



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene
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Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

MARYLAND MEDICAL ASSISTANCE PROGRAM
Pharmacy Transmittal No. 194
April 19, 2011

TO: Pharmacies

FROM: Charles E. Lehman, Executive Director
Office of Systems, Operations and Pharmacy

RE: **Mandatory** Pharmacy Cost of Dispensing Analysis (PCDA)

As you are aware, later this year, First DataBank will cease publication of the “Average Wholesale Price” or “AWP”. At that time, the Maryland Medicaid Pharmacy Program (MMPP) will likely begin to utilize in its provider reimbursement a new pricing benchmark, the Average Actual Acquisition Cost (AAAC) that will be provided by the Centers for Medicare and Medicaid Services (CMS). Along with this new pricing benchmark, the MMPP must also use a reasonable professional fee to appropriately reimburse pharmacy providers.

To determine the cost of dispensing, the MMPP has issued a Request for Proposals for qualified vendors to conduct a study of the Pharmacy Cost of Dispensing (PCD) to outpatient pharmacies that dispense prescription drugs to MMPP recipients. The successful vendor will work with the MMPP to design and administer the survey. The survey is expected to be available to pharmacy providers on or around June 7th. Providers will have 2-3 weeks to complete the survey.

The Department is issuing this transmittal to notify all MMPP pharmacy providers about the survey and give them ample time to begin preparation and collection of the data needed for this **mandatory** survey. **All providers are required to participate in the survey and provide all necessary documentation to the designated vendor. Such participation and document production is required under COMAR 10.09.03.03E and COMAR 10.09.03.07A.**

The following recommendations are for your consideration on the type of data and financial information that will be needed to complete this survey¹:

¹ All relevant costs associated with operating a pharmacy and providing prescriptions to consumers should be included

a. Staffing

- i. Salaries and wages (pharmacists, technicians, managers, cashier, etc.)
- ii. Employee benefits (employer health insurance premiums, cost contributions, fees, etc.)
- iii. Licensure and/or continuing education for pharmacists, technicians
- iv. Payroll taxes

b. Store operations and overhead

- i. Rent or mortgage
- ii. Cleaning, repairs and security (note additional security needs for control drugs)
- iii. Utilities (heat, light, telephones)
- iv. Computer systems, software and maintenance
- v. Equipment rental, including service contracts if applicable
- vi. Marketing and advertising
- vii. Accounting, legal and professional fees
- viii. Insurance (liability/property insurance, worker's compensation, etc.)
- ix. Taxes and licenses
- x. Interest paid on pharmacy-related debt
- xi. Depreciation
- xii. Complying with federal and state regulations (e.g., HIPAA)
- xiii. Corporate overhead (central management, etc.)
- xiv. Account receivable expenses (i.e., waiting on payment)

c. Preparing and dispensing prescriptions

- i. Prescription dispensing materials (packages, labels, pill counters, etc.)
- ii. Number of Medicaid prescriptions filled per week
- iii. Measurement or Mixing/Compounding the Rx (if necessary)
- iv. Filling the container
- v. Special packaging (unit dose, blister packs, bingo cards)
- vi. Special supplies (syringes, inhalers)
- vii. Inventory maintenance/Cost to carry inventory
- viii. Physically providing the completed prescription
- ix. ePrescribing related costs

d. Other Services

- i. Pharmacist time in checking the computer about an individual's coverage
- ii. Drug use review
- iii. Preferred Drug List Review activities
- iv. Consumer/patient counseling
- v. Consulting with prescribers
- vi. Education and training
- vii. Delivery

The list above is not intended to be the exclusive list of items you may need to produce during the survey. The ultimate vendor may ask for additional information as part of the survey. You are required under COMAR 10.09.03.03E and 10.09.03.07A to produce all of the documentation requested by the vendor even if it is not identified above.

Note: Costs must be allocated between prescription and nonprescription sales, which requires collection of additional data elements such as total pharmacy and non-pharmacy sales, cost of goods sold, and other shared expenses (e.g., allocation of floor space, utilities, taxes, etc.).

Note: Medication Therapy Management (MTM), while a valid and cost-saving component of pharmacist professional services, is not a cost included in the CFR definition of dispensing fee.

You should begin your preparations immediately so requested survey data will be available for you to complete the mandatory PCDA during the 2-3 week period beginning in early June 2011.