



# Minnesota Department of Human Services Stakeholder Meeting

Pharmacy Cost of Dispensing Survey

October 4, 2022



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

# AGENDA

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- BACKGROUND OF THE COD SURVEY
- OVERVIEW OF THE SURVEY PROCESS
- DISTRIBUTION AND INSTRUCTIONS
- SURVEY INSTRUMENT
- PROVIDER ASSISTANCE
- COD SURVEY REVIEW PROCESS
- COD SURVEY ANALYSIS AND REPORT
- Q & A



# MYERS AND STAUFFER LC

## ABOUT US

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

## OUR MISSION

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

## WEBSITE

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

# MYERS AND STAUFFER Pharmacy Practice

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## **Cost of Dispensing Surveys**

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

## **Ingredient Costs**

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

# Survey Background

- Minnesota Statutes 2021, section 256B.0625, subdivision 13e, paragraph (h)<sup>1</sup>
  - A pharmacy cost of dispensing survey is required to be performed every three years.
  - Pharmacy provider participation in the cost of dispensing survey process is required.
  - A copy of the final cost of dispensing survey report will be posted to the department's website.

<sup>1</sup> <https://www.revisor.mn.gov/statutes/cite/256B.0625>

# Survey Background

- The purpose of the cost of dispensing survey is to determine the cost of dispensing prescriptions to Minnesota Medicaid participants in order to properly evaluate an appropriate professional dispensing fee or fees.
- The survey is designed to meet the requirements of the Minnesota Department of Human Services (DHS) and the Centers for Medicare and Medicaid Services (CMS).
- Federal regulations at 42 CFR § 447.518(d) require that when states propose changes to either the ingredient cost or professional dispensing fee, states must consider both to ensure that total reimbursement to the pharmacy provider is in accordance with requirements of section 1902(a)(30)(A) of the Social Security Act (i.e., requirements to ensure sufficient access to services). States must rely on state or national survey data as the basis for the professional dispensing fee.

# Survey Objectives

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

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

<sup>1</sup> See 42 CFR § 447.502.

## Survey Overview

- Survey forms are anticipated to be sent on October 19, 2022 to all pharmacies physically located in the state that participate in the Minnesota Medicaid pharmacy program.
- Myers and Stauffer help desk will provide assistance to pharmacies to complete the survey.
- Use financial statements or federal income tax return and other pharmacy records (e.g., dispensing logs, payroll records, etc.) to complete the survey.
- Pharmacies should use most recently completed fiscal year for which records are complete (e.g., year ending December 31, 2021 or if not yet available, December 31, 2020).



## Survey Overview (continued)

- Some portions of the survey can be completed by Myers and Stauffer if pharmacies send a copy of financial statements or federal income tax returns.
- COD surveys can be completed in an electronic (Excel) format or on paper.
- Pharmacies will be requested to return completed surveys by November 16, 2022.
- Surveys can be returned via email, mail (business reply label), or fax.

## SURVEY DISTRIBUTION

- Survey forms will be sent by postal mail to the address received from DHS or to corporate addresses on file with Myers and Stauffer, and via email to those providers we are able to obtain an email address.
- Myers and Stauffer strongly encourages pharmacies to respond in an electronic format (Microsoft Excel). Pharmacies can request the Excel version through the help desk ([disp\\_survey@mslc.com](mailto:disp_survey@mslc.com)). The Excel version requires the same information as the paper version of the COD survey.
- Chain organizations will receive a list of all stores enrolled in Minnesota Medicaid for which the chain will need to respond. Chains will be responsible for reporting for all stores that participate in the Minnesota Medicaid program, and should contact Myers and Stauffer if any stores are not included on their list.

# SURVEY INSTRUMENT

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

# SURVEY INSTRUMENT

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

- Provide address, phone number, etc.
- “Declaration by Owner/Manager and Preparer”
- Exemptions from filing for new pharmacies or pharmacies that had a change in ownership (will need to complete the first three pages; sections IA and IB)

# SURVEY INSTRUMENT

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

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

# SURVEY INSTRUMENT

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

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

# SURVEY INSTRUMENT

## Section IIA - Personnel Costs (page 5) (page 6 – instructions)

- Report all personnel costs for the store/facility
- Owner/pharmacists and owner/non-pharmacists should be reported separately and include all bonuses and draws
- Owner salaries are reviewed for reasonableness
- Estimate of Full Time Equivalent employees (FTEs)
- Estimate percent of time spent conducting: Dispensing Activities, Other RX Related Duties, MTM and Vaccine Administration, and Non-RX Related Duties
- Include pension and profit sharing and other employee benefits

# SURVEY INSTRUMENT

## **Section IIB – Overhead Expenses (pages 7 and 8)**

- All overhead expenses should be reported.
- Page 7 contains many commonly reported expenses along with references to 2021 IRS tax forms.
- Page 8 allows pharmacies to report any additional expenses and provide a description.
- Pharmacies can send a copy of their financial statements or federal tax return (with supporting schedules) and Myers and Stauffer LC will complete pages 7 – 9.



# SURVEY INSTRUMENT

## **Section III-Reconciliation (page 9)**

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

# Provider Assistance

- Myers and Stauffer will conduct two informational webinars to review the survey process and the survey tool with providers. The same information will be presented during both webinars and are tentatively planned for:
  - Tuesday, October 25, 2022 at 3:00pm-4:00pm
  - Thursday, October 27, 2022 at 8:30am-9:30am
- The Myers and Stauffer cost of dispensing help desk is available now through the end of the survey process.
  - Toll free: 1-800-374-6858
  - Email: [disp\\_survey@mslc.com](mailto:disp_survey@mslc.com)

# COD Survey Review Process

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

# COD Survey Analysis and Report

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

# QUESTIONS

Please provide feedback to  
Myers and Stauffer by Tuesday,  
October 11, 2022.

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1-800-374-6858

-or-

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



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