Innovatix Supports CMS's Move to Prohibit Pharmacy Prorated Daily Dispensing Fees

The Issue

In 2013, the Centers for Medicare & Medicaid Services (CMS) implemented a final rule to reduce unused medication waste by requiring that brand name, solid oral-dose drugs be dispensed to Medicare Part D beneficiaries residing in long-term care facilities (LTCFs) in quantities of 14 days or fewer. This short cycle dispensing requirement is intended to limit the quantity of medication dispensed but not consumed by facility residents. However, certain Medicare Part D Plan sponsors have responded by paying pharmacies a prorated daily dispensing fee (PDDF) based solely on the number of days of medication supplied. With PDDFs, pharmacies receive inadequate payment for dispensing because they are not compensated for any of the associated professional services. They also have no financial incentive to dispense in quantities of fewer than 14 days. To remedy this problem, the CMS appropriately issued a final Medicare Part D rule that will go into effect January 1, 2016, prohibiting PDDFs that penalize pharmacies for adopting more efficient dispensing techniques. This rule also adds a requirement to ensure that all plan contracts offered to long-term care pharmacies (LTCPs) incentivize more efficient dispensing techniques. This means that plans may offer pharmacies a variety of contractual terms, but any difference between the contracts offered by plans must financially reward more efficient dispensing by the pharmacy. Innovatix supports this new CMS policy, which is essential to keeping all plan contracts structured in a way that properly pays pharmacies that dispense medications more frequently.

Background

Pharmacies have traditionally been paid by public and private payers (such as Medicaid, Medicare, and insurance companies) using two components—a benchmark tied to the cost of the medication and a dispensing fee. While the benchmarks for payment of medications are established using metrics based on medication costs, dispensing fees are typically an amount determined by payers. A dispensing fee is intended to pay the pharmacy for the cost of dispensing, which can include a transcription of the order, a pharmacist-conducted clinical review, assembling and filling the prescription, specialized packaging, delivery of the medication to the resident at the LTCF, and other related services. Because pharmacies incur these costs each time a medication is dispensed, it is critical that dispensing fee methodologies are based on each dispensing event.

The use of PDDFs creates two negative consequences for LTCPs. First, a PDDF methodology provides inadequate payment to pharmacies because prorating the fee based only on the quantity dispensed does not accurately account for the fixed costs incurred by the pharmacy each time it must dispense a medication. Second, PDDFs discourage the most efficient dispensing methodologies because LTCPs have a financial disincentive to dispense in quantities of less than a 14-day supply since it costs pharmacies more to dispense drugs more frequently. This is in direct contradiction to the intended CMS policy goal that dispensing fee arrangements incentivize the use of more efficient and cost-effective dispensing systems in long-term care.

Our Position

Innovatix supports the final CMS Medicare Part D rule that goes into effect January 1, 2016, which prohibits PDDFs that penalize pharmacies for adopting more efficient dispensing techniques. We commend the CMS for finalizing this rule, which will also ensure that any difference between the contracts offered by plans must financially reward more efficient pharmacy dispensing. We urge the CMS to enforce the rule fully, and encourage Congress to closely monitor its implementation for compliance by Medicare Part D plans.

1. Department of Health and Human Services, Centers for Medicare & Medicaid Services, CMS-4133-F, Medicare Program; Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs for Contract Year 2012 and Other Changes, Published April 15, 2011. Available at: http://www.gpo.gov/fdsys/pkg/FR-2011-04-15/pdf/2011-8274.pdf.
2. Department of Health and Human Services, Centers for Medicare & Medicaid Services, CMS-4159-F2, Medicare Program; Contract Year 2016 Policy and Technical Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs, Published February 12, 2015. Available at: https://www.federalregister.gov/articles/2015/02/12/2015-02671/medicare-program-contract-year-2016-policy-and-technical-changes-to-the-medicare-advantage-and-the