



Virginia Department of Medical Assistance Services

*Pharmacy Cost of Dispensing Survey
Stakeholder Meeting*



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

August 19, 2024

Meeting Purpose

Introductions

Provide cost
of dispensing
survey
background
and objectives

Survey Overview

Provide overview
of survey process,
survey instrument,
review, and
reporting

Engagement

Provide framework
for provider
interaction &
feedback
opportunities

COD SURVEY BACKGROUND

- DMAS has contracted with Myers and Stauffer to perform the current cost of dispensing survey. Myers and Stauffer previously performed cost of dispensing surveys for DMAS in 2014 and 2019.
- The purpose of the cost of dispensing survey is to determine the cost of dispensing prescriptions to Virginia Medicaid participants in order to properly evaluate an appropriate professional dispensing fee or fees.
- According to Virginia Administrative Code 12 VAC 30-80-40(I) the professional dispensing fee shall be determined by a cost of dispensing survey at least every five years.
- Federal regulations at 42 CFR § 447.518(d) require that when states propose changes to either the ingredient cost or professional dispensing fee of their fee-for-service Medicaid pharmacy program, 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.

COD SURVEY BACKGROUND

“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.”¹

¹ See 42 CFR § 447.502.

Overview of the COD Survey Process

- Surveys are anticipated to be sent to all pharmacies enrolled in the Virginia Medicaid pharmacy program early September.
- Survey forms will be sent by postal mail to the address received from DMAS and via email to those providers for whom we are able to obtain an email address.
- Myers and Stauffer will develop cost of dispensing survey tools in a paper format and electronic format (Microsoft Excel). Pharmacies can request the Excel version through the help desk (disp_survey@mslc.com) or through the Myers and Stauffer website.
- The Excel version will request the same information as the paper version of the COD survey, but will help with calculating totals and performing basic error checks.
- Surveys can be returned via email, mail (business reply envelope), or fax.

Overview of the COD Survey Process

- DMAS is encouraging all providers who participate in the DMAS Medicaid program to complete survey.
- A report of the COD survey will be submitted to the Virginia General Assembly.
- Myers and Stauffer help desk will provide assistance to pharmacies to complete the survey (800.374.6858 or disp_survey@mslc.com)
- Pharmacies should 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 the most recently completed fiscal year for which records are complete (e.g., year ending December 31, 2023 or if not yet available, December 31, 2022).



COD SURVEY INSTRUMENT

- Myers and Stauffer will create three versions of the COD survey instrument. All versions will require the same information.
 - Paper version that will be sent via postal mail.
 - Excel version for a single location.
 - Excel version for multiple locations.
- A survey needs to be completed for each location.
- All pharmacies are strongly encouraged to complete the Excel version of the COD survey.
 - Responses are more legible.
 - Assists with calculations.
 - Assists with the reconciliation.
 - Easily returned via email to disp_survey@mslc.com.



COD SURVEY INSTRUMENT

- Survey tool will be designed to collect necessary information and meaningful attributes to analyze and evaluate pharmacy dispensing costs.
- Survey tool will be intended to collect all pharmacy expenses. Allocations will be made between prescription dispensing activities and other non-prescription dispensing activities by Myers and Stauffer.
- Expense allocations methods will include sales ratios, area ratios, and labor ratios.
- Survey tool will be designed to reconcile to internal financial statements or IRS tax documents to ensure that all expenses are included and no expenses are duplicated.



COD SURVEY INSTRUMENT

Required Elements for the Survey Instrument

- Pharmacy name, NPI, address, etc.
- Declaration by Owner and Preparer.
- Exemption from filing for new pharmacies or pharmacies that had a change in ownership.
- Fiscal year for reporting.
- Total prescriptions dispensed for all payers.
- Total pharmacy department revenue and total store/facility revenue.
- Total pharmacy department square footage and total store/facility square footage.



COD SURVEY INSTRUMENT

Collection of Pharmacy Attributes

- Pharmacy attributes can be used to provide various breakdowns of interest to DMAS. Some of the information collected can also assist in review and validation of survey responses.
- Attributes can include:
 - Location of pharmacy, urban versus rural.
 - Pharmacy affiliation, chain or independent.
 - Pharmacies that dispense to long-term care facilities.
 - Pharmacies that deliver prescriptions.
 - Pharmacies that participate in the 340B pharmacy programs.
 - Pharmacies that compound prescriptions.
 - Pharmacies that dispense specialty drug products.



COD SURVEY INSTRUMENT

Collection of Personnel Costs

- Collect all personnel costs in various employee categories.
- Separate breakdowns for owners to be able to review for reasonableness.
- Report estimate of Full Time Equivalent employees (FTEs).
- Report percent of time in various categories to allocate salaries between prescription and non-prescription activities.
- Collect pension and profit sharing and other employee benefits to allocate between prescription and non-prescription activities.



COD SURVEY INSTRUMENT

Collection of Overhead Expenses and Reconciliation of Survey Tool

- Collect all overhead expenses.
- Typically include line items for the most commonly reported expenses on first page, second page includes blank lines for reporting of all other expenses.
- Allocations between prescription and non-prescription activities will be completed by Myers and Stauffer.
- A reconciliation should be included to ensure that all expenses on financial statements or tax return are reported on the survey tool (and that none have been duplicated).
- Myers and Stauffer can complete the overhead sections and reconciliation of survey tool for pharmacies that submit their financial statements or tax returns.

COD Survey Review Process

- All submitted surveys will receive a thorough review to check for completeness and reasonableness.
- Pharmacies will be contacted during the review phase if there are any omitted items or questions related to the survey response.
- 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.

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 Virginia Medicaid. Various statistical breakdowns of interest will be provided to DMAS.
- Methodology and findings of the survey will be described in a report to DMAS. The report will only include survey information in an aggregate format.
- All submitted information will be kept strictly confidential by Myers and Stauffer and DMAS.

COD Survey – Open Discussion

- COD Survey Process
 - Survey Distribution
 - Outreach and Education
 - Reminders
- COD Survey Instrument
 - Pharmacy Attributes
 - Financial and Cost Data Collection
- COD Survey Analysis
 - Review Process
 - Data Analysis and Reporting



QUESTIONS

Stakeholder feedback due:
Monday August 26, 2024

Feedback or questions:
1-800-374-6858 -or-
disp_survey@mslc.com



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