



Virginia Department of Medical Assistance Services

*Pharmacy Cost of Dispensing Survey
Informational Webinar*



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

September 24, 2024
September 26, 2024

Meeting Purpose

Introductions & Background

Provide cost of
dispensing survey
background and
objectives

Survey Overview

Provide overview of
survey timeline and
survey instrument

Survey Review and Analysis

Provide overview of
survey review and
analysis.

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(l) 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

- DMAS is encouraging all providers who participate in the DMAS Medicaid program to complete survey.
- Surveys are due October 17, 2024.
- 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 created three versions of the COD survey instrument. All versions require the same information.
 - Paper version was distributed 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 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 by Myers and Stauffer.
- Expense allocations methods will include sales ratios, area ratios, and labor ratios.
- Survey tool is 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

Pharmacy Information (Page 1)

- Provide name, NPI, address, etc.
- Declaration by Owner and Preparer.
 - Contact identified will be the first contact if Myers and Stauffer has any questions or needs to verify survey information.
- Exemption from filing for new pharmacies or pharmacies that had a change in ownership.
 - Applies to pharmacies that do not have six months of financial information for the most recently completed accounting period.
 - Please contact the Myers and Stauffer help desk to discuss before completing this section.

COD SURVEY INSTRUMENT

Section IA – Pharmacy Attributes (pages 2 and 3)

- Report fiscal or tax year end date.
 - This period will be used for reporting all overhead expenses, labor expenses, square footage, prescription count, etc.
- Report total prescriptions dispensed.
- Report pharmacy department and total store/facility revenue.
- Report pharmacy department square footage and total store square footage.
- All pharmacies should complete general attribute questions (c) through (n).
- Pharmacies that dispense medication in customized patient medication packaging complete (o) through (q).
- Pharmacies that deliver, do mail order, dispense specialty medications, or do compounding services, complete (r) through (v).





Reporting Sales (Revenue)

- Pharmacy Department Sales (revenue) should include all sales or charges regardless of payer source (e.g., Medicaid, Medicare, other third party sources; payments directly from patients).
- Total Store/Facility Sales (revenue) should include all facility sales or charges regardless of payer source (e.g., Medicaid, Medicare, other third party sources; payments directly from patients).
- A sales ratio will be used for allocation of certain expenses including:
 - Personal property taxes, other taxes, insurance, interest, accounting and legal fees, telephone and supplies, and dues and publications.



Reporting Square Footage

- Provide square footage for pharmacy department dispensing area
 - For simplicity, when measuring the pharmacy department exclude all of the following:
 - Patient waiting area
 - Counseling area
 - Pharmacy department office space
 - Pharmacy department storage

Note: A standard allowance will be made to account for these areas of the pharmacy; however, these areas are included in the total facility area described below.
- Provide total square footage for facility (pharmacy department + store/facility area).
 - When measuring the total store square footage exclude any storage area (e.g., basement, attic, off-the-premises areas or freight in-out areas).
- A square footage ratio will be used for allocation of certain expenses including:
 - Rent, depreciation, real estate taxes, rent, repairs, utilities, interior maintenance, and exterior maintenance.



COD SURVEY INSTRUMENT

Section IC Pharmaceutical Product Breakdown (page 4)

- If a pharmacy answers yes to question (u) in Section IA, the pharmacy should provide a breakdown of the specialty and non-specialty products dispensed in the pharmacy(s).
- Totals reported on page 4 must reconcile to number of prescriptions dispensed and sales reported on page 2, lines (a) and (b).
- Additional questions for specialty pharmacies including number of clotting factor units dispensed, if your pharmacy dispenses clotting factor.
- Virginia Medicaid, like most State Medicaid agencies, does not have a specific definition or product list for specialty medication. Generally, the manner a pharmacy defines and reports specialty medications is sufficient for reporting on the cost of dispensing (COD) survey.



COD SURVEY INSTRUMENT

Section IIA - Personnel Costs (page 5 and 6)

- 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, Medication Therapy Management (MTM) and Non-RX Related Duties.
- Include pension and profit sharing and other employee benefits.
- Page 6 contains additional instructions for the personnel cost.



COD 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 2023 IRS tax forms.
- Page 8 allows pharmacies to report any additional expenses and provide a description.
 - Provide a description that allows Myers and Stauffer to classify the expense.
 - If you report corporate or administrative allocation, include a description of expenses included and the method of allocation, i.e. revenue, prescription count, square footage, etc.
- 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.



COD 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.

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 and the Virginia General Assembly. 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.



QUESTIONS

Survey due date:
Thursday, October 17, 2024

Myers and Stauffer help desk:
1-800-374-6858 -or-
disp_survey@mslc.com



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