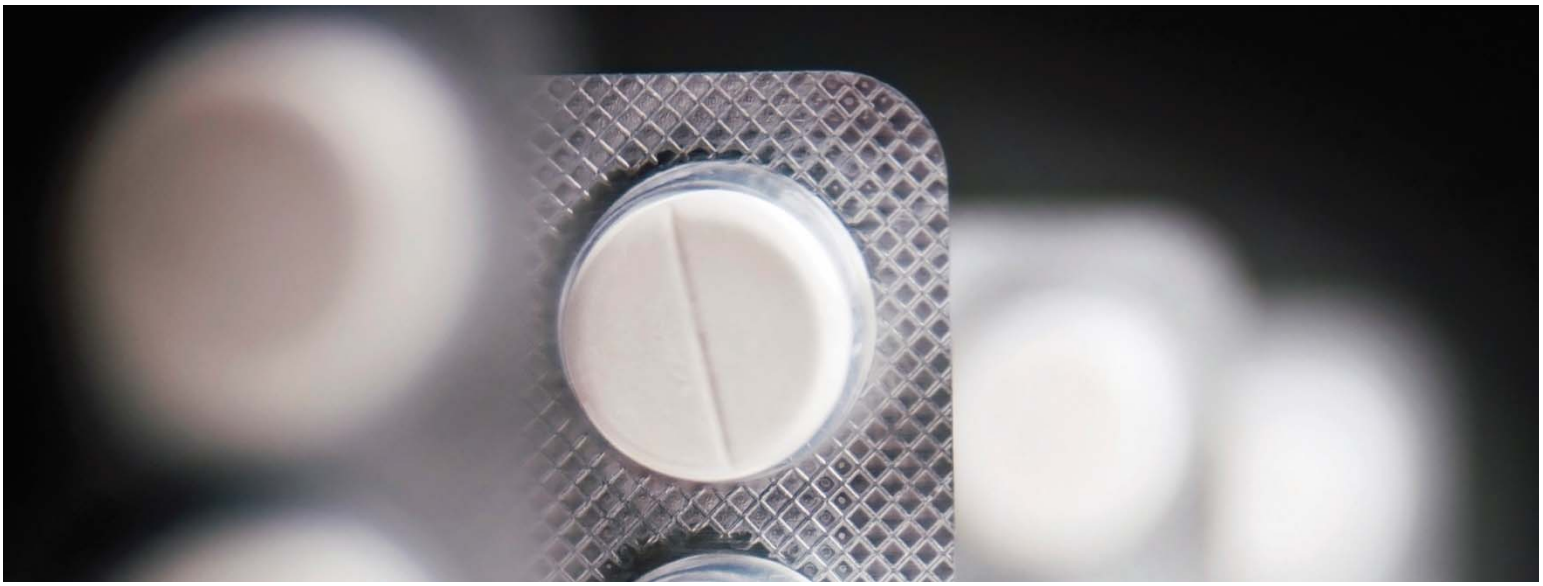
MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

February 21, 2017



DEDICATED TO GOVERNMENT HEALTH PROGRAMS

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Chapter 1: Executive Summary

Introduction

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

Myers and Stauffer obtained from the Department a list of pharmacy providers currently enrolled in the Michigan Medicaid pharmacy program. According to the provider list, there were 2,683 pharmacy providers that were enrolled in the Michigan Medicaid program. All 2,683 enrolled pharmacies were requested to submit survey information for this study.

Myers and Stauffer performed basic desk review procedures to test completeness and accuracy of all dispensing cost surveys submitted. There were 1,862 pharmacies that filed cost surveys that could be included in this analysis. Data from these surveys, in conjunction with pharmacy-specific cost-finding algorithms, was used to calculate the average cost of dispensing at each pharmacy and results from these pharmacies were subjected to statistical analysis.

Summary of Findings

Per the survey of pharmacy dispensing cost for pharmacies participating in the Michigan Medicaid program, the mean cost of dispensing, weighted by Medicaid volume, was $11.39 per prescription for all pharmacies including specialty pharmacies[1]. For non-specialty pharmacies only, the mean cost of dispensing, weighted by Medicaid volume, was $10.64 per prescription.

[1] For purposes of this report, “specialty” pharmacies are those pharmacies that reported sales for intravenous, home infusion, blood factor and/or other specialty services of 10% or more of total prescription sales.

Table 1.1 Dispensing Cost for Michigan Medicaid Pharmacies

	All Pharmacies Inclusive of Specialty	Non-specialty Pharmacies Only
Pharmacies Included in Analysis	1,862	1,724
Unweighted Mean (Average) [A]	$18.11	$12.15
Weighted Mean (Average) [A,B]	$11.39	$10.64
Unweighted Median [A]	$10.82	$10.65
Weighted Median [A, B]	$9.90	$9.79

[A] *Inflated to common point of June 30, 2016 (midpoint of year ending December 31, 2016).*
[B] *Weighted by Medicaid volume.*

Options for Professional Dispensing Fees

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

As an alternative to a reimbursement methodology based on a single dispensing fee, several states have adopted a tiered dispensing fee methodology utilizing tiers that are based on the annual total dispensing volume of pharmacies dispensing. The study showed a strong association between annual total prescription volume and the cost of dispensing. Pharmacies with higher annual total prescription volume tended to have a lower cost of dispensing indicative of higher levels of efficiency. A tiered approach would have the advantage of setting dispensing fees that are better matched, on average, to an individual pharmacy's cost of dispensing. However, the use of a tiered dispensing fee methodology is more complex and potentially introduces the perception that pharmacies that tend to be more inefficient are being rewarded with higher dispensing fees. A reimbursement methodology that provides higher reimbursement for low volume pharmacies located in remote rural areas may be perceived as a positive enhancement for the pharmacy program since opportunities to increase efficiency through higher volume are inherently limited. However, low volume pharmacies can also occur in urban areas in conjunction with the opening of new stores in saturated markets. Higher dispensing fees for inefficient stores in such situations may not be conducive with program objectives.

Another option for a variable dispensing fee is to use a higher dispensing fee to create an incentive for dispensing generic or other preferred products. A recent dispensing fee change for the Medicaid program in North Carolina serves as an example of this type of tiered dispensing

fee. North Carolina uses a higher dispensing fee in association with the dispensing of generic products or drugs with are on the program's preferred drug list. Furthermore, the Medicaid program monitors each pharmacies ratio of prescriptions dispensed that meet the criteria of being either generic products or products on the preferred drug list. For pharmacies that exceed a specified threshold for this ratio, the pharmacy is eligible to receive an enhancement to the dispensing fees paid.

Several observations about the North Carolina model for variable dispensing fees are worth noting. First, the difference in the dispensing fees being paid in this case are not necessarily based on a determination from a cost of dispensing survey that there is a difference in the cost of dispensing these different types of products. Rather, the difference in the dispensing fee is designed to create an incentive to help the Medicaid program to meet its objectives.

CMS requirements indicate that the professional dispensing fee must be based on the results of a cost of dispensing survey. Therefore, in cases of differential dispensing fees such as in the North Carolina model, Myers and Stauffer understands that CMS would require that a variable dispensing fee must be designed in such a way that it is possible to demonstrate that the net dispensing fees paid reimburse pharmacies' costs in the aggregate. This means that a variable dispensing fee system must be comprehensively modeled using pharmacy claims data to make the assurance to CMS that the net dispensing fees paid are comparable to what would have been reimbursed under a single dispensing fee system that was tied to the average cost of dispensing.

Conclusions

Changes in the Michigan Medicaid pharmacy reimbursement formula should consider both the dispensing and ingredient components of the payment structure. Rates should take into consideration the final rule regarding Medicaid pharmacy services issued by CMS and published in the Federal Register on February 1, 2016.[2] This rule requires state Medicaid programs to change the current basis for ingredient reimbursement from the currently defined "estimated acquisition cost" (EAC) to the concept of "actual acquisition cost" (AAC). The final rule from CMS reiterated the importance of the pharmacy dispensing fee. CMS indicates that state Medicaid programs that make the switch to an AAC methodology will be required to also implement a professional dispensing fee that reflects the pharmacist's professional services and costs associated with the dispensing of drug products to Medicaid members. Changes to the pharmacy reimbursement methodology must consider both the ingredient reimbursement and the professional dispensing fee and must be supported by survey data. The final rule has an effective date of April 1, 2016. State Medicaid programs must comply with its requirements by submitting a State Plan Amendment (SPA) by June 30, 2017 to be effective no later than April 1, 2017.

Based on the results of the study of pharmacy dispensing cost, a single dispensing fee of $11.39 would reimburse the weighted mean cost of dispensing prescriptions to Michigan Medicaid members inclusive of both specialty and non-specialty pharmacies. A single dispensing fee of $10.64 would reimburse the weighted mean cost of dispensing prescriptions to Michigan Medicaid members for non-specialty pharmacies but would not account for the cost of dispensing prescriptions by specialty pharmacies.

[2] See "Medicaid Program; Covered Outpatient Drugs." (CMS-2345-FC) Federal Register, 81: 20 (1 February 2016) p 5170.

Several options other than a single statewide professional dispensing fee are available to state Medicaid programs. CMS allows states significant flexibility to design its professional dispensing fees but does require that dispensing fees have some basis in a survey of pharmacy dispensing cost. Other states have used this flexibility to develop tiered dispensing fees based on pharmacy prescription volume, pharmacy location or to create incentives for the dispensing of certain preferred products. Many state Medicaid programs are also looking closely at the dispensing cost observed for specialty pharmacies with the understanding that changes to the ingredient reimbursement for specialty pharmacies will also require an evaluation of the professional dispensing fees paid to those pharmacies.

Chapter 2: Dispensing Cost Survey and Analysis

The Michigan Department of Health and Human Services (Department) engaged Myers and Stauffer LC to perform a study of costs incurred by pharmacies participating in the Michigan 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.

In its final rule regarding Medicaid pharmacy reimbursement, 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."* [3]

In this final rule, CMS did not fundamentally alter the definition for the components of the dispensing fee as previously codified at 42 CFR 447.502 other than to replace the terminology of "dispensing fee" with "professional dispensing fee". However, the importance of the pharmacy dispensing fee was highlighted in conjunction with a change in the basis for ingredient reimbursement from the previously defined "estimated acquisition cost" (EAC) [4] to "actual

[3] See "Medicaid Program; Covered Outpatient Drugs." (CMS-2345-FC) Federal Register, 81: 20 (1 February 2016) p 5349.

[4] See 42 CFR 447.502 for definition of the EAC ("the agency's best estimate of the price generally and currently paid by providers for a drug marketed or sold by a particular manufacturer or labeler in the package size of drug most frequently purchased by providers") and 42 CFR 447.512 for upper limits of payment that incorporate the EAC requirement.

acquisition cost" (AAC).[5] The requirement that state Medicaid agencies should more closely match their ingredient reimbursement to actual acquisition cost highlights the importance of the professional dispensing fee. CMS stated in the proposed rule published in 2012:

> *…we feel that this change from "dispensing fee" to "professional dispensing fee" reinforces our position that once the reimbursement for the drug is properly determined, the dispensing fee should reflect the pharmacist's professional services and costs associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid beneficiary. Therefore, as States change their payment for ingredient cost, we also propose to require States to reconsider the dispensing fee methodology consistent with the revised requirements.* [6]

Currently, state Medicaid agencies use a wide variety of reimbursement rates in their pharmacy programs. Pharmacy dispensing fees in Medicaid programs vary from under $2 to over $18. Many state Medicaid programs will need to modify their current dispensing fee structure in order to be compliant with the recent final rule from CMS. Private third party payers generally reimburse for dispensing fees and drug ingredients at rates less than those paid by most Medicaid programs. On average, dispensing fees paid by private third party payers are less than the dispensing cost of most pharmacies. One recent survey of pharmacy reimbursement rates from third-party payers reported an average dispensing fees to retail pharmacies for brand name drugs of $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 Michigan Medicaid pharmacy program, Myers and Stauffer utilized a survey method consistent with CMS guidelines for the components of a pharmacy dispensing fee in 42 CFR 447.502 and the methodology of previous surveys conducted by Myers and Stauffer in several other states.

Survey Distribution

Myers and Stauffer obtained from the Department a list of pharmacy providers currently enrolled in the Michigan Medicaid pharmacy program. According to the provider list, there were 2,683 pharmacy providers enrolled in the program. Surveys were mailed to all 2,683 pharmacy providers on July 29, 2016. Each surveyed pharmacy received a copy of the cost survey (Exhibit 1) and a letter of explanation from the Department (Exhibit 2a and Exhibit 2b).

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[5] In the final rule, AAC is defined as "…the agency's determination of the pharmacy providers' actual prices paid to acquire drug products marketed or sold by specific manufacturers." (p. 5174).

[6] See "Medicaid Program; Covered Outpatient Drugs." *Federal Register*, 77: 22 (2 February 2012) p 5326.

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

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

Reminder letters were sent on August 17, 2016 to surveyed pharmacies (Exhibits 3a and 3b). Additional letters were sent on August 31, 2016 with a further reminder and an extension of the original due date of August 31, 2016 to September 14, 2016 (Exhibits 4a and 4b).

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 2,683 surveyed pharmacies, 123 pharmacies were determined to be ineligible to participate (based on the returned surveys).

Surveys were accepted through November 1, 2016. As indicated in Table 2.1, 1,862 surveyed pharmacies submitted a usable cost survey for this study resulting in a response rate of 72.7%.

Some of the submitted cost surveys contained errors or did not include complete information necessary for full evaluation. For cost surveys with such errors or omissions, the pharmacy was contacted for clarification. There were limited instances in which issues on the cost survey were not resolved in time for inclusion in the final analysis. [8]

[8] There were 95 incomplete surveys received on or before November 1, 2016 that were eventually determined to be unusable because they were substantially incomplete or missing essential information. These issues could not be resolved in a timely manner with the submitting pharmacy. These incomplete surveys were not included in the count of 1,862 usable surveys received.

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

Table 2.1 Dispensing Cost Survey Response Rate

Pharmacy Category	Medicaid Enrolled Pharmacies	Pharmacies Exempt or Ineligible from Filing	Eligible Pharmacies	Usable Cost Surveys Received	Response Rate
Chain[9]	1,624	49	1,575	1,286	81.7%
Non-chain	1,059	74	985	576	58.5%
TOTAL	**2,683**	**123**	**2,560**	**1,862**	**72.7%**
In-State Urban[10]	2,084	106	1,978	1,456	73.6%
In-State Rural	426	12	417	303	72.7%
Out-of-State	170	5	165	103	62.4%
TOTAL	**2,513**	**118**	**2,395**	**1,759**	**72.7%**

Tests for Reporting Bias

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

Of the 1,862 usable cost surveys, 1,286 were from chain pharmacies and 576 were from non-chain pharmacies. There was a response rate of 81.7% for chain pharmacies compared to a response rate of 58.5% for independent pharmacies. The results of the χ^2 test indicated that the difference in response rate between chain and independent pharmacies was statistically significant at the 5% confidence level. This implies that non-chain pharmacies were underrepresented in the sample of usable surveys received. No adjustments to the cost of dispensing data were made as a result of this observation.

A χ^2 test was also performed with respect to the urban versus rural location for responding pharmacies that were located in the state of Michigan. Of the 2,395 non-exempt pharmacies

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

[10] For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the county of the pharmacies' location and tables from the U.S. Census Bureau to determine if the pharmacy was located in a Metropolitan Statistical Area (MSA). Pharmacies in an MSA were assigned an "urban" location flag; other pharmacies were assigned a "rural" location flag.

located in the state of Michigan, 1,978 pharmacies (or 83%) were located in an urban area. The remaining 417 pharmacies (or 17%) were located in a rural area. The number of pharmacies that returned a completed survey from an urban location was 1,456 (a response rate of 73.6%) and the number of pharmacies that returned a completed survey from a rural location was 303 (a response rate of 72.7%). The results of the χ^2 test indicated that the difference in response rate between urban and rural pharmacy locations (within the state) was not statistically significant at the 5% confidence level and therefore was a statistically representative sample.

Review Procedures

A desk review was performed for 100% of surveys received. This review identified incomplete cost surveys and 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 indicated for review as a result of these tests for reasonableness.

Cost Finding Procedures

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

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

Determining the result of this equation can be complex 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. Some pharmacies are involved in the sale of durable medical equipment. 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 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:

- Sales ratio – prescription sales divided by total sales.
- Area ratio – prescription department floor space (in square feet) divided by total floor space.
- 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.

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: $0.46 per prescription).
- Certain other expenses that were separately identified on Lines (31a) to (31t) of Page 7 [11] of the cost survey (Exhibit 1).

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

- Income taxes [12]

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

[12] Income taxes are not considered an operational cost because they are based upon the profit of the pharmacy operation. Although a separate line was provided for the state income taxes of corporate filers, these costs were not included in this study as a prescription cost. This provides equal treatment to each pharmacy, regardless of the type of ownership.

- Bad debts [13]
- Advertising [14]
- Charitable Contributions [15]
- Certain costs reported on Lines (31a) through (31t) of Page 7 of the cost survey (Exhibit 1) were occasionally excluded if the expense was not related to the dispensing of prescription drugs.

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

Those overhead costs allocated on the area ratio (as previously defined) include:

- Depreciation
- Real estate taxes
- Rent [16]
- Repairs
- Utilities

[13] 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 dispensing fee.

[14] 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."

[15] 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.

[16] The survey instrument included special instructions for reporting rent and requested that pharmacies report "ownership expenses of interest, taxes, insurance and maintenance if building is leased from a related party". This treatment of related-party expenses is consistent with Medicare cost reporting principles. See Provider Reimbursement Manual, CMS Pub. 15-2, Section 3614: "Cost applicable to home office costs, services, facilities, and supplies furnished to you by organizations related to you by common ownership or control are includable in your allowable cost at the cost to the related organizations. However, such cost must not exceed the amount a prudent and cost conscious buyer pays for comparable services, facilities, or supplies that are purchased elsewhere."

The costs in these categories were considered a function of floor space.[17] The floor space ratio was increased by a factor of 2.0 from that reported on the original cost survey to allow for waiting and counseling areas for patients and prescription department office area. 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 allocated using the sales ratio include:

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

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: [18]

[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] 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.

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

The allocation of salaries, payroll taxes, and benefits for all other prescription employees (Lines (2) 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 has a different approach toward other expenses than toward his/her own salary. In fact, owners often pay themselves above the market costs of securing the services of an employee. Owners who pay themselves above market cost effectively represent a withdrawal of business profits, not a cost of dispensing. However, owners who underpay themselves for business reasons also misrepresent the true dispensing cost.

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. 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 for pharmacists and non-pharmacists (adjusted by reported FTEs to estimate hourly wages).

Table 2.2 Hourly Wage Limits for Owners

Owner Type	Lower Limit (Hourly)	Upper Limit (Hourly)
Pharmacist	$49.87	$75.60
Non-Pharmacist	$13.11	$40.89

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 1,862 pharmacies in the cost analysis, owner limits impacted 252 pharmacies, or 13.5%. Of these, 129 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 123 pharmacies had costs increased as a result of the limits (on the basis that owner salaries appeared to be below their market value). Although the cost of dispensing calculated for individual stores was adjusted by this process, the overall change to the final estimate of average pharmacy dispensing cost per prescription for all stores from applying owner salary limits was negligible. In total, the final estimate of average pharmacy dispensing cost per prescription was decreased by approximately $0.027 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 instance, the constraint would come into play for an operation that reported 75 percent pharmacy sales and 100 percent pharmacy labor (obviously, 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 1,862 pharmacies included in the dispensing cost analysis, this limit was applied to 150 pharmacies. In total, the final estimate of average pharmacy dispensing cost per prescription was decreased by approximately $0.069 as a result of the labor cost restraint.

Impact of New Licensure Requirements for Pharmacy Technicians

In 2014, the Michigan Legislature enacted changes to the Michigan Public Health Code (1978 PA 368) Section 333.17739 which impacted pharmacy technicians in the state of Michigan. These changes require that pharmacy technicians be licensed and sets requirements for pharmacy technician continuing education (20 hours over a two-year period). During the course of the cost of dispensing survey, some concerns have been noted by representatives of the Michigan pharmacy industry that these licensure changes will cause pharmacies to incur increased costs for pharmacy technician licensing fees and costs for pharmacy technician continuing education. However, since the change did not go into effect until October 1, 2015, the full impact of the licensing fees and continuing education expenses might not be included in the financial data collected from pharmacies, since pharmacies were instructed to submit data using their most recently completed fiscal year.

To estimate the potential impact of these additional costs, Myers and Stauffer reviewed data on the average number of pharmacy technicians employed at pharmacies that submitted survey

data. There were approximately 800 non-specialty pharmacies located in the state of Michigan that reported useable data on the number of full time equivalent (FTE) technicians working in the pharmacy (not all pharmacies reported FTE data). For these stores, the median number of technicians reported was 2.5 FTEs (mean of 3.9 FTEs). For these same stores, the average total prescription volume was approximately 61,000. (The average total prescription volume for all non-specialty pharmacies in Michigan was approximately 64,000).

Using a rough estimate of the licensing and continuing education cost (employee time and course fees) of $300 per technician per year (i.e., annual license fees and 10 hours of continuing education), we estimate that the total impact on the cost of dispensing per prescription is approximately $0.015. Myers and Stauffer has not adjusted the cost of dispensing observed in the survey data by this estimate.

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, 2016 (specifically from the midpoint of the pharmacy's fiscal year to June 30, 2016 which is the midpoint of the fiscal period ending December 31, 2016). 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 5). The use of inflation factors is preferred in order for pharmacy cost data from various fiscal years to be compared uniformly. The majority of submitted cost surveys were based on a fiscal year which ended on or within two months of December 31, 2015.

Although the survey methodology incorporates short term inflation adjustments to account for the varying fiscal year ends dates associated with the data submitted by pharmacies, it is not necessarily the case that long-term inflation adjustments need to be considered for purposes of setting the professional dispensing fee to be used within a Medicaid program. Inflationary pressures do impact the input costs pharmacies incur in their operations. However, these increased input costs appear to have been offset in recent years by gains in pharmacy efficiency.

In every cost of dispensing survey Myers and Stauffer has performed and studies performed by other parties, the total volume of prescriptions dispensed and the average cost of dispensing at an individual pharmacy have been inversely correlated. This means, on average, stores that dispense more prescriptions will have a lower cost of dispensing relative to stores that dispense fewer prescriptions.

In general, pharmacy total prescription volume has been on an upward trend. In the early 2000's many pharmacy chains were frequently opening new stores. These new stores started with a relatively small customer base and with corresponding low prescription volumes. This time period coincided with a period in which there was a shortage of available pharmacists and pharmacist salaries were increasing sharply. However, over time, the growth of new pharmacies has slowed and stores which were new ten or more years ago have built their customer base and increased their overall prescription volume. The pharmacist shortage appears to have passed.

Additionally, in recent years, many pharmacies have implemented changes to business operations that have increased efficiency. For example, more pharmacies are participating in e-prescribing, central fill dispensing and the use of automated dispensing. These changes have made pharmacists and other pharmacy staff more efficient at dispensing medications. All of these trends have resulted in gains in efficiency, and have curtailed the rate of increase in the average cost of dispensing on a per prescription basis.

Myers and Stauffer has performed multiple cost of dispensing studies since 2010 and in most of these surveys we have observed a pattern of either very little increase or a slight decrease in the cost of dispensing per prescription. 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 2006 and 2015. 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.

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 there were 1,000,000 Medicaid prescriptions dispensed by the surveyed pharmacies. If the pharmacies were arrayed in order of dispensing cost, the median weighted by Medicaid volume, is the dispensing cost of the pharmacy that dispensed the middle, or 500,000th prescription.

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.

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.

For all pharmacies, findings are presented in Table 2.3.

Table 2.3 Dispensing Cost per Prescription – All Pharmacies

	Dispensing Cost
Unweighted Mean	$18.11
Mean Weighted by Medicaid Volume	$11.39
Unweighted Median	$10.82
Median Weighted by Medicaid Volume	$9.90

n=1,862 pharmacies
(Dispensing costs have been inflated to the common point of June 30, 2016)

See Exhibit 6 for a histogram of the dispensing cost for all pharmacies. There was a large range between the highest and the lowest dispensing cost observed. However, the majority of pharmacies (approximately 85%) had average dispensing costs between $7 and $17.

Exhibit 7 includes a statistical summary with a wide variety of measures of pharmacy dispensing cost with breakdowns for many pharmacy attributes potentially of interest. For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the county of the pharmacies' locations and tables from the U.S. Census Bureau to determine if the pharmacy was located in a Metropolitan Statistical Area (MSA). Pharmacies in an MSA were assigned an "urban" location flag; other pharmacies were assigned a "rural" location flag. A table of counties and their designation as urban or rural is included in Exhibit 8.

Specialty Pharmacies

Several pharmacies included in the cost analysis were identified as specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, blood factor and/or other specialty services of 10% or more of total prescription sales. The analysis revealed significantly higher cost of dispensing associated with pharmacies that provided significant levels of these services.[19]

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

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Specialty Pharmacies	138	Mean: 319,285 Median: 36,004	Mean: 4,522 Median: 1,602	$92.54	$20.02
Other Pharmacies	1,724	Mean: 72,109 Median: 55,471	Mean: 4,127 Median:3,206	$12.15	$10.64

n= 1,862 pharmacies
(Dispensing costs have been inflated to the common point of June 30, 2016)

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 blood factor products.

[19] In every pharmacy cost of dispensing study in which information on specialty, intravenous solution and home infusion 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 specialty, intravenous and infusion 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 specialty, intravenous and infusion products.
- Costs of additional services relating to patient education, compliance programs, monitoring, reporting and other support for specialty, intravenous and infusion products.
- Higher direct labor costs because many specialty, intravenous and infusion prescriptions must be prepared in the pharmacy.
- There is often inconsistency in the manner in which prescriptions are counted for intravenous and infusion products. For these products, a pharmacy may mix and deliver many "dispensings" of a daily intravenous or home infusion from a single prescription, counting it in their records as only one prescription. This results in dispensing costs being spread over a number of prescriptions that is smaller than if the pharmacy had counted each refill as an additional prescription.

- Pharmacies that provide compounded infusion and other custom-prepared intravenous products.
- Pharmacies that provide other specialty products (e.g., prefilled injectable products or oral specialty medications).

Some pharmacies dispensed products which included more than one category of services described above. However, for purposes of analysis, Myers and Stauffer organized pharmacies using a hierarchical approach giving priority in the order of 1) dispensing blood factor products and 2) dispensing compounded infusion or other custom-prepared intravenous products. The cost of dispensing results for these categories of specialty pharmacies is summarized in Table 2.5.

Table 2.5 Dispensing Cost per Prescription – Categories of Specialty Pharmacies

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Blood Factor	11	Mean: 16,287 Median: 6,290	Mean: 371 Median: 166	$621.68	$377.45
Compounded Infusion / Intravenous Products	16	Mean: 108,068 Median: 16,085	Mean: 925 Median: 117	$98.71	$24.95
Other Specialty Pharmacies	111	Mean: 379,758 Median: 45,107	Mean: 5,452 Median: 2,414	$39.21	$17.48

(Dispensing costs have been inflated to the common point of June 30, 2016)

n= 138 pharmacies

Non-specialty Pharmacies

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

Table 2.6 Dispensing Cost per Prescription – Excluding Specialty Pharmacies

	Dispensing Cost
Unweighted Mean	$12.15
Mean Weighted by Medicaid Volume	$10.64
Unweighted Median	$10.65
Median Weighted by Medicaid Volume	$9.79

(Dispensing costs have been inflated to the common point of June 30, 2016)
n=1,724 pharmacies

Relationship of Dispensing Cost with Prescription Volume

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

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

Table 2.7 Dispensing Cost by Pharmacy Total Annual Prescription Volume

Total Annual Prescription Volume of Pharmacy	Number of Pharmacies [A]	Unweighted Mean	Mean Weighted by Medicaid Volume
0 to 44,999	614	$15.92	$14.12
45,000 to 79,999	648	$10.64	$10.40
80,000 and Higher	462	$9.28	$9.44

n= 1,724 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, blood factor and/or other specialty services of 10% or more of total prescription sales.*

(Dispensing costs have been inflated to the common point of June 30, 2016)

Table 2.8 Statistics for Pharmacy Total Annual Prescription Volume

Statistic	Value [A]
Mean	72,109
Standard Deviation	127,392
10th Percentile	21,482
25th Percentile	35,854
Median	55,471
75th Percentile	81,979
90th Percentile	122,400

n= 1,724 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, blood factor and/or other specialty services of 10% or more of total prescription sales.*

(Dispensing costs have been inflated to the common point of June 30, 2016)

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 9.

Other Observations Associated with Dispensing Cost and Pharmacy Attributes

The dispensing cost of the surveyed pharmacies was broken down into the various components of overhead and labor related costs. Table 2.9 displays the means of the various cost components for surveyed pharmacies. Labor-related expenses accounted for approximately 72% of overall prescription dispensing costs.

Expenses in Table 2.9 are classified as follows:

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

Table 2.9 Components of Prescription Dispensing Cost

Type of Expense	Mean Weighted by Medicaid Volume [A]
Owner Professional Labor	$0.586
Employee Professional and Other Labor	$6.586
Building and Equipment	$1.019
Prescription Specific Expenses (including delivery)	$0.846
Other Overhead Expenses	$1.598
Total	**$10.635**

n= 1,724 pharmacies
[A] Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, blood factor and/or other specialty services of 10% or more of total prescription sales.
(Dispensing costs have been inflated to the common point of June 30, 2016)

A chart of the components of prescription dispensing cost is provided in Exhibit 10.

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 11.

Expenses Not Allocated to the Cost of Dispensing

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

Table 2.10 Non-Allocated Expenses per Prescription

Expense Category	Mean Weighted by Medicaid Volume [A]
Bad Debts	$0.053
Charitable Contributions	$0.011
Advertising	$0.272
Credit Card Processing Fees	$0.162
Other Non-allowed Expenses	$0.161

n= 1,724 pharmacies
[A] Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, blood factor and/or other specialty services of 10% or more of total prescription sales.
(Dispensing costs have been inflated to the common point of June 30, 2016)

Exhibit 1
Michigan Medicaid Pharmacy Cost of Dispensing Survey

Michigan Medicaid Pharmacy Cost of Dispensing Survey

M&S Use Only

Prov. No. (NPI)

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 31, 2016**
Call toll free (800) 374-6858 or email disp_survey@mslc.com if you have any questions.

An electronic version of the Michigan Medicaid Pharmacy Program Cost of Dispensing Survey is available. The electronic version is in Excel format. The electronic version aids the user by calculating totals and transfering 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 _____ Telephone No. ( ) _____

Street Address _____ Fax No. ( ) _____

City _____ County _____ State _____ Zip Code _____

DECLARATION BY OWNER AND PREPARER

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

_____	_____	_____	_____
Signature of Owner	Printed Name	Title/Position	Date
_____	_____	_____	_____
Preparer's Signature (if other than owner)	Printed Name	Title/Position	Date

_____	_____	_____
Preparer's Street Address	City and State	Zip
(_____)_____	_____	
Phone Number	Email Address	

DECLARATION OF EXEMPTION

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

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

   Date pharmacy opened _____

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

   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.

Michigan Medicaid Pharmacy Cost of Dispensing Survey

SECTION IA -- PHARMACY ATTRIBUTES

The following information is from fiscal / tax year ending _____

Complete these forms using your most recently completed fiscal year for which financial records are available and complete (e.g., December 31, 2015, or December 31, 2014, if 2015 records are not yet complete). **(Include month/day/year).**

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

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

1. New _____ **2. Refill** _____ **3. Total** _____

"Prescriptions Dispensed." Report the total number of all prescriptions filled during the fiscal year being reported on this cost survey. This information may be kept on a daily or monthly log or on your computer.

(b) **Sales and Floor Space**

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

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

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

Floor Space. Provide square footage for pharmacy department dispensing area only and total store square footage. Since floor space will be used in allocating certain expenses, accuracy is important. When measuring the total store, include only the retail area and exclude any storage area (e.g., basement, attic, off-the-premises areas or freight in-out areas). When measuring the prescription department, exclude patient waiting area, counseling area, prescription department office space and prescription department storage. These should be included in total store area. A factor will be added to the prescription department to account for waiting area, counseling area, prescription department office space and prescription department storage.

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

1. Medicaid (fee for service) _____ % 3. Cash _____ %
2. Other 3rd Party (including Medicaid MCO) _____ %

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

1. Medicaid (fee for service) _____ % 3. Cash _____ %
2. Other 3rd Party (including Medicaid MCO) _____ %

(d) Ownership Affiliation

1. □ Independent (1 to 4 units) 2. □ Chain (5 or more units) Total stores:_____
3. □ Institutional (service to LTC facilities only) 4. □ Other (specify) _____

(e) Type of Ownership

1. □ Individual 2. □ Corporation 3. □ Partnership 4. □ Other (specify) _____

(f) Location of Pharmacy (please check one)

1. □ Medical Office Building 2. □ Shopping Center
3. □ Stand Alone Building 4. □ Grocery Store / Mass Merchant
5. □ Outpatient Hospital 6. □ Other (specify) _____

Michigan Medicaid Pharmacy Cost of Dispensing Survey

SECTION IA -- PHARMACY ATTRIBUTES, CONTINUED

(g)

Does your pharmacy purchase drugs through the 340B Drug Pricing Program or the Federal Supply Schedule (FSS)?

1. □ Yes 2. □ No

If yes, are prescriptions dispensed through the Medicaid Pharmacy Program provided from 340B inventory?

1. □ Yes 2. □ No

What percentage of drugs used for the Medicaid Pharmacy Program are purchased through the 340B program?

_____%

(h) 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 special instructions for reporting building rent.

1. □ Yes 2. □ No

(i) How many hours per week is your pharmacy open? _____ Hours

(j) How many years has a pharmacy operated at this location? _____ Years

(k) Do you provide 24-hour emergency services for pharmaceuticals? 1. □ Yes 2. □ No

(l) What percentage of prescriptions dispensed were generic products? _____%

SECTION IB -- If your pharmacy dispenses prescriptions to long-term care facilities, complete lines (m) through (o) as applicable.

(m) What is the approximate percent of your prescriptions dispensed to long-term care facilities or assisted living homes?_____%

(n)

Do you dispense in unit dose packaging to long-term care facilities (e.g., medisets, blister packs, etc.)?

1. □ Yes 2. □ No

What is the approximate percent of all prescriptions dispensed in unit dose packaging? _____%

(o)

If you provide unit dose packaging, what percent of unit dose packaging is:

1. Purchased from manufacturers _____% 2. Prepared in the pharmacy _____%

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

(p) What percent of total prescriptions filled are delivered? _____%

(q) What percent of Medicaid prescriptions filled are delivered? _____%

(r)

Does your pharmacy deliver prescriptions by mail (U.S. Postal Service, FedEx, UPS, etc.)? 1. □ Yes 2. □ No

If yes, what is the approximate percentage of the total number of prescriptions that are delivered by mail? _____%

(s)

What is the approximate percent of your prescriptions dispensed that are compounded? _____%

For prescriptions that are compounded, what is the average number of minutes spent preparing a prescription by pharmacists and technicians? Pharmacist: _____ Technician: _____

Of the drugs that are compounded, indicate the approximate percentage that are the following types:

Creams	_____	Optic Drugs	_____
Emulsions	_____	Compounded Capsules	_____
Nasal Drops	_____	Powders	_____
Ointments	_____	Suppositories	_____
Other	_____		

Michigan Medicaid Pharmacy Cost of Dispensing Survey

SECTION ID -- Professional Pharmacist Services

Indicate the approximate amount of hours per week that your pharmacy spends providing each of the following services:	
(a) Consultation between pharmacist and beneficiary to improve medication adherence.	
(b) Coordinating with prescriber to change dose, dosage form or duration of therapy based on pharmacists' review of age-appropriateness, drug-drug interaction, manufacturer recommendations, organ function, sub-optimal dosage form prescribed, etc.	
(c) Coordinating with prescriber to add or delete a medication from the beneficiary's drug regimen based on pharmacist's review of clinical guidelines, adverse drug reaction, etc.	
(d) Instructing a beneficiary on using a medication device (e.g.: inhaler, self-administered syringe).	
(e) Medication reconciliation.	
(f) Other (place number of hours to the right and then describe these activities below, use additional pages if necessary).	

SECTION IE -- Other Information (OPTIONAL)

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

Michigan Medicaid Pharmacy Cost of Dispensing Survey

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

(a) Are you presently providing specialty products or services (e.g., intravenous, infusion, clotting factors or derivatives, other pre-filled injectable or oral specialty products)? 1. □ Yes 2. □ No

If yes, complete the product breakdown below. If you answer no, please continue to page 6.

(b) Is the pharmacy a URAC-accredited specialty pharmacy? 1. □ Yes 2. □ No

If you answered yes to question (a) above, provide a breakdown of the specialty and non-specialty products dispensed in your pharmacy using the categories described below or other categories as appropriate. 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. You should also respond to the questions below the product breakdown regarding service provided in association with the dispensing of specialty products.

Product Category	Number of Prescriptions	Dollar Amount of Sales	Line No.
Infusion Products			
Compounded infusion products			(1a)
Total Parenteral Nutrition (TPN) products			(1b)
Blood 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)
Total for Non-specialty			
Total (should reconcile to prescriptions and sales reported on Page 2)			(4)

Additional Pharmacy Attribute Questions for Pharmacies Dispensing Specialty Products

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

SECTION IG -- OTHER INFORMATION

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

Michigan Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIA -- PERSONNEL COSTS

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

			Percent of Time Spent				
Employee Classification	**Estimate of FTEs[1]**	**Total Salaries (including bonuses and draws for owners)**	**Direct Prescription Dispensing Activities[2]**	**Other Clinical or Administrative (prescription department related)[3]**	**Other (not related to prescription department)**	**Total (should equal 100%)**	**Line No.**
Owner: **Registered Pharmacist** (if applicable)							(1)
Owner: **Non-Pharmacist** (if applicable)							(2)
Pharmacist							(3)
Technician							(4)
Delivery							(5)
Nurses							(6)
Customer service representatives							(7)
Billing							(8)
Other Admin							(9)
Contract Labor (Pharmacist)							(10)
Contract Labor (other)							(11)
Staff not related to RX dispensing			0.0%	0.0%	100.0%	100.0%	(12)

Total Salaries		(12)
Pension and Profit Sharing		(13)
Other Employee Benefits (including employee medical insurance, disability insurance, education assistance, etc.)		(14)
Total Labor Expenses		(15)

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

[2] **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.

[3] **Other Clinical or Administrative (prescription department related)** 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.

Michigan Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIB -- OVERHEAD EXPENSES

Complete this section using your internal financial statement or tax return for the **fiscal year ending listed on page 2.** You should only use a tax return if the only store reported on the return is the store being surveyed. If you are using a tax return, please refer to the line numbers in the left columns that correspond to federal income tax return lines. Use your most recently completed fiscal year for which financial records are available and complete (e.g., December 31, 2015, or December 31, 2014, if 2015 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 pages 7 - 9.**

*** Notes about tax return line references**

Form 1040, Schedule 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 a detailed breakdown of the expenses in this category will be found in the "Statements" attached to the return.

2015 Tax Form				Round all amounts to nearest dollar or whole number.	Expense Amount Reported	Myers and Stauffer Use Only	Line No.
1040 Schedule C	1065	1120	1120S				
13	16a	20	14	Depreciation (this fiscal year only - not accumulated)			(1)
23	14	17	12	Taxes (a) Personal Property Taxes Paid			(2)
23	14	17	12	(b) Real Estate Taxes			(3)
23	14	17	12	(c) Payroll Taxes			(4)
				Any other taxes should be reported on page 6. Specify each type and amount.			
20b	13	16	11	Rent - Building (or ownership expenses of interest, taxes, insurance and maintenance if building is leased from a related party)			(5)
20a	13	16	11	Rent - Equipment and Other			(6)
21	11	14	9	Repairs & maintenance			(7)
15	20*	26*	19*	Insurance (other than employee medical)			(8)
16a&b	15	18	13	Interest			(9)
17	20*	26*	19*	Legal and Professional Fees			(10)
27a*	20*	26*	19*	Dues and Publications			(11)
27a*	12	15	10	Bad Debts (this fiscal year only - not accumulated)			(12)
n/a	n/a	19	n/a	Charitable Contributions			(13)
25	20*	26*	19*	Utilities (a) Telephone			(14)
25	20*	26*	19*	(b) Heat, Water, Lights, Sewer, Trash and other Utilities			(15)
18&22	20*	26*	19*	Operating and Office Supplies (exclude prescription containers and labels)			(16)
8	20*	22	16	Advertising			(17)
27a*	20*	26*	19*	Computer Expenses			(18)
9,27a*	20*	26*	19*	Prescription Delivery Expenses (wages paid to a driver should only be reported on pg. 5)			(19)
27a*	20*	26*	19*	Prescription Containers and Labels			(20)
24a&b	20*	26*	19*	Travel, Meals and Entertainment			(21)
27a*	20*	26*	19*	Switching / E-Prescribing Fees			(22)
27a*	20*	26*	19*	Security / Alarm			(23)
27a*	20*	26*	19*	Bank Charges			(24)
27a*	20*	26*	19*	Credit Card Processing Fees			(25)
27a*	20*	26*	19*	Cleaning / Housekeeping / Janitorial			(26)
27a*	20*	26*	19*	Lawn Care / Snow Removal / Pest Control			(27)
27a*	20*	26*	19*	Pharmacy Licenses / Permits			(28)
27a*	20*	26*	19*	Employee Training and Certification			(29)
27a*	20*	26*	19*	Continuing Education			(30)

Michigan Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIB -- OVERHEAD EXPENSES, CONTINUED

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

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

Examples: Franchise fees, other taxes not reported on 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 on Page 6. For corporate overhead expenses allocated to the individual store, please attach documentation to establish the expenses included in the allocation and describe the allocation basis.

Expense Description	Expense Amount Reported	Myers and Stauffer Use Only	Line No.
			(31a)
			(31b)
			(31c)
			(31d)
			(31e)
			(31f)
			(31g)
			(31h)
			(31i)
			(31j)
			(31k)
			(31l)
			(31m)
			(31n)
			(31o)
			(31p)
			(31q)
			(31r)
			(31s)
			(31t)
Total Overhead Expenses [Add Line (1) through Line (31t)]			(32)

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.

2015 Tax Form Number					Column 1	Column 2	
1040C	1065	1120	1120S		Cost Survey Amounts	Financial Statement or Tax Return Amounts	
28	21	27	20	Total Expenses per Financial Statement or Tax Return			(1)
				Enter Amount from Total Overhead Expenses (Page 8, Line 32)			(2)
				Enter Amount from Total Labor Expenses (Page 6, Line 15)			(3)
				Total Expenses per Cost Survey [add Lines (2) and (3)]			(4)
				Specify Items with Amounts that are on Cost Survey but not on Financial Statement or Tax Return			
				(a) _____			(5a)
				(b) _____			(5b)
				(c) _____			(5c)
				(d) _____			(5d)
				(e) _____			(5e)
				Specify Items with Amounts that are on Financial Statement or Tax Return but not on this Cost Survey			
				(a) _____			(6a)
				(b) _____			(6b)
				(c) _____			(6c)
				(d) _____			(6d)
				(e) _____			(6e)
				Total [add Lines (1) to (6e)] Column Totals Must be Equal			(7)

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

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

July 29, 2016

Dear Pharmacy Owner/Manager:

Re: Mandatory Michigan Medicaid Pharmacy Cost of Dispensing Survey

The Michigan Department of Health and Human Services is working with the accounting firm Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing prescription medications to Michigan Medicaid beneficiaries.

State Medicaid agencies are being directed by the federal Centers for Medicare and Medicaid Services (CMS) to adopt pharmacy payment policies designed to pay pharmacies for the actual acquisition cost of drugs plus a reasonable dispensing fee, based on the actual cost to the pharmacy of dispensing drugs to Medicaid beneficiaries. This survey is our tool to help us determine a reasonable dispensing fee. ***All Michigan Medicaid pharmacy providers are required to participate in the survey under the conditions outlined in the Medical Assistance Provider Enrollment & Trading Partner Agreement.***

You should complete the cost of dispensing survey using information from your most recently completed fiscal year for which records are complete and available. You should report information separately for each store surveyed. For the requested sales and expense information, you should rely on your completed financial statements or other reports that are specific to the pharmacy location being surveyed. The survey form includes cross references to various federal income tax forms (e.g., 1065, 1120, 1120S or Schedule C of Form 1040) which may be useful if your tax return is limited to a single store. If multiple pharmacies are reported on your income tax return, you should instead use store specific financial reports.

For your convenience, Myers and Stauffer can complete Section IIB “Overhead Expenses” and Section III “Reconciliation with Financial Statement or Tax Return” for you if you wish to submit a copy of your store specific financial reports or your federal income tax return (with all accompanying schedules). You will still need to complete other sections of the cost survey.

If you prefer to respond in an electronic format:
We strongly encourage pharmacies to respond in an electronic format. If you prefer to respond in an electronic format, you may obtain an Excel spreadsheet version of the survey by contacting Myers and Stauffer by phone or by email with a request to disp_survey@mslc.com. Surveys that are completed electronically may be submitted via email.

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

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

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

Pharmacies are encouraged to return the requested information as soon as possible, but forms must be returned **no later than August 31, 2016.**

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

Myers and Stauffer will be conducting informational meetings via telephonic/Internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer will present more about the survey process and the information that is being requested. You may also use this forum as an opportunity to ask questions about the survey form and the survey process. Please refer to the enclosed information meeting flyer for further information on the dates and times of these webinar meetings.

Cost of dispensing information submitted to Myers and Stauffer for this project will remain strictly confidential.

If you have any questions, please call Myers and Stauffer 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,

Chris Priest, Director
Medical Services Administration

Enclosure

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

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

July 29, 2016

Dear Pharmacy Owner/Manager:

Re: Mandatory Michigan Medicaid Pharmacy Cost of Dispensing Survey

The Michigan Department of Health and Human Services is working with the accounting firm Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing prescription medications to Michigan Medicaid beneficiaries.

State Medicaid agencies are being directed by the federal Centers for Medicare and Medicaid Services (CMS) to adopt pharmacy payment policies designed to pay pharmacies for the actual acquisition cost of drugs plus a reasonable dispensing fee, based on the actual cost to the pharmacy of dispensing drugs to Medicaid beneficiaries. This survey is our tool to help us determine a reasonable dispensing fee. ***All Michigan Medicaid pharmacy providers are required to participate in the survey under the terms and conditions outlined in the Medical Assistance Provider Enrollment & Trading Partner Agreement.***

Enclosed are several copies of the Michigan Medicaid Pharmacy Cost of Dispensing Survey. Please review the survey instructions. You may respond to the survey using either a paper or electronic format. In past surveys performed by Myers and Stauffer, many pharmacy chains have preferred to respond to the survey in an electronic format.

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

If you prefer to respond in a paper format: You must submit a completed survey for each store on the attached list. If you require additional survey forms, please contact Myers and Stauffer for forms or make additional copies as needed. Please send completed forms to:

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

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

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

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

Pharmacies are encouraged to return the requested information as soon as possible, but forms must be returned **no later than August 31, 2016.**

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

Myers and Stauffer will be conducting informational meetings via telephonic/Internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer will present more about the survey process and the information that is being requested. You may also use this forum as an opportunity to ask questions about the survey form and the survey process. Please refer to the enclosed information meeting flyer for further information on the dates and times of these webinar meetings.

Cost of dispensing information submitted to Myers and Stauffer for this project will remain strictly confidential.

If you have any questions, please call Myers and Stauffer 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,

Chris Priest, Director
Medical Services Administration

Enclosure

Exhibit 3a
First Survey Reminder Letter
(Independent Pharmacies)

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

August 17, 2016

Dear Pharmacy Owner/Manager:

Re: Michigan Medicaid Pharmacy Cost of Dispensing Survey Reminder

The Michigan Department of Health and Human Services is working with the accounting firm Myers and Stauffer LC to conduct a Pharmacy Cost of Dispensing Survey as part of the process to evaluate the costs associated with dispensing prescription medications to Michigan Medicaid beneficiaries.

Several weeks ago you should have received a copy of the Cost of Dispensing Survey form. Surveys were sent with a due date of **August 31, 2016**. All Michigan Medicaid pharmacy providers are required to participate in the survey under the terms and conditions outlined in the Medical Assistance Provider Enrollment & Trading Partner Agreement. This letter serves as a reminder that the survey due date is approaching, and you are encouraged to submit a completed survey as soon as possible.

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

If you have recently submitted your survey to Myers and Stauffer, we thank you for your participation. If you would like to confirm receipt of your submitted survey, please feel free to contact Myers and Stauffer.

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

Sincerely,

Chris Priest

Chris Priest, Director
Medical Services Administration

Exhibit 3b
First Survey Reminder Letter
(Chain Pharmacies)

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

August 17, 2016

Dear Pharmacy Owner/Manager:

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Several weeks ago you should have received a copy of the Cost of Dispensing Survey form. Attached was also a listing of the pharmacies in your chain that participate in the Michigan Medicaid program and are subject to this survey. Surveys were sent with a due date of **August 31, 2016**. All Michigan Medicaid pharmacy providers are required to participate in the survey under the terms and conditions outlined in the Medical Assistance Provider Enrollment & Trading Partner Agreement. This letter serves as a reminder that the survey due date is approaching, and you are encouraged to submit a completed survey as soon as possible.

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

Sincerely,

Chris Priest

Chris Priest, Director
Medical Services Administration

Exhibit 4a
Second Survey Reminder / Extension Letter (Independent Pharmacies)

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

August 31, 2016

Dear Pharmacy Owner/Manager:

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The Michigan Department of Health and Human Services is working with the accounting firm Myers and Stauffer LC to conduct a Pharmacy Cost of Dispensing Survey as part of the process to evaluate the costs associated with dispensing prescription medications to Michigan Medicaid beneficiaries.

Several weeks ago you should have received a copy of Cost of Dispensing Survey form. Surveys were sent with a due date of August 31, 2016. All Michigan Medicaid pharmacy providers are required to participate in the survey under the terms and conditions outlined in the Medical Assistance Provider Enrollment & Trading Partner Agreement. **In order to allow pharmacies more time to respond to the dispensing cost survey, Myers and Stauffer has been instructed by the Department to continue to accept surveys through September 14, 2016.** You are encouraged to submit a completed survey as soon as possible.

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

If you have recently submitted your survey to Myers and Stauffer, we thank you for your participation. If you would like to confirm receipt of your submitted survey, please feel free to contact Myers and Stauffer.

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

Sincerely,

Chris Priest

Chris Priest, Director
Medical Services Administration

Exhibit 4b
Second Survey Reminder / Extension Letter (Chain Pharmacies)

STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

August 31, 2016

Dear Pharmacy Owner/Manager:

Re: Michigan Medicaid Pharmacy Cost of Dispensing Survey Reminder

The Michigan Department of Health and Human Services is working with the accounting firm Myers and Stauffer LC to conduct a Pharmacy Cost of Dispensing Survey as part of the process to evaluate the costs associated with dispensing prescription medications to Michigan Medicaid beneficiaries.

Several weeks ago you should have received a copy of the Cost of Dispensing Survey form. Attached was also a listing of the pharmacies in your chain that participate in the Michigan Medicaid program and are subject to this survey. Surveys were sent with a due date of August 31, 2016. All Michigan Medicaid pharmacy providers are required to participate in the survey under the terms and conditions outlined in the Medical Assistance Provider Enrollment & Trading Partner Agreement. **In order to allow pharmacies more time to respond to the dispensing cost survey, Myers and Stauffer has been instructed by the Department to continue to accept surveys through September 14, 2016.** You are encouraged to submit a completed survey as soon as possible.

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

If you have recently submitted your survey to Myers and Stauffer, we thank you for your participation. If you would like to confirm receipt of your submitted survey, please feel free to contact Myers and Stauffer.

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

Sincerely,

Chris Priest

Chris Priest, Director
Medical Services Administration

Exhibit 5
Table of Inflation Factors for Dispensing Cost Survey

Table of Inflation Factors for Dispensing Cost Survey

Michigan Department of Health and Human Services

Fiscal Year End Date	Midpoint Date	Midpoint Index [1]	Terminal Month Index (6/30/2016) [1]	Inflation Factor	Number of Stores with Year End Date
12/31/2012	6/30/2012	116.8	126.7	1.085	1
9/30/2014	3/31/2014	120.5	126.7	1.051	1
10/31/2014	4/30/2014	120.8	126.7	1.049	0
11/30/2014	5/31/2014	121.1	126.7	1.046	0
12/31/2014	6/30/2014	121.4	126.7	1.044	23
1/31/2015	7/31/2014	121.7	126.7	1.041	120
2/28/2015	8/31/2014	121.9	126.7	1.039	1
3/31/2015	9/30/2014	122.2	126.7	1.037	2
4/30/2015	10/31/2014	122.4	126.7	1.035	0
5/31/2015	11/30/2014	122.6	126.7	1.033	0
6/30/2015	12/31/2014	122.8	126.7	1.032	7
7/31/2015	1/31/2015	123.1	126.7	1.029	3
8/31/2015	2/28/2015	123.3	126.7	1.028	247
9/30/2015	3/31/2015	123.6	126.7	1.025	26
10/31/2015	4/30/2015	123.7	126.7	1.024	1
11/30/2015	5/31/2015	123.7	126.7	1.024	8
12/31/2015	6/30/2015	123.8	126.7	1.023	893
1/31/2016	7/31/2015	124.1	126.7	1.021	169
2/29/2016	8/31/2015	124.3	126.7	1.019	296
3/31/2016	9/30/2015	124.6	126.7	1.017	7
4/30/2016	10/31/2015	124.8	126.7	1.015	7
5/31/2016	11/30/2015	125.0	126.7	1.014	1
6/30/2016	12/31/2015	125.2	126.7	1.012	49

Total Number of Stores	**1,862**

[1] Midpoint and terminal month indices are measured by the Employment Cost Index for all civilian employees published by the U.S. Bureau of Labor Statistics (BLS). The data are seasonally-adjusted quarterly and are interpreted here as the values corresponding to the last month each quarter. Interim month values are obtained through linear interpolation.

Inflated costs are obtained by multiplying the overhead and labor costs reported by pharmacies using the inflation factor in the fifth column. Wage costs tend to rise over time so that costs reported twelve months ago naturally tend to be lower than costs reported in the current month. The inflation adjustment uses the cost index midway through the prior fiscal year and is the best estimate of the average price level that can be made based on available data.

Exhibit 6
Histogram of Pharmacy Dispensing Cost

Histogram of Pharmacy Dispensing Cost

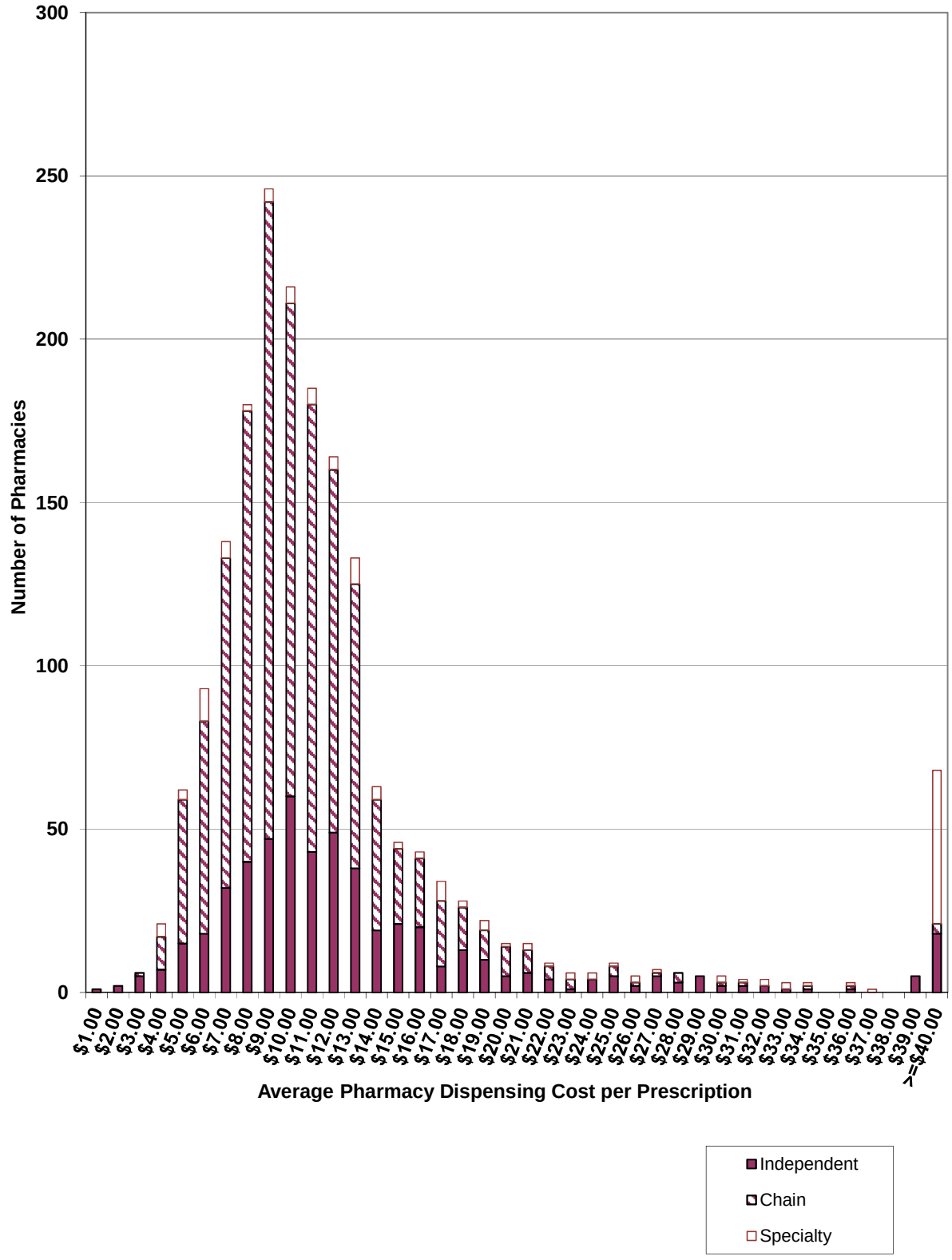


Exhibit 7
Cost of Dispensing Survey Data
Statistical Summary

Pharmacy Cost of Dispensing Survey
Statistical Summary
Michigan Department of Health and Human Services

Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Pharmacy Dispensing Cost per Prescription [1] — Measurements of Central Tendency — Means: Mean	Means: Weighted by Total Rx Volume	Means: Weighted by Medicaid Rx Volume	Medians: Median	Medians: Weighted by Total Rx Volume	Medians: Weighted by Medicaid Rx Volume	Other Statistics: Standard Deviation	95% Confidence Interval for Mean (based on Student t): Lower Bound	Upper Bound	*t* Value (with n-1 degrees of freedom)
All Pharmacies in Sample	1,862	90,428	4,156	$18.11	$11.46	$11.39	$10.82	$9.07	$9.90	$70.56	$14.90	$21.32	1.96
Non Specialty Pharmacies [2]	1,724	72,109	4,127	$12.15	$10.34	$10.64	$10.65	$9.49	$9.79	$7.76	$11.79	$12.52	1.96
Specialty Pharmacies [2]	138	319,285	4,522	$92.54	$14.61	$20.02	$20.08	$6.53	$13.51	$246.66	$51.02	$134.06	1.98
Specialty Pharmacy Breakdown [3]													
Blood Factor	11	16,287	371	$621.68	$288.66	$377.45	$354.66	$95.63	$95.63	$660.43	$178.00	$1,065.40	2.23
Compounded Infusion / Intravenous	16	108,068	925	$98.71	$21.13	$24.95	$91.51	$11.52	$11.52	$71.27	$60.73	$136.69	2.13
Other	111	379,758	5,452	$39.21	$13.18	$17.48	$16.93	$6.53	$13.67	$67.48	$26.51	$51.90	1.98
Non Specialty Pharmacies Only													
Affiliation:													
Chain	1,204	77,251	4,132	$11.02	$9.84	$9.98	$10.27	$9.38	$9.65	$4.30	$10.78	$11.27	1.96
Non-chain	520	60,204	4,115	$14.77	$11.82	$12.15	$11.84	$10.01	$10.45	$12.14	$13.72	$15.81	1.96
Affiliation (In State Only):													
Chain (In State)	1,148	72,309	4,290	$11.04	$9.91	$10.00	$10.27	$9.49	$9.65	$4.33	$10.78	$11.29	1.96
Non-chain (In State)	506	45,588	4,208	$14.88	$12.02	$12.11	$11.92	$10.51	$10.45	$12.26	$13.81	$15.95	1.96
Location (Urban vs. Rural): [4]													
In State Urban	1,362	64,845	4,164	$12.30	$10.36	$10.66	$10.61	$9.55	$9.74	$7.86	$11.88	$12.72	1.96
In State Rural	292	60,824	4,735	$11.79	$10.40	$10.56	$10.83	$10.13	$10.15	$7.95	$10.87	$12.71	1.97
All In State (Urban and Rural)	1,654	64,135	4,265	$12.21	$10.37	$10.64	$10.67	$9.63	$9.79	$7.88	$11.83	$12.59	1.96
Out of State	70	260,527	858	$10.78	$10.16	$10.48	$9.99	$8.88	$8.91	$3.95	$9.84	$11.72	1.99
Annual Rx Volume:													
0 to 44,999	614	27,962	2,110	$15.92	$14.07	$14.12	$13.63	$13.04	$12.80	$10.84	$15.06	$16.78	1.96
45,000 to 79,999	648	59,787	3,933	$10.64	$10.52	$10.40	$10.45	$10.34	$10.27	$3.61	$10.36	$10.91	1.96
80,000 and Higher	462	148,064	7,080	$9.28	$9.30	$9.44	$9.01	$8.76	$9.15	$4.50	$8.86	$9.69	1.97
Annual Medicaid Rx Volume: [5]													
0 to 1,999	534	53,700	1,049	$15.38	$11.08	$14.28	$12.92	$10.01	$12.72	$10.92	$14.46	$16.31	1.96
2,000 to 4,499	613	58,899	3,134	$11.41	$10.46	$11.23	$10.92	$9.77	$10.87	$5.18	$11.00	$11.82	1.96
4,500 and Higher	577	103,180	8,031	$9.95	$9.91	$9.95	$9.55	$9.30	$9.48	$5.13	$9.53	$10.37	1.96
Medicaid Utilization Ratio: [5]													
0.00% to 3.99%	494	95,308	1,740	$12.07	$10.14	$10.09	$10.37	$9.08	$9.08	$7.45	$11.41	$12.73	1.96
4.00% to 6.99%	526	67,576	3,700	$11.81	$10.27	$10.34	$10.74	$9.64	$9.75	$7.17	$11.19	$12.42	1.96
7.00% and Higher	704	59,217	6,121	$12.47	$10.62	$10.88	$10.61	$9.81	$9.85	$8.38	$11.85	$13.09	1.96

Pharmacy Cost of Dispensing Survey
Statistical Summary
Michigan Department of Health and Human Services

Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Pharmacy Dispensing Cost per Prescription [1] — Measurements of Central Tendency — Means: Mean	Means: Weighted by Total Rx Volume	Means: Weighted by Medicaid Rx Volume	Medians: Median	Medians: Weighted by Total Rx Volume	Medians: Weighted by Medicaid Rx Volume	Other Statistics: Standard Deviation	95% Confidence Interval for Mean (based on Student t): Lower Bound	Upper Bound	*t* Value (with n-1 degrees of freedom)
Total Rx Volume and Location													
In State Urban Only													
0 to 44,999	495	27,583	2,073	$16.35	$14.43	$14.43	$13.89	$13.22	$12.97	$10.79	$15.40	$17.30	1.96
45,000 to 79,999	517	59,994	3,817	$10.55	$10.43	$10.34	$10.28	$10.21	$10.13	$3.21	$10.27	$10.83	1.96
80,000 and Higher	350	124,708	7,634	$9.17	$9.04	$9.44	$8.80	$8.67	$9.15	$4.84	$8.66	$9.67	1.97
In State Rural only													
0 to 44,999	114	29,355	2,345	$14.17	$12.60	$12.91	$12.60	$12.43	$12.58	$11.11	$12.11	$16.23	1.98
45,000 to 79,999	112	58,430	5,059	$10.82	$10.68	$10.63	$10.83	$10.82	$10.82	$5.24	$9.84	$11.80	1.98
80,000 and Higher	66	119,240	8,316	$9.33	$9.23	$9.34	$9.21	$9.16	$9.19	$1.93	$8.85	$9.80	2.00
Institutional:													
LTC Institutional Pharmacies [6]	68	189,777	6,644	$13.47	$10.15	$12.19	$11.94	$9.22	$11.59	$7.84	$11.57	$15.37	2.00
Non-LTC Institutional Pharmacies [6]	1,656	67,277	4,023	$12.10	$10.36	$10.53	$10.61	$9.54	$9.74	$7.76	$11.73	$12.47	1.96
Unit Dose:													
Does dispense unit dose	67	232,461	6,613	$13.70	$9.21	$12.51	$11.59	$8.41	$11.59	$8.03	$11.75	$15.66	2.00
Does not dispense unit dose	1,657	65,625	4,026	$12.09	$10.50	$10.51	$10.61	$9.63	$9.74	$7.75	$11.72	$12.46	1.96
340B Pharmacy Status													
Participates in 340B and provides 340B pricing to Medicaid	151	83,894	4,274	$9.71	$9.13	$10.03	$8.67	$8.51	$8.51	$6.93	$8.59	$10.82	1.98
Does not participate in 340B or does not provide 340B pricing to Medicaid	1,573	70,978	4,113	$12.39	$10.48	$10.70	$10.93	$9.74	$9.90	$7.80	$12.00	$12.77	1.96

Notes:
1) All pharmacy dispensing costs are inflated to the common point of 6/30/2016 (i.e., midpoint of a fiscal year ending 12/31/2016).
2) For purposes of this report a "specialty pharmacy" is one that reported sales for intravenous, home infusion, blood factor and/or other specialty services of 10% or more of total prescription sales.
3) For purposes of this report specialty pharmacies were divided into three categories. Blood factor specialty, infusion specialty, and other specialty.
4) Myers and Stauffer used the pharmacies' zip code and tables from the U.S. Census Bureau to determine if the pharmacy was located in a Metropolitan Statistical Area. Pharmacies not in a Metropolitan Statistical Area are considered "rural" for purposes of this report.
5) Medicaid volume is based on the time period of July 1, 2015 to June 30, 2016.
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.

Exhibit 8
Table of Counties and Urban / Rural Locations for Michigan Pharmacies

Table of Counties and Urban / Rural Designation for Surveyed Pharmacies

Michigan Department of Health and Human Services

County	Status
ALCONA	RURAL
ALGER	RURAL
ALLEGAN	RURAL
ALPENA	RURAL
ANTRIM	RURAL
ARENAC	RURAL
BARAGA	RURAL
BARRY	URBAN
BAY	URBAN
BENZIE	RURAL
BERRIEN	URBAN
BRANCH	RURAL
CALHOUN	URBAN
CASS	URBAN
CHARLEVOIX	RURAL
CHEBOYGAN	RURAL
CHIPPEWA	RURAL
CLARE	RURAL
CLINTON	URBAN
CRAWFORD	RURAL
DELTA	RURAL
DICKINSON	RURAL
EATON	URBAN
EMMET	RURAL
GENESEE	URBAN
GLADWIN	RURAL
GOGEBIC	RURAL
GRAND TRAVERSE	RURAL
GRATIOT	RURAL
HILLSDALE	RURAL
HOUGHTON	RURAL
HURON	RURAL
INGHAM	URBAN
IONIA	URBAN
IOSCO	RURAL
IRON	RURAL
ISABELLA	RURAL
JACKSON	URBAN
KALAMAZOO	URBAN
KALKASKA	RURAL
KENT	URBAN
LAKE	RURAL
LAPEER	URBAN
LEELANAU	RURAL
LENAWEE	RURAL

County	Status
LIVINGSTON	URBAN
LUCE	RURAL
MACKINAC	RURAL
MACOMB	URBAN
MANISTEE	RURAL
MARQUETTE	RURAL
MASON	RURAL
MECOSTA	RURAL
MENOMINEE	RURAL
MIDLAND	RURAL
MISSAUKEE	RURAL
MONROE	URBAN
MONTCALM	RURAL
MONTMORENCY	RURAL
MUSKEGON	URBAN
NEWAYGO	URBAN
OAKLAND	URBAN
OCEANA	RURAL
OGEMAW	RURAL
ONTONAGON	RURAL
OSCEOLA	RURAL
OSCODA	RURAL
OTSEGO	RURAL
OTTAWA	URBAN
PRESQUE ISLE	RURAL
ROSCOMMON	RURAL
SAGINAW	URBAN
SANILAC	RURAL
SCHOOLCRAFT	RURAL
SHIAWASSEE	RURAL
ST. CLAIR	URBAN
ST. JOSEPH	RURAL
TUSCOLA	RURAL
VAN BUREN	URBAN
WASHTENAW	URBAN
WAYNE	URBAN
WEXFORD	RURAL

Notes:

1) Table is limited to counties located within the state of Michigan with pharmacies enrolled in the Michigan Medicaid pharmacy program.

2) Census status refers to the U.S. Bureau of the Census designation for a county as being in a urban statistical area or rural statistical area (per December 2007 definitions, obtained from http://www.census.gov).

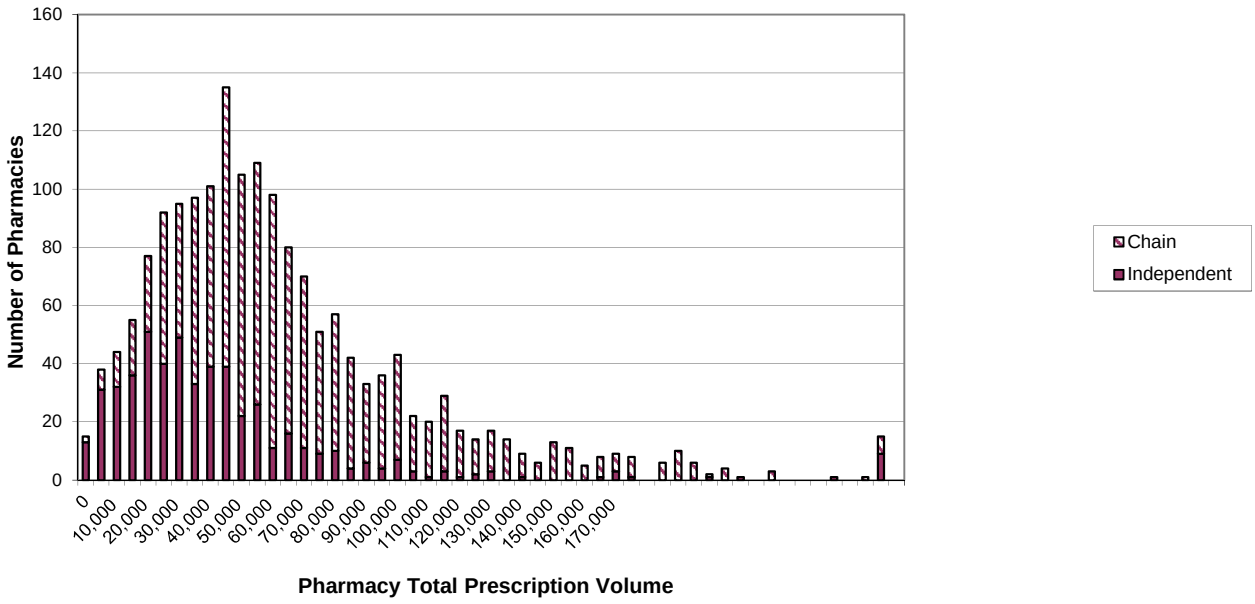
URBAN = The county is located in a metropolitan statistical area.
RURAL = The county is located in a micropolitan statistical area.

Exhibit 9
Charts Relating to Pharmacy Total Prescription Volume:

A: Histogram of Pharmacy Total Prescription Volume

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

Histogram of Pharmacy Total Prescription Volume



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

(Non-Specialty Pharmacies, Total Prescription Volume < 300,000)

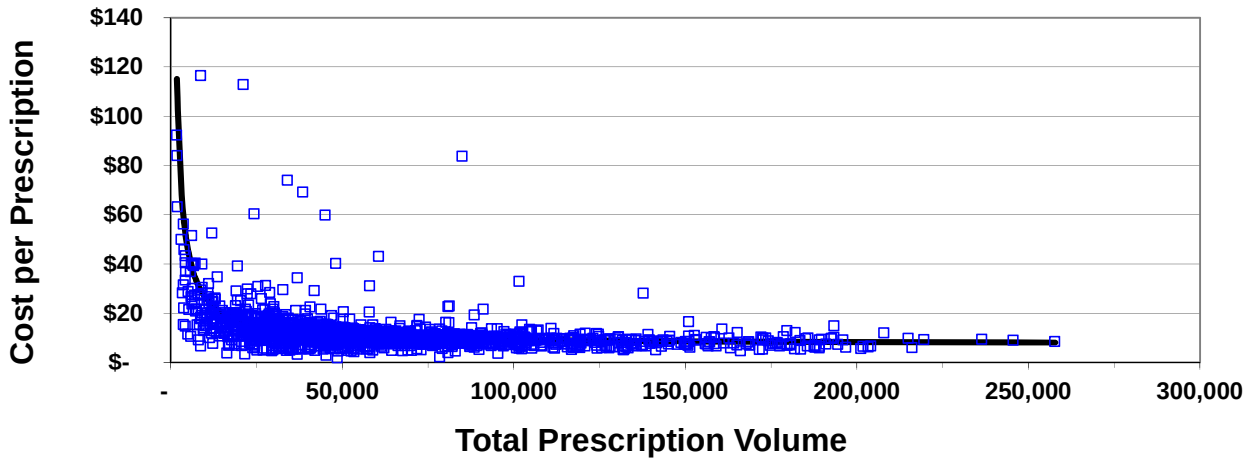


Exhibit 10
Chart of Components of Cost of Dispensing per Prescription

Chart of Components of Dispensing Cost per Prescription

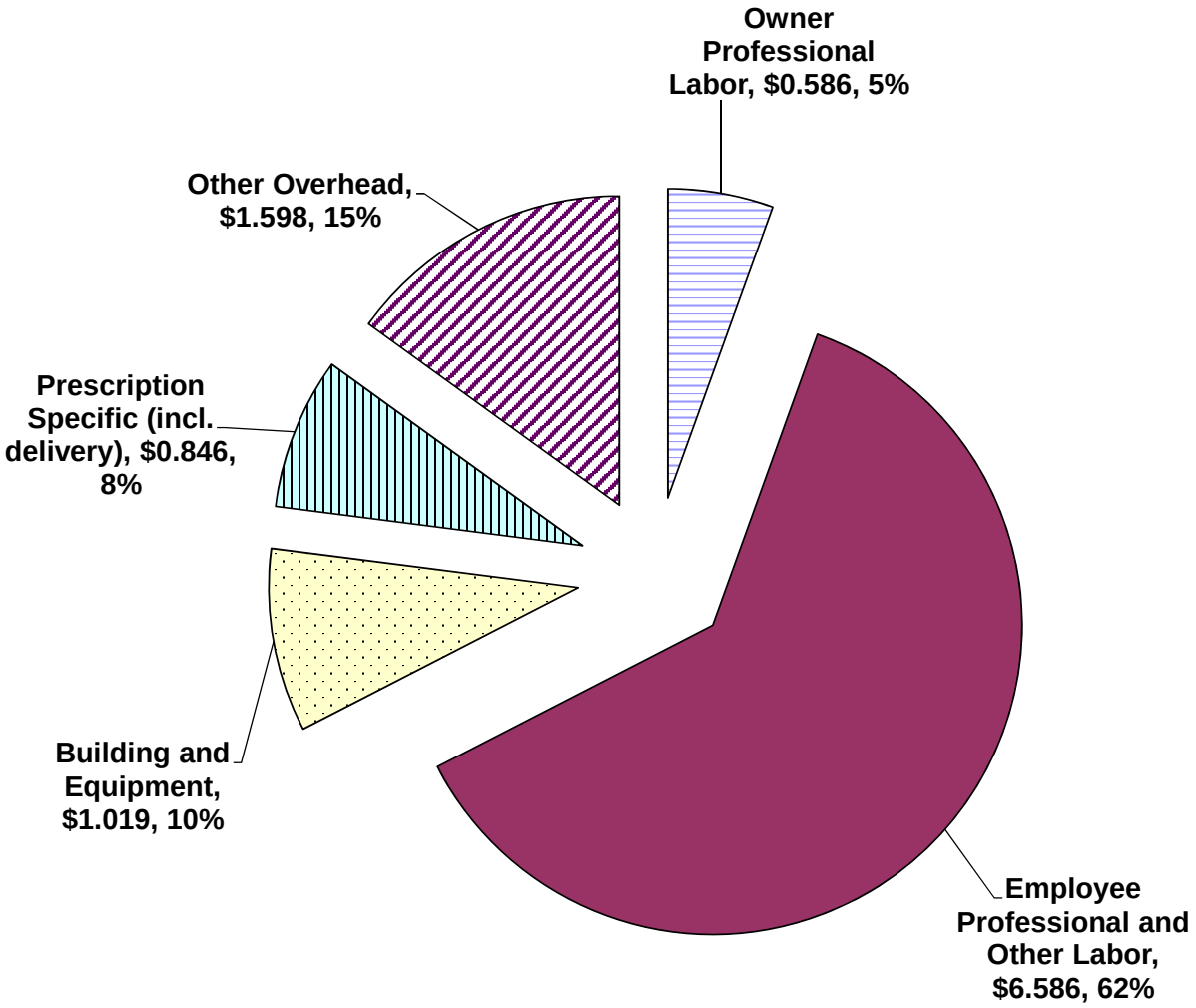


Exhibit 11
Summary of Pharmacy Attributes

Summary of Pharmacy Attributes
Michigan Department of Health and Human Services

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)	1,842	Medicaid fee for service	N/A	10.3%
		Other third party	N/A	79.3%
		Cash	N/A	10.4%
		Total	N/A	*100.00%*
Payer Type: percent of payments (averages)	1,844	Medicaid fee for service	N/A	8.0%
		Other third party	N/A	79.7%
		Cash	N/A	12.3%
		Total	N/A	*100.00%*
Type of ownership	1,856	Individual	50	2.7%
		Corporation	1,726	93.0%
		Partnership	55	3.0%
		Other	25	1.3%
		Total	*1,856*	100.0%
Location	1,860	Medical office building	228	12.3%
		Shopping center	234	12.6%
		Stand alone building	871	46.8%
		Grocery store / mass merchant	418	22.5%
		Outpatient Hospital	49	2.6%
		Other	60	3.2%
		Total	*1,860*	100.0%
Purchase drugs through 340B pricing	1,748	Yes	510	29.2%
		No	1,238	70.8%
		Total	*1,748*	*100.0%*
Provision of 340B inventory to Medicaid (for those that indicated they purchase drugs through 340B pricing)	282	Yes	151	53.5%
		No	131	46.5%
		Total	*282*	*100.0%*
Building ownership (or rented from related party)	1,496	Yes, (own building or rent from related party)	456	30.5%
		No	1,040	69.5%
		Total	*1,496*	*100.0%*
Hours open per week	1,609	67.85 hours	N/A	N/A
Years pharmacy has operated at current location	1,740	17.7 years	N/A	N/A
Provision of 24 hour emergency services	1,853	Yes	1,460	78.8%
		No	393	21.2%
		Total	*1,853*	*100.0%*
Percent of prescriptions to generic products	1,555	Percent of prescriptions dispensed that were generic products	N/A	83.5%
Percent of prescriptions to long-term care facilities	1,862	4.47% for all pharmacies; (28.51% for 262 pharmacies reporting > 0%)	N/A	N/A
Provision of unit dose services	1,862	Yes (average of 38.32% of prescriptions for pharmacies indicating provision of unit dose prescriptions. Approximately 89.54% of unit dose prescriptions were reported as prepared in the pharmacy with 10.46% reported as purchased already prepared from a manufacturer)	204	10.96%
		No	1,658	89.04%
		Total	*1,862*	*100.00%*
Percent of total prescriptions delivered	1,862	8.27% for all pharmacies; (19.49% for 790 pharmacies reporting > 0%)	N/A	N/A
Percent of Medicaid prescriptions delivered	1,862	7.27% for all pharmacies; (17.95% for 754 pharmacies reporting > 0%)	N/A	N/A
Percent of prescriptions dispensed by mail	1,862	2.67% for all pharmacies; (23.83% for 209 pharmacies reporting >0% percent of prescriptions dispensed by mail)	N/A	N/A

Summary of Pharmacy Attributes
Michigan Department of Health and Human Services

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Percent of prescriptions compounded	1,862	1.23% for all pharmacies; (3.93% for 581 pharmacies reporting >0 compounded Rxs	N/A	N/A
Types of prescriptions compounded	290	Creams	N/A	37.17%
		Emulsions	N/A	26.38%
		Nasal drops	N/A	0.21%
		Ointments	N/A	21.59%
		Optic drugs	N/A	0.10%
		Compounded capsules	N/A	1.60%
		Powders	N/A	1.25%
		Suppositories	N/A	2.06%
		Other	N/A	9.64%
		Total	N/A	100.00%
Professional Pharmacist Services	1,862	Consultation between pharmacist and beneficiary to improve medication adherence. (Average 5.78 hours for 1,165 pharmacies reporting >0%)	1,165	N/A
		Coordinating with prescriber to change dose, dosage form or duration of therapy based on pharmacists' review of age-appropriateness, drug-drug interaction, manufacturer recommendations, organ function, sub-optimal dosage form prescribed, etc. (Average 8.39 hours for 1,150 pharmacies reporting >0%)	1,150	N/A
		Coordinating with prescriber to add or delete a medication from the beneficiary's drug regimen based on pharmacist's review of clinical guidelines, adverse drug reaction, etc. (Average 9.67 hours for 1,126 pharmacies reporting >0%)	1,126	N/A
		Instructing a beneficiary on using a medication device (e.g.: inhaler, self-administered syringe). (Average 4.72 hours for 1,153 pharmacies reporting >0%)	1,153	N/A
		Medication reconciliation. (Average 9.1 hours for 694 pharmacies reporting >0%)	694	N/A