

Alaska Department of Health and Social Services

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

January 2020





Table of Contents

■	Table of Contents	1
■	Chapter 1: Executive Summary.....	4
●	Introduction	4
●	Summary of Findings for Pharmacies other than I/T/U Organizations	4
	Table 1.1 Dispensing Cost for Alaska Medicaid Pharmacies (excludes I/T/U organizations)	5
●	Conclusions.....	5
	Cost of Dispensing Trends	5
	Professional Dispensing Fee Options	6
■	Chapter 2: Dispensing Cost Survey and Analysis.....	8
●	Dispensing Fees in Medicaid Programs and Private Insurance Plans	8
●	Methodology of the Dispensing Cost Survey	9
	Survey Distribution.....	9
	Table 2.1 Dispensing Cost Survey Response Rate (excludes I/T/U organizations)	11
	Tests for Reporting Bias	11
	Desk Review Procedures	12
	Supplemental Review Procedures	12
●	Cost Finding Procedures	12
●	Overhead Costs	13
●	Labor Costs	16
●	Owner Compensation Issues	16
	Table 2.2 Hourly Wage and Benefit Limits for Owners	17
	Overall Labor Cost Constraints.....	17
●	Inflation Factors.....	18
●	Dispensing Cost Analysis and Findings.....	18
	Table 2.3 Dispensing Cost per Prescription – All Pharmacies (excludes I/T/U organizations)	19
	Specialty Pharmacies	20



Table 2.4 Dispensing Cost per Prescription - Specialty versus Other Pharmacies (excludes I/T/U organizations).....	20
Non-specialty Pharmacies	21
Table 2.5 Dispensing Cost per Prescription – Excluding Specialty Pharmacies (excludes I/T/U organizations)	21
Relationship of Dispensing Cost with Prescription Volume.....	21
Table 2.6 Dispensing Cost by Pharmacy Total Annual Prescription Volume (excludes I/T/U organizations)	22
Table 2.7 Statistics for Pharmacy Total Annual Prescription Volume (excludes I/T/U organizations)	22
• Other Observations Associated with Dispensing Cost and Pharmacy Attributes.....	22
Table 2.8 Components of Prescription Dispensing Cost (excludes I/T/U organizations).....	23
• Expenses Not Allocated to the Cost of Dispensing	23
Table 2.9 Non-Allocated Expenses per Prescription (excludes I/T/U organizations).....	24
■ Chapter 3: Survey Methodology and Findings for Pharmacies Associated with I/T/U Organizations.....	25
Table 3.1 Dispensing Cost for Alaska Pharmacies Associated with I/T/U Organizations	25
■ Chapter 4: Pharmaceutical Care Services	26



EXHIBITS

- Exhibit 1 Alaska Medicaid Pharmacy Cost of Dispensing Survey – Survey Form
- Exhibit 2 Informational Letter from the Alaska Department of Medical Assistance Services Regarding Pharmacy Dispensing Cost Survey (Independent and Chain Pharmacies)
- Exhibit 3a Letter from Myers and Stauffer LC Regarding Pharmacy Dispensing Cost Survey (Independent Pharmacies)
- Exhibit 3b Letter from Myers and Stauffer LC Regarding Pharmacy Dispensing Cost Survey (Chain Pharmacies)
- Exhibit 3c Letter from Myers and Stauffer LC Regarding Pharmacy Dispensing Cost Survey (Chain Pharmacies)
- Exhibit 4a Informational Meeting Flyer (Independent and Chain Pharmacies)
- Exhibit 4b Informational Meeting Flyer (I/T/U affiliated pharmacies)
- Exhibit 5 First Survey Reminder Letter (Independent and Chain Pharmacies)
- Exhibit 6 Second Survey Reminder / Extension Letter (Independent and Chain Pharmacies)
- Exhibit 7a Supplemental Desk Review Notification Letter (Independent Pharmacies)
- Exhibit 7b Supplemental Desk Review Notification Letter (Chain Pharmacies)
- Exhibit 8 Summary of Supplemental Desk Review Findings
- Exhibit 9 Table of Inflation Factors for Dispensing Cost Survey
- Exhibit 10 Histogram of Pharmacy Dispensing Cost
- Exhibit 11a Pharmacy Cost of Dispensing Survey Data – Statistical Summary Non I/T/U pharmacies
- Exhibit 11b Pharmacy Cost of Dispensing Survey Data – Statistical Summary I/T/U pharmacies
- Exhibit 12 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
- Exhibit 13 Chart of Components of Cost of Dispensing per Prescription
- Exhibit 14 Summary of Pharmacy Attributes



Chapter 1: Executive Summary

Introduction

Under contract to the Alaska Department of Health and Social Services (DHSS), Myers and Stauffer LC performed a study of pharmacy dispensing cost. The cost of dispensing study followed the methodology and used a survey instrument similar to those used by Myers and Stauffer in a previous survey for DHSS and in surveys for Medicaid pharmacy engagements in several other states. The methodology was consistent with guidelines from the Centers for Medicare and Medicaid Services (CMS) regarding the components of pharmacy cost that are appropriately reimbursed by the pharmacy dispensing fee of a state Medicaid program.

Myers and Stauffer obtained from DHSS a list of pharmacy providers currently enrolled in the Alaska Medicaid pharmacy program. According to the provider list, there were 128 pharmacies enrolled in the program that were located in the state of Alaska. Of these, there were 24 pharmacies associated with Indian Health Service, Tribes and Tribal organizations, and urban Indian organizations (collectively referred to as "I/T/U") and 104 other pharmacies that were not associated with I/T/U organizations. All 128 of these pharmacies were requested to submit survey information for this study.

Myers and Stauffer performed comprehensive desk review procedures to test completeness and accuracy of all dispensing cost surveys submitted. There were 23 I/T/U pharmacies and 93 non-I/T/U pharmacies that filed cost surveys that could be included in this analysis. Data from these surveys, in conjunction with pharmacy-specific cost-finding algorithms, were used to calculate the average cost of dispensing at each pharmacy and results from these pharmacies were subjected to statistical analysis. The findings for pharmacies associated with I/T/U organizations are presented separately in Chapter 3 of this report.

Summary of Findings for Pharmacies other than I/T/U Organizations

Per the cost of dispensing survey for pharmacies participating in the Alaska Medicaid program that were not associated with I/T/U organizations, the median cost of dispensing, weighted by Medicaid volume, was \$12.86 per prescription for all pharmacies including specialty pharmacies.¹ For non-specialty pharmacies only, \$12.86 also represented the median cost of dispensing, weighted by Medicaid volume. Table 1.1 includes additional measures of the average cost of dispensing.

¹ For purposes of this report, "specialty" pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 50% or more of total prescription sales.



Table 1.1 Dispensing Cost for Alaska Medicaid Pharmacies (excludes I/T/U organizations)

	All Pharmacies Inclusive of Specialty	Non-specialty Pharmacies Only
Pharmacies Included in Analysis	93	90
Unweighted Mean (Average) ^A	\$36.51	\$19.02
Weighted Mean (Average) ^{A,B}	\$16.24	\$15.27
Unweighted Median ^A	\$15.52	\$15.34
Weighted Median ^{A, B}	\$12.86	\$12.86

^A Inflated to common point of June 30, 2019 (midpoint of year ending December 31, 2019).

^B Weighted by Medicaid volume.

There are several statistical measurements that may be used to express the central tendency, or “average”, of a distribution, the most common of which are the mean and the median. Weighted means and medians are often preferable to their unweighted counterparts. The weighted mean 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. The weighting factor can be either total prescription volume or Medicaid prescription volume. The weighted median is determined by finding the pharmacy observation that encompasses the middle value prescription. The implication is that half of the prescriptions were dispensed at a cost of the weighted median or less, and half were dispensed at the cost of the weighted median or more. As with the weighted mean, the weighting factor can be either total prescription volume or Medicaid prescription volume.

For both weighted means and weighted medians, the use of Medicaid prescription volume as the weighting factor is particularly meaningful for consideration in determining appropriate reimbursement since it emphasizes the cost of dispensing from those pharmacies that dispense more significant volumes of Medicaid prescriptions.

Conclusions

Cost of Dispensing Trends

Overall, the cost of dispensing measured in the current survey did not increase substantially since the previous cost of dispensing survey performed by DHSS in 2012. In fact, for some categories of pharmacies, the average cost of dispensing measured by the current survey was slightly less than the previous survey results. While recognizing that most input costs for pharmacies, including pharmacist and other staff labor costs, are subject to inflationary factors, Myers and Stauffer has observed over the course of many cost of dispensing surveys in recent years that the overall average cost of dispensing has not followed the same trajectory with year over year patterns of very little increase or even slight decreases in average cost. Increases in pharmacy efficiency associated with increased prescription volume and more efficient business practices including e-prescribing, central fill dispensing and the use of automated dispensing have had a tempering impact on those inflationary factors. This phenomenon has been observed by other parties as well. For example, national studies



of the pharmacy cost of dispensing were sponsored by the National Community Pharmacists Association (NCPA) and the National Association of Chain Drug Stores (NACDS) and conducted in both 2006² and 2015³. The study performed in 2006 reported a national average cost of dispensing of \$10.50 and the study performed in 2015 cited a national average cost of dispensing of \$10.55, or a \$0.05 increase in the average cost of dispensing over a nine year period.

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. Furthermore, states must provide adequate data, such as an in-state or other survey of retail pharmacy providers, to support any proposed changes to either the professional dispensing fee or ingredient component of the pharmacy reimbursement methodology.

There are several options which DHSS can consider for the professional dispensing fee portion of reimbursement for the fee-for-service pharmacy program. The use of a single professional 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.

Based on the results of the survey of pharmacy dispensing cost, a single dispensing fee of \$12.86 for pharmacies not associated with I/T/U organizations would reimburse the weighted median cost of dispensing prescriptions to Alaska Medicaid members inclusive of both specialty and non-specialty pharmacies. \$12.86 also represents the weighted median cost of dispensing prescriptions to Alaska Medicaid members for non-specialty pharmacies.

Currently, Alaska Medicaid reimburses pharmacies using a professional dispensing fee based on the location of the pharmacy, designated as being either "On the Road System"⁴ or "Off the Road System"⁵. These dispensing fees were derived from a previous COD survey conducted by DHSS and represent the median cost of dispensing, weighted by Alaska Medicaid volume for non-specialty pharmacies. If DHSS were to maintain the tiered professional dispensing fee with the on the road/off the road system using the results of the current COD survey, the median cost of dispensing, weighted by Medicaid volume, for non-specialty pharmacies located on the road system is \$12.54; the corresponding measure from the current survey for non-specialty pharmacies located off the road system is \$15.75.

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 not consistent among state Medicaid programs. Several states have set dispensing fees for all pharmacies based on the cost of dispensing observed at non-specialty pharmacies. This report also includes average cost of dispensing measurements for specialty pharmacies which can be

² See "National Cost of Dispensing (COD) Study." Grant Thornton LLP, (26 January 2006) p 3.

³ See "National Cost of Dispensing (COD) Study." MPI Group, (September 2015) p 3.

⁴ "Pharmacy located on the road system" means a pharmacy located in Alaska and is connected to Anchorage by road.

⁵ "Pharmacy not located on the road system" means a pharmacy that is located in Alaska that is not connected to Anchorage by road.



considered in the process of evaluating professional dispensing fees for the Alaska Medicaid program.



Chapter 2: Dispensing Cost Survey and Analysis

The Alaska Department of Medical Assistance Services (DHSS) engaged Myers and Stauffer LC to perform a study of costs incurred by pharmacies participating in the Alaska 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.

Dispensing Fees in Medicaid Programs and Private Insurance Plans

The Centers for Medicare and Medicaid Services (CMS) has provided some basic guidelines for appropriate costs to be reimbursed via a Medicaid pharmacy dispensing fee. CMS guidelines state:

“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.”⁶

The majority of Medicaid programs are in compliance with the Final Rule for Covered Outpatient Drugs (CMS-2345-FC) published by CMS in February 2016 and have implemented professional dispensing fees that are based on the results of survey data. For states in compliance with the Final Rule, there are 29 states that have a single state-wide dispensing fee. These single state-wide dispensing fees range from \$8.96 (Rhode Island) to \$12.46 (North Dakota). There are eight states which have adopted a tiered professional dispensing fee which is based on pharmacy total prescription volume. In these states with volume-based tiers, there are between two and four tiers. Six states have adopted differential professional dispensing fees that are based on other criteria.

⁶ 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 in some states have been linked to the preferred or non-preferred status of a drug or to the generic dispensing rate of a pharmacy.

In contrast, private third party payers generally reimburse for dispensing fees at rates less than those paid by most Medicaid programs and use ingredient reimbursement methodologies that are based on benchmarks other than average acquisition cost (AAC). On average, dispensing fees paid by private third party payers through their pharmacy benefits managers (PBMs) are less than the dispensing cost of most pharmacies. One recent survey of pharmacy reimbursement rates from third-party payers reported average dispensing fees to retail pharmacies for brand name drugs at \$1.87 for prescriptions with a 30 day supply and \$1.52 for prescriptions with a 90 day supply.⁷ National studies also indicate that in recent years, private payer pharmacy dispensing fees have declined.

Methodology of the Dispensing Cost Survey

In order to determine costs incurred to dispense pharmaceuticals to members of the Alaska Medicaid pharmacy program, Myers and Stauffer utilized a survey method consistent with federal regulations for the components of 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 DHSS to refine the survey tool to meet their objectives. Meetings were held with stakeholders representing the pharmacy industry as well as other Alaska providers affiliated with I/T/U organizations who operate pharmacies. These meetings occurred on June 11, 2019 and June 18, 2019 and provided forums to answer questions about the survey tool and consider further refinements to the survey tool and survey methodology.

The balance of this chapter describes the survey methodology and findings with respect to pharmacies that were not associated with I/T/U organizations. Although survey distribution, review and analytical procedures for pharmacies associated with I/T/U organizations were similar, those procedures and associated findings are summarized separately within Chapter 3 of this report.

Survey Distribution

Myers and Stauffer obtained from DHSS a list of pharmacy providers enrolled in the Alaska Medicaid pharmacy program. According to the provider list, there were 104 pharmacy providers not affiliated with I/T/U organizations that were located in the state of Alaska during calendar year 2018. Surveys were mailed and emailed to all 104 pharmacy providers on July 23, 2019. Each surveyed pharmacy received a copy of the cost survey (Exhibit 1), a letter of introduction from DHSS (Exhibit 2), an instructional letter from Myers and Stauffer (Exhibits 3a, 3b, and 3c), and an invitation to participate in a webinar hosted by Myers and Stauffer (Exhibit 4a and 4b).

Concerted efforts to encourage participation were made to enhance the survey response rate. A toll-free telephone number and email address were listed on the survey form and pharmacists were instructed to call or email a survey help desk to resolve any questions they had concerning completion of the survey form. 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

⁷ See 2014-2015 *Prescription Drug Benefit Cost and Plan Design Report*, Pharmacy Benefits Management Institute, LP and Takeda Pharmaceuticals North America, Inc.



Excel). The survey instructions 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.

Myers and Stauffer hosted informational webinars on August 1, 2019 and August 6, 2019. Providers were invited to attend via a web application and a conference call. A brief presentation was given to assist pharmacies in completing the cost of dispensing survey and additional time was allowed to ask questions.

Reminder letters were sent to pharmacies on August 16, 2018 (Exhibit 5) and September 6, 2019 (Exhibit 6). The second letter announced an extension of the original due date from August 27, 2019 to September 10, 2019. Email reminders were also sent on August 9, 2019, August 19, 2019, September 6, 2019, and September 10, 2019 to all non-respondent pharmacies for which email addresses were available. Reminder phone calls were made to all non-respondent pharmacies the week of September 9, 2019.

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 104 surveyed pharmacies, 8 pharmacies were determined to be ineligible to participate based on the returned surveys.

Surveys were accepted through September 30, 2019. As indicated in Table 2.1, there were 93 surveyed pharmacies that submitted a usable cost survey for this study resulting in a response rate of 96.9%.

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.

Table 2.1, on the following page, summarizes the dispensing cost survey response rate.



Table 2.1 Dispensing Cost Survey Response Rate (excludes I/T/U organizations)

Pharmacy Category	Medicaid Enrolled Pharmacies	Pharmacies Exempt or Ineligible from Filing	Eligible Pharmacies	Usable Cost Surveys Received	Response Rate
Chain ⁸	63	5	58	58	100.0%
Non-chain	41	3	38	35	92.1%
TOTAL	104	8	96	93	96.9%
On the road system	86	7	79	76	96.6%
Off the road system	18	1	17	17	100.0%
TOTAL	104	8	96	93	96.9%

Tests for Reporting Bias

For the pharmacy traits of affiliation (i.e., chain or independent) and location (i.e., on the road system or off the road system), 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 104 chain and independent pharmacies that received cost surveys, 58 were from chain pharmacies and 38 were from non-chain pharmacies. All surveyed chain pharmacies submitted useable cost surveys (i.e., a 100% response rate). There were 35 useable cost surveys received from non-chain pharmacies yielding a response rate of 92.1%. The results of the χ^2 test indicated that the difference in response rate between chain and independent pharmacies was statistically significant at the 95% 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 on the road system pharmacies versus the off the road system pharmacies for responding pharmacies. Of the 96 non-exempt pharmacies located in the state of Alaska, 86 pharmacies (or almost 90%) were located on the road system⁹. The remaining 18 pharmacies (or almost 10%) were located off the road system. There were 76 surveys submitted by pharmacies on the road system (a response rate of 96.6%). All eligible pharmacies located off the

⁸ 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.

⁹ Currently, pharmacies on the road system receive a professional dispensing fee of \$13.36 and pharmacies off the road system receive a professional dispensing fee of \$21.28. For this analysis, Myers and Stauffer reviewed a claims data file received from DHSS and the dispensing fees paid to each pharmacy to determine whether a pharmacy was designated by DHSS as being eligible for the professional dispensing fee associated with being located on the road system or the dispensing fee associated with being located off the road system. It was noted that one pharmacy which appeared to be receiving the professional dispensing fee for pharmacies located off the road system should potentially be considered as being located on the road system.



road system submitted useable surveys. The results of the χ^2 test indicated that the difference in response rate between on the road system and off the road system was not statistically significant at the 95% confidence level.

Desk Review Procedures

A desk review was performed for 100% 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.

Supplemental Review Procedures

In addition to the desk review procedures, a random sample of 20 pharmacies that responded to the cost of dispensing survey were sent a request for supporting documentation to verify the survey data submitted (Exhibit 7a and Exhibit 7b). These pharmacies were requested to submit financial statements or a tax return to verify reported expenses, a prescription dispensing report to verify the total number of prescriptions dispensed for the fiscal year and a store diagram or blueprint to verify the pharmacy's reported square footage. All 20 pharmacies submitted the requested documentation. A table with the results from the supplemental desk review is included in Exhibit 8.

Several adjustments were made to the sampled surveys resulting in both positive and negative impacts on the cost of dispensing calculated for the individual pharmacies. The average reduction in the calculated cost of dispensing as a result of the supplemental procedures was \$3.37. However, the overall conclusion of these supplemental procedures was that there was no statistically significant error in overstating or understating costs reported on the survey that would not have been detected through the standard desk review procedures to which all surveys were subjected. Other than the adjustments made to the surveys of the selected pharmacies, Myers and Stauffer has not made any other adjustment to the cost of dispensing data as a result of the supplemental review procedures.

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) dispensing related cost") can be complex. "Cost finding" principles must be applied since



not all reported costs 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 over-the-counter (OTC) drugs and other non-medical items such as groceries or other goods. Some pharmacies are involved in the sale of durable medical equipment and other medical supplies. The existence of these other lines of business necessitates that procedures be taken to isolate the costs involved in 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 costs must be allocated between the prescription dispensing function and other business activities. This process identified the reasonable and allowable costs necessary for prescription dispensing to Medicaid members.

Dispensing cost consists of two main components: overhead and labor. The cost finding rules employed to determine the cost of dispensing associated with each of these 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 the following methods:

- All, or 100% – overhead costs that are entirely related to prescription functions.
- None, or 0% – overhead costs that are entirely related to non-prescription functions.
- Sales ratio – calculated as prescription sales divided by total sales.
- Area ratio – calculated as prescription department floor space (in square feet) divided by total floor space. The area ratio was 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 store area needed to access the prescription department. The resulting ratio was adjusted downward, when necessary, not to exceed the sales ratio (in order to avoid allocating 100% of these costs in the instance where the prescription department occupies the majority of the area of the store).

Overhead costs 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: \$0.3782 per prescription).

- Certain other expenses that were separately identified on Lines (32a) to (32j) and (34a) to (34e) of Page 8 of the cost survey (Exhibit 1).¹⁰

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

- Income taxes¹¹
- Bad debts¹²
- Advertising¹³
- Charitable Contributions¹⁴
- Credit Card Processing Fees¹⁵
- Certain costs reported on Lines (32a) through (32j) and (34a) to (34e) of Page 8 of the cost survey (Exhibit 1) were excluded if the expense was not related to the dispensing of prescription drugs.

¹⁰ "Other" expenses were individually analyzed to determine the appropriate basis for allocation of each expense: sales ratio, area ratio, 100% related to dispensing cost or 0% (not allocated).

¹¹ Income taxes are not considered an operational cost because they are based upon the profit of the pharmacy operation.

¹² 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 dispensing costs is consistent with Medicare cost reporting principles. See Provider Reimbursement Manual, CMS Pub.15-1, Section 304:

"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.

¹³ 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."

¹⁴ 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.

¹⁵ 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.



The remaining expenses were assumed to be related to both prescription and nonprescription sales and were allocated using either an area ratio or a sales ratio. Joint cost allocation is necessary to avoid understating or overstating the cost of filling a prescription.

Overhead costs allocated using the sales ratio include:

- Personal property taxes
- Other taxes
- Insurance
- Interest
- Accounting and legal fees
- Telephone and supplies
- Dues and publications
- In-bound Freight¹⁶

Those overhead costs allocated on the area ratio include:¹⁷

- Depreciation
- Real estate taxes
- Rent¹⁸
- Repairs
- Utilities

¹⁶ In-bound freight costs were collected from pharmacies through a separate schedule on the cost of dispensing survey form (see Exhibit 1, page 11). In-bound freight is typically a component of costs of goods sold within accounting records and not a separate line item expense. Due to the costs associated with shipping goods to Alaska businesses and the knowledge that in-bound freight is not typically reimbursed through drug ingredient cost reimbursement, it appears acceptable in this case to include it as a component of the professional dispensing fee portion of reimbursement (i.e., “pharmacy costs associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid recipient” (see 42 CFR § 447.502).

¹⁷ 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.

¹⁸ 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.”



Labor Costs

Labor costs are 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 per prescription. There are various classifications of salaries and wages requested on the cost survey (Lines (1) to (12) of Page 6 of the cost survey – Exhibit 1) due to the different cost 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. 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 prescription labor costs 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:¹⁹

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

The allocation of salaries, payroll taxes, and benefits for all other prescription employees (Line (2) and Lines (4) to (12) of Page 6 of the cost survey – Exhibit 1) was based directly upon the percentage of time spent in the prescription department as indicated on the individual cost survey. For example, if the reported percentage of prescription time was 75 percent and total salaries were \$10,000, then the allocated prescription cost would be \$7,500.

Owner Compensation Issues

Since compensation reported for owners are not costs that have arisen from arm's length negotiations, they are not similar to other costs. 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 costs 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 dispensing cost.

¹⁹ 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.



To estimate the cost 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 owner's compensation limits, owners who are pharmacists were considered separately from 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 employee salaries and benefits for pharmacists and non-pharmacists (adjusted by reported FTEs to estimate hourly wages). These upper and lower constraints are shown in Table 2.2. No adjustments were made to owner salaries and benefits unless they were in below the lower limit or in excess of the upper limit in which case the amount was adjusted up or down to the respective limit.

Table 2.2 Hourly Wage and Benefit Limits for Owners

Owner Type	Lower Limit (Hourly)	Upper Limit (Hourly)
Pharmacist	\$64.87	\$147.32
Non-Pharmacist	\$18.30	\$54.19

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 dispensing cost. Of the 93 pharmacies in the cost analysis, owner limits impacted 13 pharmacies, or approximately 14.0%. Of these, seven 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 six 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 dispensing cost per prescription was decreased by approximately \$0.02 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:

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



A sensitivity analysis of the labor cost restraint was performed in order to determine the impact of the limit on the overall analysis of pharmacy cost. The analysis indicates that of the 93 pharmacies included in the dispensing cost analysis, this limit was applied to nine pharmacies. In total, the final estimate of average pharmacy dispensing cost per prescription was decreased by approximately \$0.02 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 December 31, 2019 (specifically from the midpoint of the pharmacy's fiscal year to June 30, 2019 which is the midpoint of the fiscal period ending December 31, 2019). The midpoint and terminal month indices used were taken from the Employment Cost Index, (all civilian, all workers; seasonally adjusted) published by the Bureau of Labor Statistics (BLS) (Exhibit 9). The use of inflation factors is typically 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, 2018.

Dispensing Cost 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 for all pharmacies.

Weighted mean: the average cost of 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 sum by the total of all prescriptions from 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 dispensing cost) in half. In the case of this survey, the median is the dispensing cost such that the cost of one half of the



pharmacies in the set are less than or equal to the median and the dispensing costs of the other half are 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 of the weighted median or less, and one half were dispensed at the cost of the weighted median or more. Suppose, for example, that one wanted to calculate the median weighted by Medicaid volume and that there were 1,000,000 Medicaid prescriptions dispensed by the surveyed pharmacies. If the dispensing cost of each of these prescriptions were arrayed in order of the dispensing cost, the median weighted by Medicaid volume, is the dispensing cost of the pharmacy that dispensed the middle, or 500,000th prescription.

As is typically the case with dispensing cost surveys, statistical “outliers” are a common occurrence. These outlier pharmacies have dispensing costs that are not typical of the majority of pharmacies. Medians are sometimes preferred to averages (i.e., the arithmetic mean) in situations where the magnitude of outlier values results in an average that does not represent what is thought of as “average” or normal in the common sense. The use of weighting factors also tends to mitigate the impact of many outlier values.

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

Table 2.3 Dispensing Cost per Prescription – All Pharmacies (excludes I/T/U organizations)

	Dispensing Cost
Unweighted Mean	\$36.51
Mean Weighted by Medicaid Volume	\$16.24
Unweighted Median	\$15.52
Median Weighted by Medicaid Volume	\$12.86

n= 93 pharmacies

Dispensing costs have been inflated to the common point of June 30, 2019 (midpoint of year ending December 31, 2019).

See Exhibit 10 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 70%) had average dispensing costs between \$10 and \$20.

Exhibit 11 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. Myers and Stauffer used the dispensing fee amounts paid according to a claims data file received from DHSS to determine whether DHSS had designated a pharmacy as being located on or off the road system for purposes of reimbursement.



Specialty Pharmacies

Several pharmacies included in the cost analysis were identified as specialty pharmacies. For purposes of this report, "specialty pharmacies" are pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 50% or more of total prescription sales. The analysis revealed significantly higher cost of dispensing associated with pharmacies that meet these criteria.²⁰

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

Table 2.4 Dispensing Cost per Prescription - Specialty versus Other Pharmacies (excludes I/T/U organizations)

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Median	Median Weighted by Medicaid Volume
Specialty Pharmacies	3	Mean: 5,132 Median: 1,488	Mean: 2,034 Median: 306	\$211.07	\$107.30
Other Pharmacies	90	Mean: 52,525 Median: 44,381	Mean: 10,784 Median: 8,082	\$15.34	\$12.86

n= 93 pharmacies

Dispensing costs have been inflated to the common point of June 30, 2019 (midpoint of year ending December 31, 2019).

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

²⁰ 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 dispensing costs. 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.



Of the three pharmacies identified as specialty, one was classified as clotting factor and one was classified as compounded infusion. Given the limited number of pharmacies within these categories, a further breakdown of the cost of dispensing is not included in this report.

Non-specialty Pharmacies

The analyses summarized in Tables 2.5 through 2.9 below exclude the specialty pharmacy providers. In making this exclusion, no representation is made that the cost structure of specialty 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 2.5 restates the measurements noted in Table 2.3 excluding pharmacies that dispensed significant volumes of specialty prescriptions.

Table 2.5 Dispensing Cost per Prescription – Excluding Specialty Pharmacies (excludes I/T/U organizations)

	Dispensing Cost
Unweighted Mean	\$19.02
Mean Weighted by Medicaid Volume	\$15.27
Unweighted Median	\$15.34
Median Weighted by Medicaid Volume	\$12.86

n= 90 pharmacies

Dispensing costs have been inflated to the common point of June 30, 2019 (midpoint of year ending December 31, 2019).

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 2.6 displays the calculated cost of dispensing for non-specialty pharmacies arrayed into tiers based on total annual prescription volume.



Table 2.6 Dispensing Cost by Pharmacy Total Annual Prescription Volume (excludes I/T/U organizations)

Total Annual Prescription Volume of Pharmacy	Number of Pharmacies ^A	Unweighted Median	Median Weighted by Medicaid Volume
0 to 32,999	30	\$20.45	\$20.12
33,000 to 59,499	29	\$15.22	\$14.80
59,500 or greater	31	\$12.32	\$12.19

n= 90 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 services of 50% or more of total prescription sales.*

Dispensing costs have been inflated to the common point of June 30, 2019 (midpoint of year ending December 31, 2019).

Table 2.7 provides statistics for the distribution of pharmacy annual prescription volume.

Table 2.7 Statistics for Pharmacy Total Annual Prescription Volume (excludes I/T/U organizations)

Statistic	Value ^A
Mean	52,525
Standard Deviation	33,772
10 th Percentile	18,477
25 th Percentile	29,870
Median	44,381
75 th Percentile	67,383
90 th Percentile	105,605

n= 90 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 services of 50% or more of total prescription sales.*

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 12.

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 2.8 displays the mean for various components of cost for non-specialty pharmacies. Labor-related expenses accounted for approximately 72% of overall prescription dispensing costs.

Expenses in Table 2.8 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 2.8 Components of Prescription Dispensing Cost (excludes I/T/U organizations)

Type of Expense	Mean Weighted by Medicaid Volume ^A
Owner Professional Labor	\$0.627
Employee Professional and Other Labor	\$11.044
Building and Equipment	\$1.125
Prescription Specific Expenses (including delivery)	\$0.690
Other Overhead Expenses	\$1.783
Total	\$15.269

n= 90 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 services of 50% or more of total prescription sales.

Dispensing costs have been inflated to the common point of June 30, 2019 (midpoint of year ending December 31, 2019).

A chart of the components of prescription dispensing cost is provided in Exhibit 13.

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 14.

Expenses Not Allocated to the Cost of Dispensing

In the following Table 2.9, 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 2.9 Non-Allocated Expenses per Prescription (excludes I/T/U organizations)

Expense Category	Mean Weighted by Medicaid Volume ^A
Bad Debts	\$0.029
Charitable Contributions	\$0.060
Advertising	\$0.134

n= 90 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 services of 50% or more of total prescription sales.*

Dispensing costs have been inflated to the common point of June 30, 2019 (midpoint of year ending December 31, 2019).



Chapter 3: Survey Methodology and Findings for Pharmacies Associated with I/T/U Organizations

The provider list received from DHSS included 24 pharmacies identified as being associated with I/T/U organizations. Since one of these pharmacies was identified as exempt, there were 23 I/T/U providers that were included in the cost analysis. Survey distribution, desk review procedures, cost finding procedures, and cost allocations were performed for I/T/U pharmacies similarly to the procedures described for non I/T/U pharmacies within Chapter 2 of this report.

For I/T/U pharmacies the median cost of dispensing, weighted by Medicaid volume, was \$28.78 per prescription. Table 3.1 includes additional measures of the average cost of dispensing.

Table 3.1 Dispensing Cost for Alaska Pharmacies Associated with I/T/U Organizations

	I/T/U Pharmacies
Pharmacies Included in Analysis	23
Unweighted Mean (Average) ^A	\$46.16
Weighted Mean (Average) ^{A,B}	\$41.19
Unweighted Median ^A	\$28.21
Weighted Median ^{A, B}	\$28.78

^A Inflated to common point of June 30, 2019 (midpoint of year ending December 31, 2019).

^B Weighted by Medicaid volume.

Additional statistical measures for I/T/U pharmacies and are provided in Exhibit 11b.



Chapter 4: Pharmaceutical Care Services

Pharmaceutical care services include pharmacist interactions with patients that go beyond the usual dispensing and counseling services associated with dispensing prescription drug products.

Pharmaceutical care services can include, but are not limited to, medication therapy management, medication adherence interventions, etc. Pharmacies were requested to report the percent of time that staff spent providing pharmaceutical care services using the personnel costs page of the survey form (see Exhibit 1, page 6). Pharmacies were also requested to provide a brief description of the services that were provided which they considered to be pharmaceutical care services. The survey form requested that pharmacies use existing records to report historical cost information. However, the percent of time spent is an estimate since most pharmacies do not maintain precise records of the specific time spent perform individual tasks.

There were 59 pharmacies which reported time spent providing pharmaceutical care services. For these 59 pharmacies, the average percent of pharmacy staff time reported as being spent providing pharmaceutical care services was approximately 13 percent.

Myers and Stauffer did not make any clinical judgement regarding whether the activities reported by pharmacies were appropriately classified as pharmaceutical care services. Description of pharmaceutical care services as reported by pharmacies on the survey form included:

- Counseling diabetic patients and making recommendations relating to medications.
- Coordinating with medical professionals and assisted living staff to ensure medication therapy is accurately recorded and administered.
- Implementation of medication packaging programs designed to promote compliance.
- Monitoring of anticoagulants.
- Maintenance of PICC lines and ports.
- Opioid monitoring activities including pill counts, urine toxicology screen interpretation, writing chart notes, and participating in opioid review boards.
- Medication therapy management services.
- Medication adherence consultations.
- Vaccine administration.
- Provide custom prescription compliance packaging which requires increased coordination with medical and assisted living staff to ensure medication therapy is accurate and effective.
- Medication regimen reviews in accordance with CMS guidelines for skilled nursing facilities.
- Delivery of hospital discharge medications to the patient's hospital room and providing counseling prior to patient leaving the hospital.
- Collaborative practice agreements to provide emergency contraception and expedited STD partner therapy.
- Pharmacy refill protocol that allows the pharmacists to authorize refills for patients on behalf of their provider when the patient meets specific criteria outlined in the protocol.
- Working with providers to complete prior authorization documentation.



- Pharmacists meet with patients with complicated drug regimens to ensure they understand how they should use their medication.
- Monitoring and managing warfarin patients.
- For each prescription the pharmacist talks to the patient about:
 - Taking the medication, when and how
 - Side effects
 - with antibiotic use, the importance of probiotics and how long after the antibiotic dose to take it.
 - Inhalers, how to use them, how long to space the puffs and how to hold your head, and what order to use inhalers.
 - Eye drops, where to place them in the eyes, how far apart to place the drops, how far apart when using other drops.
 - Consult on usage of antihistamines, Singulair, and nasal sprays.
- Coordinate patient medication usage in their medication profile with new medication changes, OTC usage and supplements.
- Counsel, consult providers and health aides and provide chart review/reconciliation as needed.

Exhibit 1

**Alaska Medicaid Pharmacy Cost of
Dispensing Survey**

Alaska 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 **August 27, 2019**

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

An electronic version of the Alaska 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 _____ Borough/ _____ Census Area _____ 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 Alaska Medicaid pharmacies should 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.

Alaska Medicaid Pharmacy Cost of Dispensing Survey

SECTION IA -- PHARMACY ATTRIBUTES

Page 2

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, 2018, or December 31, 2017, if 2018 records are not yet complete). (Include month/day/year).

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

List the total number of all prescriptions dispensed during the fiscal year reported on this cost survey as follows:

(a) 1. Total prescriptions dispensed for covered outpatient drugs: _____

2. Total prescriptions dispensed for consumable medical supplies: _____

"Prescription Drugs Dispensed." Report the total number of all prescription drugs 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.

"Consumable Medical Supplies Prescriptions Dispensed." Report the total number of all prescription for consumable medical supplies filled during the fiscal year being reported on this cost survey. Please see Appendix A for description of consumable medical supplies and list of supplies included. This information may be kept on a daily or monthly log or on your computer.

(b) Sales and Floor Space

Sales (Excluding Sales Tax)

Cost of Goods Sold

Floor Space (see instructions below)

Pharmacy Department Only	Consumable Medical Supplies Only	Total Store (Retail, Pharmacy Department, and Consumable Medical Supplies)
_____	_____	_____
_____	_____	_____
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 and should not include consumable medical supplies or non-prescription over the counter drugs, durable medical equipment, or other non-prescription items. Please see Appendix A for description of consumable medical supplies and list of supplies included.

Cost of Goods Sold. If pharmacy department cost of goods sold is not readily available, leave that line blank. *Please see Appendix B for Inbound Freight Charges worksheet to calculate and report "freight In".

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 in-out areas).

(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 _____ %	2. Medicare _____ %	3. Other Third Party _____ %
	4. Charitable Care _____ %	5. Cash _____ %	
What is the approximate percentage of payments received from the following classifications?			
(e)	1. Medicaid _____ %	2. Medicare _____ %	3. Other Third Party _____ %
	4. Charitable Care _____ %	5. Cash _____ %	
Ownership Affiliation			
(f)	1. <input type="checkbox"/> Independent (1 to 3 units)	2. <input type="checkbox"/> Chain (4 or more units)	
	3. <input type="checkbox"/> Institutional (service to LTC facilities only)	4. <input type="checkbox"/> Indian Health Service/Tribal/Urban Indian Health	
	5. <input type="checkbox"/> Other (specify) _____		
(g)	Type of Ownership		
	1. <input type="checkbox"/> Individual	2. <input type="checkbox"/> Corporation	3. <input type="checkbox"/> Partnership
	4. <input type="checkbox"/> Other (specify) _____		
Location of Pharmacy (please check one)			
(h)	1. <input type="checkbox"/> Medical Office Building	2. <input type="checkbox"/> Shopping Center	
	3. <input type="checkbox"/> Stand Alone Building	4. <input type="checkbox"/> Grocery Store / Mass Merchant	
	5. <input type="checkbox"/> Central Fill (12 AAC 52.423 or tribal, see Appendix C)	6. <input type="checkbox"/> Outpatient Hospital	
	7. <input type="checkbox"/> Satellite Pharmacy (12 AAC 52.423 or tribal, see Appendix C)	8. <input type="checkbox"/> Other (specify) _____	

Alaska Medicaid Pharmacy Cost of Dispensing Survey

Page 3

SECTION IA -- PHARMACY ATTRIBUTES, CONTINUED

Does your pharmacy purchase drugs through the 340B Drug Pricing Program or the Federal Supply Schedule (FSS)?	
1. <input type="checkbox"/> Yes	2. <input type="checkbox"/> No
(i) If yes, are prescriptions dispensed to Alaska Medicaid members provided from 340B inventory?	
1. <input type="checkbox"/> Yes	2. <input type="checkbox"/> No
If your pharmacy purchases drugs through the 340B Drug Pricing Program or the FSS, is your pharmacy a:	
1. <input type="checkbox"/> Covered Entity	2. <input type="checkbox"/> Contract Pharmacy
(j) Do you own your building or lease from a related party (i.e., yourself, family member, or related corporation)? If so, mark yes and refer to page 6, line 5 for special instructions for reporting building rent.	
1. <input type="checkbox"/> Yes	2. <input type="checkbox"/> No
(k) How many hours per week is your pharmacy open? _____ Hours	
(l) How many years has a pharmacy operated at this location? _____ Years	
(m) Do you provide 24-hour emergency services for pharmaceuticals? 1. <input type="checkbox"/> Yes 2. <input type="checkbox"/> No	
(n) What percentage of prescriptions dispensed were generic products? _____ %	
(o) What percentage of prescriptions are billed to Medicaid on behalf of the patient but dispensed directly to clinics/physician offices for administration by a health care professional/physician? Clinics/physician offices do not include institutional facilities as defined in 12 AAC 52.995. _____ %	

If your pharmacy dispenses prescriptions in customized patient medication packaging (12 AAC 52.520), complete lines (p) through (r).

(p) What is the approximate percent of your prescriptions dispensed in customized patient medication packaging (regardless of payer source)? _____ %	
(q) If you provide unit dose packaging, what percent of unit dose packaging is:	
1. Purchased from manufacturers	_____ %
2. Prepared in the pharmacy	_____ %
What is the approximate percent of prescriptions dispensed to long-term care facilities or assisted living homes? _____ %	
Do you classify your pharmacy as a closed door pharmacy? 1. <input type="checkbox"/> Yes 2. <input type="checkbox"/> No	
(r) Do you provide consultant pharmacy services to long-term care facilities (i.e., 12 AAC 52.820)? 1. <input type="checkbox"/> Yes 2. <input type="checkbox"/> No	
For long-term care prescriptions, does the pharmacy (please select one of the following):	
<input type="checkbox"/> bill the claim at time of dispensing and credit back returned doses when necessary, OR	
<input type="checkbox"/> retro-bill the claim at the end of the month accounting for returned doses.	

If your pharmacy provides delivery, mail order, specialty or compounding services, complete lines (s) through (x) as applicable.

(s) What percent of total prescriptions filled are delivered? _____ %	
(t) What percent of Medicaid prescriptions filled are delivered? _____ %	
(u) Does your pharmacy deliver prescriptions by mail (U.S. Postal Service, FedEx, UPS, etc.)? 1. <input type="checkbox"/> Yes 2. <input type="checkbox"/> No	
(u) If yes, what is the approximate percentage of the total number of prescriptions that are delivered by mail? _____ %	
(v) Are you presently providing specialty products or services (e.g., intravenous, infusion, enteral nutrition, clotting factors or derivatives, other pre-filled injectable or oral specialty products)?	
1. <input type="checkbox"/> Yes 2. <input type="checkbox"/> No	
If yes, you must complete the product breakdown in section IC on page 5.	
(w) What is the approximate percent of your prescriptions dispensed that are compounded? _____ %	
(w) What is the approximate percent of your prescriptions dispensed that are compounded in a sterile environment? _____ %	
(w) For prescriptions that are compounded, what is the average number of minutes spent preparing a prescription by pharmacists and technicians?	
Pharmacist: _____ Technician: _____	
(x) Are you enrolled with the FDA as part of a restricted distribution REMS program? 1. <input type="checkbox"/> Yes 2. <input type="checkbox"/> No	
(x) If yes, how many are you certified to dispense? _____	

Alaska Medicaid Pharmacy Cost of Dispensing Survey

Page 4

Tribal-Affiliated Pharmacies

Does your pharmacy dispense prescriptions to non-tribal members that are paid by cash or billed to Medicaid, Medicare, Third Party Insurance? 1. Yes 2. No

(y)

If you answered yes to the question above, what is the approximate percentage of the total number of prescriptions (reported on page 2 of the cost of dispensing survey) dispensed to non-tribal members?

_____ %

SECTION IB -- OTHER INFORMATION (optional)

List any additional information you feel contributes significantly to your cost of filling a prescription. Attach additional pages if needed.

Alaska Medicaid Pharmacy Cost of Dispensing Survey

Page 5

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

If you answered yes to question (v) 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 factors can be prefilled, however place it in "clotting factors 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	Percent of Prescriptions dispensed to a Health Care Professional/Clinic for Administration	Line No.
Infusion Products				
Compounded infusion products				(1a)
Total Parenteral Nutrition (TPN) products				(1b)
Clotting factors 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 or had patient monitoring and compliance activities in place?	
(b) 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 (and attach additional pages if necessary) 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.

Alaska Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIA -- PERSONNEL COSTS

Page 6

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.
			Prescription Drug Dispensing Activities ³	Other RX Related Duties ⁴	Consumable Medical Supply Dispensing Activities ⁵	Pharmaceutical Care Services ⁶	Non Rx Related Duties ⁷	Total ⁸	
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%				100.0%	100.0%	(12)
Total Salaries			(13)						
Pension and Profit Sharing			(14)						
Other Employee Benefits ⁹			(15)						
Total Labor Expenses			(16)						

(17) Do you currently have unfilled pharmacist positions at this pharmacy?

1. Yes

2. No

(18) If you answered yes to question 17, how many open pharmacist positions do you have at this pharmacy? _____

If a percent of time is allocated to pharmaceutical care services above, please provide a short description of the services provided in the box below, attach additional pages if necessary.

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 = $38 + 22 + 16 = 76 \div 40 = 1.90$ 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 Consumable Medical Supplies Dispensing Activities: See Appendix A.

⁶ Pharmaceutical Care Services: See Appendix A.

⁷ Non Rx Related Duties should include any duties that are not related to the pharmacy department.

⁸ Totals for the Percent of Time Spent Breakdown. Columns must total 100%.

⁹ Other Employee Benefits includes employee medical insurance, disability insurance, education assistance, etc.

Alaska Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIB -- OVERHEAD EXPENSES

Page 7

Complete this section using your internal financial statement or tax return for the **same fiscal year as 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, 2018, or December 31, 2017, if 2018 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 7, 8, and 9).**

*** 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.

2018 Tax Form				Round all amounts to nearest dollar or whole number.		
1040 Schedule C	1065	1120	1120S	Expense Amount Reported	Myers and Stauffer Use Only	Line No.
13	16a	20	14	Depreciation (this fiscal year only - not accumulated)		
23	14	17	12	(a) Personal Property Taxes Paid		
23	14	17	12	(b) Real Estate Taxes		
23	14	17	12	(c) Payroll Taxes		
Taxes				Any other taxes should be itemized separately on page 8.		
20b	13	16	11	Rent - Building (if building is leased from a related party then report ownership expenses of interest, taxes, insurance and maintenance on the appropriate lines)		
20a	13	16	11	Rent - Equipment and Other		
21	11	14	9	Repairs & maintenance		
15	20*	26*	19*	Insurance (other than employee medical)		
16a&b	15	18	13	Interest		
17	20*	26*	19*	Legal and Professional Fees		
27a*	20*	26*	19*	Dues, Publications, and Subscriptions		
27a*	12	15	10	Bad Debts (this fiscal year only - not accumulated)		
n/a	n/a	19	n/a	Charitable Contributions		
25	20*	26*	19*	Utilities (a) Telephone		
25	20*	26*	19*	(b) Heat, Water, Lights, Sewer, Trash and other Utilities		
18&22	20*	26*	19*	Operating and Office Supplies (exclude prescription containers and labels)		
8	20*	22	16	Advertising/Marketing		
27a*	20*	26*	19*	Computer Expenses (systems, software, maintenance, etc.)		
9,27a*	20*	26*	19*	Prescription Delivery Expenses (wages to a driver should only be reported on pg. 5)		
27a*	20*	26*	19*	Prescription Containers and Labels		
24a&b	20*	26*	19*	Travel, Meals and Entertainment		
27a*	20*	26*	19*	Switching / E-Prescribing Fees		
27a*	20*	26*	19*	Security / Alarm		
27a*	20*	26*	19*	Bank Charges		
27a*	20*	26*	19*	Credit Card Processing Fees		
27a*	20*	26*	19*	Interior Maintenance (housekeeping, janitorial, etc.)		
27a*	20*	26*	19*	Exterior Maintenance (lawn care, snow removal etc.)		
27a*	20*	26*	19*	Pharmacy Licenses / Permits		
27a*	20*	26*	19*	Employee Training and Certification		
27a*	20*	26*	19*	Continuing Education		
Total Page 7 overhead expenses (lines 1 to 30)						

(31)

Alaska Medicaid Pharmacy Cost of Dispensing Survey

Page 8

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 7), 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 6).**

Expense Amount Reported	Myers and Stauffer Use Only	Line No.
_____	_____	(32a)
_____	_____	(32b)
_____	_____	(32c)
_____	_____	(32d)
_____	_____	(32e)
_____	_____	(32f)
_____	_____	(32g)
_____	_____	(32h)
_____	_____	(32i)
_____	_____	(32j)
Total other overhead expenses (lines 32a to 32j)	_____	(33)

SECTION IIIB -- INDIRECT EXPENSES AND CORPORATE ALLOCATIONS

For corporate overhead and other indirect expenses allocated to the individual location, please provide a short description of the expenses included in the allocation, indicate if the allocated expense includes any portion of bad debt, advertising, or charitable contributions, and the allocation basis (revenue, per prescription, square footage, etc.). Please attach additional pages if necessary.

Description of expenses/allocation including a high-level breakdown of what is included	Expense Amount Reported	Allocation Basis	Line No.
_____	_____	_____	(34a)
_____	_____	_____	(34b)
_____	_____	_____	(34c)
_____	_____	_____	(34d)
_____	_____	_____	(34e)
Total indirect expenses and corporate allocations (lines 34a to 34e)	_____	_____	(35)

EXAMPLES

Corporate Allocation (30% administrative payroll, 30% corporate facilities, 20% warehouse and distribution, 10% advertising, 5% bad debt, 5% miscellaneous)	\$250,000	Per Prescription	Ex. 1
Indirect Expenses (30% administrative payroll, 30% corporate facilities, 20% warehouse and distribution, 10% advertising, 5% bad debt, 5% miscellaneous)	\$150,000	Per Encounter	Ex. 2

Alaska Medicaid Pharmacy Cost of Dispensing Survey

Page 9

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 6, line 16)		
(3) Overhead Expenses (total from page 7, line 31)		
(4) Overhead Expenses, Continued (total from page 8, line 33)		
(5) Indirect Expenses and Corporate Allocations (total from page 8, line 35)		
(6) Total Expenses per Cost Survey [add Lines (2), (3), (4), and (5)]		
Specify Items with Amounts that are on Cost Survey but not on Financial Statement or Tax Return		
(7a)		
(7b)		
(7c)		
(7d)		
(7e)		
Specify Items with Amounts that are on Financial Statement or Tax Return but not on this Cost Survey		
(8a)		
(8b)		
(8c)		
(8d)		
(8e)		
(9) Total [add Lines (1) to (8e)] 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 2018 tax forms:

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

Alaska Medicaid Pharmacy Cost of Dispensing Survey

APPENDIX A -- DESCRIPTION OF CONSUMABLE MEDICAL SUPPLIES & PHARMACEUTICAL CARE SERVICES

Consumable Medical Supplies

Nondurable medical supplies that cannot withstand repeated use, are usually disposable, and enable activities of daily living.

Consumable Medical Supply items include the following items (list is not all inclusive)

Glucose test strips
Insulin needles and syringes
Lancets
Glucometer devices
Enteral nutrition & supplies
Incontinence products (briefs, wipes, skin cleansers)
Wound dressings (bandages, gauze, etc.)

Pharmaceutical Care Services:

Include additional actions beyond the standard dispensing and counseling for a prescription drug. Pharmaceutical care services can include, but is not limited to, medication therapy management, medication adherence interventions, etc.

According to Federal Regulations at 42 CFR § 447.502, 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."

Alaska Medicaid Pharmacy Cost of Dispensing Survey

APPENDIX B -- Inbound Freight Charges Worksheet (optional)

"Freight in" is a charge that may be added to an invoice for drug shipments received by pharmacies. According to Generally Accepted Accounting Principles, freight in is a component of cost of goods sold and not included as a separate line item expense in financial reporting. Please use the worksheet below to calculate the amount of freight in for your pharmacy for the same fiscal year being reported on the cost survey. To be reported on this worksheet, freight in should be a separately identifiable expense on your invoices. These amounts should not be included in any other expense lines reported on page 6 or page 7 of the survey tool. To complete this worksheet, freight charges should be taken directly from invoices and be separately identifiable. You should sum freight charges from invoices for each month, and report the monthly totals in the section below. You are asked to retain all supporting documentation associated with freight charges reporting as it will be subject to additional review.

The following information is from fiscal / tax year ending

Complete Appendix B using the same fiscal year end as reported on page 2 of the pharmacy cost of dispensing survey. (Include month/day/year).

	Month	Year	Freight Amount
Month 1			
Month 2			
Month 3			
Month 4			
Month 5			
Month 6			
Month 7			
Month 8			
Month 9			
Month 10			
Month 11			
Month 12			

Total Freight

Example: If the pharmacy is using a tax return or financial statement for the year ending December 31, 2018

	Month	Year	Freight Amount
Month 1	January	2018	\$250.00
Month 2	February	2018	\$325.00
Month 3	March	2018	\$275.00
Month 4	April	2018	\$435.00
Month 5	May	2018	\$180.00
Month 6	June	2018	\$210.00
Month 7	July	2018	\$360.00
Month 8	August	2018	\$280.00
Month 9	September	2018	\$510.00
Month 10	October	2018	\$180.00
Month 11	November	2018	\$375.00
Month 12	December	2018	\$420.00

Total Freight

APPENDIX C -- Central Fill Pharmacy and Non-Traditional Dispensing Locations

Non-tribal Providers

C-1. Is your pharmacy a central fill pharmacy serving a registered remote pharmacy [12 AAC 52.423]? 1. Yes 2. No

C-2. Does your pharmacy dispense prescriptions through telepharmacy [12 AAC 52.425]? 1. Yes 2. No

C-3. If yes to C-2, how many satellite locations are included in the telepharmacy services? _____

C-4. If yes to C-2, what is the approximate percentage of the total number of prescriptions that are dispensed through telepharmacy? _____ %

If you answered yes to C-2 above, please provide additional details regarding the telepharmacy operation within the table below.

	NPI	Medicaid ID	Alaska Pharmacy License
Central Fill Pharmacy			
Satellite Pharmacy			
(1)			
(2)			
(3)			
(4)			
(5)			

Tribal Providers

Is your pharmacy a tribal central fill pharmacy that provides pharmacy services through remote satellite locations (including medications dispensed under the authority of a prescriber by a Community Health Aid, remote clinics or emergency departments (ED))?

1. Yes 2. No

	Sub-regional Clinic (<u>without</u> onsite pharmacy)	Sub-regional Clinic (WITH onsite pharmacy)	Village Clinic (staffed by CHA)
Number served			
Number with Dispensing Cabinets			
Percentage of Prescriptions			

APPENDIX C -- Central Fill Pharmacy and Non-Traditional Dispensing Locations (continued)

Please mark all of the activities performed by the central fill pharmacy for medications dispensed at the satellite locations:

	Before Dispensing	At time of Dispensing (by a Pharmacist)	After Dispensing (by a Pharmacist)
Checking the computer for information about an individual's coverage			
Performing drug utilization review and preferred drug list review activities. (i.e., 12 AAC 52.570)			
Measurement or mixing of the covered outpatient drug (e.g., 12 AAC 52.230)			
Filling the container (e.g., 12 AAC 52.230, 12 AAC 52.590)			
Performing a final check for a filled prescription (i.e., 12 AAC 52.210)			
Beneficiary counseling (i.e., 12 AAC 52.585)			
Special Packaging (e.g., 12 AAC 52.520)			

Regulatory references included for definition purposes.

Please mark all of the activities performed at the satellite locations:

	At time of Dispensing by:			After Dispensing by:			Performed by Prescriber
	RPh	CHA	Other	RPh	CHA	Other	
Checking the computer for information about an individual's coverage							
Performing drug utilization review and preferred drug list review activities. (i.e., 12 AAC 52.570)							
Measurement or mixing of the covered outpatient drug (e.g., 12 AAC 52.230)							
Filling the container (e.g., 12 AAC 52.230, 12 AAC 52.590)							
Performing a final check for a filled prescription (i.e., 12 AAC 52.210)							
Beneficiary counseling (i.e., 12 AAC 52.585)							
Special Packaging (e.g., 12 AAC 52.520)							

Regulatory references included for definition purposes.

Definition References:

<https://www.commerce.alaska.gov/web/portals/5/pub/PharmacyStatutes.pdf>

Exhibit 2

**Informational Letter from the Alaska
Department of Health and Social Services
Regarding Pharmacy Dispensing Cost
Survey**



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

**Department of
Health and Social Services**

DIVISION OF HEALTH CARE SERVICES
PHARMACY & ANCILLARY SERVICES UNIT

4501 Business Park Blvd., Building L
Anchorage, Alaska 99503
Main: 907.334.2400
Fax: 907.561.1684

July 23, 2019

Re: 2019 Cost of Dispensing Survey

Dear Alaska Medicaid Pharmacy Provider:

The Department of Health and Social Services has contracted with the firm of Myers and Stauffer LC, Certified Public Accountants, to perform a survey of the cost of dispensing prescriptions and consumable medical supplies by pharmacies to Alaska Medicaid recipients consistent with 42 CFR §447.518. Myers and Stauffer has extensive experience in conducting pharmacy cost of dispensing surveys in many states including Alaska.

The survey results will be used to evaluate the current Alaska Medicaid covered outpatient drug reimbursement methodology, including the *professional dispensing fee* defined under 42 CFR §447.502. Enrolled pharmacies supplied a survey must participate in order for the analysis to incorporate accurate dispensing costs for pharmacies participating in the Alaska Medicaid program. A robust survey response helps to “assure that payments are consistent with efficiency, economy, and quality of care” and to “enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area” (Social Security Act section 1902(a)(30)(A)).

Alaska Medicaid regulations require that all Alaska Medicaid enrolled pharmacies supplied a survey must submit accurate information in their responses (7 AAC 105.400(27)). Please be aware that if an enrolled provider fails to participate, the Department may reduce that provider’s dispensing fee to \$3.45 or otherwise impose sanctions as provided under applicable regulations (7 AAC 145.410(c)).

The due date for submitting a completed cost of dispensing survey is August 27, 2019.

Your prompt and complete response is crucial to the proper evaluation of dispensing costs for Alaska Medicaid pharmacy providers. We appreciate your continued service to our Medicaid recipients as well as your cooperation in this important study. Please direct questions specific to the survey to Myers and Stauffer at 1.800.374.6858 or disp_survey@mslc.com.

Sincerely

A handwritten signature in black ink that reads "Erin Narus".

Erin Narus, PharmD, RPh
Lead Pharmacist, Pharmacy & Ancillary Services Manager
Health Care Services, Alaska Medicaid
erin.narus@alaska.gov
907.334.2425

Exhibit 3a

Letter from Myers and Stauffer LC

Regarding Pharmacy Dispensing Cost

Survey (Independent Pharmacies)



July 23, 2019

Re: Alaska Department of Health and Social Services - Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Alaska Department of Health and Social Services (DHSS) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the professional dispensing fee component of the Alaska Medicaid pharmacy reimbursement. All pharmacies enrolled in the Alaska Medicaid pharmacy program are required to participate in the survey according to the following instructions:

1. Complete the enclosed "Alaska Medicaid Pharmacy Cost of Dispensing Survey".
2. For your convenience, Myers and Stauffer LC will complete Section IIB "Overhead Expenses" and Section III "Reconciliation with Financial Statement or Tax Return" for you if you 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). The financial statements or federal income tax form must include information for only a single store/location. You will still need to complete the other sections of the survey.
3. If your financial statements or tax return have not been completed for your most recent fiscal year, complete the survey using your prior year's financial statements (or tax return) and the corresponding prescription data for that year. Myers and Stauffer will apply an appropriate inflation factor.
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 required information as soon as possible, **but forms must be returned no later than August 27, 2019.**

Electronic format of the survey tool:

We strongly encourage pharmacies to respond in an electronic format. You may obtain an Excel spreadsheet version of the survey by contacting Myers and Stauffer LC at (800) 374-6858 or by email at disp_survey@mslc.com. The electronic version of the survey collects the same information as the paper version and will automatically complete certain calculations. Surveys that are completed electronically may be returned via email to the same email address with the Excel survey file and other supporting documentation attached.

If you prefer to respond in a paper format:

Send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
Attn: Alaska Medicaid Pharmacy Cost of Dispensing Survey
700 W. 47th Street, Suite 1100
Kansas City, MO 64112

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

Participation in the survey is **mandatory** per Alaska Medicaid regulations at 7 AAC 105.400 (27) and 7 AAC 145.410(c). Pharmacies are encouraged to return the requested information as soon as possible, **but forms must be returned no later than August 27, 2019.**

It is very important that pharmacies respond with accurate information. All submitted surveys will be reviewed and validated by staff at Myers and Stauffer LC. If the review yields the need for additional inquiries, Myers and Stauffer LC staff will contact you. A random sample of pharmacies will be selected for further validation procedures. Pharmacies will be notified upon selection for additional validation procedures and the documentation that will need to be submitted.

Cost of dispensing surveys and supporting documentation submitted to Myers and Stauffer LC for this project will remain strictly confidential.

Myers and Stauffer LC will be conducting informational meetings via telephonic/internet-based webinars to further explain the survey. At these meetings, Myers and

Alaska Department of Health and Social Services- Pharmacy Cost of Dispensing Survey

July 23, 2019

Page 3 of 3

Stauffer LC will present more details about the survey process, discuss what information is being requested and answer any questions regarding the survey form. Please refer to the enclosed information meeting flyer for further information on the dates and times of these webinar meetings and instructions for registration.

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,



Matt Hill
Manager
Myers and Stauffer, LC
Email: mhill@mslc.com

Enclosures: Letter from the Alaska Department of Health and Social Services
Alaska Medicaid Pharmacy Cost of Dispensing Survey Form
Myers and Stauffer LC Business Reply Label
Informational Meeting Invitation

Exhibit 3b

Letter from Myers and Stauffer LC

Regarding Pharmacy Dispensing Cost

Survey (Chain Pharmacies)



July 23, 2019

Re: Alaska Department of Health and Social Services - Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Alaska Department of Health and Social Services (DHSS) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the professional dispensing fee component of the Alaska Medicaid pharmacy reimbursement. All pharmacies enrolled in the Alaska Medicaid pharmacy program are required to participate in the survey.

Enclosed is the "Alaska 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 Alaska Medicaid program. In past surveys performed by Myers and Stauffer LC, most pharmacy chains have preferred to respond to the survey in electronic format.

We have also enclosed a list of your pharmacies which participate in the Alaska Medicaid program. Pharmacy information is presented as shown in records from DHSS. If this list is inaccurate, please notify Myers and Stauffer LC.

It is very important that all pharmacies cooperate fully by filing an accurate cost survey. Pharmacies are encouraged to return the required information as soon as possible, **but forms must be returned no later than August 27, 2019.**

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 and any additional stores/locations that participate in the Alaska Medicaid program using an Excel spreadsheet template provided by Myers and Stauffer LC. To obtain the Excel spreadsheet, send a request by email to disp_survey@mslc.com or contact Myers and Stauffer LC staff directly (contact information below). Surveys that are completed electronically may be submitted via email or contact Myers and Stauffer for access to our Secure File Transfer Protocol portal.

If you prefer to respond in a paper format:

You must submit a completed survey for each store on the attached list and any additional stores/locations that participate in the Alaska Medicaid program. You may make copies of the enclosed survey form as needed or contact Myers and Stauffer LC and request additional copies of the survey form. Please send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
Attn: Alaska Medicaid Pharmacy Cost of Dispensing Survey
700 W. 47th Street, Suite 1100
Kansas City, MO 64112

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

Whether you complete the survey in 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.

Participation in the survey is **mandatory** per Alaska Medicaid regulations at 7 AAC 105.400 (27) and 7 AAC 145.410(c). Pharmacies are encouraged to return the required information as soon as possible, **but forms must be returned no later than August 27, 2019.**

It is very important that pharmacies respond with accurate information. All submitted surveys will be reviewed and validated by staff at Myers and Stauffer LC. If the review yields the need for additional inquiries, Myers and Stauffer LC staff will contact you. A random sample of pharmacies will be selected for further validation procedures. Pharmacies will be notified upon selection for additional validation procedures and the documentation that will need to be submitted.

Cost of dispensing surveys and supporting documentation submitted to Myers and Stauffer LC for this project will remain strictly confidential.

Myers and Stauffer LC will be conducting informational meetings via telephonic/internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer LC will present more details about the survey process, discuss what information is being requested and answer any questions about regarding the survey form. Please

July 23, 2019

Page 3 of 3

refer to the enclosed information meeting flyer for further information on the dates and times of these webinar meetings and instructions for registration.

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,



Matt Hill, CPA, CPhT
Manager
Myers and Stauffer, LC
Email: mhill@mslc.com

Enclosures: Letter from the Alaska Department of Health and Social Services
Alaska Medicaid Pharmacy Cost of Dispensing Survey Form
List of Pharmacies that participate in the Alaska Medicaid program
Myers and Stauffer LC Business Reply Label
Informational Meeting Invitation

Exhibit 3c

Letter from Myers and Stauffer LC

Regarding Pharmacy Dispensing Cost

Survey (I/T/U Pharmacies)



July 23, 2019

Re: Alaska Department of Health and Social Services - Pharmacy Cost of Dispensing Survey

Dear Provider:

The Alaska Department of Health and Social Services (DHSS) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the professional dispensing fee component of the Alaska Medicaid pharmacy reimbursement. All pharmacies enrolled in the Alaska Medicaid pharmacy program are required to participate in the survey.

Your organization is receiving this survey because it has been identified as having one or more pharmacies that are enrolled in the Alaska Medicaid program. We have enclosed a list of pharmacies that participate in the Alaska Medicaid pharmacy program for providers that have more than one pharmacy associated with their organization. If this list is inaccurate, please notify Myers and Stauffer LC.

Enclosed is the "Alaska Medicaid Pharmacy Cost of Dispensing Survey" form. You may respond to the survey using either a paper or electronic format. The enclosed survey form is for a single location and you will need to submit survey information for each pharmacy that participates in the Alaska Medicaid program.

It is very important that all organization which operate pharmacies enrolled in the Alaska Medicaid program cooperate fully by filing an accurate cost survey. You are encouraged to return the required information as soon as possible, **but forms must be returned no later than August 27, 2019.**

Prior to finalizing the survey instrument, Myers and Stauffer held several meetings with stakeholders representing Alaska pharmacies and Alaska Native health organizations. We understand that organizations which focus on the provision of health care services to Alaska Natives may have unique challenges to complete the pharmacy cost of dispensing survey. For example, the accounting system associated with the pharmacy which operates within your organization may be only one component of a larger accounting system encompassing the entire organization. The intention of the pharmacy cost of dispensing survey is to capture both the direct and indirect costs associated with the dispensing of prescription medications to Alaska Medicaid members. It is recognized that in addition to capturing expenses directly assigned within your accounting system to the pharmacy

department, some reasonable allocations of administrative and other organization functions may be needed. The survey form includes allowances for such reasonable allocations and Myers and Stauffer is available to assist each organization as needed (a toll-free phone number and email address is included below).

During previous meetings with representatives of tribal health organizations, several costs incurred which may be specific to your organizations were referenced. The cost of dispensing survey is intended to collect all actual costs incurred that are associated with dispensing prescriptions to Alaska Medicaid members. Specific issues, along with instructions for reporting on the survey, are included below.

- **Locum tenens:** Pharmacists salaries and benefits for locum tenens should be reported on page 5 of the survey. Other costs associated with locum tenens, such as room and board, should be included on page 7 of the survey tool and identified as such so they are appropriately allocated to the cost of dispensing.
- **Recruiting and training:** Costs for recruiting pharmacy staff, moving, housing and training should be included on the appropriate lines on pages 6 or 7 of the survey tool.
- **Pharmacist position vacancies:** Additional costs associated with pharmacist vacancies, such as paying overtime to current staff, should already be captured through the reporting of salaries and benefits on page 5 of the survey. Additional costs for locum tenens and recruiting should be accounted for as described above. Additionally, lines 17 and 18 of page 5 allow for the reporting of unfilled pharmacist positions.
- **Non-traditional dispensing locations:** If your organization operates a central fill pharmacy with prescriptions dispensed at remote clinic locations by Community Health Aids (CHA) or other staff, please review and complete Appendix C of the survey. Costs associated with freight to deliver prescriptions from a central fill pharmacy to a remote location should be reported with other overhead expenses through page 7 of the survey and identified as such so they are appropriately allocated to the cost of dispensing.

If you prefer to respond in an electronic format:

You will still be required to submit survey data for each pharmacy on the attached list (if you have multiple pharmacies) and any additional pharmacies that participate in the Alaska Medicaid program using an Excel spreadsheet template provided by Myers and Stauffer LC. To obtain the Excel spreadsheet, send a request by email to

disp_survey@mslc.com or contact Myers and Stauffer LC staff directly (contact information below). Surveys that are completed electronically may be submitted via email or contact Myers and Stauffer for access to our Secure File Transfer Protocol portal.

If you prefer to respond in a paper format:

You must submit a completed survey for each pharmacy on the attached list (if you have multiple pharmacies) and **any additional pharmacies** that participate in the Alaska Medicaid program. You may make copies of the enclosed survey form as needed or contact Myers and Stauffer LC and request additional copies of the survey form. Please send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
Attn: Alaska Medicaid Pharmacy Cost of Dispensing Survey
700 W. 47th Street, Suite 1100
Kansas City, MO 64112

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

Whether you complete the survey in 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.

Participation in the survey is **mandatory** per Alaska Medicaid regulations at 7 AAC 105.400 (27) and 7 AAC 145.410(c). Providers are encouraged to return the required information as soon as possible, **but forms must be returned no later than August 27, 2019.**

It is very important that providers respond with accurate information. All submitted surveys will be reviewed and validated by staff at Myers and Stauffer LC. If the review yields the need for additional inquiries, Myers and Stauffer LC staff will contact you. A random sample of pharmacies will be selected for further validation procedures. Providers will be notified upon selection for additional validation procedures and the documentation that will need to be submitted.

Cost of dispensing surveys and supporting documentation submitted to Myers and Stauffer LC for this project will remain strictly confidential.

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

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,



Matt Hill
Manager
Myers and Stauffer, LC
Email: mhill@mslc.com

Enclosures: Letter from the Alaska Department of Health and Social Services
Alaska Medicaid Pharmacy Cost of Dispensing Survey Form
List of Pharmacies that participate in the Alaska Medicaid program
Myers and Stauffer LC Business Reply Label
Informational Meeting Invitation

Exhibit 4a
Informational Meeting Flyer
(Independent and Chain and Pharmacies)

Informational Meetings

Alaska Department of Health and Social Services

Pharmacy Cost of Dispensing Survey

The Alaska Department of Health and Social Services (DHSS) is conducting a pharmacy cost of dispensing survey. The survey results will be used to evaluate the Alaska Medicaid pharmacy reimbursement methodology.

DHSS has engaged Myers and Stauffer LC to perform the pharmacy cost of dispensing study. To help prepare pharmacy owners and managers to participate in the survey, Myers and Stauffer LC, will be conducting informational meetings via telephonic/internet-based webinars. At these meetings, Myers and Stauffer LC will present more details about the survey process, discuss what information is being requested and answer questions regarding the survey form.

Pharmacies are invited to attend one of the informational meetings. **Attendance at one of the webinar sessions requires a reservation.** Please call or email Myers and Stauffer LC for a reservation and further meeting details.

If you are unable to attend a webinar you can access a recording of the webinar at: <http://manuals.medicalalaska.com/docs/pharmacy.htm>

If you have questions about the survey, Myers and Stauffer LC offers a help desk to answer survey questions.

To reach Myers and Stauffer LC:

1-800-374-6858

-or-

disp_survey@mslc.com

Schedule of Informational Meetings (via telephone and Internet)

Date	Time (Alaska)
Thursday August 1, 2019	8:00 AM – 9:00 AM
Tuesday August 6, 2019	4:00 PM – 5:00 PM



Exhibit 4b

**Informational Meeting Flyer (Indian
Health Services Affiliated pharmacies)**

Informational Meetings

Alaska Department of Health and Social Services

Pharmacy Cost of Dispensing Survey

The Alaska Department of Health and Social Services (DHSS) is conducting a pharmacy cost of dispensing survey. The survey results will be used to evaluate the Alaska Medicaid pharmacy reimbursement methodology.

DHSS has engaged Myers and Stauffer LC to perform the pharmacy cost of dispensing study. To help prepare Indian Health Service/Tribal/Urban Indian Health organizations to participate in the survey, Myers and Stauffer LC, will be conducting an informational meeting via telephonic/internet-based webinar. At this meeting, Myers and Stauffer LC will present more details about the survey process, discuss what information is being requested and answer questions regarding the survey form.

Indian Health Service/Tribal/Urban Indian Health organizations are invited to attend the informational meeting. **Attendance at the webinar session requires a reservation.** Please call or email Myers and Stauffer LC for a reservation and further meeting details.

If you are unable to attend the webinar you can access a recording of the webinar at: <http://manuals.medicalalaska.com/docs/pharmacy.htm>

If you have questions about the survey, Myers and Stauffer LC offers a help desk to answer survey questions.

To reach Myers and Stauffer LC:

1-800-374-6858

-or-

disp_survey@mslc.com

Schedule of Informational Meetings (via telephone and Internet)

Date	Time (Alaska)
Thursday August 1, 2019	1:00 PM – 2:00 PM



Exhibit 5
First Survey Reminder Letter



REMINDER

August 9, 2019

Re: Alaska Department of Health and Social Services - Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Alaska Department of Health and Social Services (DHSS) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the professional dispensing fee component of the Alaska Medicaid pharmacy program. All pharmacies enrolled in the Alaska Medicaid pharmacy program are required to participate in the survey.

Approximately two weeks ago, you should have received a letter from DHSS, Myers and Stauffer, and a copy of the Alaska Medicaid pharmacy cost of dispensing survey. According to our records, a completed survey has not yet been received from your pharmacy. This letter serves as a reminder that the survey due date is approaching. Please submit your completed survey as soon as possible, but no later than August 27, 2019.

Participation in the survey is **mandatory** per Alaska Medicaid regulations at 7 AAC 105.400 (28) and 7 AAC 145.410(c). The submission of accurate information is critical to ensuring correct establishment of rates (see 7 AAC 105.400(27)). Pharmacies are encouraged to return the requested information as soon as possible, **but forms must be returned no later than August 27, 2019.**

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer. If you have any questions regarding the survey or need the Excel version of the survey, please contact Myers and Stauffer toll free at (800) 374-6858 or via email to disp_survey@mslc.com.

If you have recently submitted your survey to Myers and Stauffer, we thank you for your participation. 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.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Hill'.

Matt Hill
Manager
Myers and Stauffer, LC
Email: mhill@mslc.com

Exhibit 6
Second Survey Reminder / Extension
Letter



FINAL REMINDER

August 16, 2019

Re: Alaska Department of Health and Social Services - Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Alaska Department of Health and Social Services (DHSS) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the professional dispensing fee component of the Alaska Medicaid pharmacy program. All pharmacies enrolled in the Alaska Medicaid pharmacy program 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 August 27, 2019. According to our records, a completed survey has not yet been received from your pharmacy.

Participation in the survey is **mandatory** per Alaska Medicaid regulations at 7 AAC 105.400 (28) and 7 AAC 145.410(c). The submission of accurate information is critical to ensuring correct establishment of rates (see 7 AAC 105.400(27)).

Be advised that in accordance with 7 AAC 145.410(c), pharmacies that do not meet the initial deadline for submission of a completed cost of dispensing survey of August 27, 2019 are subject to having their professional dispensing fee reduced by DHSS to \$3.45. Reductions to the professional dispensing fee would apply until a completed cost of dispensing survey has been submitted. Furthermore, pharmacies that do not submit a completed cost of dispensing survey may be subject to sanctions by DHSS as provided under 7 AAC 105.400 to 7 AAC 105.490.

In an effort to ensure representation of all Alaska Medicaid enrolled pharmacies within the current cost of dispensing survey, Myers and Stauffer has been instructed by DHSS to continue to accept surveys through September 10, 2019.

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer. If you have any questions regarding the survey or need the Excel version of the survey, please contact Myers and Stauffer toll free at (800) 374-6858 or via email to disp_survey@mslc.com.

Alaska Department of Health and Social Services- Pharmacy Cost of Dispensing Survey

August 16, 2019

Page 2 of 2

If you have recently submitted your survey to Myers and Stauffer, we thank you for your participation. 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.

Sincerely,

A handwritten signature in black ink, appearing to read "MATT HILL".

Matt Hill
Manager
Myers and Stauffer, LC
Email: mhill@mslc.com

Exhibit 7a

Supplemental Desk Review Notification

Letter (Independent Pharmacies)



September 5, 2019

NPI: «NPI»
«Provider_Name»
«add1»
«city», «state» «zip»

Re: Alaska Medicaid Pharmacy Cost of Dispensing Survey Validation Procedures

Dear Pharmacy Provider:

The Alaska Department of Health and Social Services 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 prescribed medications to Alaska Medicaid participants.

The Department of Health and Social Services has included a quality assurance component to the survey process to ensure that accurate data is received from pharmacies. Accordingly, Myers and Stauffer is required to obtain supporting documentation from a sample of pharmacies to review and compare against submitted survey data.

Your pharmacy has been selected for this level of review. You are required to submit the following documentation to Myers and Stauffer:

- A store-specific financial statement that details sales and expenses for the fiscal year reported on the survey. Alternatively, a federal tax return may be submitted if the tax return reports financial data for only one store. If you submit a tax return, you must include any supporting schedules associated with your tax return. For pharmacies that are organized as a sole proprietorship, if you opt to send a tax return, please send only the business portion of the tax return (i.e., Form 1040 Schedule C). [INSERT OPTIONAL LANGUAGE IF FINANCIAL STATEMENT OR TAX RETURN WAS ALREADY SUBMITTED: **Since you previously sent a financial statement and/or a tax return with your survey submission, you are not required to submit any additional information to meet this requirement.**]
- Prescription reports to verify the total number of prescriptions dispensed during the time period corresponding to the fiscal year reported on the survey.
- A copy of a store diagram or blueprint or other documentation to support calculations that were made to determine the total store and pharmacy only square footage reported on the cost of dispensing survey.

- Invoices or other documentation to support the freight charges reported on Appendix B. Submit documentation for month 1, month 2, and month 3.
- Any other work papers relied upon to complete the cost of dispensing survey which are necessary to reconcile the above records to the information submitted on the cost of dispensing survey.

Documentation should be submitted within ten days of the date of this letter.

Documentation may be sent via email to disp_survey@mslc.com or fax to 816.945.5301.

Alternatively, documentation may be submitted by mail to:

Myers and Stauffer LC
Certified Public Accountants
Attention: Alaska Pharmacy Cost of Dispensing Survey
700 W. 47th St., Suite 1100
Kansas City, MO 64112

If you have any questions concerning the desk review process, please call Myers and Stauffer toll free at 800.374.6858 or send an email to disp_survey@mslc.com. Your cooperation with this survey process is greatly appreciated.

Sincerely,



Matt Hill
Manager
Myers and Stauffer, LC
Email: mhill@mslc.com

Exhibit 7b

Supplemental Desk Review Notification

Letter (Chain Pharmacies)



September 5, 2019

Chain Provider Name:
Attn:
Address
City, State Zip Code

Re: Alaska Medicaid Pharmacy Cost of Dispensing Survey Validation Procedures

Dear Pharmacy Provider:

The Alaska Department of Health and Social Services has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the cost associated with dispensing prescribed medications to Alaska Medicaid participants.

The Department of Health and Social Services has included a quality assurance component to the survey process to ensure that accurate data is received from pharmacies. Accordingly, Myers and Stauffer is required to obtain supporting documentation from a sample of pharmacies to review and compare against submitted survey data.

The following pharmacies associated with your chain have been selected for this review:

You are required to submit the following documentation to Myers and Stauffer:

- A store-specific financial statement that details sales and expenses for the fiscal year reported on the survey.
- Prescription reports to verify the total number of prescriptions dispensed during the time period corresponding to the fiscal year reported on the survey.
- A copy of a store diagram or blueprint or other documentation to support calculations that were made to determine the total shore and pharmacy only square footage reported on the cost of dispensing survey.
- Any other work papers relied upon to complete the cost of dispensing survey which are necessary to reconcile the above records to the information submitted on the cost of dispensing survey.

Documentation should be submitted within ten days of the date of this letter.

Documentation may be sent via email to disp_survey@mslc.com or fax to 816.945.5301.

Alternatively, documentation may be submitted by mail to:

Myers and Stauffer LC
Certified Public Accountants
Attention: Alaska Pharmacy Cost of Dispensing Survey
700 W. 47th St., Suite 1100
Kansas City, MO 64112

If you have any questions concerning the desk review process, please call Myers and Stauffer toll free at 800.374.6858 or send an email to disp_survey@mslc.com. Your cooperation with this survey process is greatly appreciated.

Sincerely,



Matt Hill
Manager
Myers and Stauffer, LC
Email: mhill@mslc.com

Exhibit 8
Summary of Supplemental Desk
Review Findings

Summary of Supplemental Review Findings

Alaska Department of Health and Social Services

Assigned Number	Exceptions and Comments	Dispensing Cost per Prescription (Increase / Decrease)		
		Original	Revised	
AK03691	Adjusted prescription count to supporting documentation.	\$14.82	\$14.79	(\$0.03)
AK07602	Adjusted prescription count to supporting documentation.	\$22.19	\$20.54	(\$1.65)
AK08373	Adjusted overhead expenses to supporting documentation.	\$12.54	\$12.82	\$0.28
AK01963	Adjusted overhead expenses to supporting documentation.	\$12.68	\$13.22	\$0.54
AK01105	Adjusted overhead expenses to supporting documentation.	\$11.94	\$12.19	\$0.25
AK08170	No changes noted.	\$107.30	\$107.30	\$0.00
AK03785	No changes noted.	\$1,364.90	\$1,364.90	\$0.00
AK07059	No changes noted.	\$24.84	\$24.84	\$0.00
AK05113	Adjusted prescription count, labor expenses, overhead expenses and freight to supporting documentation.	\$208.75	\$211.07	\$2.32
AK04632	Adjusted prescription count, labor expense, and overhead expenses to supporting documentation.	\$136.63	\$67.45	(\$69.18)
AK07731	No changes noted.	\$17.21	\$17.21	\$0.00
AK00439	Adjusted prescription count, sales, labor expense, and overhead expenses to supporting documentation.	\$7.84	\$11.46	\$3.62
AK07443	Adjusted overhead expenses to supporting documentation.	\$20.29	\$17.71	(\$2.58)
AK02106	Adjusted prescription count, sales, labor expense, and overhead expenses to supporting documentation.	\$11.48	\$11.73	\$0.25
AK08519	Adjusted prescription count, sales, labor expense, and overhead expenses to supporting documentation.	\$11.72	\$11.90	\$0.18
AK02090	Adjusted prescription count, sales, labor expense, and overhead expenses to supporting documentation.	\$10.58	\$10.76	\$0.18
AK04791	Adjusted overhead and labor expenses to supporting documentation.	\$15.84	\$16.77	\$0.93
AK07155	Adjusted overhead and labor expenses to supporting documentation.	\$15.82	\$15.75	(\$0.07)
AK09688	Adjusted overhead and labor expenses to supporting documentation.	\$12.11	\$11.43	(\$0.68)
AK07599	Adjusted overhead and labor expenses to supporting documentation.	\$11.42	\$9.72	(\$1.70)
Mean Change per Pharmacy				(\$3.37)
Standard Deviation				\$15.55
Number of Pharmacies				20
95% Confidence Interval for Mean Change Due to Supplemental Reviews				
Lower Bound				(\$10.18)
Upper Bound				\$3.45

Exhibit 9
Table of Inflation Factors for
Dispensing Cost Survey
Non I/T/U pharmacies

Table of Inflation Factors for Dispensing Cost Survey
Alaska Department of Health and Social Services

Fiscal Year End Date	Midpoint Date	Midpoint Index ¹	Terminal Month Index (12/31/2019) ¹	Inflation Factor	Number of Stores with Year End Date
12/31/2017	6/30/2017	129.7	137.0	1.056	1
1/31/2018	7/31/2017	130.0	137.0	1.054	0
2/28/2018	8/31/2017	130.3	137.0	1.051	0
3/31/2018	9/30/2017	130.6	137.0	1.049	0
4/30/2018	10/31/2017	130.9	137.0	1.047	0
5/31/2018	11/30/2017	131.1	137.0	1.045	0
6/30/2018	12/31/2017	131.4	137.0	1.043	1
7/31/2018	1/31/2018	131.8	137.0	1.039	0
8/31/2018	2/28/2018	132.1	137.0	1.037	12
9/30/2018	3/31/2018	132.5	137.0	1.034	0
10/31/2018	4/30/2018	132.8	137.0	1.032	0
11/30/2018	5/31/2018	133.0	137.0	1.030	0
12/31/2018	6/30/2018	133.3	137.0	1.028	42
1/31/2019	7/31/2018	133.6	137.0	1.025	9
2/28/2019	8/31/2018	134.0	137.0	1.022	22
3/31/2019	9/30/2018	134.3	137.0	1.020	2
4/30/2019	10/31/2018	134.6	137.0	1.018	3
5/31/2019	11/30/2018	134.9	137.0	1.016	0
6/30/2019	12/31/2018	135.2	137.0	1.013	1

Total Number of Stores	93
-------------------------------	-----------

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 December 31, 2019 (specifically from the midpoint of the pharmacy's fiscal year to June 30, 2019 which is the midpoint of the fiscal period ending December 31, 2019).

Exhibit 10
Histogram of Pharmacy Dispensing Cost
Non I/T/U pharmacies

Histogram of Pharmacy Dispensing Cost

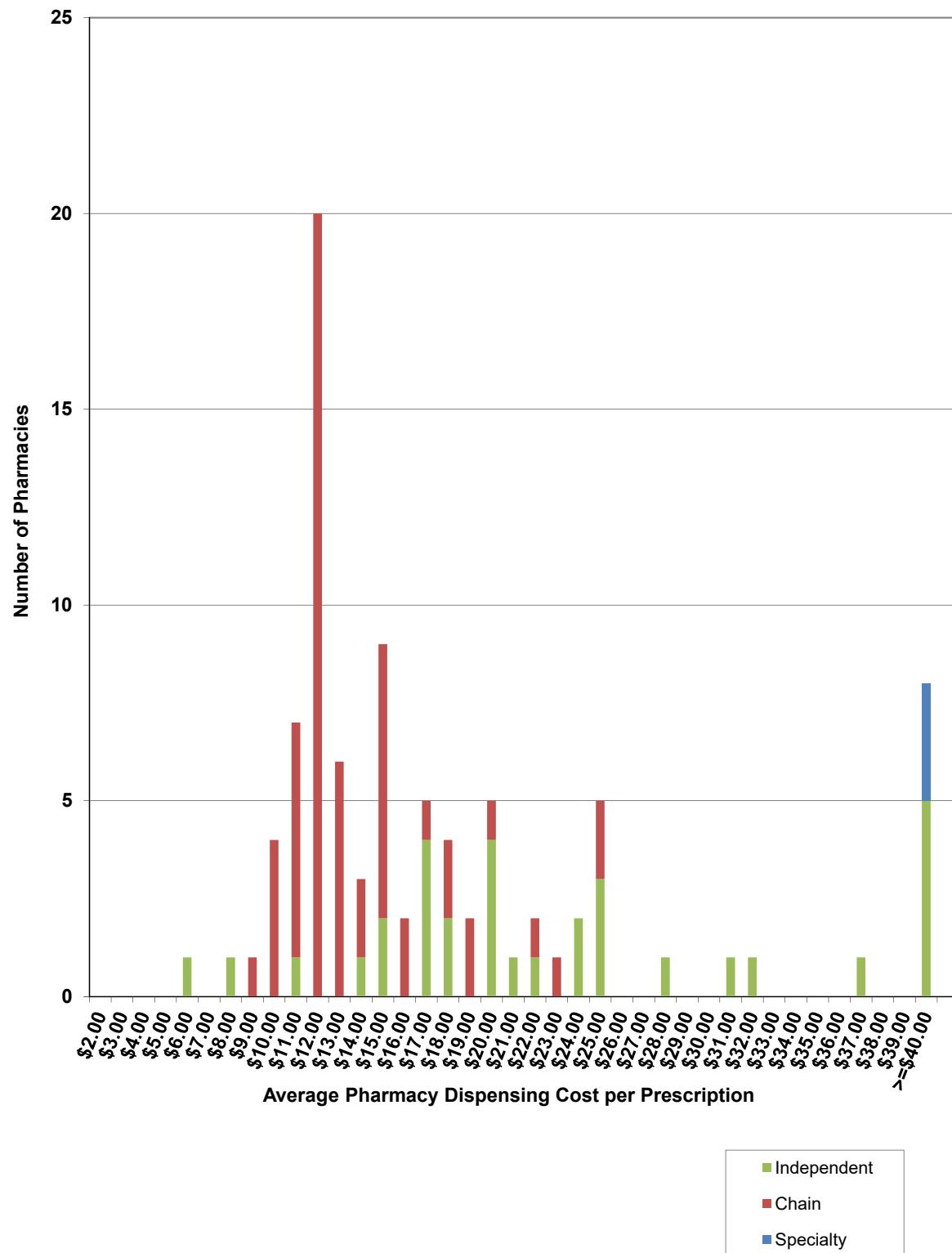


Exhibit 11a
Pharmacy Cost of Dispensing Survey
Data - Statistical Summary
Non I/T/U pharmacies

Pharmacy Cost of Dispensing Survey
Statistical Summary (Non I/T/U pharmacies)
Alaska Department of Health and Social Services

Characteristic	Pharmacy Dispensing Cost per Prescription ¹											Other Statistics		
	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Measurements of Central Tendency			Medians							
				Means		Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Standard Deviation	95% Confidence Interval for Mean (based on Student t)		t Value (with n-1 degrees of freedom)
Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Mean	Weighted by Total Rx Volume							Lower Bound	Upper Bound	
All Pharmacies in Sample	93	50,996	10,502	\$36.51	\$15.71	\$16.24	\$15.52	\$12.82	\$12.86	\$141.52	\$7.36	\$65.65	1.99	
Non Specialty Pharmacies ²	90	52,525	10,784	\$19.02	\$15.18	\$15.27	\$15.34	\$12.82	\$12.86	\$12.96	\$16.30	\$21.73	1.99	
Specialty Pharmacies ²	3	5,132	2,034	\$561.08	\$179.90	\$170.20	\$211.07	\$107.30	\$107.30	\$698.04	(\$1,173.00)	\$2,295.10	4.30	
Non Specialty Pharmacies Only														
Affiliation:														
Chain	58	63,681	12,998	\$14.36	\$13.27	\$13.40	\$12.89	\$12.45	\$12.45	\$3.64	\$13.40	\$15.32	2.00	
Independent	32	32,303	6,771	\$27.46	\$21.98	\$21.76	\$20.94	\$20.46	\$20.46	\$18.54	\$20.78	\$34.15	2.04	
Location (Urban vs. Rural): ⁴														
In State Urban	36	58,546	11,730	\$16.17	\$14.94	\$15.41	\$13.11	\$12.82	\$12.86	\$6.86	\$13.85	\$18.49	2.03	
In State Rural	54	48,511	10,153	\$20.92	\$15.37	\$15.16	\$15.74	\$12.58	\$12.47	\$15.56	\$16.67	\$25.16	2.01	
Location (Road System)														
On Road System	73	57,089	11,840	\$16.16	\$14.44	\$14.55	\$14.20	\$12.54	\$12.54	\$6.21	\$14.71	\$17.61	1.99	
Off Road System	17	32,923	6,248	\$31.28	\$20.68	\$21.13	\$20.46	\$15.75	\$15.75	\$23.75	\$19.07	\$43.50	2.12	
Non Specialty Pharmacies Only														
Annual Rx Volume:														
0 to 32,999	30	21,685	4,152	\$27.70	\$23.23	\$23.17	\$20.45	\$20.12	\$20.12	\$19.01	\$20.60	\$34.79	2.05	
33,000 to 59,499	29	44,593	9,561	\$16.21	\$15.87	\$16.30	\$15.22	\$14.20	\$14.80	\$4.56	\$14.48	\$17.95	2.05	
59,500 and Higher	31	89,789	18,347	\$13.25	\$12.98	\$13.04	\$12.32	\$12.19	\$12.19	\$3.54	\$11.95	\$14.55	2.04	
Annual Medicaid Rx Volume: ⁵														
0 to 5,499	29	25,727	3,212	\$27.27	\$21.22	\$23.26	\$19.09	\$17.68	\$18.30	\$19.56	\$19.83	\$34.71	2.05	
5,500 to 11,999	30	45,012	8,244	\$15.91	\$15.04	\$15.64	\$14.50	\$12.92	\$14.20	\$4.91	\$14.08	\$17.74	2.05	
12,000 and Higher	31	84,863	20,325	\$14.31	\$13.53	\$13.94	\$12.58	\$12.47	\$12.47	\$4.46	\$12.68	\$15.95	2.04	

Pharmacy Cost of Dispensing Survey
Statistical Summary (Non I/T/U pharmacies)
Alaska Department of Health and Social Services

Characteristic	Pharmacy Dispensing Cost per Prescription ¹											Other Statistics							
	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Measurements of Central Tendency			Medians			Weighted by Total Rx Volume									
				Means															
				Mean	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Standard Deviation	Lower Bound	Upper Bound			t Value (with n-1 degrees of freedom)				
Non Specialty Pharmacies Only																			
Medicaid Utilization Ratio: ⁵																			
0.0% to 16.49%	33	52,636	6,629	\$17.30	\$14.21	\$13.91	\$14.20	\$12.54	\$12.54	\$10.41	\$13.61	\$20.99	2.04						
16.50% to 21.99%	25	48,759	9,572	\$21.35	\$17.38	\$17.29	\$15.60	\$15.22	\$15.22	\$12.92	\$16.01	\$26.68	2.06						
22.00% and Higher	32	55,352	16,016	\$18.97	\$14.61	\$14.91	\$15.08	\$12.47	\$12.47	\$15.29	\$13.46	\$24.49	2.04						
Institutional:																			
LTC Institutional Pharmacies ⁶	5	21,353	2,248	\$32.96	\$27.58	\$29.06	\$24.66	\$24.66	\$20.46	\$23.73	\$3.49	\$62.43	2.78						
Non-LTC Institutional Pharmacies ⁶	85	54,358	11,286	\$18.20	\$14.89	\$15.11	\$15.22	\$12.80	\$12.82	\$11.79	\$15.66	\$20.74	1.99						
Unit Dose:																			
Does dispense unit dose	7	26,117	5,222	\$29.72	\$25.44	\$25.85	\$24.66	\$24.66	\$25.73	\$20.29	\$10.96	\$48.49	2.45						
Does not dispense unit dose	83	54,752	11,253	\$18.12	\$14.76	\$14.86	\$14.80	\$12.80	\$12.80	\$11.90	\$15.52	\$20.72	1.99						
Provision of Compounding Services																			
Provides compounding (>=10% of Rx's)	2	52,350	10,755	\$27.29	\$24.46	\$24.00	\$27.29	\$22.88	\$22.88	\$6.23	(\$28.69)	\$83.26	12.71						
Compounding <10% of Rx's	88	52,529	10,785	\$18.83	\$14.97	\$15.07	\$15.27	\$12.80	\$12.82	\$13.03	\$16.07	\$21.59	1.99						
340B Pharmacy Status																			
Participates in 340B and provides 340B pricing to Medicaid	4	30,668	8,928	\$18.21	\$16.27	\$18.73	\$19.43	\$18.30	\$25.07	\$6.81	\$7.37	\$29.04	3.18						
Does not participate in 340B or does not provide 340B pricing to Medicaid	86	53,541	10,870	\$19.06	\$15.15	\$15.14	\$15.27	\$12.82	\$12.82	\$13.20	\$16.23	\$21.89	1.99						

Notes:

1) All pharmacy dispensing costs are inflated to the common point of 6/30/2019 (i.e., midpoint of a fiscal year ending 12/31/2019).

2) For purposes of this report a "specialty pharmacy" is one that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 50% or more of total prescription sales.

3) For the purposes of this report, specialty pharmacies were divided into three categories: clotting factor, infusion specialty, and other specialty. Separate results for these categories of specialty pharmacies are not displayed on this report due to categories that only included a single pharmacy that submitted a survey.

4) 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.

5) Medicaid volume is based on Alaska Medicaid volume for the time period of January 1, 2018 to December 31, 2018.

6) For purposes of this report an "LTC Institutional Pharmacy" is one that reported dispensing 25% or more of prescriptions to long-term care facilities.

7) For purposes of this report a provider that dispensed customized patient medication packaging is one that reported 25% or more of prescription in this manner.

Exhibit 11b
Pharmacy Cost of Dispensing Survey
Data - Statistical Summary
I/T/U Pharmacies

Pharmacy Cost of Dispensing Survey
Statistical Summary for I/T/U Pharmacies
Alaska Department of Health and Social Services

Characteristic	Pharmacy Dispensing Cost per Prescription ¹											Other Statistics		
	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Measurements of Central Tendency			Medians							
				Means		Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Standard Deviation	95% Confidence Interval for Mean (based on Student t)		t Value (with n-1 degrees of freedom)
Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Mean	Weighted by Total Rx Volume				Weighted by Total Rx Volume			Lower Bound	Upper Bound	
All I/T/U Pharmacies in Sample	23	79,170	16,390	\$46.16	\$40.89	\$41.19	\$28.21	\$28.21	\$28.78	\$46.49	\$26.06	\$66.26	2.07	
Location (Urban vs. Rural):²	Urban	6	126,877	29,120	\$28.43	\$25.36	\$25.78	\$27.67	\$26.55	\$26.55	\$11.60	\$16.26	\$40.60	2.57
	Rural	17	62,332	11,897	\$52.42	\$52.05	\$54.50	\$28.21	\$32.16	\$32.81	\$52.63	\$25.36	\$79.48	2.12
Location (Road System)	On Road System	9	112,894	24,408	\$34.24	\$26.44	\$26.67	\$28.78	\$28.21	\$28.21	\$18.58	\$19.95	\$48.52	2.31
	Off Road System	14	57,490	11,235	\$53.82	\$59.14	\$61.47	\$27.86	\$40.54	\$67.09	\$57.30	\$20.74	\$86.91	2.16
Annual Rx Volume:	0 to 32,999	7	14,054	3,408	\$35.20	\$27.74	\$28.75	\$27.77	\$25.93	\$27.77	\$20.25	\$16.47	\$53.93	2.45
	33,000 to 59,499	7	50,083	8,125	\$78.41	\$75.22	\$81.64	\$40.54	\$40.54	\$40.54	\$73.79	\$10.16	\$146.65	2.45
	59,500 and Higher	9	152,438	32,915	\$29.60	\$33.06	\$34.42	\$26.69	\$28.21	\$28.21	\$15.14	\$17.97	\$41.24	2.31
Annual Medicaid Rx Volume: ³	0 to 5,499	7	20,707	2,692	\$47.06	\$60.52	\$42.74	\$27.77	\$27.77	\$25.93	\$34.56	\$15.10	\$79.03	2.45
	5,500 to 11,999	8	47,084	9,108	\$60.46	\$57.41	\$64.78	\$35.20	\$32.81	\$37.58	\$70.96	\$1.14	\$119.78	2.36
	12,000 and Higher	8	162,411	35,657	\$31.07	\$33.91	\$35.06	\$27.45	\$28.21	\$28.21	\$15.48	\$18.13	\$44.01	2.36
Medicaid Utilization Ratio: ³	0.0% to 16.49%	6	81,287	11,386	\$38.38	\$35.67	\$29.64	\$27.08	\$28.21	\$28.21	\$35.84	\$0.77	\$76.00	2.57
	16.50% to 21.99%	10	51,571	10,074	\$32.61	\$31.17	\$30.49	\$29.97	\$32.16	\$27.77	\$14.24	\$22.42	\$42.80	2.26
	22.00% and Higher	7	116,782	29,701	\$72.18	\$50.14	\$50.17	\$45.21	\$28.78	\$28.78	\$73.44	\$4.26	\$140.10	2.45

Notes:

1) All pharmacy dispensing costs are inflated to the common point of 6/30/2019 (i.e., midpoint of a fiscal year ending 12/31/2019).

2) 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.

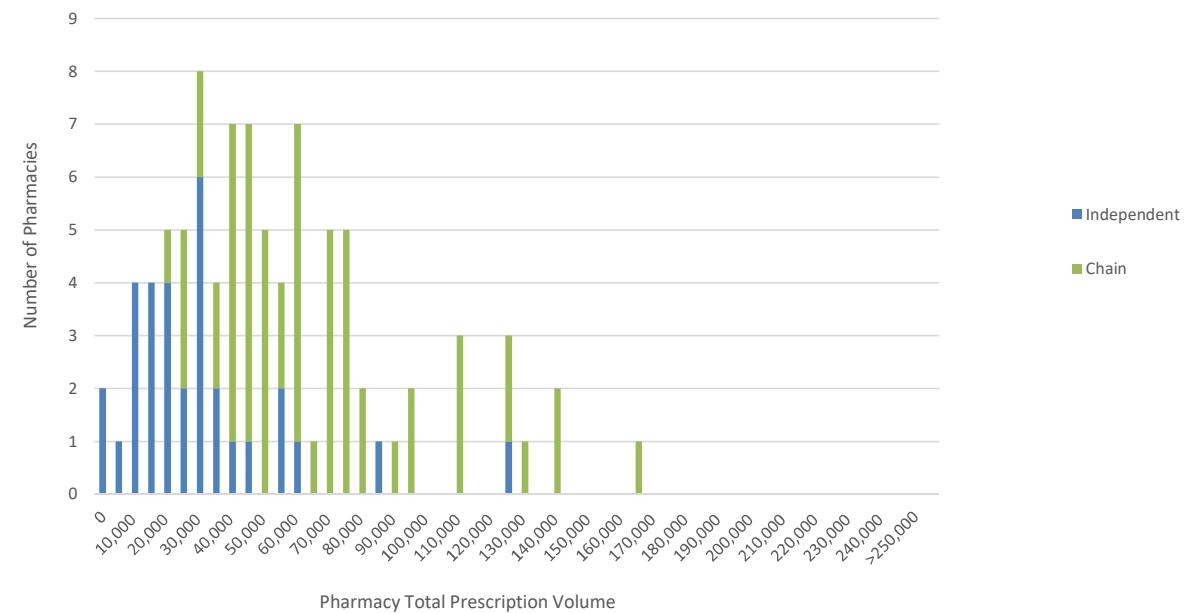
3) Medicaid volume is based on Alaska Medicaid volume for the time period of January 1, 2018 to December 31, 2018.

Exhibit 12
**Charts Relating to Pharmacy Total
Prescription Volume:**

**A: Histogram of Pharmacy Total
Prescription Volume
Non I/T/U pharmacies**

**B: Scatter-Plot of Relationship between
Dispensing Cost per Prescription and
Total Prescription Volume
Non I/T/U pharmacies**

Histogram of Pharmacy Total Prescription Volume



Scatter Plot of Relationship Between Dispensing Cost per Prescription and Total Prescription Volume

(Excludes specialty and IHS affiliated pharmacies; Total Prescription Volume < 200,000)

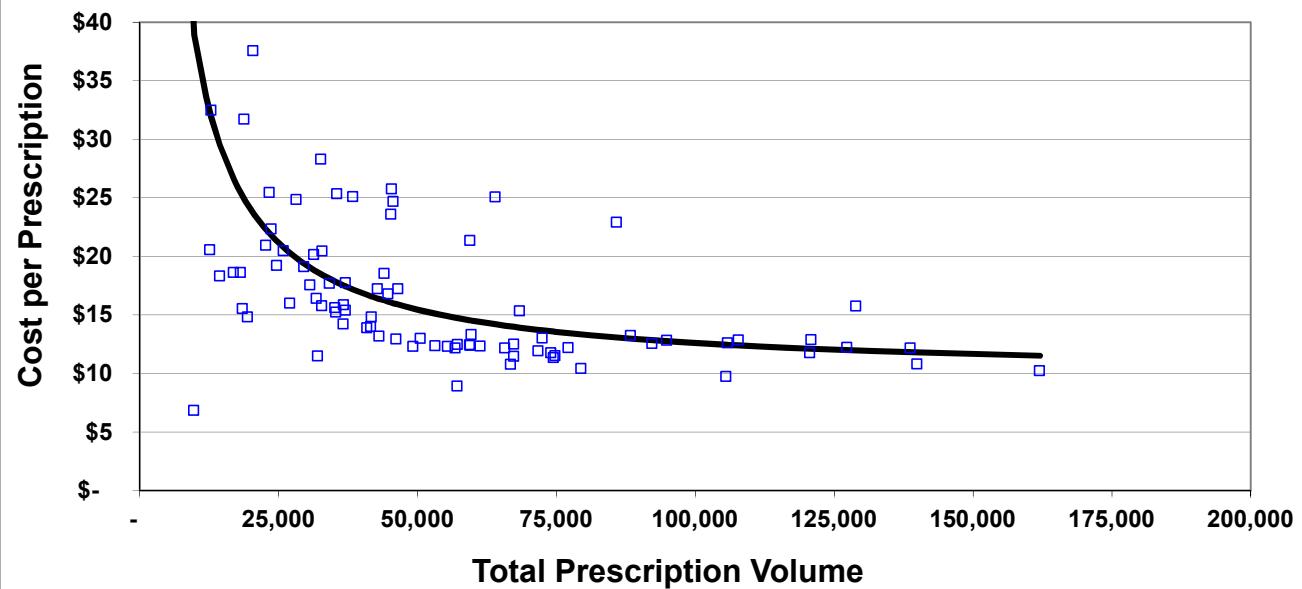


Exhibit 13
Chart of Components of Cost of
Dispensing per Prescription
Non I/T/U pharmacies

Chart of Components of Dispensing Cost per Prescription

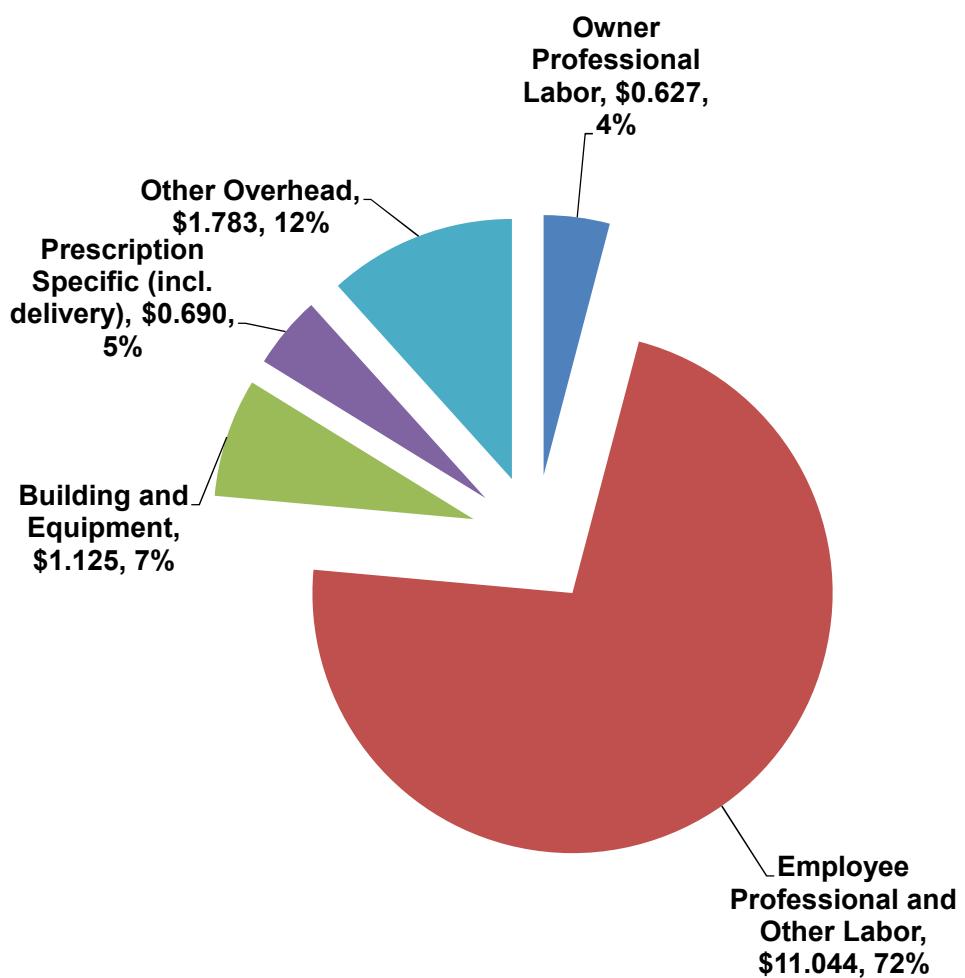


Exhibit 14
Summary of Pharmacy Attributes
All pharmacies

Summary of Pharmacy Attributes
Alaska Department of Health and Social Services

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)	105	Medicaid	N/A	20.0%
		Medicare	N/A	7.8%
		Other Third Party	N/A	46.7%
		Charitable Care	N/A	1.9%
		Cash	N/A	23.6%
		<i>Total</i>	N/A	100.0%
Payer Type: percent of payments (averages)	94	Medicaid	N/A	23.5%
		Medicare	N/A	9.8%
		Other Third Party	N/A	61.6%
		Charitable Care	N/A	0.8%
		Cash	N/A	4.3%
		<i>Total</i>	N/A	100.0%
Type of ownership	113	Individual	1	0.9%
		Corporation	109	96.5%
		Partnership	0	0.0%
		Other	3	2.7%
		<i>Total</i>	113	100.0%
Location	103	Medical office building	22	21.4%
		Shopping center	5	4.9%
		Stand alone building	22	21.4%
		Grocery store / mass merchant	39	37.9%
		Outpatient Hospital	8	7.8%
		Central Fill (12 AAC 52.423 or tribal)	1	1.0%
		<i>Total</i>	103	100.0%
Purchase drugs through 340B pricing	116	Yes	25	21.6%
		No	91	78.4%
		<i>Total</i>	116	100.0%
Provision of 340B inventory to Medicaid (for those that indicated they purchase drugs through 340B pricing)	25	Yes	5	20.0%
		No	20	80.0%
		<i>Total</i>	25	100.0%
Building ownership (or rented from related party)	101	Yes, (own building or rent from related party)	40	39.6%
		No	61	60.4%
		<i>Total</i>	101	100.0%
Hours open per week	116	63.64 hours	N/A	N/A
Years pharmacy has operated at current location	116	20.2 years	N/A	N/A
Provision of 24 hour emergency services	116	Yes	23	19.8%
		No	93	80.2%
		<i>Total</i>	116	100.0%
Percent of prescriptions to generic products	111	Percent of prescriptions dispensed that were generic products	111	80.9%
Percent of prescriptions to long-term care facilities	116	4.19% for all pharmacies; (23.1% for 21 pharmacies reporting > 0%)	N/A	N/A
Prescriptions dispensed in customized patient medication packaging.	116	1.14% for all pharmacies; (16.5% for 8 pharmacies reporting >0%). Approximately 77.2% of unit dose prescriptions were reported as prepared in the pharmacy with 22.8% reported as purchased already prepared from a manufacturer)	N/A	N/A
Percent of total prescriptions delivered	116	1.82% for all pharmacies; (16.23% for 13 pharmacies reporting > 0%)	N/A	N/A
Percent of Medicaid prescriptions delivered	116	1.54% for all pharmacies; (14.92% for 12 pharmacies reporting > 0%)	N/A	N/A
Percent of prescriptions dispensed by mail	116	1.82% for all pharmacies; (31.0% for 31 pharmacies reporting >0% percent of prescriptions dispensed by mail)	N/A	N/A
Percent of prescriptions compounded	116	1.73% for all pharmacies; (6.68% for 30 pharmacies reporting >0 compounded Rx)	N/A	N/A

Summary of Pharmacy Attributes
Alaska Department of Health and Social Services

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Percentage of prescriptions billed to Medicaid on behalf of patients but dispensed directly to clinics/physician offices.	116	0.55% for all pharmacies; (5.81% for 11 pharmacies reporting > 0%)	N/A	N/A
Pharmacy classified as closed door	116	Yes	17	14.7%
		No	99	85.3%
		Total	116	100.0%
Provide consultant pharmacy services to long-term care facilities.	116	Yes	2	1.7%
		No	114	98.3%
		Total	116	100.0%
For long-term care prescriptions, pharmacy:	116	bill the claim at time of dispensing and credit back returned doses when necessary.	3	N/A
		retro-bill the claim at the end of the month accounting for returned doses.	1	N/A
Pharmacy enrolled with the FDA as part of a restricted distribution REMS program.	116	Yes (One pharmacy enrolled in three programs, three pharmacies in one program)	5	4.3%
		No	111	95.7%
		Total	116	100.0%
Pharmacy dispenses prescriptions to non-tribal members that are paid in cash or billed to Medicaid, Medicare, or other insurance.	116	Yes	29	25.0%
		No	87	75.0%
		Total	116	100.0%
Prescriptions dispensed to non-tribal members (for those that answered affirmatively to the question above and reporting >0)	23	Percent of prescriptions dispensed	N/A	43.2%
Do you currently have unfilled pharmacist positions?	116	Yes	6	5.2%
		No	110	94.8%
		Total	116	100.0%
Average number of open pharmacist positions (for those that answered affirmatively to the question above reporting >0)	6	Average number of openings per location	2	N/A
Pharmacies that completed Appendix B - In-Bound Freight Worksheet	116	Yes	24	20.7%
		No	92	79.3%
		Total	116	100.0%