

# Pharmacy Groups Respond to OIG Report on Medicare Part D Pharmacy Payments

By Jim Frederick

ALEXANDRIA , Va. (Jan. 16) Joining other retail pharmacy groups, the National Community Pharmacists Association is the latest organization to weigh in on a new report on Medicare pharmacy reimbursements from the Office of the Inspector General of the Department of Health and Human Services.

Under prompting from 33 U.S. senators, the OIG surveyed and analyzed pharmacy payments for prescriptions dispensed under Medicare Part D, and released a report on its findings Jan. 3 under the title *Review of the Relationship Between Medicare Part D Payments to Local, Community Pharmacies and the Pharmacies' Drug Acquisition Costs*. Like the National Association of Chain Drug Stores and the Association of Community Pharmacists, NCPA offered guarded support for the OIG's findings and said they affirmed pharmacy's longstanding plea for higher reimbursement levels.

In the report, the OIG estimates that the difference between Part D payments and drug acquisition costs is \$9.13 per prescription including wholesaler rebates, which are not received by every pharmacy. "Medicare Part D reimbursements minus dispensing fees to local, community pharmacies exceeded the pharmacies' drug acquisition costs by an estimated 18.1 percent when the analysis included rebates that drug wholesalers paid to pharmacies," noted the OIG report.

The agency also found that dispensing fees to pharmacies added an average of about \$2.27 to that reimbursement, which it acknowledged was "about \$2 less than the average Medicaid dispensing fee." Combined with the \$9.13 average payment for the drug dispensed, the average compensation to pharmacies for dispensing Part D prescriptions is roughly \$11.40 per script, according to the OIG report.

Those findings confirm the "dangerously thin" profit margins that pharmacies operate under, according to NCPA executive vice president and chief executive officer Bruce Roberts. "While the report acknowledges that it does not account for all costs of dispensing prescriptions, we applaud the work of the OIG in confirming the financial difficulties Part D has placed on community pharmacy," said Roberts. "Its estimate that local community pharmacies received an average Part D dispensing fee of \$2.27 per prescription reinforces our position that community pharmacies are not adequately reimbursed for the costs of dispensing drugs.

"When you also consider the slow rate of reimbursement, as evidenced by a recent University of Texas study, pharmacists may be forced to close their doors, or stop participating in these government programs," Roberts continued. "Patient access to the medicines they need will be seriously threatened."

Responding to the OIG report, NCPA cited a recent study by the accounting firm Grant Thornton, which found that the average cost to dispense a prescription drug is \$10.50, yielding 90 cents, on average, per Medicare prescription. “With an average prescription price of \$68.26, this nets a mere 1.3 percent net profit margin,” the group noted.

NCPA’s reaction to the findings echoed those of its peers in pharmacy. Last week, NACDS president and chief executive officer Steve Anderson pointed out that the report “is not a comprehensive analysis of all costs associated with the drugs and services that pharmacies deliver to patients, as it focuses on only one side of the equation.

“While the OIG report compares drug acquisition costs and payments to pharmacies, it is essential to remember there are two components to actual pharmacy cost: the cost of the drug, and the cost to dispense the drug,” Anderson said. “OIG makes this important point in the report, saying ‘The dispensing cost information clarifies that our analysis did not account for all of the costs associated with dispensing prescription drugs.’”

NACDS, NCPA and ACP have all pledged to continue lobbying Congress for legislation assuring adequate compensation for pharmacies dispensing Part D prescriptions.