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UTAH DEPARTMENT OF HEALTH

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

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DEDICATED TO GOVERNMENT HEALTH PROGRAMS

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Chapter 1: Executive Summary

Introduction

Under contract to the Utah Department of Health (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 Utah Medicaid pharmacy program. According to the provider list, there were 511 pharmacy providers that were enrolled in the Utah Medicaid program. All 511 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 221 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 Utah Medicaid program, the median cost of dispensing, weighted by Medicaid volume, was $10.28 per prescription for all pharmacies including specialty pharmacies[1]. For non-specialty pharmacies only, the median cost of dispensing, weighted by Medicaid volume, was $10.22 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 Utah Medicaid Pharmacies

	All Pharmacies Inclusive of Specialty	Non-specialty Pharmacies Only
Pharmacies Included in Analysis	221	217
Unweighted Median [A]	$11.28	$11.28
Weighted Median [A, B]	$10.28	$10.22

[A] *Inflated to common point of June 30, 2015 (midpoint of year ending December 31, 2015).*
[B] *Weighted by Medicaid volume.*

Conclusions

Changes in the Utah 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 $10.28 would reimburse the weighted median cost of dispensing prescriptions to Utah Medicaid members inclusive of both specialty and non-specialty pharmacies. A single dispensing fee of $10.22 would reimburse the weighted median cost of dispensing prescriptions to Utah Medicaid members for non-specialty pharmacies but would not account for the cost of dispensing prescriptions by specialty pharmacies.

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

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

pharmacies which can be considered in the process of evaluating professional dispensing fees for the Utah Medicaid program.

Chapter 2: Dispensing Cost Survey and Analysis

The Utah Department of Health (Department) engaged Myers and Stauffer LC to perform a study of costs incurred by pharmacies participating in the Utah 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 acquisition cost" (AAC).[5] The requirement that state Medicaid agencies should more closely

[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.

[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).

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 Utah 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 Utah and several other states.

Survey Distribution

Myers and Stauffer obtained from the Department a list of pharmacy providers currently enrolled in the Utah Medicaid pharmacy program. According to the provider list, there were 511 pharmacy providers enrolled in the program. Surveys were mailed to all 511 pharmacy providers on July 1, 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).

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

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[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.

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 July 22, 2016 to surveyed pharmacies (Exhibits 3a and 3b). Additional letters were sent on August 5, 2016 with a further reminder and an extension of the original due date of August 5, 2016 to August 19, 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 511 surveyed pharmacies, 24 pharmacies were determined to be ineligible to participate (based on the returned surveys).

Surveys were accepted through September 30, 2016. As indicated in Table 2.1, 221 surveyed pharmacies submitted a usable cost survey for this study resulting in a response rate of 45.4%.

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]

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

[8] There were 11 incomplete surveys received on or before October 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 221 usable surveys received.

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]	321	20	301	137	45.5%
Non-chain	190	4	186	84	45.2%
TOTAL	**511**	**24**	**487**	**221**	**45.4%**
In-State Urban[10]	375	22	353	151	42.8%
In-State Rural	133	2	131	68	51.9%
Out-of-State	3	0	3	2	66.7%
TOTAL	**511**	**24**	**487**	**221**	**45.4%**

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 221 usable cost surveys, 137 were from chain pharmacies and 84 were from non-chain pharmacies. There was a response rate of 45.5% for chain pharmacies compared to a response rate of 45.2% for independent pharmacies. The results of the χ^2 test indicated that the difference in response rate between chain and independent pharmacies was not statistically significant at the 5% confidence level and therefore was a statistically representative sample.

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 Utah. Of the 484 non-exempt pharmacies located in the state of Utah, 353 pharmacies (or 72.9%) were located in an urban area. The remaining 131 pharmacies (or 27.1%) were located in a rural area. The number of pharmacies that returned a

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

[10] For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the pharmacies' physical location and definitions provided by the Utah Department of Health to determine if the pharmacy was designated as urban or rural. Pharmacies located in Davis, Salt Lake, Utah or Weber counties were considered to be in urban areas. All other pharmacies were considered to be in rural areas.

completed survey from an urban location was 151 (a response rate of 42.8%) and the number of pharmacies that returned a completed survey from a rural location was 68 (a response rate of 51.9%). 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: $0.39 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 5 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 5 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	$55.29	$86.77
Non-Pharmacist	$13.98	$30.14

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 221 pharmacies in the cost analysis, owner limits impacted 13 pharmacies, or 5.9%. Of these, three 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 10 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 $0.003 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 221 pharmacies included in the dispensing cost analysis, this limit was applied to 7 pharmacies. In total, the final estimate of average pharmacy dispensing cost per prescription was decreased by approximately $0.010 as a result of the labor cost restraint.

Inflation Factors

All allocated costs for overhead and labor were totaled and multiplied by an inflation factor. Inflation factors are intended to reflect cost changes from the middle of the reporting period of a particular pharmacy to a common fiscal period ending December 31, 2015 (specifically from the midpoint of the pharmacy's fiscal year to June 30, 2015 which is the midpoint of the fiscal period ending December 31, 2015). 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 December 31, 2015.

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:

> **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 Median	$11.28
Median Weighted by Medicaid Volume	$10.28

n=221 pharmacies
(Dispensing costs have been inflated to the common point of June 30, 2015)

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 $16.

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 pharmacies' physical location and definitions provided by the Utah Department of Health to determine if the pharmacy was designated as urban or rural. 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.

[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.

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 Median	Median Weighted by Medicaid Volume
Specialty Pharmacies	4	Mean: 80,880 Median: 83,002	Mean: 3,201 Median: 2,272	$55.98	$28.20
Other Pharmacies	217	Mean: 63,405 Median: 53,777	Mean: 2,756 Median:1,892	$11.28	$10.22

n= 221 pharmacies
(Dispensing costs have been inflated to the common point of June 30, 2015)

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.
- 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)	Median Weighted by Medicaid Volume
Blood Factor	1	Mean: 1,197 Median: 1,197	Mean: 11 Median: 11	$478.94
Compounded Infusion / Intravenous Products	0	Mean: n/a Median: n/a	Mean: n/a Median: n/a	n/a
Other Specialty Pharmacies	3	Mean: 107,441 Median: 132,306	Mean: 4,264 Median: 4,218	$28.20

(Dispensing costs have been inflated to the common point of June 30, 2015)

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 Median	$11.28
Median Weighted by Medicaid Volume	$10.22

n= 217 pharmacies
(Dispensing costs have been inflated to the common point of June 30, 2015)

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 cost of dispensing. Medians weighted by Medicaid prescription volume provides 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]	Median Weighted by Medicaid Volume
0 to 39,999	72	$13.48
40,000 to 72,499	73	$11.72
72,500 and Higher	72	$8.92

n= 217 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, 2015)

Table 2.8 Statistics for Pharmacy Total Annual Prescription Volume

Statistic	Value [A]
Mean	63,405
Standard Deviation	51,725
10th Percentile	24,654
25th Percentile	33,105
Median	53,777
75th Percentile	84,910
90th Percentile	106,359

n= 217 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, 2015)

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.

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.

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	$0.458
Employee Professional and Other Labor	$7.471
Building and Equipment	$1.043
Prescription Specific Expenses (including delivery)	$0.863
Other Overhead Expenses	$1.064

n= 217 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, 2015)

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	$0.093
Charitable Contributions	$0.006
Advertising	$0.262

n= 217 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, 2015)

Exhibit 1
Utah Medicaid Pharmacy Cost of Dispensing Survey

M&S Use Only | Prov. No. (NPI)

State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM
Executive Director

Division of Medicaid and Health Financing

NATE CHECKETTS
Deputy Director, Utah Department of Health
Director, Division of Medicaid and Health Financing

Return Completed Forms to:
Myers and Stauffer LC
700 W. 47th Street, Suite 1100
Kansas City, Missouri 64112

Utah Medicaid Pharmacy Cost of Dispensing Survey

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER
Complete and return by **August 5, 2016**
Call toll free (800) 374-6858 or email disp_survey@mslc.com if you have any questions.

An electronic version of the 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.

Utah 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 _____ % 2. Medicaid Managed Care _____ %

3. Other 3rd Party _____ % 4. Cash _____ %

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

1. Medicaid _____ % 2. Medicaid Managed Care _____ %

3. Other 3rd Party _____ % 4. Cash _____ %

(d) Ownership Affiliation

1. □ Independent (1 to 3 units) 2. □ Chain (4 or more units) _____
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) _____

(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

(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

Utah Medicaid Pharmacy Cost of Dispensing Survey

SECTION IA -- PHARMACY ATTRIBUTES, CONTINUED

(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? _____%

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

(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 _____%

If your pharmacy provides delivery, mail order, specialty or compounding services, complete lines (p) through (t) 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)	Are you presently providing specialty products or services (e.g., intravenous, infusion, enteral nutrition, blood factors or derivatives, other pre-filled injectable or oral specialty products)? 1. □ Yes 2. □ No **If yes, complete the product breakdown in section IC on page 4.**
(t)	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: _____

SECTION IB -- OTHER INFORMATION

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

Utah Medicaid Pharmacy Cost of Dispensing Survey

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

If you answered yes to question (s) in Section IA, 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)
Enteral nutrition			(3e)
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 ID -- 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.

Utah 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 pharmacist, 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.

Utah 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 6 - 8.**

*** 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 returns.

2015 Tax Form							
1040 Schedule C	1065	1120	1120S	Round all amounts to nearest dollar or whole number.		Expense Amount Reported	Myers and Stauffer Use Only	Line No.
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)

Utah 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 6, 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 5. 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)

Utah Medicaid Pharmacy Cost of Dispensing Survey

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 7, Line 32)			(2)
				Enter Amount from Total Labor Expenses (Page 5, 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 Utah Department of Health Regarding Pharmacy Dispensing Cost Survey
(Independent Pharmacies)

State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM
Executive Director

Division of Medicaid and Health Financing

NATE CHECKETTS
Deputy Director, Utah Department of Health
Director, Division of Medicaid and Health Financing

July 1, 2016

«random» / «npi»
«prov_name»
«address1»
«address2»
«city», «state» «zip»

Re: Mandatory Utah Medicaid Pharmacy Cost of Dispensing Survey

Dear Pharmacy Provider:

The Centers for Medicare and Medicaid (CMS) is requiring state Medicaid agencies to adopt pharmacy payment policies using the actual acquisition cost of drugs plus a reasonable professional dispensing fee[1]. CMS is also requiring Utah Medicaid to conduct a cost of dispensing survey to measure the costs associated with dispensing medications to Utah Medicaid members. The Utah Department of Health has contracted with Myers and Stauffer LC to conduct this survey.

A robust survey response is necessary to assess changes to the current dispensing fees, which explains why Utah Medicaid is requiring all enrolled pharmacy providers to participate in the survey and submit a response[2]. Results from the survey will be used to evaluate future pharmacy reimbursement options. One, of many, possible options that may be considered is a tiered dispensing fee which would be based on prescription volume. In order for such a dispensing fee to be implemented, Utah Medicaid needs prescription volume from all pharmacies. If this option is used and the information we receive is incomplete, Utah Medicaid would have no alternative but to automatically assign non-responding pharmacies to the tier with the lowest dispensing fee.

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.

---

[1] 42 C.F.R. 447.512; revised April 1, 2016
[2] See R414-1-14 (2)

UTAH DEPARTMENT OF HEALTH

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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 sending a request by email to disp_survey@mslc.com, contact Myers and Stauffer staff directly at 1-800-374-6858, or you can download a copy from the Utah Medicaid website (https://medicaid.utah.gov/pharmacy/resource-library). The benefits of using the electronic version of the survey include the ability of Excel to perform calculations and validation functions to ensure the submitted responses are accurate and reasonable. Surveys that are completed electronically should 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, Missouri 64112

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

It is very important that all pharmacies cooperate fully by filing an accurate cost survey. Pharmacies are encouraged to return the requested information as soon as possible, but forms must be returned **no later than August 5, 2016.**

All submitted surveys must be reviewed and validated by staff at Myers and Stauffer. If 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.

All cost of dispensing surveys submitted to Myers and Stauffer and any accompanying documentation will be treated confidentially and in accordance with their contract with the Utah Department of Health. Responses will also be protected records under the Government Records Access and Management Act and not subject to disclosure by the department[3]. Although Myers and Stauffer cannot sign non-disclosure agreements with individual pharmacies or chain organizations, you can be assured that confidentiality of survey data is a high priority. The submitted surveys and the accompanying information will be used by Myers and Stauffer only for the purpose of their engagement with the Utah Department of Health. Myers and Stauffer intentionally restricts their business to serving government agencies, so you can be assured that they have no pharmacy providers as clients. Myers and Stauffer will limit access of the survey information to staff working on the project and each staff member working on this project is bound by a confidentiality agreement. Survey data will be stored in a secure office environment and on secure computer servers. Although it is planned for this engagement to result in a consulting report describing the methodology and findings of the survey, this report will only contain aggregated information and will not specifically identify

[3] See U.C.A. § 63G-2-305

any pharmacies.

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,

Chad Hope, Pharm.D.
Director of Pharmacy
chope@utah.gov
801-538-6079

Exhibit 2b
Letter from the Utah Department of Health Regarding Pharmacy Dispensing Cost Survey
(Chain Pharmacies)

State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM
Executive Director

Division of Medicaid and Health Financing

NATE CHECKETTS
Deputy Director, Utah Department of Health
Director, Division of Medicaid and Health Financing

July 1, 2016

«Chain_Name»
«Corporate_Contact_Person»
«Address_1», «Address_2»
«City», «State» «Zip»

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[2] See R414-1-14 (2)

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Sincerely,

Chad Hope, Pharm.D.
Director of Pharmacy
chope@utah.gov
801-538-6079

Exhibit 3a
First Survey Reminder Letter
(Independent Pharmacies)

State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM
Executive Director

Division of Medicaid and Health Financing

NATE CHECKETTS
Deputy Director, Utah Department of Health
Director, Division of Medicaid and Health Financing

July 22, 2016

«random» / «npi»
«prov_name»
«address1»
«address2»
«city», «state» «zip»

Re: Utah Medicaid Pharmacy Cost of Dispensing Survey

Dear Pharmacy Provider:

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[2] See R414-1-14 (2)

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Exhibit 3b
First Survey Reminder Letter
(Chain Pharmacies)

State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM
Executive Director

Division of Medicaid and Health Financing

NATE CHECKETTS
Deputy Director, Utah Department of Health
Director, Division of Medicaid and Health Financing

July 22, 2016

«Chain_Name»
«Corporate_Contact_Person»
«Address_1», «Address_2»
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Exhibit 4a
Second Survey Reminder / Extension Letter (Independent Pharmacies)

State of Utah

GARY R. HERBERT
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Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM
Executive Director

Division of Medicaid and Health Financing

NATE CHECKETTS
Deputy Director, Utah Department of Health
Director, Division of Medicaid and Health Financing

August 5, 2016

«random» / «npi»
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Exhibit 4b
Second Survey Reminder / Extension Letter (Chain Pharmacies)

State of Utah

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Exhibit 5
Table of Inflation Factors for Dispensing Cost Survey

Table of Inflation Factors for Dispensing Cost Survey
Utah Department of Health

Fiscal Year End Date	Midpoint Date	Midpoint Index [1]	Terminal Month Index (6/30/2015) [1]	Inflation Factor	Number of Stores with Year End Date
12/31/2014	6/30/2014	121.4	123.8	1.02000	10
1/31/2015	7/31/2014	121.7	123.8	1.01800	0
2/28/2015	8/31/2014	121.9	123.8	1.01500	0
3/31/2015	9/30/2014	122.2	123.8	1.01300	0
4/30/2015	10/31/2014	122.4	123.8	1.01200	0
5/31/2015	11/30/2014	122.5	123.8	1.01000	0
6/30/2015	12/31/2014	122.7	123.8	1.00900	2
7/31/2015	1/31/2015	123.0	123.8	1.00700	0
8/31/2015	2/28/2015	123.3	123.8	1.00400	47
9/30/2015	3/31/2015	123.6	123.8	1.00200	1
10/31/2015	4/30/2015	123.7	123.8	1.00100	0
11/30/2015	5/31/2015	123.7	123.8	1.00100	0
12/31/2015	6/30/2015	123.8	123.8	1.00000	96
1/31/2016	7/31/2015	124.1	123.8	0.99800	33
2/29/2016	8/31/2015	124.3	123.8	0.99600	25
3/31/2016	9/30/2015	124.6	123.8	0.99400	1
4/30/2016	10/31/2015	124.8	123.8	0.99200	2
5/31/2016	11/30/2015	124.9	123.8	0.99100	0
6/30/2016	12/31/2015	125.1	123.8	0.99000	4

Total Number of Stores	**221**

[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

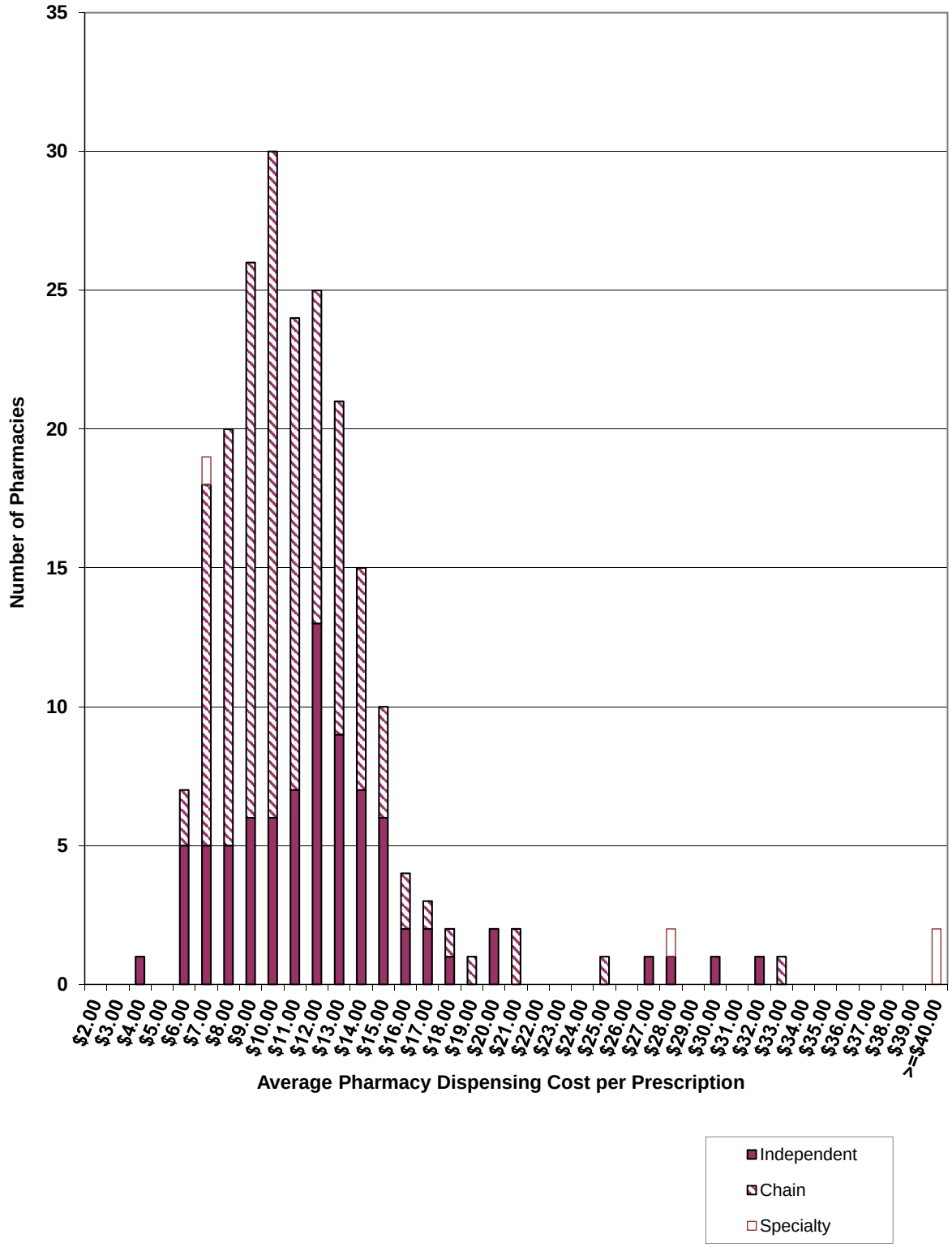


Exhibit 7
Cost of Dispensing Survey Data
Statistical Summary

Pharmacy Cost of Dispensing Survey
Statistical Summary
Utah Department of Health

	Pharmacy Dispensing Cost per Prescription [1]						
	Measurements of Central Tendency						Other Statistics
				Medians			
Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Standard Deviation
All Pharmacies in Sample	221	63,722	2,764	$11.28	$9.99	$10.28	$32.05
Non Specialty Pharmacies [2]	217	63,405	2,756	$11.28	$9.95	$10.22	$4.24
Specialty Pharmacies [2]	4	80,880	3,201	$55.98	$28.20	$28.20	$221.86
Specialty Pharmacy Breakdown [3]							
Blood Factor	1	1,197	11	$478.94	$478.94	$478.94	$0.00
Other	3	107,441	4,264	$28.20	$28.20	$28.20	$39.34
Non Specialty Pharmacies Only							
Affiliation:							
Chain	136	70,289	2,223	$10.73	$9.77	$9.80	$3.59
Independent	81	51,849	3,651	$12.22	$11.08	$11.45	$5.05
Affiliation (In State Only):							
Chain (In State)	136	70,289	2,223	$10.73	$9.77	$9.80	$3.59
Independent (In State)	80	50,033	3,302	$12.22	$11.35	$12.18	$5.05
Location (Urban vs. Rural): [4]							
In State Urban	148	66,002	2,181	$11.31	$9.99	$10.68	$3.59
In State Rural	68	55,788	3,583	$11.17	$10.15	$10.58	$5.41
All In State (Urban and Rural)	216	62,787	2,622	$11.28	$10.06	$10.58	$4.24
Out of State	1	197,068	31,595	$7.66	$7.66	$7.66	$0.00
Annual Rx Volume:							
0 to 39,999	72	27,206	1,616	$13.98	$13.76	$13.48	$5.37
40,000 to 72,499	73	54,309	2,512	$11.59	$11.35	$11.72	$1.83
72,500 and Higher	72	108,828	4,143	$8.90	$8.98	$8.92	$1.65
Annual Medicaid Rx Volume: [5]							
0 to 1,299	70	38,770	798	$13.08	$11.95	$12.21	$5.32
1,300 to 2,799	75	62,122	1,917	$10.78	$9.82	$10.71	$2.94
2,800 and Higher	72	88,693	5,532	$10.03	$9.58	$9.78	$3.40
Medicaid Utilization Ratio: [5]							
0.00% to 2.49%	65	66,086	1,106	$10.74	$9.80	$9.80	$3.53
2.50% to 4.99%	87	68,852	2,474	$11.15	$9.95	$9.95	$4.58
5.00% and Higher	65	53,435	4,783	$11.93	$10.58	$11.27	$4.39

Pharmacy Cost of Dispensing Survey
Statistical Summary
Utah Department of Health

	Pharmacy Dispensing Cost per Prescription [1]						
	Measurements of Central Tendency						Other Statistics
				Medians			
Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Standard Deviation
Total Rx Volume and Location							
In State Urban Only							
0 to 39,999	43	27,784	1,172	$14.17	$14.06	$14.06	$4.21
40,000 to 72,499	55	54,030	2,185	$11.95	$11.93	$12.44	$1.83
72,500 and Higher	50	112,039	3,044	$8.93	$9.11	$9.47	$1.59
In State Rural only							
0 to 39,999	29	26,348	2,275	$13.48	$13.47	$13.47	$6.82
40,000 to 72,499	18	55,163	3,511	$10.49	$10.40	$10.58	$1.58
72,500 and Higher	21	96,981	5,452	$8.92	$8.92	$9.59	$1.84
Institutional:							
LTC Institutional Pharmacies [6]	12	127,533	9,882	$11.72	$9.58	$9.58	$3.69
Non-LTC Institutional Pharmacies [6]	205	59,652	2,339	$11.27	$10.12	$10.55	$4.27
Unit Dose:							
Does dispense unit dose	12	64,120	6,566	$12.10	$7.66	$7.66	$5.99
Does not dispense unit dose	205	63,364	2,533	$11.15	$9.99	$10.28	$4.13
340B Pharmacy Status							
Participates in 340B and provides 340B pricing to Medicaid	2	22,723	1,839	$30.35	$28.32	$28.32	$2.87
Does not participate in 340B or does not provide 340B pricing to Medicaid	215	63,784	2,764	$11.27	$9.95	$10.21	$3.86

Notes:
1) All pharmacy dispensing costs are inflated to the common point of 6/30/2015 (i.e., midpoint of a fiscal year ending 12/31/2015).
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' physical location and definitions provided by Utah Department of Health to determine if the pharmacy was designated as urban or rual. Pharmacies located in Davis, Salt Lake, Utah or Weber counties were considered to be in urban areas. All other pharmacies were considered to be in rural areas.
5) Medicaid volume is based on the time period of January 1, 2015 to December 31, 2015.
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 Utah Pharmacies

Table of Counties and Urban / Rural Designation for Surveyed Pharmacies

Utah Department of Health

County	Status
BEAVER	RURAL
BOX ELDER	RURAL
CACHE	RURAL
CARBON	RURAL
DAVIS	URBAN
DUCHESNE	RURAL
EMERY	RURAL
GARFIELD	RURAL
GRAND	RURAL
IRON	RURAL
JUAB	RURAL
KANE	RURAL
MILLARD	RURAL
MORGAN	RURAL

County	Status
RICH	RURAL
SALT LAKE	URBAN
SAN JUAN	RURAL
SANPETE	RURAL
SEVIER	RURAL
SUMMIT	RURAL
TOOELE	RURAL
UINTAH	RURAL
UTAH	URBAN
WASATCH	RURAL
WASHINGTON	RURAL
WAYNE	RURAL
WEBER	URBAN

Notes:

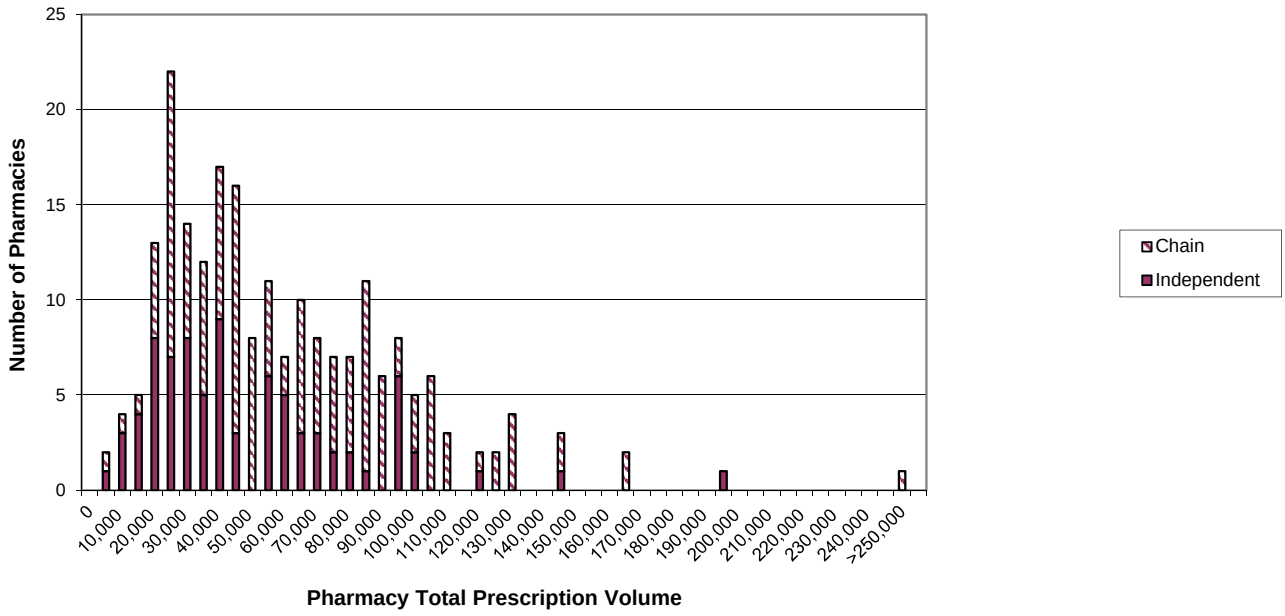
1) Table is limited to counties located within the state of Utah with pharmacies enrolled in the Utah Medicaid pharmacy program.

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)

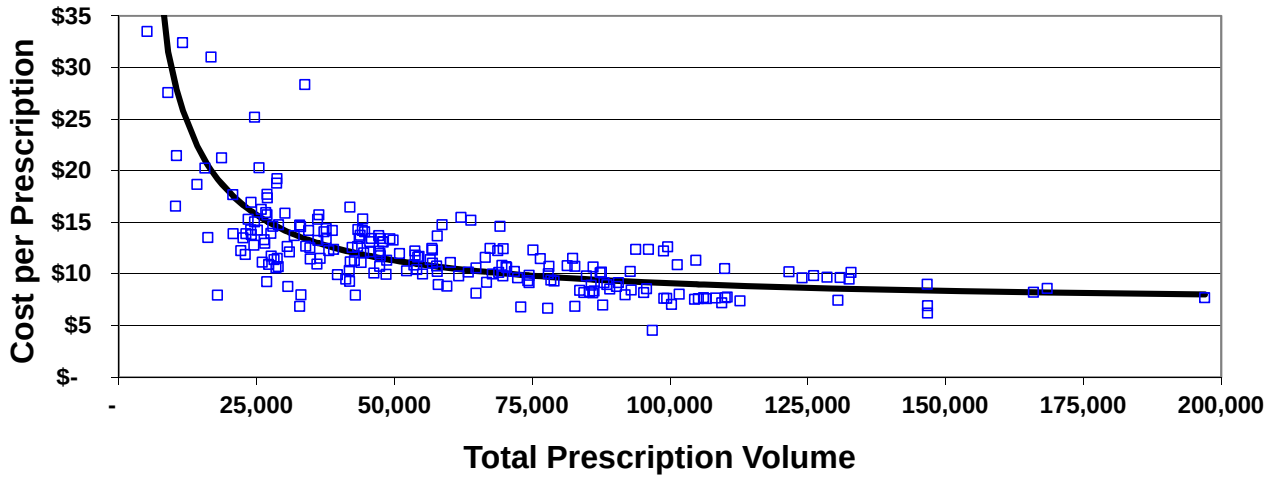


Exhibit 10
Chart of Components of Cost of Dispensing per Prescription

Chart of Components of Dispensing Cost per Prescription

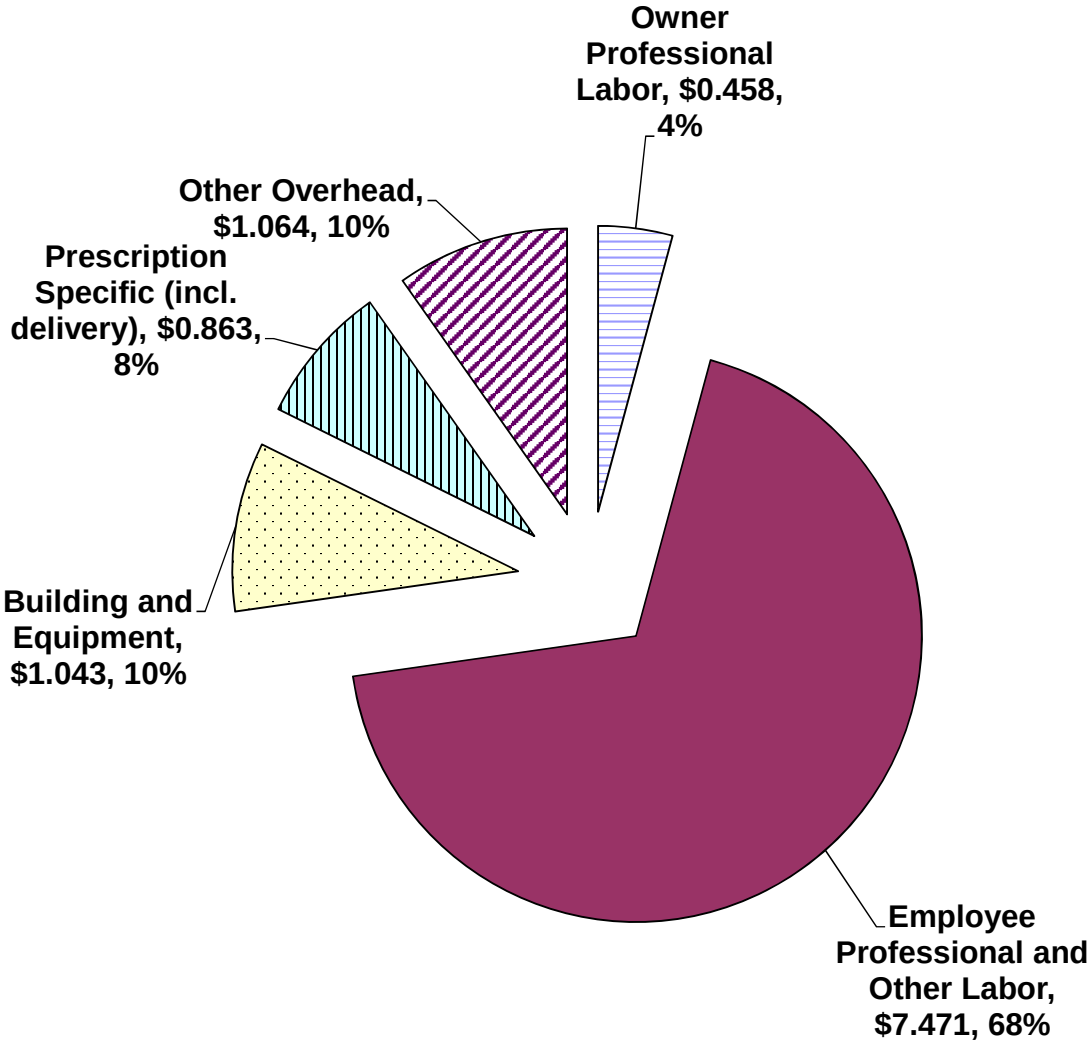


Exhibit 11
Summary of Pharmacy Attributes

Summary of Pharmacy Attributes
Utah Department of Health

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)	219	Medicaid fee for service	N/A	6.3%
		Other third party	N/A	84.5%
		Cash	N/A	9.2%
		Total	N/A	*100.0%*
Payer Type: percent of payments (averages)	214	Medicaid fee for service	N/A	16.2%
		Other third party	N/A	74.8%
		Cash	N/A	9.0%
		Total	N/A	*100.0%*
Type of ownership	221	Individual	6	2.7%
		Corporation	207	93.7%
		Partnership	3	1.4%
		Other	5	2.3%
		Total	*221*	*100.0%*
Location	220	Medical office building	38	17.3%
		Shopping center	10	4.5%
		Stand alone building	93	42.3%
		Grocery store / mass merchant	63	28.6%
		Outpatient Hospital	9	4.1%
		Other	7	3.2%
		Total	*220*	*100.0%*
Purchase drugs through 340B pricing	173	Yes	14	8.1%
		No	159	91.9%
		Total	*173*	*100.0%*
Provision of 340B inventory to Medicaid (for those that indicated they purchase drugs through 340B pricing)	13	Yes	3	23.1%
		No	10	76.9%
		Total	*13*	*100.0%*
Building ownership (or rented from related party)	154	Yes, (own building or rent from related party)	37	24.0%
		No	117	76.0%
		Total	*154*	*100.0%*
Hours open per week	216	69.51 hours	N/A	N/A
Years pharmacy has operated at current location	220	17.66 years	N/A	N/A
Provision of 24 hour emergency services	221	Yes	42	19.0%
		No	179	81.0%
		Total	*221*	*100.0%*
Percent of prescriptions to generic products	213	Percent of prescriptions dispensed that were generic products	213	81.1%
Percent of prescriptions to long-term care facilities	221	4.47% for all pharmacies; (21.93% for 45 pharmacies reporting > 0%)	N/A	N/A
Provision of unit dose services	221	Yes (average of 23.55% of prescriptions for pharmacies indicating provision of unit dose prescriptions. Approximately 96.30% of unit dose prescriptions were reported as prepared in the pharmacy with 3.70% reported as purchased already prepared from a manufacturer)	45	20.4%
		No	176	79.6%
		Total	*221*	*100.0%*
Percent of total prescriptions delivered	221	6.01% for all pharmacies; (18.46% for 72 pharmacies reporting > 0%)	N/A	N/A
Percent of Medicaid prescriptions delivered	221	6.08% for all pharmacies; (23.17% for 58 pharmacies reporting > 0%)	N/A	N/A
Percent of prescriptions dispensed by mail	157	1.90% for all pharmacies; (13.16% for 32 pharmacies reporting >0% percent of prescriptions dispensed by mail)	N/A	N/A
Percent of prescriptions compounded	221	0.52% for all pharmacies; (7.25% for 16 pharmacies reporting >0 compounded Rxs	N/A	N/A