

PROFESSIONAL DISPENSING FEE (PDF) SURVEY COMPLETION INSTRUCTIONS FOR COLORADO PHARMACIES

Survey Overview

Purpose of This Survey

The Colorado Department of Health Care Policy and Financing (Department) engaged Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, to conduct a survey of Medicaid pharmacy providers to better understand and determine the approximate cost of dispensing prescription drugs to Department beneficiaries.

Provider participation and timely response are crucial, as the information collected from this survey will be critical data for Department to better understand the current pharmacy cost of dispensing. Submit any questions about this survey via email to CODSurvey@mercer.com or call the Pharmacy Survey Hotline at 1-855-230-9950 (starting March 29).

Who Should Participate

All Department-enrolled providers must participate.

How to Submit Completed Surveys

- Surveys may be completed online. The link to the online survey can be found on the survey homepage at <https://ghscapps.mercer.com/COpharmacy/> starting March 28, 2018.
- A username and password for the online tool will be mailed to providers with 3 or fewer locations separately. Providers may call 1-855-230-9950 for assistance with the assigned password.
- For providers with multiple locations, or if the provider is unable to submit the survey information online, he or she may access and download the Microsoft Excel version of the survey on the survey homepage. Completed Excel surveys should be emailed to CODSurvey@mercer.com.
- The survey must be received no later than April 23, 2018.

Average Professional Dispensing Fee Calculation

The survey is created using Medicare and Medicaid cost principles as defined in 42 CFR 200.400–475, but is governed by the definition of a professional dispensing fee as defined in 42 CFR 447.502:

Professional dispensing fee means the professional 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 FFS beneficiary. Pharmacy costs include, but are not limited to, reasonable costs associated with a

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pharmacist's time in checking the computer for information about an individual's coverage, performing drug utilization review and preferred drug list 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.

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.

To calculate the portion of costs allocable to a professional dispensing fee, costs are categorized as direct pharmacy expenses, direct non-pharmacy expenses, indirect costs (overhead) and unallowable costs. Indirect costs are then allocated into direct pharmacy expenses or direct non-pharmacy expenses by either a percentage of square footage (for facility costs) or a percentage of sales (for non-facility costs). The average dispensing fee is calculated as the direct pharmacy expenses plus the allocated indirect expenses divided by the number of scripts.

Section I — Pharmacy Profile

The purpose of the Pharmacy Profile is to report provider-specific information used for identification and for statistical categorization.

1 — National Provider Identifier (NPI)

Enter the NPI of the Colorado Medicaid provider.

2 — Provider Name

Enter the name of the Colorado Medicaid provider.

3–7 — Address (Street, City, State, ZIP Code)

Enter the street address, suite or second address (if applicable), address suite or mail stop, city, state and five-digit ZIP code where the provider is located.

8 — County

Enter the county where the provider is located.

9 — Contact Person

Enter the name of the individual to contact if there are any questions about the survey responses.

10 — Contact Person Email

Enter an email address where the contact person may be reached.

11 — Telephone Number

Enter the telephone number, including area code, where the contact person may be reached.

12 — Fax Number

Enter the fax number, including area code, for the contact person.

13 — Change of Ownership

Indicate whether or not there was a change in pharmacy ownership during the reporting period that affects reporting of financial or prescription information.

14 — Pharmacy Open/Closed

Indicate whether or not the pharmacy was open the entire year.

15 — Pharmacy Partially Open

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If the pharmacy was not open the entire year, enter the number of months the pharmacy was open.

Note: For pharmacy locations that have been open less than 12 months, only complete questions 1–20 and the certification tab. The remainder of the survey need not be completed.

16— Provider Type

Select the provider type from the following list. If more than one provider type applies, select the type that represents the provider's highest percentage of sales.:

- **340B** — A provider participating in the 340B discount program.
- **Rural Pharmacy** — Any pharmacy that is the only pharmacy within a twenty-mile radius.
- **Independent Retail Pharmacy** — A provider whose ownership group(s) owns three or fewer locations in which pharmacists store, prepare and dispense medicinal preparations and/or prescriptions for a local Medicaid beneficiary population in accordance with federal and state law; counsel Medicaid beneficiaries and caregivers (sometimes independent of the dispensing process); and provide other professional services associated with pharmaceutical care, such as health screenings, consultative services with other health care providers, collaborative practice, disease state management and education classes.
- **Retail Chain** — A provider whose ownership group(s) owns four or more locations in which pharmacists store, prepare and dispense medicinal preparations and/or prescriptions for a local Medicaid beneficiary population in accordance with federal and state law; counsel Medicaid beneficiaries and caregivers (sometimes independent of the dispensing process); and provide other professional services associated with pharmaceutical care, such as health screenings, consultative services with other health care providers, collaborative practice, disease state management and education classes.

17 — Location Type

Select the location type of the provider from the following list:

- Designated space in a medical office building
- Free standing building
- Designated space in a shopping center
- Embedded in a grocery store/mass merchandiser
- Hospital outpatient
- Other

18 — Years at Location

Indicate the number of years a pharmacy has operated at this location. This information is used in demographic analysis of the data. The response allows Mercer to understand depreciation, or lack of depreciation, for older buildings where market-based rent may need to be substituted if a building is fully depreciated.

19 — Pharmacist Owner

Indicate whether or not one or more of the pharmacists who fill prescriptions has been an owner of the pharmacy at any time during the reporting period.

20 — Pharmacy Open Hours

Enter the number of hours per week the pharmacy department is open. The maximum number of hours is 168 (24 hours x 7 days per week).

Square Footage

Required: Survey responses for this section should use the same time period as reported in the financial information section.

For the purposes of this survey, the prescription area will be defined as the medication receiving, storage, preparation, packaging, sales and professional service areas, regardless of whether or not the pharmacist is present. Square footage is used to allocate indirect facility costs such as rent, utilities and real estate taxes between pharmacy and non-pharmacy expenses.

Department Square Footage

Enter the pharmacy department's square footage as of the end of the reporting period:

21 -- Prescription area. List the actual square footage of the prescription area. Measure; do not estimate. The prescription area will be defined as the medication receiving, storage, preparation, packaging, sales and professional service areas, regardless of whether or not the pharmacist is present.

22 -- Non-prescription area. List the actual square footage of the rest of the pharmacy.

23 -- Total square footage (sum of 21 and 22).

Section II — Pharmacy Prescriptions

Prescription information is required: Survey responses for this section should use the same time period as reported in the financial information section.

Total Prescriptions

Enter the total number of prescriptions filled by this pharmacy for the following categories during the reporting period:

24 -- Prescriptions provided to Medicaid FFS beneficiaries.

25 -- All other prescriptions (non-Medicaid).

26 -- Total prescriptions (sum of 24 and 25).

27 — Compounded Prescriptions

Enter the number of prescriptions compounded.

28 — Medicaid FFS Compounded Prescriptions

Enter the number of Medicaid FFS prescriptions compounded.

29 – Long Term Care (LTC) Facility Prescriptions

Enter the number of prescriptions dispensed to LTC facilities

30 – Medicaid FFS LTC Prescriptions

Enter the number of Medicaid FFS prescriptions dispensed to LTC facilities.

31 — Prescriptions Delivered

Enter the number of prescriptions delivered during the reporting period. Do not include mailed prescriptions.

32 – Medicaid FFS Delivered Prescriptions

Enter the number of Medicaid FFS prescriptions delivered. Do not include mailed prescriptions.

33 -- Enter the radius of the delivery area, expressed in miles.

34 – Open 24-Hours

Enter whether the facility is open 24 hours per day.

SECTION V — FINANCIAL INFORMATION — SALES AND DIRECT EXPENSES

Expenses such as administration, central operating or other general expenses incurred by multiple location pharmacies should be allocated to individual locations. Methods of allocation must be reasonable and conform to generally accepted accounting principles. Explain any allocation procedures used to allocate expenses in the Comments section. Enter the following financial information.

Reporting Period

Enter the dates of the reporting period. This should be the provider's last complete fiscal year and should correspond to the report dates of your financial statements or tax returns:

35 -- Beginning date range of financial reports.

36 -- Ending date range of financial reports.

Sales

Sales are reported for validation and for allocating overhead costs. Percentages of sales in the categories below determine allocation rates for certain administrative costs to the pharmacy department as a cost of dispensing. Enter the following sales information rounded to the nearest dollar.

Sales by Category

Enter the sales for this location for the following categories:

37 -- Prescription sales other than over-the-counter (OTC) sales dispensed by a pharmacist or 340B sales. Do not include revenue for compounding or special packaging.

38 -- OTC sales dispensed by pharmacy department.

39 -- OTC sales dispensed by staff not in pharmacy department.

40 -- Portion of federal grants attributable to pharmacy, if any.

41 -- Professional pharmacy services billed through medical claims.

42 -- Other sales, such as retail sales and services. If amounts exceed 5.0% of total sales, comment on the nature of the other sales and provide more detail.

43 -- Total sales (sum of 37 through 42).

Costs and Expenses

Enter the following costs and expenses information. Cost of goods sold information is used for validation purposes only and does not affect the average dispensing fee calculation.

Cost of Goods Sold

Cost of goods sold (COGS) is used for reference in validating the provider's responses to his or her financial statements or tax returns, as requested:

44 -- COGS: Pharmaceuticals. *Note: This will not be included in the dispensing fee calculation.*

45 -- Non-pharmacy COGS.

46 -- Total COGS (sum of 44 and 45).

Pharmacy Department Expenditures

Do not include ingredient costs in any of the questions in this section.

47 — Prescription Containers, Labels and Other Pharmacy Supplies

Enter the costs of the prescription containers, labels and other pharmacy supplies in whole dollar amounts.

48 — Professional Liability Insurance for Licensed Personnel

Enter the costs of the professional liability insurance for pharmacists and other licensed personnel in whole dollar amounts.

49 — Pharmacy Department Licenses, Permits and Fees

Enter the costs of the pharmacy department licenses, permits and fees in whole dollar amounts.

50 — Dues, Subscriptions and Continuing Education for the Pharmacy Department

Enter the costs of the dues, subscriptions and continuing education for the pharmacy department in whole dollar amounts.

51 — Delivery Expenses

Enter the costs of prescription-related delivery expenses in whole dollar amounts.

52 — Expenses Related to Compounding Drugs

Enter the expenses related to compounding drugs, including depreciation on compounding equipment or compounding supply costs, in whole dollar amounts.

53 — Bad Debts for Prescriptions

Enter the costs of any bad debts for prescriptions, including uncollected copayments, in whole dollar amounts.

54 — Computer System Costs Related only to the Pharmacy department

Enter the costs of the computer system costs, not including depreciation, related only to the pharmacy department in whole dollar amounts.

55 — Claims Processing Fees

Enter the costs of the claims processing, in whole dollar amounts.

56 — Depreciation – Directly Related to Pharmacy Department (Including computers, software and equipment)

Enter the costs of depreciation directly related to the pharmacy department, including computers, software and equipment, in whole dollar amounts.

57 — Professional Education and Training

Enter the costs of professional education and training in whole dollar amounts.

58 — Costs Directly Attributable to 340B program management

Enter the costs directly attributable to 340B, including 340B program management or other, in whole dollar amounts. If "Other", list in the Comments section of this survey.

59 — Other Pharmacy Department-Specific Costs Not Identified Elsewhere

Enter other pharmacy department-specific costs not identified elsewhere in whole dollar amounts. If the amount is greater than 5.0% of total pharmacy department non-payroll costs (line 60), attach supporting details in the Comments section.

60 — Total Pharmacy Department Non-payroll Costs

Enter the total pharmacy department non-payroll costs in whole dollar amounts (sum of 47 through 59).

SECTION VI — PAYROLL INFORMATION

Pharmacy Personnel and Labor Costs

Note: Store costs should be categorized into three distinct areas — direct costs related to pharmacy services, direct costs related to non-pharmacy services and indirect costs related to all product lines. For 63 through 67, include wages only for direct costs for pharmacy services (pharmacy department).

For 63 through 69, round to the nearest whole dollar amount:

- For each employee group, list wages, salary, bonuses and guaranteed payments.
- List payroll taxes to reflect the employer's share of payroll tax expense.
- List pension/profit-sharing/retirement expenses to include any employer contributions to profit-sharing, pensions or retirement accounts.
- List other employee benefits, such as employer's contribution toward health insurance.

61 — Pharmacist FTEs

Enter the number of Pharmacist full-time employees (FTEs) (2,080 hours per year).

62 — Other Pharmacy Department FTEs

Enter the number of Other Pharmacy Department FTEs (do not include pharmacist(s) counted in 61).

Enter the salaries, wages, bonuses and guaranteed payments for employees listed in 63 through 67.

63 — Pharmacist Manager (Owner)

Enter the salaries, wages, bonuses and guaranteed payments for owner/pharmacists with greater than 2% ownership of the pharmacy.

64 — Pharmacist Manager (Non-owner)

65 — Staff Pharmacists

66 — Technicians

67 — Other Personnel (Describe in comments sections)

68 — Pharmacy Department Payroll Taxes

69 — Pharmacy Department Benefits (Including health insurance and pension / profit sharing / retirement expenses)

70 — Pharmacy Department Payroll

Enter the total pharmacy department payroll amount (sum of 63 through 69).

Non-Pharmacy Personnel

Note: Store costs should be categorized into three distinct areas — direct costs related to pharmacy services, direct costs related to non-pharmacy services and indirect costs related to all product lines. For 71, include wages only for direct costs to non-pharmacy services. For example, retail marketing personnel costs would be considered a direct cost for non-pharmacy services. For 72, include indirect personnel costs such as accounting, information technology (IT), legal or human resources.

71 — Wages for Personnel Directly Attributed to Non-Pharmacy Services

Enter wages, payroll taxes and benefits for personnel directly attributed to non-pharmacy services. This is for personnel who do not provide any services to the pharmacy department, but are dedicated to non-pharmacy sales. Do not include wages for administrative personnel (accounting, legal, IT, human resources, corporate).

72 — Wages for Personnel Directly Attributed to Administrative or Shared Services

Enter wages, payroll taxes and benefits for personnel directly attributed to administrative or shared services.

73 — General Employee Expenses Attributable to All Employee Types

Enter general employee expenses attributable to all employee types.

74 — Non-pharmacy department Payroll

Enter non-pharmacy department payroll (sum of 71 through 73).

75 — Total Payroll Expense

Enter the total payroll expense (sum of 70 and 74).

SECTION VII — FINANCIAL INFORMATION — OVERHEAD

Facility

Background information is needed to ensure appropriate expenses are captured and to identify potential outliers that require adjustment or exclusion.

Ownership or Leasing

76 – Does the provider or a related party own the building?

77 – If #76 is yes, is the building fully depreciated? Enter yes or no.

78 – If the building is owned by you or a related party, enter the amount of depreciation recorded for the building during the reporting period.

Facility Expenses

Allowable facility expenses are allocated to the pharmacy dispensing fee calculation as a percentage of square footage. Enter, in whole dollar amounts, the costs of the following:

79 — Rent

Enter the cost of rent in whole dollar amounts. If the building is owned by the provider, the rent is \$0.

80 — Utilities

Enter the cost of utilities (e.g., gas, electric, water and sewer) in whole dollar amounts.

81 — Real Estate Taxes

Enter the cost of real estate taxes in whole dollar amounts.

82 — Facility Insurance

Enter the cost of property, general liability and other facility insurance costs (but not including professional liability insurance costs or health insurance costs) in whole dollar amounts.

83 — Maintenance and Cleaning

Enter the cost of maintenance and cleaning in whole dollar amounts.

84 — Depreciation Expense

Enter the cost of depreciation for the facility only (e.g., building, leasehold improvements) in whole dollar amounts.

85 — Mortgage Interest

Enter the mortgage interest in whole dollar amounts.

86 — Other Facility-Specific Costs Not Identified Elsewhere

Enter the other facility-specific costs not identified elsewhere in whole dollar amounts. If the amount is greater than 5.0% of total facility cost (line 87), attach supporting details in the Comments section of this survey.

87 — Total Facility Costs

Enter the total facility costs (sum of 79 through 86).

Non-Facility Overhead Expenses

Allowable other store/location expenses not directly attributed to the pharmacy department are allocated to the pharmacy dispensing fee calculation as a percentage of sales.

88 — Marketing and Advertising

Enter the marketing and advertising costs in whole dollar amounts.

89 — Professional Services

Enter the cost for professional services (e.g., accounting, legal, consulting) in whole dollar amounts.

90 — Security Costs

Enter the cost for security systems and monitoring in whole dollar amounts.

91 — Telephone and Data Communication

Enter the costs for telephone and data communication in whole dollar amounts.

92 — Transaction Fees/Merchant Fees/Credit Card Fees

Enter the costs for transaction, merchant and credit card fees in whole dollar amounts.

93 — Computer Systems and Support

Enter the costs for computer systems and support in whole dollar amounts.

94 — Depreciation

Enter the costs for depreciation for all other items, including equipment, furniture and computers that are not captured elsewhere in whole dollar amounts.

95 — Amortization

Enter the costs for amortization in whole dollar amounts.

96 — Office Supplies

Enter the costs for office supplies in whole dollar amounts.

97 — Office Expense

Enter the costs for office expenses in whole dollar amounts.

98 — Other Insurance

Enter the costs for other insurance in whole dollar amounts.

99 — Taxes Other Than Real Estate, Payroll, or Sales

Enter the costs for any taxes other than real estate, payroll or sales in whole dollar amounts.

100 — Franchise Fees (If Applicable)

Enter the costs for franchise fees, if applicable, in whole dollar amounts.

101 — Other Interest

Enter the costs for other interest in whole dollar amounts.

102 — Charitable Contributions

Enter the amount of charitable contributions for the report period in whole dollar amounts.

103 — Corporate Overhead

Enter the costs of corporate overhead in whole dollar amounts.

104 — Other Costs Not Included Elsewhere

Enter any other costs not included elsewhere in whole dollar amounts. If the amount is greater than 5.0% of total other store/location costs (line 105), attach supporting details in the Comments section.

105 — Total non-facility overhead Costs

Enter the total other store/location costs (sum of 88 through 104).

106 — Total Overhead

Enter the total overhead (sum of 87 and 105).

SECTION VIII — RECONCILIATION

The Reconciliation section is to verify that all sales, payroll and total expenses are accounted for in the survey response. The survey is designed to capture all of the pharmacy's income statement accounts, although not all categories will be used to calculate the average cost to dispense. The line items below are included only for verification that amounts included are accurate.

107 — Total Net Sales

Enter the total sales less returns from your financial statements or tax returns for the reporting period.

108-109 – Total Net Sales and Sales Variance

These two data fields are automatically calculated by the survey tool; there is no need to enter values.

110 — Total Payroll

Enter the total payroll cost, including wages and bonuses from your financial statements or tax returns for the reporting period.

111-112 – Total Payroll and Payroll Variance

These two data fields are automatically calculated by the survey tool; there is no need to enter values.

113 — Total Expenses

Enter the total expenses from your financial statements or tax returns for the reporting period.

114-115 – Total Expenses and Expense Variance

These two data fields are automatically calculated by the survey tool; there is no need to enter values.

SECTION IX — COMMENTS

The Comments section is for comments and clarifications. If reporting more than one location, be specific as to which location the comment pertains. If comments are provided in response to a question, be specific as to which question the comment pertains.

Although providers spend time providing value-added services, few providers track the time spent providing such services. Respondents are encouraged to provide information about value-added services and identify time spent on value-added services in this section.

SECTION X — CERTIFICATION

The Certification section requires the signature of a certifier declaring that he or she has thoroughly examined the survey and cost report and believes the information is true, correct and complete. Printed name and position/title are also required of the certifier.

SECTION XI — STATEMENT OF THE PREPARER

This section requires a statement of the preparer if the preparer of the survey and cost report is different than the provider listed on the survey. The preparer's signature, printed name, position/title and company name is required in this section.