less than the weighted median, and one half of the prescriptions were dispensed at a cost equal to or more than the weighted



median. In a hypothetical example, if there were 1,000,000 Medicaid prescriptions dispensed by the surveyed pharmacies and the pharmacies were arrayed in order of their cost of dispensing, the median weighted by Medicaid volume is the cost of dispensing of the pharmacy that dispensed the middle, or 500,000th prescription.

Statistical “outliers” are a common occurrence in pharmacy cost of dispensing surveys. This occurs when a small number of pharmacies have a cost of dispensing that is atypical as compared to the majority of pharmacies. The unweighted mean is particularly susceptible to the impact of these outlier values. In situations in which the magnitude of outlier values results in a measure of the unweighted mean that does not represent what might be typically thought of as an accurate measure of central tendency, weighted means or medians are often considered to be preferable.

For all pharmacies, the cost of dispensing findings are presented in Table 2.3.

Table 2.3 Dispensing Cost per Prescription – All Pharmacies

	Dispensing Cost
Unweighted Mean	\$19.80
Mean Weighted by Medicaid Volume	\$10.97
Unweighted Median	\$11.42
Median Weighted by Medicaid Volume	\$10.68

n=780 pharmacies

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).

See Exhibit 6 for a histogram of the dispensing cost for all pharmacies. There was a large range between the highest and the lowest dispensing cost observed. However, the majority of pharmacies (approximately 80 percent) had average dispensing costs between \$4 and \$16.

Exhibit 7 includes a statistical summary with a wide variety of measures of pharmacy dispensing cost with breakdowns for many pharmacy attributes potentially of interest. For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the pharmacies’ zip code and the “Zip Code to Carrier Locality File” from the Centers for Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.

Specialty Pharmacies

Several pharmacies included in the cost analysis were identified as specialty pharmacies. There is not a statutory, regulatory, or universal industry accepted definition of “specialty pharmacies”. For purposes of this report, “specialty pharmacies” are pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 30 percent or more



of total prescription sales.¹⁵ The analysis revealed significantly higher cost of dispensing associated with pharmacies with these criteria.¹⁶

The difference in dispensing costs that were observed for providers of specialty products compared to those pharmacies that did not offer these specialty products is summarized in Table 2.4.

Table 2.4 Dispensing Cost per Prescription - Specialty versus Other Pharmacies

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Specialty Pharmacies	69	Mean: 284,761 Median: 74,017	Mean: 2,509 Median: 126	\$101.03	\$42.49
Other Pharmacies	711	Mean: 161,840 Median: 86,854	Mean: 9,656 Median: 7,302	\$11.91	\$10.18

n= 780 pharmacies

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).

Pharmacies that dispense specialty prescriptions as a significant part of their business often have dispensing costs in excess of those found in a traditional pharmacy. As part of the survey, pharmacies that dispense specialty drugs were requested to provide a breakdown of sales and prescriptions dispensed for categories of specialty products dispensed. Based on the data obtained on the survey, Myers and Stauffer categorized specialty pharmacies into three primary categories:

- Pharmacies that dispense clotting factor products.
- Pharmacies that provide compounded infusion and other custom-prepared intravenous products.

¹⁵ The terms “specialty products” or “specialty drugs” typically refer to high-cost prescription drugs used to treat complex, chronic conditions. These drugs often require special handling and administration, along with continuous monitoring by a health care professional. Currently, there is no statutory, regulatory, or universal industry accepted definition of the term “specialty drugs,” nor a uniform list of “specialty drugs” utilized within state Medicaid programs.

¹⁶ In every pharmacy cost of dispensing study in which information on clotting factor, intravenous solution, home infusion and other specialty dispensing activity has been collected by Myers and Stauffer, such activity has been found to be associated with higher cost of dispensing. Discussions with pharmacists providing these services indicate that the activities and costs involved for these types of prescriptions are significantly different from the costs incurred by other pharmacies. The reasons for this difference include:

- Costs of special equipment for mixing and storage of clotting factor, intravenous, infusion and other specialty products.
- Costs of additional services relating to patient education, compliance programs, monitoring, reporting and other support for specialty products.
- Higher direct labor costs due to more intensive activities to prepare certain specialty prescriptions in the pharmacy.



- Pharmacies that provide other specialty products (e.g., prefilled injectable products, oral specialty medications).

Some pharmacies dispensed products which included more than one category of specialty products described above. However, for purposes of this analysis, Myers and Stauffer organized pharmacies using a hierarchical approach giving priority in the order of 1) dispensing clotting factor products and 2) dispensing compounded infusion or other custom-prepared intravenous products. The remaining specialty pharmacies were classified within an “other” category. The cost of dispensing results for these categories of specialty pharmacies is summarized in Table 2.5. It should be noted that the average cost of dispensing values represented within Table 2.5 represent an average of the cost of dispensing for all products dispensed by these pharmacies. Although the provision of a particular type of specialty product led to the pharmacies being categorized as described, these pharmacies typically dispensed a mix of various specialty products and, in some case, non-specialty products.

Table 2.5 Dispensing Cost per Prescription – Categories of Specialty Pharmacies

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Clotting factor	8	Mean: 181,898 Median: 34,704	Mean: 12,260 Median: 61	\$141.67	\$46.03
Compounded Infusion / Intravenous Products	11	Mean: 28,710 Median: 9,447	Mean: 725 Median: 54	\$136.15	\$95.95
Other Specialty Pharmacies	50	Mean: 357,550 Median: 102,928	Mean: 1,342 Median: 136	\$86.81	\$30.96

n= 69 pharmacies

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).

Non-specialty Pharmacies

The analyses summarized in Tables 2.6 through 2.10 below exclude the specialty pharmacy providers. In making this exclusion, no representation is made that the cost structure of those pharmacies is not important to understand. However, it is reasonable to address issues relevant to those pharmacies separately from the cost structure of the vast majority of pharmacy providers that provide “traditional” pharmacy services. Table 2.6 restates the measurements noted in Table 2.3 excluding pharmacies that dispensed significant volumes of specialty prescriptions.



Table 2.6 Dispensing Cost per Prescription – Excluding Specialty Pharmacies

	Dispensing Cost
Unweighted Mean	\$11.91
Mean Weighted by Medicaid Volume	\$10.18
Unweighted Median	\$11.17
Median Weighted by Medicaid Volume	\$10.62

n=711 pharmacies

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).

Relationship of Dispensing Cost with Prescription Volume

There is a significant correlation between a pharmacy's total prescription volume and the dispensing cost per prescription. This result is not surprising because many of the costs associated with a business operation, including the dispensing of prescriptions, have a fixed component that does not vary significantly with increased volume. For stores with a higher total prescription volume, these fixed costs are spread over a greater number of prescriptions resulting in lower costs per prescription. A number of relatively low volume pharmacies in the survey skew the distribution of dispensing cost and increase the measurement of the unweighted average (mean) cost of dispensing. Means and medians weighted by either Medicaid volume or total prescription volume may provide a more realistic measurement of typical dispensing cost.

Pharmacies were classified into meaningful groups based upon their differences in total prescription volume. Dispensing costs were then analyzed based upon these volume classifications. Table 2.7 displays the calculated cost of dispensing for non-specialty pharmacies arrayed into tiers based on total annual prescription volume. Table 2.8 provides statistics for pharmacy annual prescription volume.

Table 2.7 Dispensing Cost by Pharmacy Total Annual Prescription Volume

Statistic	Value ^A
Mean	161,840
Standard Deviation	513,073
10 th Percentile	27,649
25 th Percentile	48,169
Median	86,854
75 th Percentile	141,684
90 th Percentile	259,057

n= 711 pharmacies

^A *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 30 percent or more of total prescription sales.*

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).



Table 2.8 Statistics for Pharmacy Total Annual Prescription Volume

Total Annual Prescription Volume of Pharmacy	Number of Pharmacies ^A	Unweighted Mean	Mean Weighted by Medicaid Volume
0 to 61,999	240	\$15.50	\$13.87
62,000 to 116,999	236	\$11.59	\$11.35
117,000 and Higher	235	\$8.57	\$8.13

n = 711 pharmacies

^A Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 30 percent or more of total prescription sales.

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).

A histogram of pharmacy total annual prescription volume and a scatter-plot of the relationship between dispensing cost per prescription and total prescription volume are included in Exhibit 8.

Other Observations Associated with Dispensing Cost and Pharmacy Attributes

The dispensing cost of the surveyed pharmacies was broken down into the various components of overhead and labor related costs. Table 2.9 displays the means of the various cost components for surveyed pharmacies. Labor-related expenses accounted for approximately 67 percent of overall prescription dispensing costs.

Expenses in Table 2.9 are classified as follows:

- Owner professional labor – owner’s labor costs were subject to constraints in recognition of its special circumstances as previously noted.
- Employee professional labor consists of employee pharmacists. Other labor includes the cost of delivery persons, interns, technicians, clerks and any other employee with time spent performing the prescription dispensing function of the pharmacy.
- Building and equipment expense includes depreciation, rent, building ownership costs, repairs, utilities and any other expenses related to building and equipment.
- Prescription-specific expense includes pharmacist-related dues and subscriptions, prescription containers and labels, prescription-specific computer expenses, prescription-specific delivery expenses (other than direct labor costs) and any other expenses that are specific to the prescription dispensing function of the pharmacy.
- Other overhead expenses consist of all other expenses that were allocated to the prescription dispensing function of the pharmacy including interest, insurance, telephone, and legal and professional fees.



Table 2.9 Components of Prescription Dispensing Cost

Type of Expense	Mean Weighted by Medicaid Volume ^A
Owner Professional Labor	\$0.285
Employee Professional and Other Labor	\$6.500
Building and Equipment	\$1.333
Prescription Specific Expenses (including delivery)	\$1.127
Other Overhead Expenses	\$0.930
Total	\$10.175

n = 711 pharmacies

^A Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 30 percent or more of total prescription sales.

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).

A chart of the components of prescription dispensing cost is provided in Exhibit 9.

Increases in the cost of dispensing from the results of the 2020 cost of dispensing survey were observed for each of the components of cost included in Table 2.9. These increases appear to coincide with broader economic trends and inflationary pressures which have been captured in several national inflation indices.

Labor is the largest component of the cost of dispensing and accounted for approximately 67 percent of overall prescription dispensing costs. Overall, the labor component of the cost of dispensing increased from \$6.61 per prescription as determined in the 2020 survey to \$6.79 as determined in the 2022 survey, an increase of 2.7 percent. This rate of increase is less than the overall rate of increase in labor cost as measured by the ECI as maintained by BLS. There have been many external pressures on the labor market in recent years that have resulted in higher wage, recruiting, and retention expenses for many businesses. Change in the ECI had been averaging annual increases of approximately 2.5 percent to 3.0 percent during the timeframe of the 2020 survey, but has subsequently been measured in the range of 4 percent to 6 percent in recent quarters.

The overhead component of the cost of dispensing increased from \$3.10 per prescription as determined in the 2020 survey to \$3.39 as determined in the 2022 survey, an increase of 9.4 percent. The largest observed increase occurred in the building and equipment component of cost which increased 17.7 percent from the results of the 2020 survey. For comparison, the Consumer Price Index (all urban) as maintained by BLS has reached levels of annualized inflation on the order of 7 to 9 percent in recent quarters, the highest levels of consumer price inflation recorded in decades.

In addition to pharmacy dispensing cost data, several pharmacy attributes were collected on the cost survey. A summary of those attributes is provided at Exhibit 10.



Expenses Not Allocated to the Cost of Dispensing

In the following Table 2.10, measurements are provided for certain expenses that were not included in the cost of dispensing. Reasons for not including these costs were discussed previously in the report. For all of the expenses below, average cost per prescription was calculated using a sales ratio as the basis for allocation.

Table 2.10 Non-Allocated Expenses per Prescription

Expense Category	Mean Weighted by Medicaid Volume ^A
Bad Debts	\$0.032
Charitable Contributions	\$0.004
Advertising	\$0.591

n= 711 pharmacies

^A Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 30 percent or more of total prescription sales.

Dispensing costs have been inflated to the common point of December 31, 2021 (midpoint of year ending June 30, 2022).

Exhibit 1
Iowa Medicaid Pharmacy Cost of
Dispensing Survey

Iowa Medicaid Pharmacy Cost of Dispensing Survey

M&S Use Only

Return Completed Forms to:
Myers and Stauffer LC
700 W. 47th Street, Suite 1100
Kansas City, Missouri 64112

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER

Complete and return by **March 30, 2022**

Call toll free (800) 374-6858 or email disp_survey@mslc.com if you have any questions.

An electronic version of the Iowa Medicaid Pharmacy Cost of Dispensing Survey is available. The electronic version is in Excel format. The electronic version aids the user by calculating totals and transferring information to the reconciliation to help ensure the accuracy of the data. Please send an email to disp_survey@mslc.com to request the electronic version of the survey. Completed surveys can be returned via email to disp_survey@mslc.com.

Name of Pharmacy _____ Prov. No. (NPI) _____
 Street Address _____ Telephone No. () _____
 City _____ County _____ State _____ Zip Code _____

DECLARATION BY OWNER AND PREPARER

I declare that I have examined this cost survey including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, complete, and in agreement with the related financial statements or federal income tax return, except as explained in the reconciliation. Declaration of preparer (other than owner) is based on all information of which preparer has any knowledge.

Signature of Owner	Printed Name	Title/Position	Date
_____	_____	_____	_____
Preparer's Signature (if other than owner)	Printed Name	Title/Position	Date
_____	_____	_____	_____
Preparer's Street Address	City and State		Zip
_____	_____		_____
Phone Number	email address		
() _____	_____		

DECLARATION OF EXEMPTION

All Iowa Medicaid pharmacies are required to complete all pages of this survey unless you meet the following criteria:

1. New pharmacies that were in business less than **six months** during the most recently completed reporting period.

Enter date the pharmacy opened: _____

2. Pharmacies with a change in ownership that resulted in less than **six months** in business during the reporting period.

Enter the date pharmacy changed ownership: _____

If your pharmacy meets either of the above criteria, check the box next to the explanation describing your situation and report the relevant date. Pharmacies which are considered "exempt" do not need to complete the remaining portions of the survey. If you have any questions as to the status of your pharmacy please call Myers and Stauffer at (800)374-6858 or email disp_survey@mslc.com for assistance.

Iowa Medicaid Pharmacy Cost of Dispensing Survey

SECTION IA -- PHARMACY ATTRIBUTES

The following information is from fiscal / tax year ending _____

Complete these forms using your most recently completed fiscal year for which financial records are available and complete (e.g., December 31, 2021, or December 31, 2020, if 2021 records are not yet complete). **(Include month/day/year).**

All Pharmacies should complete lines (a) through (n).

List the total number of all prescriptions dispensed during your most recently completed fiscal year as follows:

(a) **1. New** _____ **2. Refill** _____ **3. Total** _____
 "Prescriptions Dispensed." Report the total number of all prescriptions filled during the fiscal year being reported on this cost survey. This information may be kept on a daily or monthly log or on your computer.

(b) **Sales and Floor Space**

	Pharmacy Department Only	Total Store (Retail and Pharmacy Department)
Sales (Excluding Sales Tax)	_____	_____
Cost of Goods Sold	_____	_____
Floor Space (see instructions below)	_____ Sq. Ft.	_____ Sq. Ft.

Store sales excluding sales tax. Total store sales and cost of goods sold can usually be obtained from a financial statement or a federal income tax return (if the tax return only includes the store being surveyed). "Pharmacy Department" sales should only include sales of prescription drugs should not include non-prescription over the counter drugs, durable medical equipment or other nonprescription items.

Cost of Goods Sold. If pharmacy department cost of goods sold is not readily available, leave that line blank.

Floor Space. Provide square footage for pharmacy department dispensing area and total store square footage (pharmacy department + retail area). Since floor space will be used in allocating certain expenses, accuracy is important.

For simplicity, when measuring the pharmacy department exclude all of the following:

- > Patient waiting area
- > Counseling area
- > Pharmacy department office space
- > Pharmacy department storage

The before mentioned areas should be included in total store area, but not pharmacy department square footage. A factor will be added to the pharmacy department to account for waiting area, counseling area, pharmacy department office space and pharmacy department storage. When measuring the total store square footage exclude any storage area (e.g., basement, attic, off-the-premises areas or freight

(c) Amount of State Sales Tax collected during fiscal year used for survey (round to nearest whole dollar) \$ _____

What is the approximate percentage of **prescriptions dispensed** for the following classifications?

(d) 1. Medicaid (fee for service) _____ % 2. Medicaid Managed Care _____ %
 3. Other Third Party _____ % 4. Cash _____ %

What is the approximate percentage of **payments received** from the following classifications?

(e) 1. Medicaid (fee for service) _____ % 2. Medicaid Managed Care _____ %
 3. Other Third Party _____ % 4. Cash _____ %

(f) **Ownership Affiliation**
 1. Independent (1 to 3 units) 2. Chain (4 or more units)
 3. Institutional (service to LTC facilities only) 4. Other (specify) _____

(g) **Type of Ownership**
 1. Individual 2. Corporation 3. Partnership 4. Other (specify) _____

(h) **Location of Pharmacy (please check one)**
 1. Medical Office Building 2. Shopping Center
 3. Stand Alone Building 4. Grocery Store / Mass Merchant
 5. Outpatient Hospital 6. Other (specify) _____

(i) Does your pharmacy purchase drugs through the 340B Drug Pricing Program or the Federal Supply Schedule (FSS)?
 1. Yes 2. No
 If yes, are prescriptions dispensed to Iowa Medicaid members provided from 340B inventory or FSS inventory?
 1. Yes 2. No
 If you are a provider that participates in the 340B discount program, indicate if you are a:
 1. Covered Entity 2. Contract Pharmacy

Iowa Medicaid Pharmacy Cost of Dispensing Survey

SECTION IC -- PHARMACEUTICAL PRODUCT BREAKDOWN FOR PHARMACIES DISPENSING SPECIALTY PRODUCTS

If you answered yes to question (u) in Section IA, provide a breakdown of the specialty and non-specialty products dispensed in your pharmacy using the categories described below. Please report the number of prescriptions and dollar amount of sales in one category only, for example some clotting factor can be prefilled, however place it in "clotting factor or derivatives" only and not in "prefilled or ready to inject products". Number of prescriptions dispensed and sales should match your fiscal reporting period for the cost survey and reconcile to prescriptions and sales reported on Page 2 lines (a) and (b) in Section IA. You should also respond to the questions below the product breakdown regarding services provided in association with the dispensing of specialty products.

Product Category	Number of Prescriptions	Dollar Amount of Sales	Line No.
Infusion Products			
Compounded infusion products			(1a)
Total Parenteral Nutrition (TPN) products			(1b)
Clotting factor or derivatives			(1c)
Infusion supplies (e.g., tubing, needles, catheter flushes, IV site dressings, etc.)			(1d)
Total for Infusion Products			(1e)
Specialty			
Prefilled or ready to inject products			(2a)
Orals			(2b)
Total for Specialty			(2c)
Non-specialty			
Orals			(3a)
Topicals			(3b)
Injectables			(3c)
Compounded (non-infusion)			(3d)
Enteral nutrition			(3e)
All Other (including ophthalmic, otic, etc.)			(3f)
Total for Non-specialty			
Total (Should reconcile to prescriptions and Pharmacy Department sales reported in Section IA)			(4)

Additional Pharmacy Attribute Questions for Pharmacies Dispensing Specialty Products

(a) What percentage of prescriptions dispensed were for products with REMS (Risk Evaluation and Mitigation Strategy) reporting requirements?	
(b) What percentage of prescriptions dispensed were for products that had patient monitoring and compliance activities in place?	
(c) What percentage of prescriptions dispensed were for products that had special storage requirements (e.g., refrigeration, etc.)?	

SECTION ID -- OTHER INFORMATION

Use the section below to provide additional narrative description of the specialty products and services that are provided by your pharmacy. Use this section to describe any patient monitoring programs, patient compliance programs, case management services or disease management services provided by your pharmacy. Describe any specialized equipment used in your pharmacy. Attach additional pages as necessary.

Iowa Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIA -- PERSONNEL COSTS

Complete each employee classification line in aggregate. If there are no employees in a specific category, please leave blank. Provide your best estimate of the percentage of time spent working in each category, the rows must equal 100%. Complete these forms using the **same fiscal year as listed on page 2** and used for reporting overhead expenses.

Employee Classification	Estimate of FTEs ¹	Total Salaries (including bonuses and draws for owners) ²	Percent of Time Spent				Line No.
			Dispensing Activities ³	Other RX Related Duties ⁴	Non Rx Related Duties ⁵	Total ⁶	
Owner: Registered Pharmacist (if applicable)							(1)
Owner: Non-Pharmacist (if applicable)							(2)
Pharmacist							(3)
Technician							(4)
Delivery							(5)
Nurses							(6)
Customer service representatives							(7)
Billing							(8)
Other Admin							(9)
Contract Labor (Pharmacist)							(10)
Contract Labor (other)							(11)
Staff not related to RX dispensing			0.0%	0.0%	100.0%	100.0%	(12)
Total Salaries							(13)
Pension and Profit Sharing							(14)
Other Employee Benefits ⁷							(15)
Total Labor Expenses							(16)

¹ FTE: Full-time Equivalent. Take the total number of weekly hours worked by job category and divide by 40 hours to determine the total number of full time equivalent positions. Answer can be a decimal. Round answer to nearest tenth. Ex. 3 pharmacists, pharmacist 1 = 38 hours per week, Pharmacist 2 = 22 hours per week, Pharmacist 3 = 16 hours per week. Calculation = 38 + 22 + 16 = 76 ÷ 40 = 1.90 FTE.

² Total Salaries should include any bonuses and/or draws from the owners.

³ Dispensing Activities should include any direct prescription dispensing activities. Direct prescription dispensing activities as defined in the Centers for Medicare & Medicaid Services final rule (2/1/2016) at §447.502 include the pharmacist time associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid beneficiary. This category includes, but is not limited to, 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, and special packaging.

⁴ Other Rx Related Duties include, but are not limited to, time spent maintaining the facility and equipment necessary to operate the pharmacy, third party reimbursement claims management, ordering and stocking prescription ingredients, taking inventory and maintaining prescription files.

⁵ Non Rx Related Duties should include any duties that are not related to the pharmacy department.

⁶ Totals for the Percent of Time Spent Breakdown. Columns A, B, and C must total 100%

⁷ Other Employee Benefits includes employee medical insurance, disability insurance, education assistance, etc.

Iowa Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIB -- OVERHEAD EXPENSES

Complete this section using your internal financial statement or tax return for the **fiscal year ending listed on Page 2**. You should only use a tax return if the only store reported on the return is the store being surveyed. If you are using a tax return, the line numbers in the left columns correspond to federal income tax return lines. Use your most recently completed fiscal year for which financial records are available and completed (e.g., December 31, 2021, or December 31, 2020, if 2021 records are not yet complete). **If you prefer, you may submit a copy of your financial statement and/or tax return (including all applicable schedules) and Myers and Stauffer can complete Sections IIB and III (pages 6, 7, and 8).**

*** Notes about tax return line references**

Form 1040, Sched C, line 27a is for "other expenses" and a detailed breakdown of this category is typically reported on page 2, Part V of the form. Form 1065 (line 20), Form 1120 (line 26) and Form 1120S (line 19) are for "other deductions" and there are typically detailed breakdowns of the expenses in this category in the "Statements" attached to the returns.

2021 Tax Form					Round all amounts to nearest dollar or whole number.	Expense Amount Reported	Myers and Stauffer Use Only	Line No.
1040 Schedule C	1065	1120	1120S					
13	16a	20	14	Depreciation (this fiscal year only - not accumulated)				(1)
23	14	17	12	Taxes	(a) Personal Property Taxes Paid			(2)
23	14	17	12		(b) Real Estate Taxes			(3)
23	14	17	12		(c) Payroll Taxes			(4)
Any other taxes should be itemized separately on page 7.								
20b	13	16	11	Rent - Building (if building is leased from a related party then report ownership expenses of interest, taxes, insurance and maintenance)				(5)
20a	13	16	11	Rent - Equipment and Other				(6)
21	11	14	9	Repairs & maintenance				(7)
15	20*	26*	19*	Insurance (other than employee medical)				(8)
16a&b	15	18	13	Interest				(9)
17	20*	26*	19*	Legal and Professional Fees				(10)
27a*	20*	26*	19*	Dues, Publications, and Subscriptions				(11)
27a*	12	15	10	Bad Debts (this fiscal year only - not accumulated)				(12)
n/a	n/a	19	n/a	Charitable Contributions				(13)
25	20*	26*	19*	Utilities (a) Telephone				(14)
25	20*	26*	19*	(b) Heat, Water, Lights, Sewer, Trash and other Utilities				(15)
18&22	20*	26*	19*	Operating and Office Supplies (exclude prescription containers and labels)				(16)
8	20*	22	16	Advertising/Marketing				(17)
27a*	20*	26*	19*	Computer Expenses (systems, software, maintenance, etc.)				(18)
9,27a*	20*	26*	19*	Prescription Delivery Expenses (wages to a driver should only be reported on pg. 5)				(19)
27a*	20*	26*	19*	Prescription Containers and Labels				(20)
24a&b	20*	26*	19*	Travel, Meals and Entertainment				(21)
27a*	20*	26*	19*	Switching / E-Prescribing Fees				(22)
27a*	20*	26*	19*	Security / Alarm				(23)
27a*	20*	26*	19*	Bank Charges				(24)
27a*	20*	26*	19*	Credit Card Processing Fees				(25)
27a*	20*	26*	19*	Interior Maintenance (housekeeping, janitorial, etc.)				(26)
27a*	20*	26*	19*	Exterior Maintenance (lawn care, snow removal etc.)				(27)
27a*	20*	26*	19*	Pharmacy Licenses / Permits				(28)
27a*	20*	26*	19*	Employee Training and Certification				(29)
27a*	20*	26*	19*	Continuing Education				(30)
Total Page 6 overhead expenses (lines 1 to 30)								(31)

Iowa Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIB -- OVERHEAD EXPENSES, CONTINUED

(Round all amounts to nearest dollar or whole number.)

Other non-labor expenses not included on lines (1) through (30)

Examples: Franchise fees, other taxes not reported in Section IIB (a) (page 6), accreditation and/or certification fees, restocking fees, postage, administrative expenses, amortization, etc. Specify each item and the corresponding amount. **Note that labor expenses are reported in Section IIA (page 5).** For corporate overhead expenses allocated to the individual store, please attach documentation to establish the expenses included in the allocation and describe the allocation basis.

	Expense Amount Reported	Myers and Stauffer Use Only	Line No.
_____	_____	_____	(32a)
_____	_____	_____	(32b)
_____	_____	_____	(32c)
_____	_____	_____	(32d)
_____	_____	_____	(32e)
_____	_____	_____	(32f)
_____	_____	_____	(32g)
_____	_____	_____	(32h)
_____	_____	_____	(32i)
_____	_____	_____	(32j)
_____	_____	_____	(32k)
_____	_____	_____	(32l)
_____	_____	_____	(32m)
_____	_____	_____	(32n)
_____	_____	_____	(32o)
_____	_____	_____	(32p)
_____	_____	_____	(32q)
_____	_____	_____	(32r)
_____	_____	_____	(32s)
_____	_____	_____	(32t)
Total page 7 overhead expenses (lines 32a to 32t)	_____	_____	(33)

Iowa Medicaid Pharmacy Cost of Dispensing Survey

SECTION III -- RECONCILIATION WITH FINANCIAL STATEMENT OR TAX RETURN

The purpose of this reconciliation is to ensure that all expenses have been included and that none have been duplicated. Complete these forms using the same fiscal year which was used to report overhead and labor expenses.

		Cost Survey Amounts	Financial Statement or Tax Return Amounts
(1)	Total Expenses per Financial Statement or Tax Return ¹		
(2)	Total Labor Expenses (total from page 5, line 16)		
(3)	Overhead Expenses (total from page 6, line 31)		
(4)	Overhead Expenses, Continued (total from page 7, line 33)		
(5)	Total Expenses per Cost Survey [add Lines (2), (3), and (4)]		
	Specify Items with Amounts that are on Cost Survey but not on Financial Statement or Tax Return		
(6a)			
(6b)			
(6c)			
(6d)			
(6e)			
	Specify Items with Amounts that are on Financial Statement or Tax Return but not on this Cost Survey		
(7a)			
(7b)			
(7c)			
(7d)			
(7e)			
(8)	Total [add Lines (1) to (7e)] Column Totals Must be Equal		

¹ If you used a tax form to complete the cost of dispensing survey, the total expenses per tax return will be found on the following lines for 2021 tax forms:

- 1040C - Line 28
- 1065 - line 21
- 1120 - line 27
- 1120S - line 20

Exhibit 2a
Letter from the Iowa Department of
Human Services Regarding Pharmacy
Dispensing Cost Survey
(Independent Pharmacies)

February 2, 2022

Re: Iowa Medicaid Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner or Manager:

The Iowa Medicaid Enterprise has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing prescription medications to Iowa Medicaid members. All Iowa Medicaid pharmacy providers are required to participate in the survey according to the following directions:

1. Complete the enclosed “Iowa Medicaid Pharmacy Cost of Dispensing Survey”. Instructions are included on the survey form.
2. For your convenience, Myers and Stauffer will complete Section IIB “Overhead Expenses” and Section III “Reconciliation with Financial Statement or Tax Return” for you if you wish to submit a copy of your store financial statements or your business federal income tax return (Forms 1065, 1120, 1120S or Schedule C of Form 1040 and accompanying schedules). You will still need to complete other sections of the cost survey.
3. If your financial statements or tax return have not been completed for your most recent fiscal year, file a cost survey using your prior year's financial statements (or tax return) and the corresponding prescription data for that year. The data will be adjusted accordingly.
4. Retain a copy of the completed survey forms for your records.

It is very important that all pharmacies cooperate fully by filing an accurate cost survey. Pharmacies are encouraged to return the requested information as soon as possible, but forms must be returned **no later than March 30, 2022**.

Responding in an electronic format is preferred: You may obtain an Excel spreadsheet version of the survey by contacting Myers and Stauffer. To obtain the Excel spreadsheet, send a request by email to disp_survey@mslc.com or contact Myers and Stauffer staff directly (contact information below). Surveys that are completed electronically may be submitted via email.

If you prefer to respond in a paper format: Send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
700 W. 47th Street, Suite 1100
Kansas City, Missouri 64112

You may return the survey using the enclosed Business Reply Label with any envelope. Postage will be paid by Myers and Stauffer.

It is very important that pharmacies respond with accurate information. All submitted surveys must be reviewed and validated by staff at Myers and Stauffer. If our review yields the need for additional inquiries, Myers and Stauffer staff will contact you.

Myers and Stauffer will be conducting informational meetings via telephonic/Internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer will present more about the survey process, what information is being requested, and will answer any questions about the survey form. Please refer to the enclosed information meeting flyer for further information on the dates and times of these webinar meetings.

If you have any questions, please call toll free at 1-800-374-6858 or send an email to disp_survey@mslc.com. Your cooperation in providing the information for this survey is greatly appreciated.

Sincerely,



Elizabeth Matney
Medicaid Director

Exhibit 2b
Letter from the Iowa Department of
Human Services Regarding Pharmacy
Dispensing Cost Survey
(Chain Pharmacies)

February 2, 2022

Re: Iowa Medicaid Pharmacy Cost of Dispensing Survey

Dear Iowa Medicaid Chain Pharmacy Providers:

During the 2013 Iowa Legislative session, the 85th Iowa General Assembly enacted the requirement that the Department of Human Services (DHS) base the actual dispensing fee on the cost of dispensing survey performed by the department. The survey is required to be completed by all medical assistance program participating pharmacies every two years beginning in SFY14 to SFY15. The Iowa Medicaid Enterprise (IME) has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing prescription medications to Iowa Medicaid members. All Iowa Medicaid pharmacy providers are required to participate in the survey.

Enclosed is the “Iowa Medicaid Pharmacy Cost of Dispensing Survey” form. You may respond to the survey using either a paper or electronic format. You will need to submit survey information for each pharmacy that participates in the Iowa Medicaid program. In past surveys performed by Myers and Stauffer, many pharmacy chains have preferred to respond to the survey in an electronic format.

Enclosed with this letter is a list of the names and addresses of your pharmacies that participate in the Iowa Medicaid program. Pharmacy information is presented as shown in records from the Iowa Medicaid Enterprise. If this list is inaccurate, please notify Myers and Stauffer.

If you prefer to respond in a paper format: You must submit a completed survey for each store on the attached list. You may make as many copies of the enclosed survey form as needed or you can contact Myers and Stauffer and request additional copies of the survey form. Please send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
700 W. 47th Street, Suite 1100
Kansas City, Missouri 64112

You may return the surveys using the enclosed Business Reply Label with any envelope. Postage will be paid by Myers and Stauffer.

If you prefer to respond in an electronic format: You will still be required to submit survey data for each store on the attached list using an Excel spreadsheet template provided by Myers and Stauffer. To obtain the Excel spreadsheet, send a request by email to disp_survey@mmlc.com or contact Myers and Stauffer staff directly (contact information below). Surveys that are completed electronically may be submitted via email.

Whether you complete the survey in either a paper or electronic format, we recommend that you retain a copy of the completed survey forms for your records. Also, please describe any cost allocations used in preparing the income statement such as administrative expense, etc. Warehousing and distribution costs should be shown in cost of goods sold or listed separately.

Pharmacies are encouraged to return the requested information as soon as possible, but no later than March 30, 2022.

It is very important that pharmacies respond with accurate information. All submitted surveys must be reviewed and validated by staff at Myers and Stauffer. If their review yields the need for additional inquiries, Myers and Stauffer staff will contact you.

Myers and Stauffer will be conducting informational meetings via telephonic/Internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer will present more about the survey process, what information is being requested, and will answer any questions about the survey form. Please refer to the enclosed information meeting flyer for further information on the dates and times of these webinar meetings.

If you have any questions, please call toll free at 1-800-374-6858 or send an email to disp_survey@mslc.com. Your cooperation in providing the information for this survey is greatly appreciated.

Your cooperation in providing the information for this survey is greatly appreciated.

Sincerely,



Elizabeth Matney
Medicaid Director

Exhibit 3
First Survey Reminder
Postcard

REMINDER

Survey Due March 30, 2022

Iowa Medicaid Enterprise Pharmacy Cost of Dispensing Survey



The Iowa Medicaid Enterprise (IME) has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing prescription medications to Iowa Medicaid members. All Iowa Medicaid pharmacy providers are required to participate in the survey.

Several weeks ago you should have received a copy of the dispensing cost survey form and corresponding instructions. This notification serves as a reminder that the survey due date is approaching, and you are encouraged to submit a completed survey as soon as possible.

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer toll free at 1-800-374-6858 or via email to disp_survey@mslc.com. If you have any questions regarding the survey, please contact Myers and Stauffer. You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

If you have recently mailed your survey, please feel free to contact Myers and Stauffer if you would like to confirm receipt of your submitted survey.

Your cooperation in providing the information for this survey is greatly appreciated.

Surveys are due **March 30, 2022**



Exhibit 4
Second Survey Reminder / Extension
Postcard

FINAL REMINDER

Due Date Extended to: April 13, 2022

Iowa Medicaid Enterprise Pharmacy Cost of Dispensing Survey



The Iowa Medicaid Enterprise (IME) has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing prescription medications to Iowa Medicaid members. All Iowa Medicaid pharmacy providers are required to participate in the survey.

Several weeks ago you should have received a copy of the dispensing cost survey form and corresponding instructions. Surveys were sent with a due date of March 30, 2022. **In order to allow pharmacies more time to respond to the dispensing cost survey, Myers and Stauffer has been instructed by the IME to continue to accept surveys through April 13, 2022. This will be the final extension of the survey due date.** Your participation in the dispensing cost survey is very important. This survey is being used by the IME to evaluate future reimbursement rates.

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer toll free at 1-800-374-6858 or via email to disp_survey@mslc.com. If you have any questions regarding the survey, please contact Myers and Stauffer. You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

Your cooperation in providing the information for this survey is greatly appreciated.

**Surveys are due no later than
April 13, 2022**



Exhibit 5
Table of Inflation Factors for
Dispensing Cost Survey

Table of Inflation Factors for Dispensing Cost Survey Iowa Department of Human Services

Fiscal Year End Date	Midpoint Midpoint Date	Midpoint Index ₁	Terminal Month Index (12/31/2021) ₁	Inflation Factor	Number of Stores with Year End Date
12/31/2020	6/30/2020	140.70	148.00	1.052	49
1/31/2021	7/31/2020	140.90	148.00	1.050	2
2/28/2021	8/31/2020	141.20	148.00	1.048	1
3/31/2021	9/30/2020	141.40	148.00	1.047	3
4/30/2021	10/31/2020	141.70	148.00	1.044	0
5/31/2021	11/30/2020	142.10	148.00	1.042	3
6/30/2021	12/31/2020	142.40	148.00	1.039	48
7/31/2021	1/31/2021	142.80	148.00	1.036	17
8/31/2021	2/28/2021	143.30	148.00	1.033	127
9/30/2021	3/31/2021	143.70	148.00	1.030	173
10/31/2021	4/30/2021	144.10	148.00	1.027	0
11/30/2021	5/31/2021	144.40	148.00	1.025	0
12/31/2021	6/30/2021	144.80	148.00	1.022	272
1/31/2022	7/31/2021	145.40	148.00	1.018	81
2/28/2022	8/31/2021	146.00	148.00	1.014	4

Total Number of Stores	780
-------------------------------	------------

¹ Midpoint and terminal month indices were obtained from the Employment Cost Index, (all civilian; seasonally adjusted) as published by the Bureau of Labor Statistics (BLS). Quarterly indices published by BLS were applied to last month in each quarter; indices for other months are estimated by linear interpolation.

Inflation factors are intended to reflect cost changes from the middle of the reporting period of a particular pharmacy to a common fiscal period ending June 30, 2022 (specifically from the midpoint of the pharmacy's fiscal year to December 31, 2021 which is the midpoint of the fiscal period ending June 30, 2022).

Exhibit 6
Histogram of Pharmacy Dispensing Cost

Histogram of Pharmacy Dispensing Cost

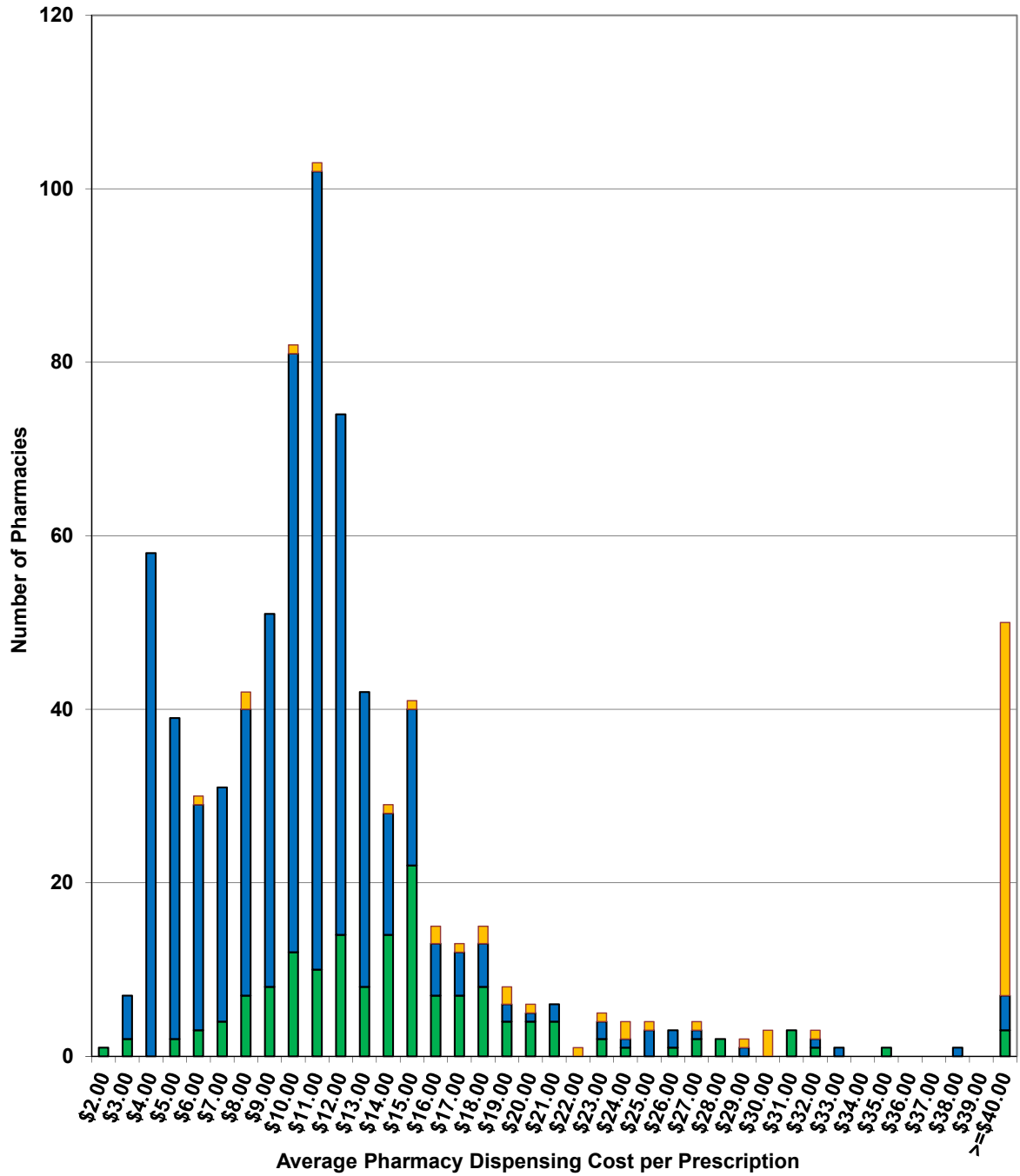


Exhibit 7
Cost of Dispensing Survey Data
Statistical Summary

Pharmacy Cost of Dispensing Survey
Statistical Summary
Iowa Department of Human Services

Characteristic	Pharmacy Dispensing Cost per Prescription ¹												
	Measurements of Central Tendency									Other Statistics			
	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Means			Medians			Standard Deviation	95% Confidence Interval for Mean (based on Student t)		
				Mean	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume		Lower Bound	Upper Bound	t Value (with n-1 degrees of freedom)
All Pharmacies in Sample	780	172,714	9,023	\$19.80	\$14.57	\$10.97	\$11.42	\$8.99	\$10.68	\$36.73	\$17.21	\$22.38	1.96
Non Specialty Pharmacies ²	711	161,840	9,656	\$11.91	\$8.89	\$10.18	\$11.17	\$8.03	\$10.62	\$7.29	\$11.37	\$12.45	1.96
Specialty Pharmacies ²	69	284,761	2,509	\$101.03	\$47.87	\$42.49	\$79.07	\$24.63	\$45.34	\$86.92	\$80.15	\$121.91	2.00
Specialty Pharmacy Breakdown ³													
Clotting Factor	8	181,898	12,260	\$141.67	\$87.59	\$46.03	\$152.82	\$93.25	\$45.34	\$66.25	\$86.29	\$197.05	2.36
Compounded Infusion / Intravenous	11	28,710	725	\$136.15	\$123.47	\$95.95	\$130.11	\$79.07	\$79.07	\$60.81	\$95.30	\$177.00	2.23
Other	50	357,550	1,342	\$86.81	\$43.30	\$30.96	\$36.99	\$19.82	\$20.95	\$91.38	\$60.84	\$112.78	2.01
Non Specialty Pharmacies Only													
Affiliation:													
Chain	554	166,158	10,372	\$10.88	\$8.12	\$9.45	\$10.72	\$6.23	\$10.29	\$6.63	\$10.33	\$11.43	1.96
Independent	157	146,605	7,127	\$15.56	\$11.94	\$13.88	\$14.19	\$11.28	\$13.09	\$8.30	\$14.25	\$16.86	1.98
Affiliation (In State Only):													
Chain (In State)	416	119,076	13,650	\$10.76	\$8.74	\$9.44	\$10.72	\$9.08	\$10.29	\$5.40	\$10.24	\$11.28	1.97
Independent (In State)	130	60,119	8,334	\$15.06	\$13.96	\$13.90	\$14.08	\$13.38	\$13.16	\$7.23	\$13.81	\$16.32	1.98
Location (Urban vs. Rural): ⁴													
In State Urban	304	124,744	13,400	\$11.21	\$8.94	\$9.62	\$10.87	\$8.34	\$10.14	\$5.48	\$10.59	\$11.83	1.97
In State Rural	242	80,285	11,109	\$12.50	\$10.45	\$10.98	\$11.42	\$10.75	\$11.13	\$6.87	\$11.63	\$13.37	1.97
All In State (Urban and Rural)	546	105,039	12,384	\$11.78	\$9.45	\$10.16	\$11.20	\$9.89	\$10.62	\$6.16	\$11.26	\$12.30	1.96
Out of State	165	349,802	626	\$12.34	\$8.32	\$11.28	\$11.13	\$6.17	\$10.72	\$10.17	\$10.78	\$13.90	1.97
Annual Rx Volume:													
0 to 61,999	240	36,842	4,529	\$15.50	\$14.22	\$13.87	\$13.18	\$12.78	\$12.89	\$10.02	\$14.22	\$16.77	1.97
62,000 to 116,999	236	87,620	10,278	\$11.59	\$11.54	\$11.35	\$11.33	\$11.22	\$11.21	\$3.63	\$11.13	\$12.06	1.97
117,000 and Higher	235	364,034	14,267	\$8.57	\$7.69	\$8.13	\$7.29	\$6.17	\$6.93	\$4.56	\$7.98	\$9.15	1.97
Annual Medicaid Rx Volume: ⁵													
0 to 3,499	239	224,147	968	\$13.93	\$8.55	\$14.47	\$11.74	\$6.17	\$13.04	\$10.49	\$12.59	\$15.27	1.97
3,500 to 11,999	237	97,526	7,475	\$11.80	\$10.26	\$11.53	\$11.54	\$10.01	\$11.40	\$5.21	\$11.13	\$12.47	1.97
12,000 and Higher	235	163,335	20,690	\$9.97	\$8.52	\$9.48	\$10.53	\$8.53	\$10.39	\$3.72	\$9.49	\$10.45	1.97
Medicaid Utilization Ratio: ⁵													
0.00% to 6.99%	251	284,274	2,966	\$11.93	\$8.30	\$8.05	\$10.72	\$6.17	\$5.85	\$9.68	\$10.72	\$13.13	1.97
7.00% to 13.99%	230	110,316	11,692	\$11.07	\$8.86	\$8.97	\$11.10	\$9.14	\$9.29	\$4.45	\$10.49	\$11.65	1.97
14.00% and Higher	230	79,752	14,921	\$12.74	\$11.21	\$11.58	\$11.50	\$11.07	\$11.24	\$6.42	\$11.90	\$13.57	1.97

Pharmacy Cost of Dispensing Survey
Statistical Summary
Iowa Department of Human Services

Characteristic	Pharmacy Dispensing Cost per Prescription ¹												
	Measurements of Central Tendency									Other Statistics			
	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Means			Medians			Standard Deviation	95% Confidence Interval for Mean (based on Student t)		
				Mean	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume		Lower Bound	Upper Bound	t Value (with n-1 degrees of freedom)
Total Rx Volume and Location													
<u>In State Urban Only</u>													
0 to 61,999	94	37,620	5,574	\$14.61	\$13.98	\$14.34	\$13.38	\$13.20	\$13.82	\$6.98	\$13.18	\$16.04	1.99
62,000 to 116,999	104	87,984	11,976	\$11.07	\$11.05	\$11.38	\$11.00	\$10.98	\$11.21	\$3.45	\$10.40	\$11.74	1.98
117,000 and Higher	106	238,072	21,736	\$8.33	\$7.47	\$7.59	\$6.94	\$5.76	\$6.18	\$3.62	\$7.64	\$9.03	1.98
<u>In State Rural only</u>													
0 to 61,999	107	35,511	5,152	\$14.83	\$13.02	\$13.37	\$12.73	\$12.24	\$12.26	\$9.29	\$13.05	\$16.61	1.98
62,000 to 116,999	92	87,342	12,632	\$11.48	\$11.38	\$11.30	\$11.34	\$11.22	\$11.21	\$2.33	\$10.99	\$11.96	1.99
117,000 and Higher	43	176,601	22,672	\$8.90	\$8.19	\$9.25	\$9.84	\$7.98	\$10.47	\$3.43	\$7.85	\$9.96	2.02
Institutional:													
LTC Institutional Pharmacies ⁶	69	275,602	7,231	\$14.76	\$12.20	\$12.94	\$13.95	\$11.30	\$13.09	\$6.24	\$13.26	\$16.26	2.00
Non-LTC Institutional Pharmacies ⁶	642	149,614	9,916	\$11.60	\$8.23	\$9.96	\$10.95	\$6.17	\$10.48	\$7.33	\$11.04	\$12.17	1.96
Unit Dose:													
Does dispense unit dose	80	174,042	7,761	\$13.77	\$11.99	\$12.71	\$12.95	\$11.28	\$12.88	\$5.97	\$12.44	\$15.10	1.99
Does not dispense unit dose	631	160,293	9,896	\$11.68	\$8.46	\$9.92	\$11.01	\$6.43	\$10.48	\$7.41	\$11.10	\$12.25	1.96
340B Pharmacy Status													
Participates in 340B and provides 340B pricing to Medicaid	31	75,165	7,932	\$13.34	\$13.02	\$13.57	\$12.01	\$11.70	\$11.70	\$3.71	\$11.98	\$14.70	2.04
Does not participate in 340B or does not provide 340B pricing to Medicaid	680	165,792	9,734	\$11.85	\$8.80	\$10.05	\$11.12	\$7.92	\$10.54	\$7.40	\$11.29	\$12.40	1.96

Notes:

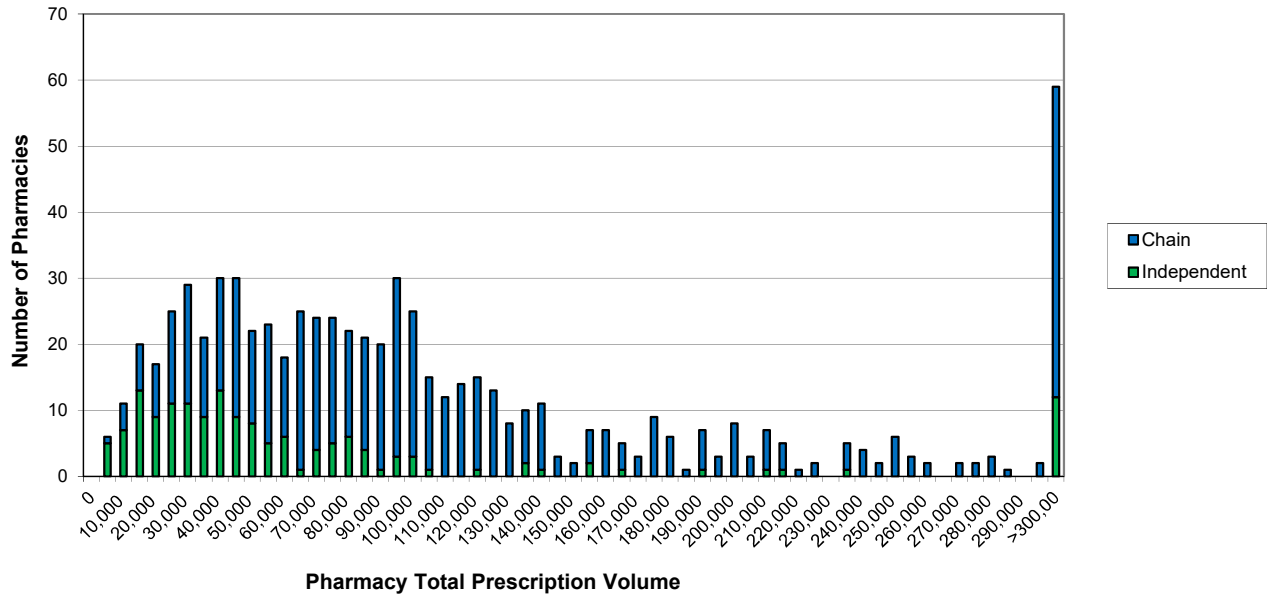
- 1) All pharmacy dispensing costs are inflated to the common point of 12/31/2021 (i.e., midpoint of a fiscal year ending 6/30/2022).
- 2) For purposes of this report a "specialty pharmacy" is one that reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 30 percent or more of total prescription sales.
- 3) For purposes of this report specialty pharmacies were divided into three categories. Clotting factor specialty, infusion specialty, and other specialty.
- 4) Myers and Stauffer used the pharmacies' zip code and the Zipcode to Carrier Locality File from the Centers for Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.
- 5) Medicaid volume is based on the time period of November 17, 2020 to November 16, 2021.
- 6) For purposes of this report an "LTC Institutional Pharmacy" is one that reported dispensing 25 percent or more of prescriptions to long-term care facilities.

Exhibit 8
**Charts Relating to Pharmacy Total
Prescription Volume:**

**A: Histogram of Pharmacy Total
Prescription Volume**

**B: Scatter-Plot of Relationship between
Dispensing Cost per Prescription and
Total Prescription Volume**

Histogram of Pharmacy Total Prescription Volume



Scatter Plot of Relationship Between Dispensing Cost per Prescription and Total Prescription Volume (Non-Specialty Pharmacies, Total Prescription Volume < 400,000)

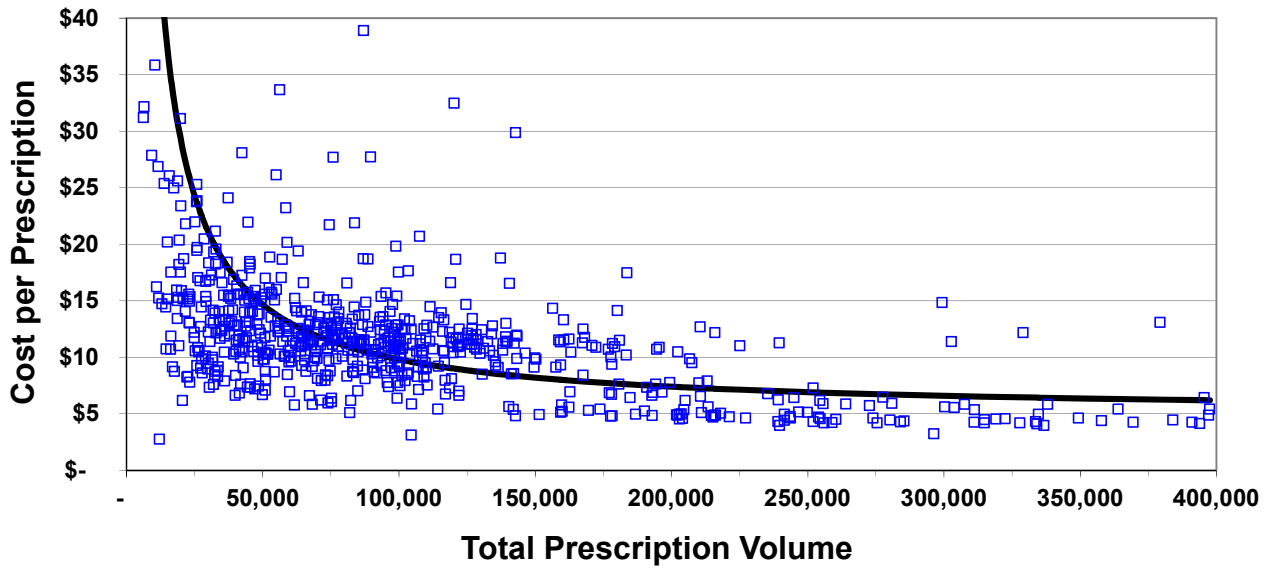


Exhibit 9
Chart of Components of Cost of
Dispensing per Prescription

**Chart of Components of Dispensing Cost per Prescription
(Non-specialty pharmacies)**

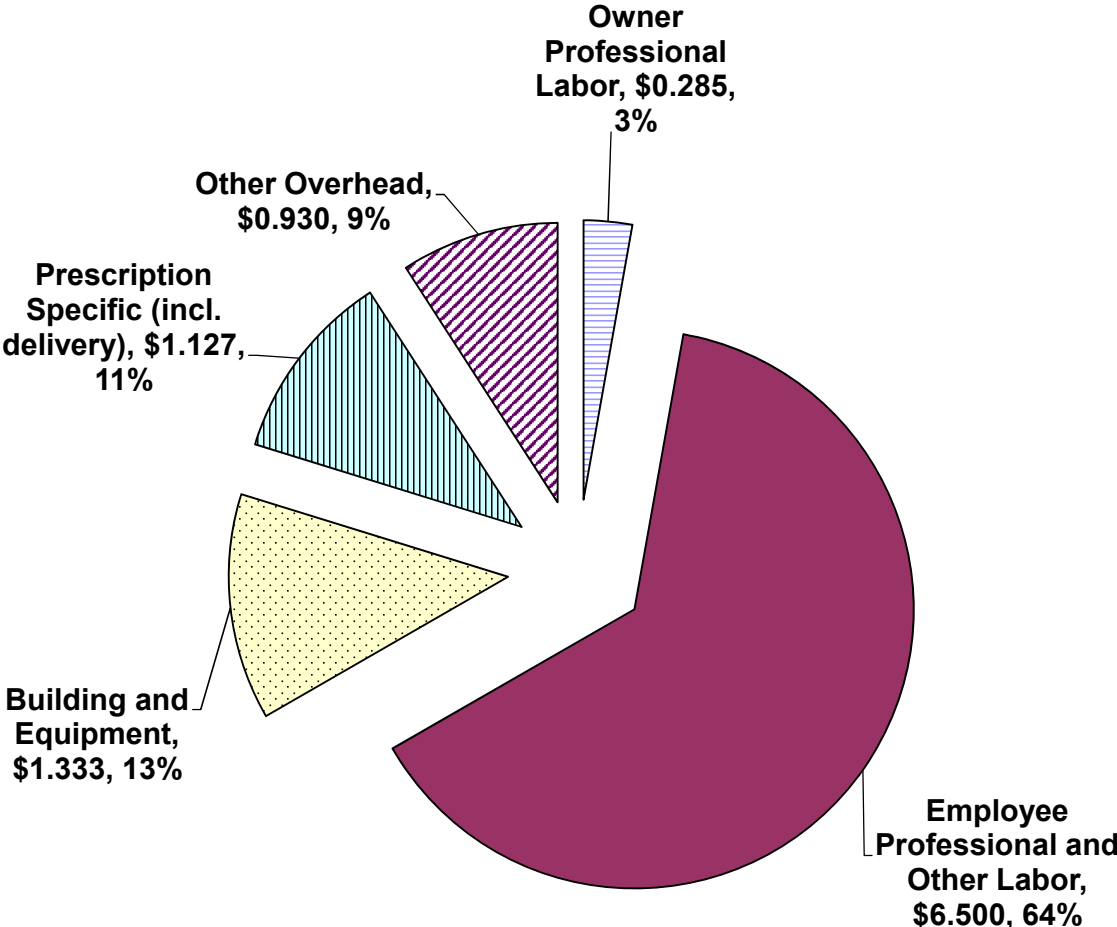


Exhibit 10
Summary of Pharmacy Attributes

Summary of Pharmacy Attributes
Iowa Department of Human Services

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)	774	Medicaid fee for service	N/A	2.1%
		Medicaid managed care	N/A	13.2%
		Other third party	N/A	79.0%
		Cash	N/A	5.7%
		<i>Total</i>	N/A	100.0%
Payer Type: percent of payments (averages)	688	Medicaid fee for service	N/A	2.1%
		Medicaid managed care	N/A	13.0%
		Other third party	N/A	81.1%
		Cash	N/A	3.8%
		<i>Total</i>	N/A	100.0%
Type of ownership	780	Individual	3	0.4%
		Corporation	749	96.0%
		Partnership	4	0.5%
		Other	24	3.1%
		<i>Total</i>	780	100.0%
Location	780	Medical office building	73	9.4%
		Shopping center	33	4.2%
		Stand alone building	302	38.7%
		Grocery store / mass merchant	264	33.8%
		Outpatient Hospital	22	2.8%
		Other	86	11.0%
		<i>Total</i>	780	100.0%
Purchase drugs through 340B pricing	780	Yes	129	16.5%
		No	651	83.5%
		<i>Total</i>	780	100.0%
Provision of 340B inventory to Medicaid (for those that indicated they purchase drugs through 340B pricing)	129	Yes	32	24.8%
		No	97	75.2%
		<i>Total</i>	129	100.0%
Building ownership (or rented from related party)	780	Yes, (own building or rent from related party)	287	36.8%
		No	493	63.2%
		<i>Total</i>	780	100.0%
Hours open per week	739	65.4 hours	N/A	N/A
Years pharmacy has operated at current location	773	21.5 Years	N/A	N/A
Provision of 24 hour emergency services	780	Yes	220	28.2%
		No	560	71.8%
		<i>Total</i>	780	100.0%
Percent of prescriptions to generic products	767	Percent of prescriptions dispensed that were generic products	767	78.0%
Percent of prescriptions to long-term care facilities	780	Yes (Average of 33.8% of prescriptions were to long-term care facilities for those pharmacies indicating dispensation to long-term care facilities)	196	25.1%
		No	584	74.9%
		<i>Total</i>	780	100.0%
Provision of unit dose services	780	Yes (average of 40.6% of prescriptions for pharmacies indicating provision of unit dose prescriptions. Approximately 95.0% of unit dose prescriptions were reported as prepared in the pharmacy with 5.0% reported as purchased already prepared from a manufacturer)	205	26.3%
		No	575	73.7%
		<i>Total</i>	780	100.0%

Summary of Pharmacy Attributes
Iowa Department of Human Services

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Percent of total prescriptions delivered	780	Yes (Average of 30.1% of prescriptions were delivered for those pharmacies indicating delivery)	458	31.4%
		No	322	68.6%
		<i>Total</i>	780	100.0%
Percent of Medicaid prescriptions delivered	780	Yes (Average of 34.4% of Medicaid prescriptions were delivered for those pharmacies indicating delivery)	376	48.2%
		No	404	51.8%
		<i>Total</i>	780	100.0%
Percent of prescriptions dispensed by mail	780	Yes (Average of 20.7% of prescriptions were delivered by mail for those pharmacies indicating delivery)	403	51.7%
		No	377	48.3%
		<i>Total</i>	780	100.0%
Percent of prescriptions compounded	780	Yes (Average of 2.8% of total prescriptions were compounded for pharmacies indicating compounding)	416	53.3%
		No	364	46.7%
		<i>Total</i>	780	100.0%