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

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DEDICATED TO GOVERNMENT HEALTH PROGRAMS

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Chapter 1: Executive Summary

Introduction

Under contract to the Ohio Department of Medicaid (ODM), Myers and Stauffer LC performed a survey of pharmacy cost of dispensing. 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) regarding the components of pharmacy cost that are appropriately reimbursed by the professional dispensing fee used within a state Medicaid fee-for-service pharmacy program.

To determine the pharmacies which would be included within the survey process, Myers and Stauffer obtained from ODM a list of pharmacy providers currently enrolled in the Ohio Medicaid pharmacy program. According to the provider list, there were 2,802 pharmacy providers that were enrolled in the Ohio Medicaid program. Each of the 2,802 enrolled pharmacies were requested to submit survey information for this study.

For each cost of dispensing survey that was submitted, Myers and Stauffer performed desk review procedures to test completeness and accuracy of the submitted information. Additionally, supplemental desk review procedures which required the submission of supporting documentation from the sample pharmacies were performed for 46 pharmacies to validate reported costs. There were 2,262 pharmacies which filed cost surveys that could be included in the cost of dispensing analysis. Myers and Stauffer applied pharmacy-specific cost-finding algorithms to the submitted survey data in order to calculate the average cost of dispensing at each pharmacy. The results from all pharmacies participating in the survey were subjected to statistical analysis and various measures of average (mean and median) cost of dispensing were calculated for all pharmacies and for various categories of pharmacies.

Summary of Findings

Based on the survey for pharmacies participating in the Ohio Medicaid program, the mean cost of dispensing, weighted by Medicaid prescription volume, was $11.60 per prescription for all pharmacies including specialty pharmacies.[1] The median, weighted by Medicaid volume, was $9.38 for all pharmacies including specialty pharmacies. For non-specialty pharmacies only, the mean cost of dispensing, weighted by Medicaid prescription volume, was $10.61 per prescription and the median, weighted by Medicaid volume, was $9.28. Table 1.1 summarizes these and selected additional measures of pharmacy cost of dispensing derived from the survey results.

[1] For purposes of this report, “specialty” pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30 percent or more of total prescription sales. Within their survey responses, pharmacies were allowed to rely upon their own methods for categorizing products as “specialty” for the reporting of sales and summary counts of prescriptions dispensed.

Table 1.1 Cost of Dispensing for Ohio Pharmacies

	All Pharmacies Inclusive of Specialty	Non-specialty Pharmacies Only
Pharmacies Included in Analysis	2,262	2,072
Unweighted Mean (Average) [A]	$43.10	$12.33
Weighted Mean (Average) [A,B]	$11.60	$10.61
Unweighted Median [A]	$10.49	$10.22
Weighted Median [A, B]	$9.38	$9.28

[A] Inflated to common point of June 30, 2024 (midpoint of year ending December 31, 2024).
[B] Weighted by Medicaid prescription volume.

A significant inverse correlation was observed between a pharmacy's total prescription volume and the dispensing cost per prescription (see graphical representation of the relationship as a scatter plot in Exhibit 12). This relationship was similarly observed in previous cost of dispensing surveys performed by ODM since 2016. Based on results of previous surveys, ODM implemented a tiered structure for professional dispensing fees within the fee-for-service (FFS) Medicaid program based on pharmacy volume and are currently set as follows:

Table 1.2 Current Ohio Medicaid Tiered Professional Dispensing Fees

Pharmacy Annual Total Prescription Volume	Current Professional Dispensing Fee [A]
Less than 50,000 prescriptions	$15.47
50,000 to 74,999	$11.40
75,000 to 99,999	$9.51
100,000 or greater	$8.30

[A] Dispensing fees shown are for non-compounded drugs. See Ohio Administrative Code 5160-9-05(E)(1)(b)

The reimbursement methodology for the managed care pharmacy program also incorporates tiers based on prescription volume, though the tiers for the managed care program vary from those currently used within the FFS program (i.e., the managed care program reimbursement methodology is currently based on a combination of the tiers for the highest volume pharmacies used within the FFS program into a single tier of 75,000 or more prescriptions). Furthermore, within the reimbursement methodology used within the managed care pharmacy program, the prescription volume tiers are just one of multiple criteria used to determine dispensing fees. Prescription volume, along with Ohio Medicaid utilization, are used as the basis of a point system to assign pharmacies to base dispensing fee tiers. These base dispensing fee tiers are further modified for certain pharmacies meeting specified criteria for specialty medication dispensing and for prescriptions for clotting factor products.

Table 1.3 includes results from the current cost of dispensing study with measurements of the average cost of dispensing using the volume tiers currently used by ODM as the basis for professional dispensing fees for non-compounded drugs within the FFS program.

Table 1.3 Average Dispensing Cost Tiered by Total Volume for Ohio Medicaid Pharmacies

Pharmacy Annual Total Prescription Volume	Number of Pharmacies [B]	Mean Weighted by Medicaid Volume [A]	Mean Weighted by Total Volume [A]
Less than 50,000 prescriptions	503	$15.85	$16.28
50,000 to 74,999	379	$11.40	$11.71
75,000 to 99,999	384	$9.92	$10.08
100,000 or greater	806	$9.86	$10.50

[A] *Inflated to common point of June 30, 2024 (midpoint of year ending December 31, 2024).*

[B] *Excludes specialty pharmacies. For purposes of this report, "specialty" pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30% or more of total prescription sales.*

Conclusions

Cost of Dispensing Trends

Myers and Stauffer has performed multiple cost of dispensing studies for Ohio and other states since 2010 and in most of these surveys we have observed a pattern of little to no cost increase over time. In some instances, we have even observed a slight decrease in the cost of dispensing per prescription in the same state over a period of several years. While some input costs, including labor, increased over this time period, other factors, including increased efficiencies associated with dispensing prescriptions, restrained the increase in the cost of dispensing, *on a per prescription basis*. This phenomenon has been observed by other researchers as well.

An increase in the average cost of dispensing has been observed in the most recent cost of dispensing survey. Broad economic factors, including inflationary pressures, appear to have had an impact on the cost of dispensing and increases in cost were observed within both the overhead and labor components of the cost of dispensing. The level of increase in the cost of dispensing varies depending on which measurements of the cost of dispensing are compared, but for some of the relevant broad measurements of the cost of dispensing, the increase in cost on a per prescription basis is on the order of 10 percent to 16 percent.

As noted in table 1.3 above, Myers and Stauffer calculated the average cost of dispensing utilizing the prescription volume tiers used within the current FFS program for assigning professional dispensing fees as established by Ohio regulations. Comparisons of the cost of dispensing since the last survey in 2022 for the pharmacies when grouped by these tiers are variable. There was an increase in the cost of dispensing observed for three of the four tiers, the tier for pharmacies with a volume of less than 50,000 prescriptions had an increase in cost of less than 1 percent, the volume tier for 75,000 to 99,999 prescriptions had an increase of

approximately 5 percent, and the highest volume tier, 100,000 or greater prescriptions, showed an increase of almost 17 percent. A *decrease* in cost of less than 0.5 percent was noted for the second tier, 50,000 to 74,999 prescriptions.

Professional Dispensing Fee Options

Federal regulations at 42 CFR § 447.518(d) require that when states propose changes to either the ingredient portion of pharmacy reimbursement or the professional dispensing fee for their FFS Medicaid pharmacy program, states must consider both aspects of reimbursement to ensure that total payments to the pharmacy provider are in accordance with requirements of section 1902(a)(30)(A) of the Social Security Act.[2] Furthermore, states must provide adequate data, such as an in-state or other survey of retail pharmacy providers, to support any proposed changes to either the professional dispensing fee or ingredient component of the pharmacy reimbursement methodology.

There are several options which ODM can consider for the professional dispensing fee portion of reimbursement for the pharmacy program. The use of a single professional 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.

Based on the results of the survey of pharmacy cost of dispensing, a single dispensing fee of $11.60 would reimburse the weighted mean cost of dispensing prescriptions to Ohio Medicaid members inclusive of both specialty and non-specialty pharmacies. A single dispensing fee of $10.61 would reimburse the weighted mean cost of dispensing prescriptions to Ohio Medicaid members for non-specialty pharmacies but would not account for the cost of dispensing prescriptions by specialty pharmacies.

As an alternative to a reimbursement methodology based on a single dispensing fee, several states have adopted professional dispensing fee methodologies that either recognize differences in cost among categories of pharmacies or are designed to incentivize a desired behavior. The current FFS professional dispensing fee methodology used by ODM is tiered based on pharmacy total prescription volume. In every cost of dispensing survey Myers and Stauffer has performed, including the current 2024 survey as well as studies performed by other parties, the total volume of prescriptions dispensed and the cost of dispensing at an individual pharmacy have been inversely correlated. A tiered approach to professional dispensing fees has the advantage of setting dispensing fees that are better matched, on average, to an individual pharmacy's cost of dispensing. However, the use of any tiered dispensing fee methodology creates additional complexity and results in increased administrative burdens for a Medicaid program. This report includes average cost of dispensing measurements for tiers based on pharmacy total prescription volume which can be considered in the process of evaluating potential professional dispensing fees for the Ohio Medicaid program.

[2] "… to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area…"

This report also includes average cost of dispensing measurements for several categories of specialty pharmacies which can be considered in the process of evaluating professional dispensing fees within the Ohio Medicaid program. 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 is relatively infrequent among state Medicaid programs, but the prevalence of such professional dispensing fees specifically for specialty products is increasing.

Chapter 2: Cost of Dispensing Survey and Analysis

The Ohio Department of Medicaid (ODM) engaged Myers and Stauffer LC to perform a study of costs incurred by pharmacies participating in the Ohio Medicaid pharmacy program to dispense prescription medications. There are two primary components related to the provision of prescription medications: cost of dispensing and drug ingredient cost. This report is focused on the cost of dispensing which consists of the overhead and labor costs incurred by a pharmacy to fill prescription medications.

Dispensing Fees in Medicaid Programs

The Centers for Medicare and Medicaid Services (CMS) has provided guidelines for appropriate costs to be reimbursed via a Medicaid pharmacy dispensing fee through CMS-2345-FC and within the Code of Federal Regulations (CFR). Federal regulations 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]

Since CMS published CMS-2345-FC in February 2016, states have transitioned their fee-for-service (FFS) Medicaid programs to professional dispensing fees based on its requirements. There are 32 states that apply a single state-wide professional dispensing fee to all prescription claims. These single state-wide dispensing fees range from $8.96 (Rhode Island) to $12.46 (North Dakota). There are eight states, including Ohio, which have adopted tiered professional dispensing fees which are based on annual pharmacy total prescription volume. In states with volume-based tiers for professional dispensing fees, there are between two and four dispensing fee tiers. Seven states have adopted differential professional dispensing fees that are based on

[3] See 42 CFR § 447.502 and "Medicaid Program; Covered Outpatient Drugs." (CMS-2345-FC) Federal Register, 81: 20 (1 February 2016) p 5349.

other criteria. For example, in Alaska professional dispensing fees vary based on whether a pharmacy is located on or off of the state's road system.

In contrast to Medicaid FFS programs, Medicaid managed care pharmacy programs typically have greater flexibility for setting reimbursement rates including dispensing fees. The usual practice used within Medicaid managed care in many states is for each Medicaid health plan to contract with a Pharmacy Benefit Manager (PBM) to administer pharmacy benefits. Under that model, Medicaid health plans and their contracted PBMs typically reimburse pharmacies using reimbursement methods similar to those used in commercial health plans and Medicare Part D plans which include reimbursement models tied to Average Wholesale Price (AWP), proprietary Maximum Allowable Cost (MAC) lists, and dispensing fees markedly less than the average cost of dispensing. In contrast, Ohio is leveraging a Single PBM (SPBM) model within its Medicaid managed care program which allows ODM greater control over the pharmacy reimbursement methodology.

Methodology of the Cost of Dispensing Survey

In order to determine costs incurred to dispense pharmaceuticals to members of the Ohio Medicaid pharmacy program, Myers and Stauffer utilized a survey method consistent with federal regulations for the components of a pharmacy dispensing fee (42 CFR § 447.502) and the methodology of previous surveys conducted by Myers and Stauffer in several other states. Myers and Stauffer collaborated with ODM to refine the survey tool to best meet its objectives.

Survey Distribution

To determine the pharmacies which would be included within the survey process, Myers and Stauffer obtained from ODM a list of pharmacy providers currently enrolled in the Ohio Medicaid pharmacy program. According to the provider list, there were 2,802 pharmacy providers enrolled in the program. Surveys were mailed and emailed to all 2,802 pharmacy providers on July 25, 2024. Each surveyed pharmacy received a copy of the cost of dispensing survey (Exhibit 1), a letter of introduction from ODM (Exhibit 2), an instructional letter from Myers and Stauffer (Exhibits 3a and 3b), and an invitation to participate in a webinar hosted by Myers and Stauffer (Exhibit 4).

Concerted efforts to encourage participation were made to enhance the survey response rate. A toll-free telephone number and email address were listed on the survey form and pharmacy providers were instructed to call or email a survey help desk to resolve any questions they had concerning completion of the survey form. For convenience in completing the cost of dispensing survey, the survey forms were made available in both a printed format and in an electronic format (Microsoft Excel). The survey instructions offered pharmacy providers 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.

Myers and Stauffer hosted informational presentations via a web application and conference line on August 6, 2024 and August 8, 2024. Providers were given an overview of the cost of dispensing survey process and survey tool. Providers were given the opportunity for question and

answer during the presentation and encouraged to reach out to the help desk if they had further questions or needed assistance completing the survey.

Reminder postcards and emails were also used as tools to encourage provider response to the survey. Postcards were sent to pharmacies the week of August 13, 2024 (Exhibit 5) and the week of August 29, 2024 (Exhibit 6). The second postcard announced an extension of the original due date from August 29, 2024 to September 12, 2024. Multiple reminder emails were sent in August and September to encourage participation.

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, experienced a change of ownership, or had less than six months of cost data available (e.g., due to a pharmacy that recently opened or changed ownership). Of the 2,802 surveyed pharmacies, 223 pharmacies were determined to be ineligible to participate based on the returned surveys.

Surveys were accepted through October 4, 2024. As indicated in Table 2.1, there were 2,262 surveyed pharmacies that submitted a usable cost survey for this study resulting in a response rate of 87.7 percent.

Some of the submitted cost surveys contained errors or did not include complete information necessary for full analysis. 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 could not be resolved in time for inclusion in the final survey analysis.[4]

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

[4] There were 30 incomplete surveys received on or before October 4, 2024, 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 2,262 usable surveys received.

Table 2.1 Cost of Dispensing Survey Response Rate

Pharmacy Category	Medicaid Enrolled Pharmacies	Pharmacies Exempt or Ineligible from Filing	Eligible Pharmacies	Usable Cost Surveys Received	Response Rate
Chain[5]	2,025	169	1,856	1,723	92.8%
Independent	777	54	723	539	74.6%
TOTAL	**2,802**	**223**	**2,579**	**2,262**	**87.7%**
In-State Urban[6]	1,711	132	1,579	1,436	90.9%
In-State Rural	515	67	448	416	92.9%
Out-of-State	576	24	552	410	74.3%
TOTAL	**2,802**	**223**	**2,579**	**2,262**	**87.7%**

Tests for Reporting Bias

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. 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.

Of the 2,262 usable cost surveys, 1,579 were from chain pharmacies and 539 were from independent pharmacies. There was a response rate of 92.8 percent for chain pharmacies compared to a response rate of 74.6 percent for independent pharmacies. The results of the χ^2 test indicated that the difference in response rate between chain and independent pharmacies was statistically significant at the 95 percent confidence level. This implies that independent pharmacies were underrepresented in usable surveys received. No adjustments to the cost of dispensing data were made as a result of this observation.

A χ^2 test was also performed with respect to the urban versus rural location for responding pharmacies that were located in the state of Ohio. Of the 2,027 non-exempt pharmacies located in the state of Ohio, 1,579 pharmacies (or 78 percent) were located in an urban area. The remaining 448 pharmacies (or 22 percent) were located in a rural area. There were 1,436 usable surveys submitted by in-state pharmacies in an urban location (a response rate of 90.9 percent). There were 416 usable surveys submitted by in-state pharmacies in a rural location (a response

[5] 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.

[6] For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the pharmacies zip code and the "Zip Code to Carrier Locality File" from the Centers for Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.

rate of 92.9 percent). 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 95 percent confidence level.

Desk Review Procedures

A desk review was performed for 100 percent of surveys received. This review identified incomplete cost surveys; 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 flagged for review as a result of these tests for reasonableness.

Supplemental Review Procedures

In addition to the desk review procedures, a random sample of 50 pharmacies that responded to the cost of dispensing survey were sent a request for supporting documentation to verify the survey data submitted (Exhibit 7a and Exhibit 7b). These pharmacies were requested to submit financial statements or a tax return to verify reported expenses, a prescription dispensing report to verify the total number of prescriptions dispensed for the fiscal year and a store diagram or blueprint to verify the pharmacy's reported square footage. Of the 50 randomly sampled pharmacies, responses with the requested information were received from 46 pharmacies.[7] A table with the results from the supplemental desk review is included in Exhibit 8.

Several adjustments were made to the sampled surveys resulting in both positive and negative impacts on the cost of dispensing calculated for the individual pharmacies. The average reduction in the calculated cost of dispensing as a result of the supplemental procedures was $0.63. However, the overall conclusion of these supplemental procedures was that there was not a material statistically significant error in overstating or understating costs reported on the survey that would not have been detected through the standard desk review procedures to which all surveys were subjected. Other than the adjustments made to the surveys of the selected pharmacies, Myers and Stauffer has not made any other adjustment to the cost of dispensing data as a result of the supplemental review procedures.

Cost Finding Procedures

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

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

[7] Responses to the request for documentation for the supplemental desk review procedures were accepted through October 4, 2024.

Although the denominator of the cost of dispensing formula (i.e., the "total number of prescriptions dispensed") is relatively straight-forward, the calculation of the numerator of the formula (i.e., "total allowable cost related to dispensing prescriptions") can be complex. "Cost finding" principles must be applied since not all reported pharmacy expenses 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 such as groceries or other goods. Some pharmacies are involved in the sale of durable medical equipment and other medical supplies. The existence of these other lines of business necessitates that procedures be applied to estimate the portion of expenses that are associated with 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 expenses must be allocated between the prescription dispensing function and other business activities. This process identified the reasonable and allowable costs necessary for dispensing prescriptions to Medicaid members.

For purposes of the study, the cost of dispensing was considered as two primary components: overhead and labor. The cost finding rules employed to determine the cost of dispensing associated with the overhead and labor components are described in the following sections.

Overhead Cost

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 several methods as described below:

- **All, or 100 percent**

  For overhead expenses that were considered to be entirely related to prescription functions, 100 percent of the expenses were allocated.

  Overhead expenses 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. Based on this analysis, a minimum allowance of $0.83 per prescription was set).

- Certain other expenses that were separately identified on Lines (32a) to (32t) of Page 7 of the cost survey (Exhibit 1).[8]

- **None, or 0 percent**

  For overhead expenses that are not considered to be related to prescription functions, none of the expenses were allocated.

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

  - Income taxes [9]
  - Bad debts [10]
  - Advertising [11]
  - Charitable Contributions [12]
  - Credit Card Processing Fees [13]

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

[9] Income taxes are not considered an operational cost because they are based upon the profit of the pharmacy operation.

[10] Bad debt expense is not referenced in CMS guidelines for professional dispensing fees at 42 CFR § 447.502. Furthermore, the exclusion of bad debts from the calculation of the cost of dispensing 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 professional dispensing fee.

[11] Advertising expense is not referenced in CMS guidelines for professional dispensing fees at 42 CFR § 447.502. Furthermore, 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."*

[12] Charitable contributions are not referenced in CMS guidelines for professional dispensing fees at 42 CFR § 447.502. 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.

[13] Credit card processing fees were not allowed on the basis that prescriptions for Medicaid members are not predominantly paid through credit or debit card payments.

- Certain expenses reported on Lines (32a) through (32t) of Page 7 of the cost survey (Exhibit 1) were excluded if the expense was not related to the dispensing of prescription drugs.

Most expenses were assumed to be related to both prescription and nonprescription functions of the pharmacy and were allocated using either an area ratio or a sales ratio as described below:

- **Area ratio**

  In order to allocate expenses that were considered to be reasonably related to building space an area ratio was calculated. The process to calculate the area ratio included multiple steps. First, a ratio was calculated as prescription department floor space (in square feet) divided by total floor space. This initial ratio was then increased by a factor of 2.0 from the square footage values reported on the cost survey. The use of this factor creates an allowance for waiting and counseling areas for patients, a prescription department office area and common store area needed to access the prescription department. Finally, the resulting ratio was adjusted downward, when applicable, to not exceed the sales ratio (in order to avoid allocating 100 percent of these costs in the instance where the prescription department occupies the majority of the area of the store). This final calculation was considered to be the area ratio to use for cost allocation purposes.

  Overhead expenses allocated on the area ratio include: [14]

  - Depreciation
  - Real estate taxes
  - Rent [15]
  - Repairs
  - Utilities

- **Sales ratio**

  Remaining expenses that were shared by both the prescription and non-prescription functions of the pharmacy were allocated using a sales ratio which was calculated as prescription sales divided by total sales.

  Overhead expenses allocated using the sales ratio include:

  - Personal property taxes

[14] 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.

[15] 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."*

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

Labor Cost

Labor cost was 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 of dispensing per prescription. There are various classifications of salaries and wages requested on the survey (Lines (1) to (12) of Page 5 of the survey – Exhibit 1) due to the different 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 the labor cost of dispensing 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: [16]

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

The allocation of salaries, payroll taxes, and benefits for all other prescription employees (Line (2) and Lines (4) to (12) of Page 5 of the survey – Exhibit 1) was based directly upon the percentage of time spent in the prescription department as indicated on the survey. For example, if the reported percentage of prescription time was 75 percent and total salaries were $10,000, then the allocated cost associated with dispensing prescriptions would be $7,500.

Owner Compensation Issues

Since compensation reported for owners are not expenses that have arisen from arm's length negotiations, they are not similar to other expenses. Accordingly, limitations were placed upon the allocated salaries, payroll taxes, and benefits of owners. A pharmacy owner may have a different approach toward other expenses than toward his/her own salary. Owners may pay themselves

[16] 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.

above the market cost of securing the services of an employee. In this case, paying themselves above market cost effectively represents a withdrawal of business profits, not a cost of dispensing. In contrast, owners who pay themselves below market cost for business reasons also misrepresent the true cost of dispensing.

To estimate the expense 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 and benefits. For purposes of setting limits on owner compensation, separate limits were applied to owners who are pharmacists and 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 salaries and benefits for employee pharmacists and employee non-pharmacists (adjusted by an estimate of full-time equivalent (FTE) staff count to estimate hourly wages). The upper and lower constraints that were developed are shown in Table 2.2. Adjustments to owner salaries and benefits were only applied if the reported amounts were below the lower limit or in excess of the upper limit in which case the reported amounts were adjusted up or down to the respective limits.

Table 2.2 Hourly Wage and Benefit Limits for Owners

Owner Type	Lower Limit (Hourly)	Upper Limit (Hourly)
Pharmacist	$57.40	$85.26
Non-Pharmacist	$18.42	$55.61

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 cost of dispensing. Of the 2,262 pharmacies in the cost analysis, owner limits impacted 195 pharmacies, or 8.6 percent. Of these, 85 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 110 pharmacies had costs *increased* as a result of the limits (on the basis that owner salaries appeared to be below their market value). In total, the final estimate of average pharmacy cost of dispensing per prescription was decreased by approximately $0.025 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 example, the constraint would come into play for an operation that reported 75 percent pharmacy

sales but 100 percent pharmacy labor, since 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 constraint was performed in order to determine the impact of the limit on the overall analysis of pharmacy cost. The analysis indicates that of the 2,409 pharmacies included in the cost of dispensing analysis, this limit was applied to 151 pharmacies. In total, the final estimate of average pharmacy cost of dispensing per prescription was decreased by approximately $0.06 as a result of the labor cost restraint.

Inflation Factors

All allocated overhead and labor cost was summed and multiplied by an inflation factor. Inflation factors are intended to reflect cost trends from the middle of the reporting period of a particular pharmacy to a common fiscal period ending December 31, 2024 (specifically from the midpoint of the pharmacy's fiscal year to June 30, 2024, which is the midpoint of the fiscal period ending December 31, 2024). 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 9). The use of inflation factors is typically preferred in order for pharmacy cost data from various fiscal years to be compared uniformly.

Cost of Dispensing Analysis and Findings

The dispensing costs for surveyed pharmacies are summarized in the following tables and paragraphs. Findings for pharmacies are presented collectively, and additionally are presented for subsets of the surveyed population based on pharmacy characteristics.

There are several statistical measurements that may be used to express the central tendency of a distribution, the most common of which are the mean and the median. Findings are presented in the forms of means and medians, both weighted and unweighted.

The measures of central tendency used in this report include the following:

Unweighted mean: the arithmetic average cost of dispensing for all pharmacies.

Weighted mean: the average cost of dispensing for all prescriptions dispensed by surveyed pharmacies, weighted by prescription volume. The resulting number is the average cost for all prescriptions, rather than the average for all pharmacies as in the unweighted mean. This implies that low volume pharmacies have a smaller impact on the weighted average than high volume pharmacies. This approach, in effect, sums all costs from surveyed pharmacies and divides that total cost by the total number of prescriptions

from the surveyed pharmacies. The weighting factor can be either total prescription volume or Medicaid prescription volume.

Median: the value that divides a set of observations (such as cost of dispensing) in half. In the case of this survey, the median is the value such that one half of the pharmacies in the set have a cost of dispensing that is less than or equal to the median and the other half of the pharmacies have a cost of dispensing that is 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 equal to or less than the weighted median, and one half of the prescriptions were dispensed at a cost equal to or more than the weighted median. In a hypothetical example, if there were 1,000,000 Medicaid prescriptions dispensed by the surveyed pharmacies and the pharmacies were arrayed in order of their cost of dispensing, the median weighted by Medicaid volume is the cost of dispensing of the pharmacy that dispensed the middle, or 500,000th prescription.

Statistical "outliers" are a common occurrence in pharmacy cost of dispensing surveys. This occurs when a small number of pharmacies have a cost of dispensing that is atypical as compared to the majority of pharmacies. The unweighted mean is particularly susceptible to the impact of these outlier values. In situations in which the magnitude of outlier values results in a measure of the unweighted mean that does not represent what might be typically thought of as an accurate measure of central tendency, weighted means or medians are often considered to be preferable.

For all pharmacies, the cost of dispensing findings are presented in Table 2.3.

Table 2.3 Cost of Dispensing per Prescription – All Pharmacies

	Cost of Dispensing
Unweighted Mean	$43.10
Mean Weighted by Medicaid Volume	$11.60
Unweighted Median	$10.49
Median Weighted by Medicaid Volume	$9.38

n=2,262 pharmacies
Cost of dispensing has been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

See Exhibit 10 for a histogram of the cost of dispensing for all pharmacies. There was a large range between the highest and the lowest cost of dispensing observed. However, the majority of pharmacies (approximately 77 percent) had average cost of dispensing between $5 and $15.

Exhibit 11 includes a statistical summary with a wide variety of measures of pharmacy cost of dispensing 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' zip code and the "Zip Code to Carrier Locality File" from the Centers for

Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.

Specialty Pharmacies

Several pharmacies included in the cost analysis were identified as specialty pharmacies. For purposes of this report, “specialty pharmacies" are pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30 percent or more of total prescription sales.[17] Within their survey responses, pharmacies were allowed to rely upon their own methods for categorizing products as “specialty” for the reporting of sales and summary counts of prescriptions dispensed. The analysis revealed significantly higher cost of dispensing associated with pharmacies classified as “specialty”.[18]

Table 2.4 summarizes the cost of dispensing for providers of specialty services as compared to those pharmacies that did not offer these specialty services.

Table 2.4 Cost of Dispensing 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)	Mean Weighted by Medicaid Volume
Specialty Pharmacies	190	Mean: 147,069 Median: 45,477	Mean: 7,172 Median: 502	$37.80
Other Pharmacies	2,072	Mean: 119,823 Median: 83,998	Mean: 17,496 Median: 12,379	$10.61

Cost of dispensing has been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

Pharmacies that dispense specialty products as a significant part of their business often have a cost of dispensing in excess of what is observed 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

[17] The terms “specialty products” or “specialty drugs” typically refer to high-cost prescription drugs used to treat complex, chronic conditions. These drugs often require special handling and administration, along with continuous monitoring by a health care professional. Currently, there is no statutory, regulatory, or universal industry accepted definition of the term “specialty drugs”. Although some state Medicaid programs have established lists of “specialty drugs” for specific purposes, these lists are not uniform across all Medicaid programs.

[18] In every pharmacy cost of dispensing study in which information on clotting factor, intravenous solution, home infusion and other specialty dispensing activity has been collected by Myers and Stauffer, such activity has been found to be associated with higher cost of dispensing. Discussions with pharmacists providing these services indicate that the activities and costs involved for these types of 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 clotting factor, intravenous, infusion and other specialty products.
- Costs of additional services relating to patient education, compliance programs, monitoring, reporting and other support for specialty products.
- Higher direct labor costs due to more intensive activities to prepare certain specialty prescriptions in the pharmacy.

obtained on the survey, Myers and Stauffer categorized specialty pharmacies into three primary categories:

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

Some pharmacies dispensed products which included more than one category of specialty services described above. However, for purposes of this analysis, Myers and Stauffer organized pharmacies using a hierarchical approach giving priority in the order of 1) dispensing clotting factor products and 2) dispensing compounded infusion or other custom-prepared intravenous products. The remaining specialty pharmacies were classified within an "other" category. The cost of dispensing results for these categories of specialty pharmacies is summarized in Table 2.5. It should be noted that the average cost of dispensing values represented within Table 2.5 represent an average of the cost of dispensing for all products dispensed by these pharmacies. Although the provision of a particular type of specialty product led to the pharmacies being categorized as described, these pharmacies typically dispensed a mix of various specialty products and, in some cases, non-specialty products.

Table 2.5 Cost of Dispensing per Prescription – Categories of Specialty Pharmacies

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Clotting factor	31	Mean: 75,039 Median: 14,186	Mean: 1,521 Median: 21	$555.34	$219.57
Compounded Infusion / Intravenous Products	23	Mean: 65,475 Median: 33,494	Mean: 1,965 Median: 148	$609.96	$49.65
Other Specialty Pharmacies	136	Mean: 177,287 Median: 59,821	Mean: 9,341 Median: 895	$299.35	$30.63

n= 190 pharmacies
Cost of dispensing has been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

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 Cost of Dispensing per Prescription – Excluding Specialty Pharmacies

	Dispensing Cost
Unweighted Mean	$12.33
Mean Weighted by Medicaid Volume	$10.61
Unweighted Median	$10.22
Median Weighted by Medicaid Volume	$9.28

n=2,072 pharmacies
Cost of dispensing has been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

Relationship between Cost of Dispensing and Prescription Volume

There is a significant correlation between a pharmacy's total prescription volume and the cost of dispensing 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 the cost of dispensing and increase the measurement of the unweighted average (mean) cost of dispensing. Means and medians weighted by either Medicaid volume or total prescription volume may provide a more realistic measurement of typical cost of dispensing.

Pharmacies were classified into meaningful groups based upon their differences in total prescription volume. The cost of dispensing was then analyzed based upon these volume classifications. Table 2.7 provides statistics for pharmacy annual prescription volume.

Table 2.7 Statistics for Pharmacy Total Annual Prescription Volume

Statistic	Value [A]
Mean	119,283
Standard Deviation	334,216
10th Percentile	28,931
25th Percentile	51,758
Median	83,998
75th Percentile	122,919
90th Percentile	168,699

n= 2,072 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30 percent or more of total prescription sales.*

Table 2.8 displays the calculated cost of dispensing for non-specialty pharmacies arrayed into tiers based on total annual prescription volume.

Table 2.8 Cost of Dispensing by Pharmacy Total Annual Prescription Volume

Total Annual Prescription Volume of Pharmacy	Number of Pharmacies [A]	Unweighted Mean	Mean Weighted by Medicaid Volume
0 to 49,999	503	$18.69	$15.85
50,000 to 74,999	379	$11.77	$11.40
75,000 to 99,999	384	$10.11	$9.92
100,000 and Higher	806	$9.67	$9.86

n= 2,072 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30 percent or more of total prescription sales.*

Cost of dispensing has been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

A histogram of pharmacy total annual prescription volume and a scatter-plot of the relationship between cost of dispensing per prescription and total prescription volume are included in Exhibit 12.

Other Observations Associated with Cost of Dispensing and Pharmacy Attributes

The cost of dispensing 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 65 percent of the overall cost of dispensing per prescription.

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 staff, interns, technicians, clerks and any other employee with time spent performing tasks associated with the prescription dispensing function of the pharmacy.
- Building and equipment expenses include 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 Cost of Dispensing per Prescription

Type of Expense	Mean Weighted by Medicaid Volume [A]
Owner Professional Labor	$0.264
Employee Professional and Other Labor	$6.484
Building and Equipment	$1.107
Prescription Specific Expenses (including delivery)	$1.641
Other Overhead Expenses	$1.113
Total	**$10.610**

n= 2,072 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30 percent or more of total prescription sales.*

Cost of dispensing has been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

A chart of the components of the cost of dispensing per prescription is provided in Exhibit 13.

In addition to pharmacy cost of dispensing data, several pharmacy attributes were collected on the cost survey. A summary of those attributes is provided at Exhibit 14.

Lockable Vials

The cost of dispensing survey tool included four questions related to the dispensing costs associated with lockable vials (see Exhibit 1, question (w)). A lockable vial has a combination lock cap that requires input of a code in order to access the medication inside. Lockable vials are generally used to protect Schedule II controlled substances and may be more secure than typical prescription lids with child locks. During the two informational webinars at the onset of the cost of dispensing survey process and when pharmacies contacted the cost of dispensing help desk, detailed explanations were provided regarding the difference between lockable vials and typical child/safety lock vials. As noted in table 2.11, there were 106 pharmacies that responded that they dispense prescriptions in lockable vials.

Table 2.11 Dispense Prescriptions in Lockable Vials

Response	Number of Pharmacies
Yes	106
No	1,485
Non-Responsive	2,262

However, the additional information obtained from these 106 pharmacies appeared to be of limited value. Seven of these pharmacies did not respond to any of the additional questions related to lockable vials and did not report either a prescription count associated with lockable vials or the cost associated with purchase of lockable vials. Additionally, for 41 pharmacies, it appeared that the prescription containers cost reported was for all containers that use child/safety

locks and not limited to lockable vials. Due to this apparent limitation, data from these 41 pharmacies were not included in further analysis.

The remaining 58 pharmacies reported an average percent of prescriptions dispensed in lockable vials that ranged from less than 1 percent to 49 percent of total prescriptions (an average of 24 percent of prescriptions). Six of these 58 pharmacies did not report any purchase costs related to lockable vials. There were 52 pharmacies that reported *total* costs for lockable vials ranging from $32 to approximately $42,000. On an estimated per prescription basis, the values for 51 of these pharmacies ranged from $0.03 to $4.17 per prescription, with an average of $0.38 per prescription.

To summarize, less than five percent of respondent pharmacies included additional information related to lockable vials. Many of these pharmacies appeared to report expenses that are related to child/safety lock vials instead of the combination lockable vials. ODM could collect invoice information during the semi-annual Ohio Average Acquisition Cost survey for lockable vials to get a more accurate representation of costs.

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	$0.085
Charitable Contributions	$0.005
Advertising	$0.100

n= 2,072 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30 percent or more of total prescription sales.*

Cost of dispensing has been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

Exhibit 1
Ohio Department of Medicaid Pharmacy
Cost of Dispensing Survey – Survey Form

Ohio Medicaid Pharmacy Cost of Dispensing Survey

Survey forms by Myers and Stauffer LC under contract with the Ohio Department of Medicaid

M&S Use Only

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

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER
Complete and return by **August 29, 2024**
Call toll free (800) 374-6858 or email disp_survey@mslc.com if you have any questions.

An electronic version of the Ohio Medicaid Pharmacy Cost of Dispensing Survey is available. The electronic version is in Excel format. The electronic version aids the user by calculating totals and transferring 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 _____ NPI (one location per survey): _____

Street Address _____ Telephone 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 Ohio Medicaid pharmacies must 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.

   Enter date the pharmacy opened: _____

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

   Enter the 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" **will need** to complete the first three pages (sections IA and IB) 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.

Ohio 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, 2023, or December 31, 2022, if 2023 records are not yet complete). **(Include month/day/year).**

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

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

(a) **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. Additionally, please note the total prescription volume attestation is also used to assist in setting the Single Pharmacy Benefit Manager (SPBM) dispensing fee tiers for Ohio Medicaid's managed care program.

(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 and 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 and total store square footage (pharmacy department + retail area). Since floor space will be used in allocating certain expenses, accuracy is important.

For simplicity, when measuring the pharmacy department exclude all of the following:

> Patient waiting area > Counseling area > Pharmacy department office space > Pharmacy department storage

The before mentioned areas should be included in total store area, but not pharmacy department square footage. A factor will be added to the pharmacy department to account for waiting area, counseling area, pharmacy department office space and pharmacy department storage. When measuring the total store square footage exclude any storage area (e.g., basement, attic, off-the-premises areas or freight in-out areas).

(c) Amount of State Sales Tax collected during fiscal year used for survey (round to nearest whole dollar) **$** _____

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

1. Medicaid (fee for service) _____ %
2. Medicaid Managed Care/Gainwell SPBM _____ %
3. Other Third Party _____ %
4. Cash _____ %

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

1. Medicaid (fee for service) _____ %
2. Medicaid Managed Care/Gainwell SPBM _____ %
3. Other Third Party _____ %
4. Cash _____ %

(f) Ownership Affiliation

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

(g) Type of Ownership

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

(h) 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) _____

(i) Does your pharmacy purchase drugs through the 340B Drug Pricing Program?

1. □ Yes
2. □ No

If yes, are prescriptions dispensed to Ohio Medicaid members provided from 340B inventory?

1. □ Yes
2. □ No

If you are a provider that participates in the 340B discount program, indicate if you are a:

1. □ Covered Entity
2. □ Contract Pharmacy

Ohio Medicaid Pharmacy Cost of Dispensing Survey

SECTION IA -- PHARMACY ATTRIBUTES, CONTINUED

(j)	Do you own your building or lease from a related party (i.e., yourself, family member, or related corporation)? If so, mark yes, on page 7 you should only report expenses related to building ownership, i.e. interest, taxes, insurance, maintenance, etc. 1. □ Yes 2. □ No
(k)	How many hours per week is your pharmacy open? _____ Hours
(l)	How many years has a pharmacy operated at this location? _____ Years
(m)	Do you provide 24-hour emergency services for pharmaceuticals? 1. □ Yes 2. □ No
(n)	What percentage of prescriptions dispensed were generic products? _____%

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

(o)	How many total prescriptions were dispensed to long-term care facilities or assisted living homes?_____
(p)	Do you dispense in unit dose packaging to long-term care facilities (e.g., medisets, blister packs, etc.)? 1. □ Yes 2. □ No If yes, how many total prescriptions were dispensed in unit dose packaging? _____
(q)	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 products, compounding services, or lockable vials, complete lines (r) through (w) as applicable.

(r)	How many total prescriptions filled are delivered? _____
(s)	How many Ohio Medicaid prescriptions filled are delivered? _____
(t)	Does your pharmacy deliver prescriptions by mail (U.S. Postal Service, FedEx, UPS, etc.)? 1. □ Yes 2. □ No If yes, what is the total number of prescriptions that are delivered by mail? _____
(u)	Are you presently providing specialty products or services (e.g., intravenous, infusion, enteral nutrition, clotting factors or derivatives, other pre-filled injectable or oral specialty products)? 1. □ Yes 2. □ No **If yes, you must complete the product breakdown in section IC on page 4.**
(v)	How many total prescriptions dispensed were compounded? _____ How many total prescriptions were compounded in a sterile environment? _____ For prescriptions that are compounded, what is the average number of minutes spent preparing a prescription by pharmacists and technicians? Pharmacist: _____ Technician: _____
(w)	Does your pharmacy dispense prescriptions in lockable vials? 1. □ Yes 2. □ No If yes, please answer the following: What are the total number of prescriptions dispensed in lockable vials for the reporting period? _____ What was the total cost associated with the purchase of lockable vials for the reporting period? _____ Please describe and provide the amounts for any expenses for special equipment, initial set-up as well as any other ongoing expenses required to be able to dispense lockable vials. (attach additional pages if needed). _____ _____

SECTION IB -- OTHER INFORMATION

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

_____

_____

_____

Ohio Medicaid Pharmacy Cost of Dispensing Survey

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

If you answered yes to question (u) in Section IA, provide a breakdown of the specialty and non-specialty products dispensed in your pharmacy using the categories described below. Please report the number of prescriptions and dollar amount of sales in one category only, for example some clotting factors can be prefilled, however place it in "clotting factors or derivatives" only and not in "prefilled or ready to inject products." 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 lines (a) and (b) in Section IA. You should also respond to the questions below the product breakdown regarding services 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)
Clotting 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)
All Other (including opthalmic, otic, etc.)			(3f)
Total for Non-specialty			
Total (Should reconcile to prescriptions and Pharmacy Department sales reported in Section IA)			(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 if needed.

Ohio 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. See page 6 for additional instructions.

			Percent of Time Spent					
Employee Classification	Estimate of FTEs[1]	Total Salaries (including bonuses and draws for owners)[2]	Dispensing Activities[3]	Other RX Related Duties[4]	MTM, Vaccine Administration, Clincial Services[5]	Non Rx Related Duties[6]	Total[7]	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%	0.0%	100.0%	100.0%	(12)

Total Salaries		(13)
Pension and Profit Sharing		(14)
Other Employee Benefits[8]		(15)
Total Labor Expenses		(16)

Please review footnotes and additional instructions for reporting personnel costs on the next page.

SECTION IIA -- PERSONNEL COSTS

General	Provide your best estimate of the percentage of time each employee or group of employees spent working for each category. While it is understood that there may not be a specific report that can be generated to complete this section of the survey, use the job description of each employee and the general workflow of your pharmacy to estimate the percent of time for employee(s) in each category for which you report salaries and FTEs. Each row must equal 100%.

Footnote

1	FTE: Full-time Equivalent. Divide the total number of weekly hours worked for each job category by 40 hours to determine the estimated number of full time equivalent positions. This value can be a decimal but should be rounded to the nearest tenth. Example: 3 pharmacists; pharmacist 1 works 38 hours per week, Pharmacist 2 works 22 hours per week, Pharmacist 3 works 16 hours per week. Calculation = (38 + 22 + 16) ÷ 40 = 1.9 FTEs.
2	Total Salaries should include any bonuses and/or draws for owners.
3	Report the percent of time for any direct Dispensing Activities. Direct prescription dispensing activities as defined in 42 CFR § 447.502 include the pharmacist time associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid beneficiary. This 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.
4	Report the percent of time for Other RX Related Duties. Other Rx Related Duties 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.
5	Report the percent of time for Medication Therapy Management (MTM), Vaccine Administration, or clinical services. MTM is a service typically provided by a licensed pharmacist intended to improve outcomes by assisting beneficiaries with understanding their conditions and the medications used to treat them (note that counseling services provided to patients at dispensation should be reported as Direct Dispensing Activities). Vaccine Administration includes patient registration, administration of the vaccine, and patient monitoring for COVID-19, flu, or other vaccines administered by the pharmacy. Clinical Services include any professional services performed by the pharmacist under a consult agreement that are separately billed and not reimbursed by the prescription professional dispensing fee.
6	Non Rx Related Duties should include any duties that are not related to the prescription department.
7	Totals for the Percent of Time Spent Breakdown. All columns must total 100%.
8	Other Employee Benefits includes employee medical insurance, disability insurance, education assistance, etc.

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, the line numbers in the left columns correspond to federal income tax return lines. Use your most recently completed fiscal year for which financial records are available and completed (e.g., December 31, 2023, or December 31, 2022, if 2023 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 Sections IIB and III (pages 7, 8, and 9).**

*** Notes about tax return line references**

Form 1040, Sched 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 there are typically detailed breakdowns of the expenses in this category in the "Statements" attached to the returns.

2023 Tax Form				Round all amounts to nearest dollar or whole number.	Expense Amount Reported	Myers and Stauffer Use Only	Line No.
1040 Schedule C	1065	1120	1120S				
13	16a	20	14	Depreciation (this fiscal year only - not accumulated)			(1)
23	14	17	12	Taxes (a) Personal Property Taxes Paid			(2)
23	14	17	12	(b) Real Estate Taxes			(3)
23	14	17	12	(c) Payroll Taxes			(4)
				Any other taxes should be itemized separately on page 8.			
20b	13	16	11	Rent - Building (**if building is leased from a related party then report ownership expenses of interest, taxes, insurance and maintenance**)			(5)
20a	13	16	11	Rent - Equipment and Other			(6)
21	11	14	9	Repairs & maintenance			(7)
15	21*	26*	20*	Insurance (other than employee medical)			(8)
16a&b	15	18	13	Interest			(9)
17	21*	26*	20*	Legal and Professional Fees			(10)
27a*	21*	26*	20*	Dues, Publications, and Subscriptions			(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	21*	26*	20*	Utilities (a) Telephone			(14)
25	21*	26*	20*	(b) Heat, Water, Lights, Sewer, Trash and other Utilities			(15)
18&22	21*	26*	20*	Operating and Office Supplies (exclude prescription containers and labels)			(16)
8	21*	22	16	Advertising/Marketing			(17)
27a*	21*	26*	20*	Computer Expenses (systems, software, maintenance, etc.)			(18)
9,27a*	21*	26*	20*	Prescription Delivery Expenses (wages to a driver should only be reported on pg. 5)			(19)
27a*	21*	26*	20*	Prescription Containers and Labels			(20)
24a&b	21*	26*	20*	Travel, Meals and Entertainment			(21)
27a*	21*	26*	20*	Switching / E-Prescribing Fees			(22)
27a*	21*	26*	20*	Security / Alarm			(23)
27a*	21*	26*	20*	Bank Charges			(24)
27a*	21*	26*	20*	Credit Card Processing Fees			(25)
27a*	21*	26*	20*	Interior Maintenance (housekeeping, janitorial, etc.)			(26)
27a*	21*	26*	20*	Exterior Maintenance (lawn care, snow removal etc.)			(27)
27a*	21*	26*	20*	Pharmacy Licenses / Permits			(28)
27a*	21*	26*	20*	Employee Training and Certification			(29)
27a*	21*	26*	20*	Continuing Education			(30)
				Total Page 7 overhead expenses (lines 1 to 30)			(31)

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 in Section IIB (a) (page 7), accreditation and/or certification fees, restocking fees, postage, administrative expenses, amortization, mandated language access services, etc. Specify each item and the corresponding amount. **Note that labor expenses are reported in Section IIA (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 Amount Reported	Myers and Stauffer Use Only	Line No.
			(32a)
			(32b)
			(32c)
			(32d)
			(32e)
			(32f)
			(32g)
			(32h)
			(32i)
			(32j)
			(32k)
			(32l)
			(32m)
			(32n)
			(32o)
			(32p)
			(32q)
			(32r)
			(32s)
			(32t)
Total page 8 overhead expenses (lines 32a to 32t)			(33)

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.

		Cost Survey Amounts	Financial Statement or Tax Return Amounts
(1)	Total Expenses per Financial Statement or Tax Return[1]		
(2)	Total Labor Expenses (total from page 5, line 16)		
(3)	Overhead Expenses (total from page 7, line 31)		
(4)	Overhead Expenses, Continued (total from page 8, line 33)		
(5)	Total Expenses per Cost Survey [add Lines (2), (3), and (4)]		
	Specify Items with Amounts that are on Cost Survey but not on Financial Statement or Tax Return		
(6a)			
(6b)			
(6c)			
(6d)			
(6e)			
	Specify Items with Amounts that are on Financial Statement or Tax Return but not on this Cost Survey		
(7a)			
(7b)			
(7c)			
(7d)			
(7e)			
(8)	Total [add Lines (1) to (7e)] Column Totals Must be Equal		

[1] If you used a tax form to complete the cost of dispensing survey, the total expenses per tax return will be found on the following lines for 2023 tax forms:

1040C - Line 28
1065 - line 22
1120 - line 27
1120S - line 21

Exhibit 2
Informational Letter from the Ohio Department of Medicaid Regarding Pharmacy Cost of Dispensing Survey (Independent and Chain Pharmacies)

July 25, 2024

Dear Ohio Medicaid Pharmacy Provider:

The Ohio Department of Medicaid (ODM) has contracted with the firm Myers and Stauffer LC, Certified Public Accountants, to perform a survey of the cost of dispensing prescriptions to Medicaid enrollees. Ohio Revised Code (ORC) section 5164.752 requires ODM to conduct this survey every two years. Pharmacies are required to participate in this survey according to ORC 5164.752 and Ohio Administrative Code 5160-9-06(I).

The Centers for Medicare and Medicaid Services (CMS) published regulation, Federal Covered Outpatient Drugs Final Rule (CMS-2345-FC), requires State Medicaid Agencies to adopt pharmacy reimbursement methodologies to pay pharmacies for the actual acquisition cost of drugs plus a professional dispensing fee. The pharmacy cost of dispensing survey will provide ODM with information to evaluate the professional dispensing fee component of the Ohio Medicaid fee-for service pharmacy reimbursement. Myers and Stauffer is an accounting firm with extensive experience in pharmacy cost of dispensing surveys, having conducted similar surveys in many states including Ohio in previous years. ODM has again engaged Myers and Stauffer to conduct the survey in 2024.

Please provide the requested information on the enclosed survey tool and submit it to Myers and Stauffer in a timely manner. It is crucial that we have complete participation with this survey from each chain, independent, and specialty pharmacy. You should return the completed survey(s) directly to Myers and Stauffer LC, no later than **August 29, 2024**.

We appreciate your continued service to Ohio's Medicaid population, as well as your cooperation in this important study. Please direct questions about the survey to Myers and Stauffer at 1-800-374-6858 (Monday to Friday, 9 am to 5 pm EDT) or disp_survey@mslc.com.

Sincerely,

Sean Eckard, BS, PharmD, RPh
Pharmacy Director

Exhibit 3a
Letter from Myers and Stauffer LC Regarding Pharmacy Cost of Dispensing Survey (Independent Pharmacies)

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

July 25, 2024

Re: Ohio Department of Medicaid – Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Ohio Department of Medicaid (ODM) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey. Participation in the survey is **mandatory** per Ohio Administrative Code 5160-9-06(I). All pharmacies enrolled in the Ohio Medicaid pharmacy program are required to participate in the survey according to the following instructions:

1. Complete the enclosed "Ohio Medicaid Pharmacy Cost of Dispensing Survey".
2. For your convenience, Myers and Stauffer LC will complete Section IIB "Overhead Expenses" and Section III "Reconciliation with Financial Statement or Tax Return" for you if you submit a copy of your store financial statements or your business federal income tax return (Forms 1065, 1120, 1120S or Schedule C of Form 1040 and accompanying schedules). The financial statements or federal income tax form must include information for only a single store/location. You will still need to complete the other sections of the survey.
3. If your financial statements or tax return have not been completed for your most recent fiscal year, complete the survey using your prior year's financial statements (or tax return) and the corresponding prescription data for that year. Myers and Stauffer will apply an appropriate inflation factor.
4. Retain a copy of the completed survey forms for your records.

It is very important that all pharmacies cooperate fully by filing an accurate cost survey. Pharmacies are encouraged to return the required information as soon as possible, **but forms must be returned no later than August 29, 2024.**

DEDICATED TO GOVERNMENT HEALTH PROGRAMS
700 W 47th Street, Suite 1100 | Kansas City, MO 64112
PH 816.945.5300 | PH 800.374.6858 | FX 816.945.5301
www.mslc.com

Electronic format of the survey tool:

We strongly encourage pharmacies to respond in an electronic format. You may obtain an Excel spreadsheet version of the survey by contacting Myers and Stauffer LC at (800) 374-6858 or by email at disp_survey@mslc.com. The electronic version of the survey collects the same information as the paper version and will automatically complete certain calculations. Surveys that are completed electronically may be returned via email to the same email address with the Excel survey file and other supporting documentation attached.

If you prefer to respond in a paper format:

Send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
Attn: Ohio Medicaid Pharmacy Cost of Dispensing Survey
700 W. 47th Street, Suite 1100
Kansas City, MO 64112

You may return the survey using the enclosed Business Reply Envelope. Postage will be paid by Myers and Stauffer LC.

It is very important that pharmacies respond with accurate information. All submitted surveys will be reviewed and validated by staff at Myers and Stauffer LC. If the review yields the need for additional inquiries, Myers and Stauffer LC staff will contact you. A random sample of pharmacies will be selected for further validation procedures. Pharmacies will be notified upon selection for additional validation procedures and the documentation that will need to be submitted.

Cost of dispensing surveys and supporting documentation submitted to Myers and Stauffer LC for this project will remain strictly confidential.

Myers and Stauffer LC will be conducting informational meetings via telephonic/ internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer LC will present more details about the survey process, discuss what information is being requested and answer any questions regarding the survey form. Please refer to the enclosed informational meeting flyer for further details on the dates and times of these webinar meetings and instructions for registration.

If you have any questions, please call 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,

Matt Hill, CPA, CPhT
Senior Manager
mhill@mslc.com

Enclosures: Letter from the Ohio Department of Medicaid
Ohio Medicaid Pharmacy Cost of Dispensing Survey
Myers and Stauffer LC Business Reply Envelope
Informational Meeting Invitation

Exhibit 3b
Letter from Myers and Stauffer LC Regarding Pharmacy Cost of Dispensing Survey (Chain Pharmacies)

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

July 25, 2024

Re: Ohio Department of Medicaid – Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Ohio Department of Medicaid (ODM) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey. Participation in the survey is **mandatory** per Ohio Administrative Code 5160-9-06(I). All pharmacies enrolled in the Ohio Medicaid pharmacy program are required to participate in the survey.

Enclosed is the "Ohio Medicaid Pharmacy Cost of Dispensing Survey" form. You may respond to the survey using either a paper or electronic format. You will need to submit survey information for each pharmacy that participates in the Ohio Medicaid program. In past surveys performed by Myers and Stauffer LC, most pharmacy chains have preferred to respond to the survey in electronic format.

We have also enclosed a list of your pharmacies which participate in the Ohio Medicaid program. Pharmacy information is presented as shown in records from ODM. If this list is inaccurate, please notify Myers and Stauffer LC.

It is very important that all pharmacies cooperate fully by filing an accurate cost survey. Pharmacies are encouraged to return the required information as soon as possible, **but forms must be returned no later than August 29, 2024.**

You are strongly encouraged to respond in an electronic format:

You are required to submit survey data for each store on the attached list and any additional stores/locations that participate in the Ohio Medicaid program. To obtain the Excel spreadsheet, send a request by email to disp_survey@mslc.com or contact Myers and Stauffer LC staff directly (contact information below). Surveys that are completed electronically may be submitted via email or contact Myers and Stauffer for access to our Secure File Transfer Protocol portal.

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If you prefer to respond in a paper format:

You will still be required to submit a completed survey for each store on the attached list and **any additional stores/locations** that participate in the Ohio Medicaid program. You may make copies of the enclosed survey form as needed or contact Myers and Stauffer LC to request additional copies of the survey form. Please send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
Ohio Medicaid Pharmacy Cost of Dispensing Survey
700 W. 47th Street, Suite 1100
Kansas City, MO 64112

You may return the surveys using the enclosed Business Reply Envelope. Postage will be paid by Myers and Stauffer LC.

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

It is very important that pharmacies respond with accurate information. All submitted surveys will be reviewed and validated by staff at Myers and Stauffer LC. If the review yields the need for additional inquiries, Myers and Stauffer LC staff will contact you. A random sample of pharmacies will be selected for further validation procedures. Pharmacies will be notified upon selection for additional validation procedures and the documentation that will need to be submitted.

Cost of dispensing surveys and supporting documentation submitted to Myers and Stauffer LC for this project will remain strictly confidential.

Myers and Stauffer LC will be conducting informational meetings via telephonic/ internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer LC will present more details about the survey process, discuss what information is being requested and answer any questions regarding the survey form. Please refer to the enclosed informational meeting flyer for further details on the dates and times of these webinar meetings and instructions for registration.

If you have any questions, please call 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,

Matt Hill, CPA, CPhT
Senior Manager
mhill@mslc.com

Enclosures: Letter from the Ohio Department of Medicaid
Ohio Medicaid Pharmacy Cost of Dispensing Survey
List of Pharmacies that participate in the Ohio Medicaid program
Myers and Stauffer LC Business Reply Envelope
Informational Meeting Invitation

Exhibit 4
Informational Meeting Flyer
(Independent and Chain Pharmacies)

Informational Meetings
Ohio Department of Medicaid
Pharmacy Cost of Dispensing Survey

The Ohio Department of Medicaid (ODM) is conducting a pharmacy cost of dispensing survey. The survey results will be used to evaluate the Ohio Medicaid pharmacy reimbursement methodology.

ODM has engaged Myers and Stauffer LC to perform the pharmacy cost of dispensing study. To help prepare pharmacy owners and managers to participate in the survey, Myers and Stauffer LC will be conducting informational meetings via telephonic/internet-based webinars. At these meetings, Myers and Stauffer LC will present more details about the survey process, discuss what information is being requested and answer questions regarding the survey form.

Pharmacies are invited to attend one of the informational meetings. **Attendance at one of the webinar sessions requires a reservation.** Please call or email Myers and Stauffer LC for a reservation and further meeting details.

If you are unable to attend a webinar or have questions about the survey, Myers and Stauffer LC offers a help desk available Monday through Friday, 9:00 am to 5 pm EDT to answer survey questions.

To reach Myers and Stauffer LC:

1-800-374-6858

-or-

disp_survey@mslc.com

Schedule of Informational Meetings (via telephone and Internet)

Date	Time (Eastern)
Tuesday, August 6, 2024	3:00 PM
Thursday, August 8, 2024	8:30 AM

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Exhibit 5
First Survey Reminder Postcard
(Independent and Chain Pharmacies)

REMINDER

Survey Due August 29, 2024

Ohio Department of Medicaid

Pharmacy Cost of Dispensing Survey

MYERS AND STAUFFER LC

The Ohio Department of Medicaid (ODM) has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey. All pharmacy providers that participate in the Ohio Medicaid pharmacy program are required to participate in the survey.

Several weeks ago, you should have received a letter from ODM, Myers and Stauffer LC, and a copy of the pharmacy cost of dispensing survey form. Your participation in the cost of dispensing survey is important. This survey is being used by ODM to evaluate future reimbursement rates. All pharmacy providers that participate in the Ohio Medicaid pharmacy program are required to participate in the survey according to Ohio Revised Code section 5164.752 and Ohio Administrative Code 5160-9-06(I).

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer toll free at 800.374.6858 or via email to disp_survey@mslc.com.

If you have any questions regarding the survey, please contact Myers and Stauffer. You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

Surveys are due no later than
August 29, 2024

MYERS AND STAUFFER LC

Exhibit 6
Second Survey Reminder / Extension Postcard (Independent and Chain Pharmacies)

FINAL REMINDER

Due Date Extended to September 12, 2024

Ohio Department of Medicaid

Pharmacy Cost of Dispensing Survey

MYERS AND STAUFFER LC

The Ohio Department of Medicaid (ODM) has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey. All pharmacy providers that participate in the Ohio Medicaid pharmacy program are required to participate in the survey.

Several weeks ago, you should have received a letter from ODM, Myers and Stauffer LC, and a copy of the pharmacy cost of dispensing survey form. Your participation in the cost of dispensing survey is important. This survey is being used by ODM to evaluate future reimbursement rates. All pharmacy providers that participate in the Ohio Medicaid pharmacy program are required to participate in the survey according to Ohio Revised Code section 5164.752 and Ohio Administrative Code 5160-9-06(I).

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer toll free at 800.374.6858 or via email to disp_survey@mslc.com.

If you have any questions regarding the survey, please contact Myers and Stauffer. You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

Surveys are due no later than
September 12, 2024

MYERS AND STAUFFER LC

Exhibit 7a
Supplemental Desk Review Notification Letter (Independent Pharmacies)

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

September 16, 2024

NPI: «NPI»
«Provider_Name»
«Provider_Address»
«City», «State» «Zip»

Re: Ohio Medicaid Pharmacy Cost of Dispensing Survey Validation Procedures

Dear Pharmacy Provider:

The Ohio Department of Medicaid has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing prescribed medications to Ohio Medicaid members. Participation in the survey is mandatory per Ohio Administrative Code 5160-9-06(I).

As part of the survey process to ensure that accurate data is received from pharmacies, Myers and Stauffer is required to obtain supporting documentation from a sample of pharmacies. This documentation will be reviewed and compared against submitted survey data.

Your pharmacy has been selected for this level of review. You are required to submit the following documentation to Myers and Stauffer:

- A store-specific financial statement that details sales and expenses for the fiscal year reported on the survey. Alternatively, a federal tax return may be submitted if the tax return reports financial data for only one store. If you submit a tax return, you must include any supporting schedules associated with your tax return. For pharmacies that are organized as a sole proprietorship, if you opt to send a tax return, please send only the business portion of the tax return (i.e., Form 1040 Schedule C).
- Prescription reports to verify the total number of prescriptions dispensed during the time period corresponding to the fiscal year reported on the survey.
- A copy of a store diagram or blueprint or other documentation to support calculations that were made to determine the total store and pharmacy only square footage reported on the cost of dispensing survey.

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- Any other work papers relied upon to complete the cost of dispensing survey which are necessary to reconcile the above records to the information submitted on the cost of dispensing survey.

Documentation should be submitted as soon as possible, but no later than September 30, 2024.

Documentation may be submitted by mail to:

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

Alternatively, documentation may be sent via email to disp_survey@mslc.com.

If you have any questions, concerning the desk review process, please call Myers and Stauffer toll free at 800.374.6858 or send an email to disp_survey@mslc.com. Your cooperation with this survey process is greatly appreciated.

Sincerely,

Matt Hill, CPA, CPhT
Senior Manager
mhill@mslc.com

Exhibit 7b
Supplemental Desk Review Notification Letter (Chain Pharmacies)

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

September 16, 2024

«Prov_Name»
«Address»
«City», «State» «Zip»

Re: Ohio Medicaid Pharmacy Cost of Dispensing Survey Validation Procedures

Dear Pharmacy Provider:

The Ohio Department of Medicaid has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the cost associated with dispensing prescribed medications to Ohio Medicaid members. Participation in the survey is mandatory per Ohio Administrative Code 5160-9-06(I).

As part of the survey process to ensure that accurate data is received from pharmacies, Myers and Stauffer is required to obtain supporting documentation from a sample of pharmacies. This documentation will be reviewed and compared against submitted survey data.

The following pharmacies associated with your chain have been selected for this review:

NPI	Provider Name	Provider Address	City	State	Zip

You are required to submit the following documentation to Myers and Stauffer:

- A store-specific financial statement that details sales and expenses for the fiscal year reported on the survey.
- Prescription reports to verify the total number of prescriptions dispensed during the time period corresponding to the fiscal year reported on the survey.
- A copy of a store diagram or blueprint or other documentation to support calculations that were made to determine the total store and pharmacy only square footage reported on the cost of dispensing survey.

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- Any other work papers relied upon to complete the cost of dispensing survey which are necessary to reconcile the above records to the information submitted on the cost of dispensing survey.

Documentation should be submitted as soon as possible, but no later than September 30, 2024.

Documentation may be submitted by mail to:

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

Alternatively, documentation may be sent via email to disp_survey@mslc.com.

If you have any questions concerning the desk review process, please call Myers and Stauffer toll free at 800.374.6858 or send an email to disp_survey@mslc.com. Your cooperation with this survey process is greatly appreciated.

Sincerely,

Matt Hill, CPA, CPhT
Senior Manager
mhill@mslc.com

Exhibit 8
Summary of Supplemental Review Findings

Summary of Supplemental Review Findings
Ohio Department of Medicaid

Assigned Number	Exceptions and Comments	Dispensing Cost per Prescription		
		Original	Revised	(Increase / Decrease)
OH00034	Adjusted pharmacy sales, total sales, personnel costs, and overhead expenses to supporting documentation.	$20.34	$17.67	($2.67)
OH00039	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$7.99	$8.09	$0.10
OH00255	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$9.55	$8.59	($0.96)
OH00351	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$6.99	$6.72	($0.27)
OH00426	Adjusted pharmacy sales, total sales, overhead expenses and personnel costs to supporting documentation.	$67.83	$65.20	($2.63)
OH00673	No changes noted	$8.81	$8.81	$0.00
OH00971	No changes noted	$23.14	$23.14	$0.00
OH01111	Adjusted overhead expenses and personnel costs to supporting documentation.	$9.21	$9.21	$0.00
OH01248	Adjusted pharmacy department sales, overhead expenses, and personnel costs to supporting documentation.	$10.23	$9.12	($1.11)
OH01467	No changes noted	$8.96	$8.96	$0.00
OH01624	Adjusted square footage to supporting documentation.	$6.39	$12.29	$5.90
OH02034	No changes noted	$8.20	$8.20	$0.00
OH02180	Adjusted rx count, personnel cost, and overhead expenses to supporting documentation.	$12.38	$11.06	($1.32)
OH02372	Adjusted personnel cost to supporting documentation.	$11.37	$10.80	($0.57)
OH02422	Adjusted count to supporting documentation. Overhead & personnel does reconcile, but is split with another pharmacy.	$9.57	$7.97	($1.60)
OH02903	No changes noted	$11.06	$11.06	$0.00
OH02919	No changes noted	$10.63	$10.63	$0.00
OH02986	No changes noted	$10.12	$10.12	$0.00
OH03313	Adjusted overhead expenses and personnel costs to supporting documentation.	$12.46	$12.71	$0.25
OH03848	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$8.51	$8.46	($0.05)
OH04079	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$13.29	$12.30	($0.99)
OH04181	No changes noted	$9.09	$9.09	$0.00
OH04201	No changes noted	$12.77	$12.77	$0.00
OH04671	Adjusted personnel cost and overhead expenses to supporting documentation.	$45.91	$45.36	($0.55)
OH05036	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$7.86	$7.86	$0.00
OH05154	Adjusted overhead expenses and personnel costs to supporting documentation.	$14.59	$10.29	($4.30)

Summary of Supplemental Review Findings
Ohio Department of Medicaid

Assigned Number	Exceptions and Comments	Dispensing Cost per Prescription Original	Revised	(Increase / Decrease)
OH05698	Adjusted pharmacy sales, overhead costs, and personnel costs to supporting documentation.	$7.15	$6.59	($0.56)
OH05825	Adjusted pharmacy sales, square footage, and overhead expenses to supporting documentation.	$16.35	$14.71	($1.64)
OH05978	Adjusted personnel cost and overhead expenses to supporting documentation.	$12.68	$6.59	($6.09)
OH06503	Adjusted overhead expenses and personnel costs to supporting documentation.	$10.16	$7.69	($2.47)
OH06574	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$16.07	$18.38	$2.31
OH06702	Adjusted personnel cost and overhead expenses to supporting documentation.	$18.44	$18.06	($0.38)
OH07253	No changes noted	$11.94	$11.94	$0.00
OH07318	No changes noted	$10.30	$10.30	$0.00
OH07545	Adjusted personnel cost and overhead expenses to supporting documentation.	$16.15	$11.31	($4.84)
OH07569	No changes noted	$9.69	$9.69	$0.00
OH07672	No changes noted	$11.93	$11.93	$0.00
OH07784	No changes noted	$9.67	$9.67	$0.00
OH08719	Adjusted square footage, overhead expenses, and personnel costs to supporting documentation.	$8.44	$7.97	($0.47)
OH09139	expenses and personnel costs to supporting documentation.	$66.79	$66.23	($0.56)
OH09274	Adjusted personnel cost and overhead expenses to supporting documentation.	$10.80	$10.23	($0.57)
OH09416	No changes noted	$19.50	$19.50	$0.00
OH09672	Adjusted overhead expenses and personnel costs to supporting documentation.	$12.82	$10.27	($2.55)
OH09686	No changes noted	$26.32	$26.32	$0.00
OH09691	Adjusted overhead expenses and personnel costs to supporting documentation.	$10.39	$11.07	$0.68
OH09789	Adjusted overhead expenses and personnel costs to supporting documentation.	$16.73	$15.51	($1.22)

Mean Change per Pharmacy	($0.63)
Standard Deviation	$1.77
Number of Pharmacies	46
95% Confidence Interval for Mean Change Due to Supplemental Reviews	
Lower Bound	($1.15)
Upper Bound	($0.12)

Exhibit 9
Table of Inflation Factors for Cost of Dispensing Survey

Table of Inflation Factors for Dispensing Cost Survey
Ohio Department of Medicaid

Fiscal Year End Date	Midpoint Date	Midpoint Index [1]	Terminal Month Index (6/30/2022) [1]	Inflation Factor	Number of Stores with Year End Date
1/31/2022	7/31/2021	145.3	165.5	1.139	1
12/31/2022	6/30/2022	152.1	165.5	1.088	55
1/31/2023	7/31/2022	152.7	165.5	1.084	0
2/28/2023	8/31/2022	153.3	165.5	1.080	1
3/31/2023	9/30/2022	153.9	165.5	1.075	0
4/30/2023	10/31/2022	154.5	165.5	1.071	0
5/31/2023	11/30/2022	155.0	165.5	1.068	1
6/30/2023	12/31/2022	155.6	165.5	1.064	25
7/31/2023	1/31/2023	156.2	165.5	1.060	1
8/31/2023	2/28/2023	156.8	165.5	1.055	294
9/30/2023	3/31/2023	157.4	165.5	1.051	4
10/31/2023	4/30/2023	157.9	165.5	1.048	2
11/30/2023	5/31/2023	158.5	165.5	1.044	10
12/31/2023	6/30/2023	159.0	165.5	1.041	1,020
1/31/2024	7/31/2023	159.5	165.5	1.038	473
2/29/2024	8/31/2023	160.1	165.5	1.034	7
3/31/2024	9/30/2023	160.6	165.5	1.031	85
4/30/2024	10/31/2023	161.1	165.5	1.027	1
5/31/2024	11/30/2023	161.6	165.5	1.024	4
6/30/2024	12/31/2023	162.1	165.5	1.021	278
Total Number of Stores					**2,262**

[1] Midpoint and terminal month indices were obtained from the Employment Cost Index, (all civilian; seasonally adjusted) as published by the Bureau of Labor Statistics (BLS). Quarterly indices published by BLS were applied to last month in each quarter; indices for other months are estimated by linear interpolation.

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, 2024 (specifically from the midpoint of the pharmacy's fiscal year to June 30, 2024 which is the midpoint of the fiscal period ending December 31, 2024).

Exhibit 10
Histogram of Pharmacy Cost of Dispensing

Histogram of Pharmacy Dispensing Cost

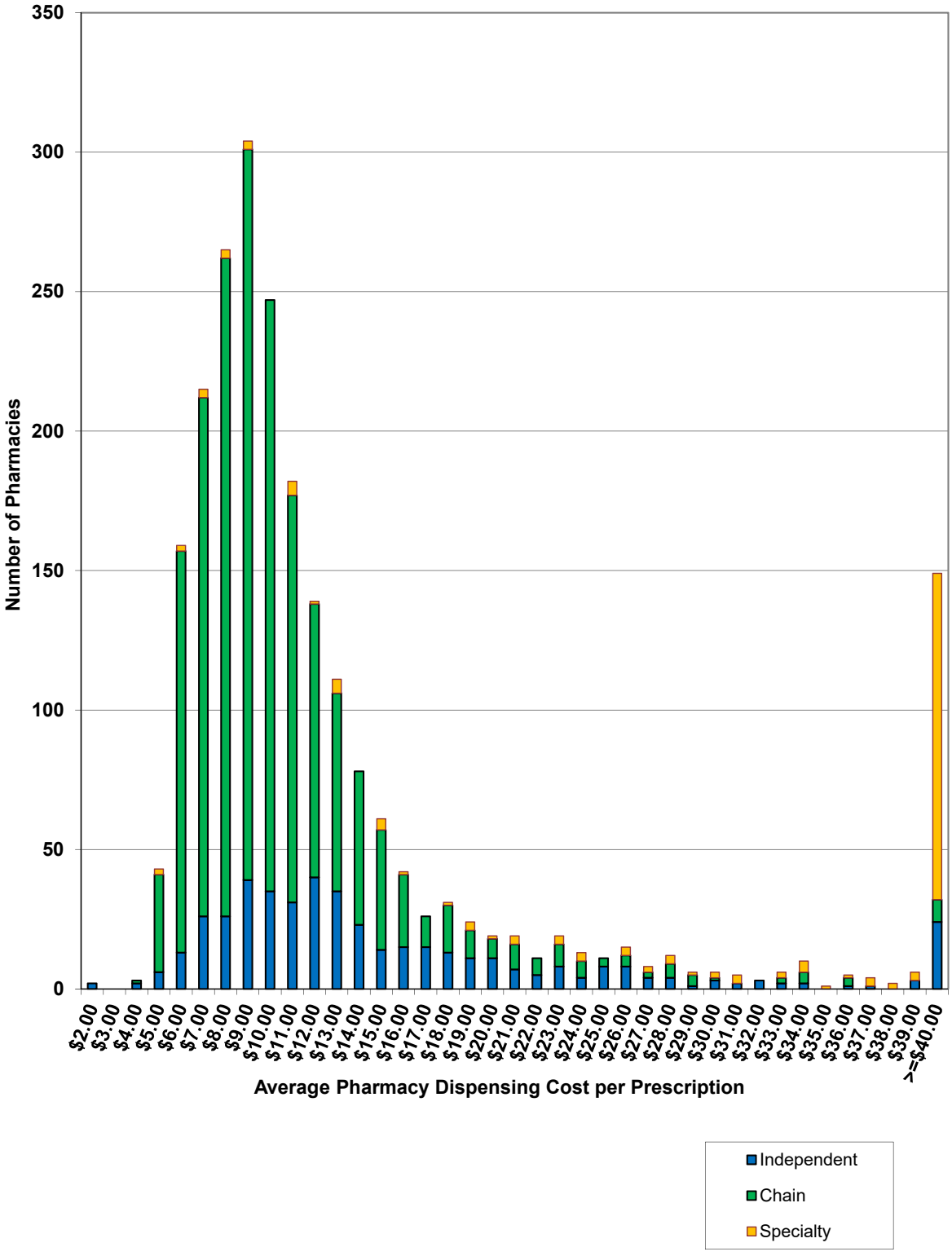


Exhibit 11
Cost of Dispensing Survey Data – Statistical Summary

Pharmacy Cost of Dispensing Survey
Statistical Summary
Ohio Department of Medicaid

Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Pharmacy Dispensing Cost per Prescription [1] — Measurements of Central Tendency — Means — Mean	Means — Weighted by Total Rx Volume	Means — Weighted by Medicaid Rx Volume	Medians — Median	Medians — Weighted by Total Rx Volume	Medians — Weighted by Medicaid Rx Volume	Other Statistics — Standard Deviation	95% Confidence Interval for Mean (based on Student t) — Lower Bound	Upper Bound	*t* Value (with n-1 degrees of freedom)
All Pharmacies in Sample	2,262	122,112	16,629	$43.10	$16.14	$11.60	$10.49	$10.08	$9.38	$422.39	$25.69	$60.52	1.96
Non Specialty Pharmacies [2]	2,072	119,823	17,496	$12.33	$10.93	$10.61	$10.22	$9.87	$9.28	$9.47	$11.92	$12.73	1.96
Specialty Pharmacies [2]	190	147,069	7,172	$378.72	$62.44	$37.80	$67.16	$34.97	$15.92	$1,417.70	$175.84	$581.59	1.97
Specialty Pharmacy Breakdowns [2]													
Clotting Factor	31	75,039	1,521	$555.34	$100.35	$219.57	$151.92	$53.41	$85.78	$968.05	$200.26	$910.42	2.04
Compounded Infusion / Intravenous	23	65,475	1,965	$609.96	$136.80	$49.65	$125.85	$106.56	$20.36	$1,984.50	($248.20)	$1,468.10	2.07
Other	136	177,287	9,341	$299.35	$54.14	$30.63	$39.02	$34.58	$15.25	$1,393.20	$63.08	$535.62	1.98
Non Specialty Pharmacies Only													
Affiliation:													
Chain	1,625	106,542	17,059	$10.98	$9.98	$9.52	$9.84	$9.51	$8.83	$5.56	$10.71	$11.25	1.96
Independent	447	168,106	19,083	$17.23	$13.11	$14.16	$13.08	$11.34	$12.35	$16.52	$15.69	$18.76	1.97
Affiliation (In State Only):													
Chain (In State)	1,415	97,183	19,498	$10.78	$9.63	$9.50	$9.68	$9.11	$8.82	$5.27	$10.50	$11.05	1.96
Independent (In State)	351	106,881	23,366	$16.00	$14.44	$14.01	$12.87	$12.74	$12.26	$10.38	$14.91	$17.09	1.97
Location (Urban vs. Rural): [4]													
In State Urban	1,363	100,510	19,639	$11.99	$10.95	$10.85	$10.16	$9.68	$9.40	$7.04	$11.62	$12.37	1.96
In State Rural	403	94,376	22,390	$11.21	$9.60	$9.59	$9.63	$8.98	$8.92	$6.49	$10.57	$11.85	1.97
All In State (Urban and Rural)	1,766	99,110	20,267	$11.82	$10.66	$10.53	$10.00	$9.48	$9.25	$6.92	$11.49	$12.14	1.96
Out of State	306	239,364	1,504	$15.27	$11.56	$16.55	$11.25	$10.39	$13.28	$17.91	$13.26	$17.29	1.97
Annual Rx Volume:													
0 to 49,999	503	31,204	6,473	$18.69	$16.28	$15.85	$14.69	$13.68	$13.38	$16.02	$17.29	$20.09	1.96
50,000 to 74,999	379	63,229	12,572	$11.77	$11.71	$11.40	$10.72	$10.63	$10.49	$5.86	$11.18	$12.37	1.97
75,000 to 99,999	384	86,783	16,078	$10.11	$10.08	$9.92	$9.61	$9.59	$9.43	$3.41	$9.77	$10.45	1.97
100,000 or greater	806	217,481	27,366	$9.67	$10.50	$9.86	$9.02	$9.58	$8.69	$3.74	$9.41	$9.93	1.96
Annual Medicaid Rx Volume: [5]													
0 to 5,499	611	128,923	1,890	$16.44	$11.84	$16.16	$12.43	$10.39	$12.87	$15.12	$15.24	$17.64	1.96
5,500 to 18,299	727	82,692	11,489	$11.36	$10.49	$11.12	$10.21	$9.84	$10.05	$4.94	$11.00	$11.72	1.96
18,300 and Higher	734	149,026	36,436	$9.86	$10.51	$10.21	$8.99	$9.23	$8.90	$4.20	$9.56	$10.17	1.96
Medicaid Utilization Ratio: [5]													
0.0% to 0.99%	622	174,667	4,356	$13.82	$11.38	$11.19	$10.77	$10.39	$10.67	$13.88	$12.73	$14.92	1.96
1.00% to 21.99%	731	105,079	16,780	$11.38	$10.92	$11.00	$9.98	$9.57	$9.57	$5.87	$10.96	$11.81	1.96
22.00% and Higher	719	87,369	29,590	$11.99	$10.15	$10.31	$9.91	$8.94	$8.92	$7.34	$11.45	$12.53	1.96

Pharmacy Cost of Dispensing Survey
Statistical Summary
Ohio Department of Medicaid

Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Pharmacy Dispensing Cost per Prescription [1] — Measurements of Central Tendency — Means — Mean	Means — Weighted by Total Rx Volume	Means — Weighted by Medicaid Rx Volume	Medians — Median	Medians — Weighted by Total Rx Volume	Medians — Weighted by Medicaid Rx Volume	Other Statistics — Standard Deviation	95% Confidence Interval for Mean (based on Student t) — Lower Bound	Upper Bound	*t* Value (with n-1 degrees of freedom)
Non Specialty Pharmacies Only													
Institutional:													
LTC Institutional Pharmacies [6]	97	473,405	32,628	$15.08	$13.63	$17.12	$13.36	$12.74	$13.88	$6.99	$13.67	$16.49	1.99
Non-LTC Institutional Pharmacies [6]	1,975	102,458	16,753	$12.19	$10.31	$9.99	$10.12	$9.43	$9.01	$9.55	$11.77	$12.61	1.96
Unit Dose:													
Does dispense unit dose	76	562,544	37,202	$14.62	$12.32	$17.21	$12.57	$9.87	$13.88	$7.87	$12.83	$16.42	1.99
Does not dispense unit dose	1,996	102,966	16,745	$12.24	$10.64	$10.05	$10.18	$9.86	$9.11	$9.51	$11.82	$12.66	1.96
Provision of Compounding Services													
Provides compounding (>=10% of Rxs)	17	56,924	6,488	$38.41	$31.08	$33.48	$29.95	$29.95	$20.92	$18.76	$28.76	$48.06	2.12
Compounding <10% of Rxs	2,055	120,344	17,587	$12.11	$10.85	$10.54	$10.19	$9.86	$9.27	$9.05	$11.72	$12.50	1.96
340B Pharmacy Status													
Participates in 340B and self identified as Covered Entity	131	56,648	16,108	$20.80	$17.18	$16.78	$17.47	$14.58	$14.31	$12.73	$18.60	$23.00	1.98
Participates in 340B and self identified as Contract Pharmacy	1,175	114,618	17,743	$10.46	$10.07	$9.73	$9.63	$9.11	$8.70	$5.01	$10.17	$10.75	1.96
Does not participate in 340B or does not provide 340B pricing to Medicaid	766	138,612	17,353	$13.74	$11.58	$11.01	$10.85	$10.49	$9.59	$12.52	$12.85	$14.63	1.96

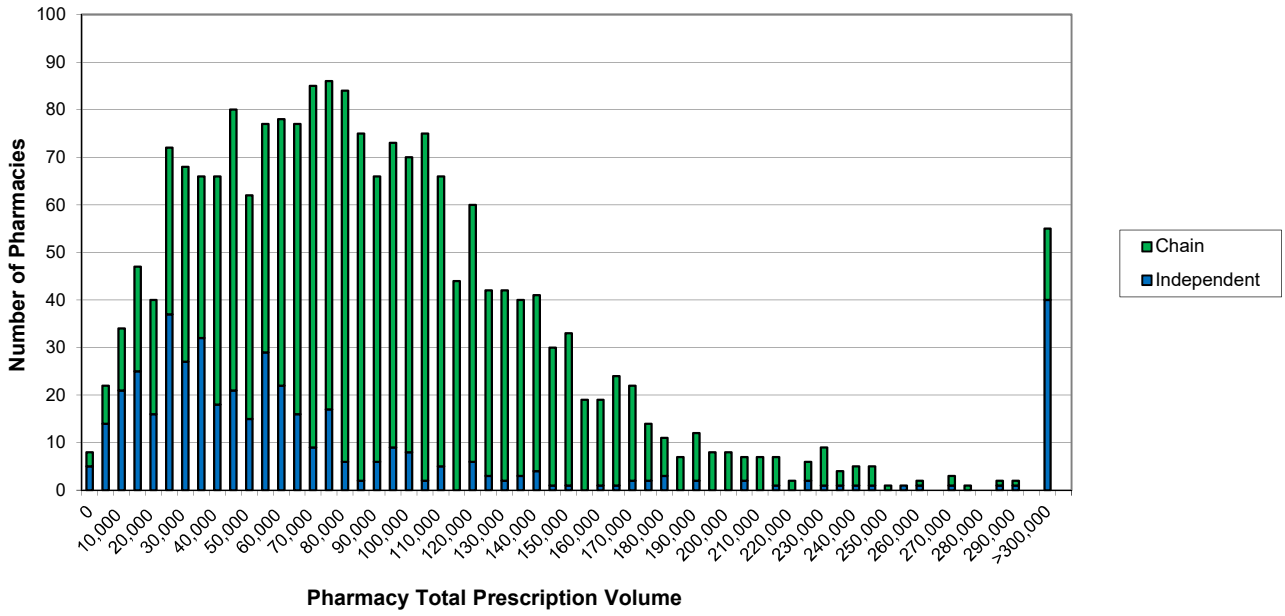
Notes:
1) All pharmacy dispensing costs are inflated to the common point of 6/30/20242 (i.e., midpoint of a fiscal year ending 12/31/2024).
2) For purposes of this report a "specialty pharmacy" is one that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 30% or more of total prescription sales.
3) For the purposes of this report, specialty pharmacies were divided into three categories: clotting factor, infusion specialty, and other specialty.
4) Myers and Stauffer used the pharmacies' zip code and the Zip code to Carrier Locality File from the Centers for Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.
5) Medicaid volume is based on the time period of April 1, 2023 to March 31, 2024.
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 12
Charts Relating to Pharmacy Total Prescription Volume:

A: Histogram of Pharmacy Total Prescription Volume

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

Histogram of Pharmacy Total Prescription Volume (Non-Specialty Pharmacies)



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

(Non-Specialty Pharmacies, Total Prescription Volume < 300,000 and Cost per Prescription < $40.00)

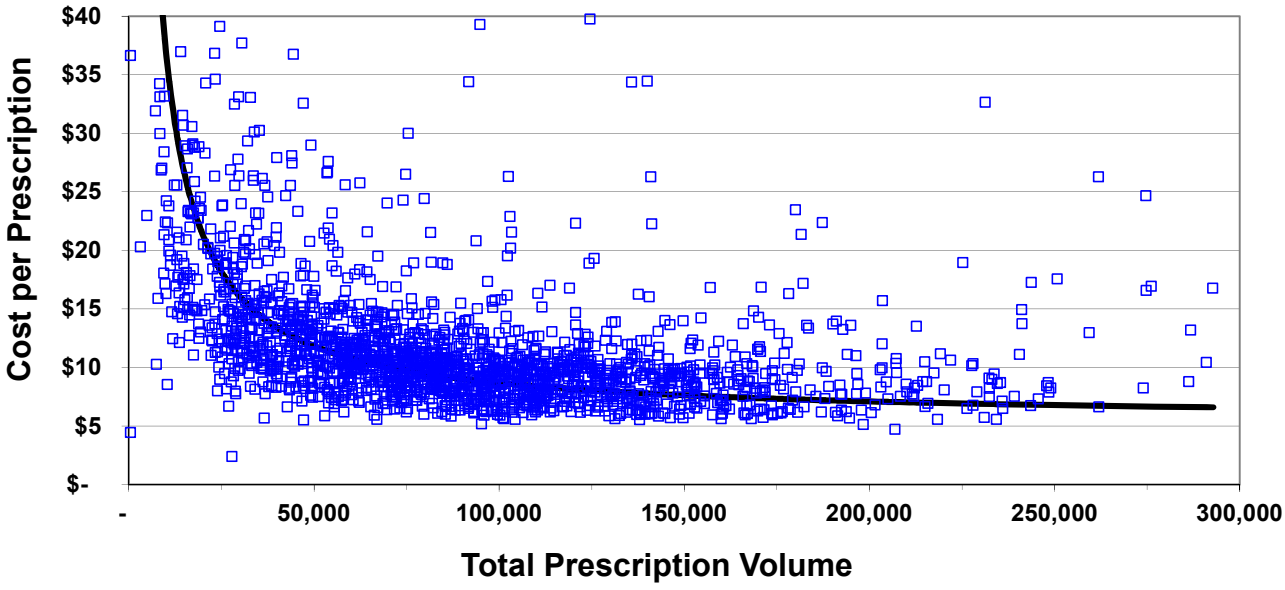


Exhibit 13
Chart of Components of Cost of Dispensing per Prescription

Chart of Components of Dispensing Cost per Prescription

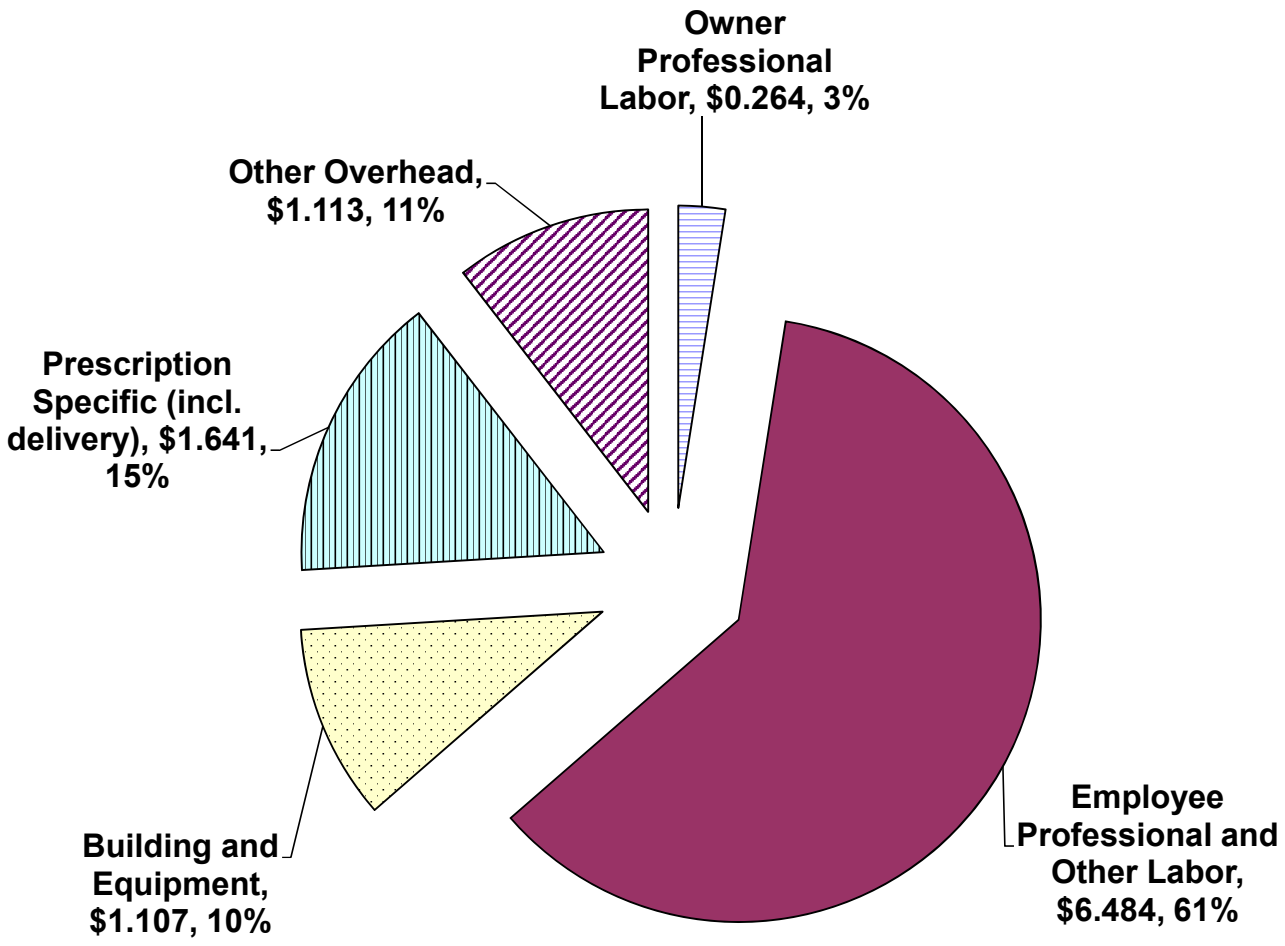


Exhibit 14
Summary of Pharmacy Attributes

Summary of Pharmacy Attributes
Ohio Department of Medicaid

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)	2,230	Medicaid fee for service	N/A	4.8%
		Medicaid managed care	N/A	19.9%
		Other third party	N/A	70.1%
		Cash	N/A	5.2%
		Total	N/A	*100.0%*
Payer Type: percent of payments (averages)	2,252	Medicaid fee for service	N/A	4.7%
		Medicaid managed care	N/A	20.0%
		Other third party	N/A	72.4%
		Cash	N/A	2.9%
		Total	N/A	*100.0%*
Type of ownership	2,262	Individual	45	2.0%
		Corporation	2,070	91.5%
		Partnership	79	3.5%
		Other	68	3.0%
		Total	*2,262*	*100.0%*
Location	2,262	Medical office building	241	10.7%
		Shopping center	194	8.6%
		Stand alone building	847	37.4%
		Grocery store / mass merchant	704	31.1%
		Outpatient Hospital	88	3.9%
		Other	181	8.0%
		Non-respondent	7	0.3%
		Total	*2,262*	100.0%
Pharmacies that participate in the 340B program	2,262	Covered Entity	1,240	54.8%
		Contract Pharmacy	171	7.6%
		Non-respondent	851	37.6%
		Total	*2,262*	100.0%
Building ownership (or rented from related party)	2,262	Yes, (own building or rent from related party)	778	34.4%
		No	1,484	65.6%
		Total	*2,262*	*100.0%*
Hours open per week	2,262	65.8 hours	N/A	N/A
Years pharmacy has operated at current location	2,262	22.5 years	N/A	N/A
Provision of 24 hour emergency services	2,262	Yes	349	15.4%
		No	1,913	84.6%
		Total	*2,262*	*100.0%*
Percent of prescriptions to generic products	2,231	Percent of prescriptions dispensed that were generic products	2,368	81.3%
Percent of prescriptions to long-term care facilities	2,262	4.0% for all pharmacies; (36.6% for 249 pharmacies reporting > 0%)	N/A	N/A
Provision of unit dose services	2,262	Yes (average of 24.2% of prescriptions for pharmacies indicating provision of unit dose prescriptions. Approximately 7.7% of unit dose prescriptions were reported as prepared in the pharmacy with 92.3% reported as purchased already prepared from a manufacturer)	269	11.9%
		No	1,993	88.1%
		Total	*2,262*	*100.0%*
Percent of total prescriptions delivered	2,262	11.7% for all pharmacies; (32.6% for 811 pharmacies reporting > 0%)	N/A	N/A
Percent of Medicaid prescriptions delivered	2,262	3.1% for all pharmacies; (15.2% for 459 pharmacies reporting > 0%)	N/A	N/A
Percent of prescriptions dispensed by mail	2,262	5.2% for all pharmacies; (32.1% for 369 pharmacies reporting >0% percent of prescriptions dispensed by mail)	N/A	N/A
Percent of prescriptions compounded	2,262	1.0% for all pharmacies; (2.6% for 897 pharmacies reporting >0 compounded Rxs)	N/A	N/A