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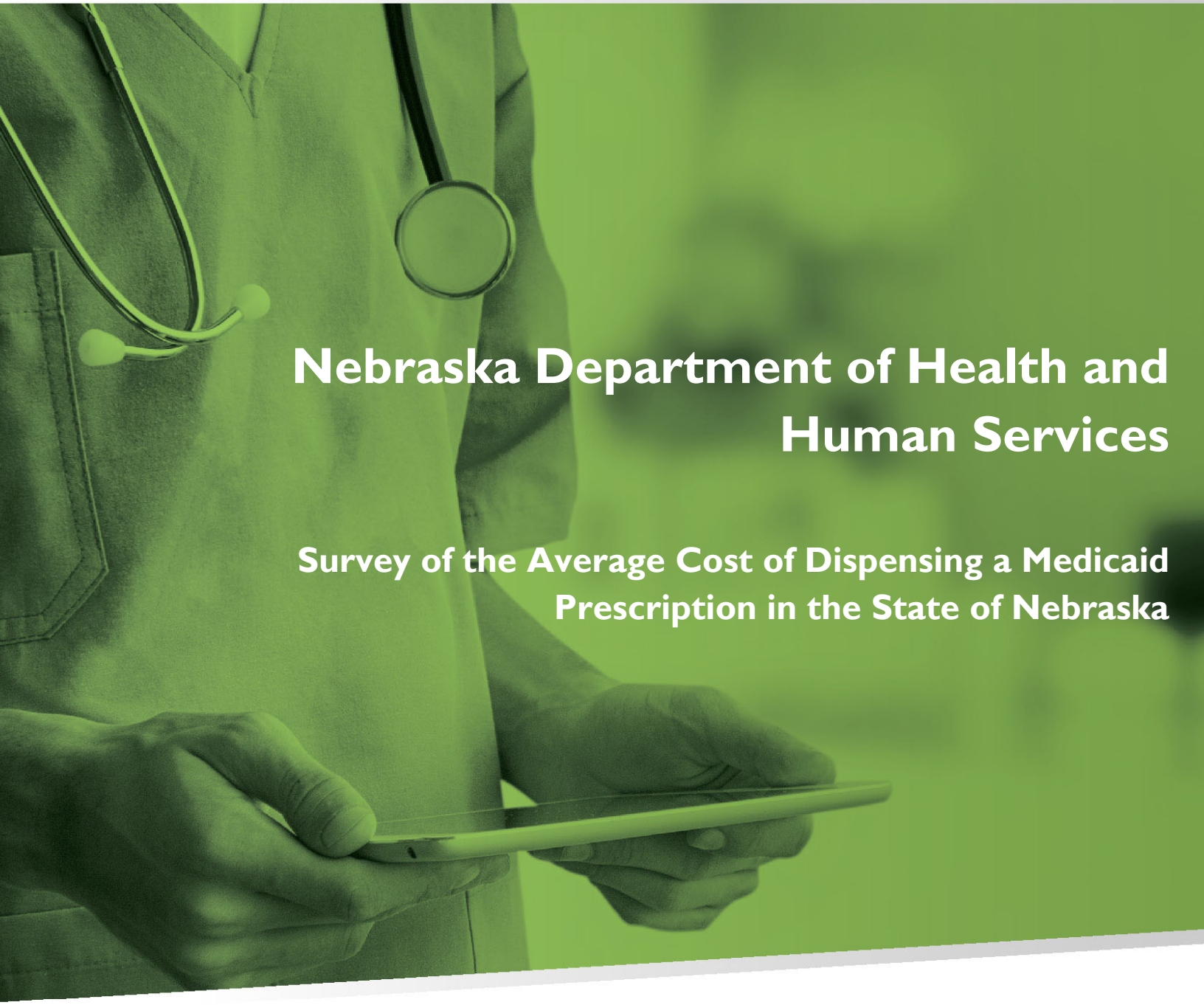

Nebraska Department of Health and Human Services

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

May 2025

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Chapter 1: Executive Summary

Introduction

According to Legislative Bill 204, the Nebraska Department of Health and Human Services (DHHS) must conduct a pharmacy cost of dispensing survey every two years beginning in fiscal year 2024-2025. To meet this requirement, DHHS engaged Myers and Stauffer LC; a national Certified Public Accounting firm with significant experience in all aspects of pharmacy reimbursement, to perform the pharmacy cost of dispensing survey. The cost of dispensing survey followed the methodology and used a survey instrument similar to those used by Myers and Stauffer previously 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 the state Medicaid pharmacy program.

Myers and Stauffer obtained a list of pharmacy providers from DHHS. There were 801 pharmacy providers identified on this list and all 801 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 were performed to further validate reported costs. There were 316 pharmacies which filed cost surveys that were included in the cost of dispensing analysis. Myers and Stauffer applied pharmacy-specific cost-finding algorithms to the submitted survey data to estimate costs associated with dispensing prescription medications and calculate the average cost of dispensing at each pharmacy. The survey results from all participating pharmacies underwent statistical analysis, and the average cost of dispensing was calculated using both mean and median measurements. These calculations were conducted for all pharmacies as well as for various pharmacy categories.

Summary of Findings

There are several statistical measurements that may be used to express the central tendency, or “average”, of a distribution, the most common of which are the mean and the median. Weighted means and medians are often preferable to their unweighted counterparts. The weighted mean 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. The weighting factor can be either total prescription volume or Medicaid prescription volume. The weighted median is determined by finding the pharmacy observation that encompasses the middle value prescription. The implication is that half of the prescriptions were dispensed at a cost of the weighted median or less, and half were dispensed at the cost of the weighted median or more. As with the weighted mean, the weighting factor can be either total prescription volume or Medicaid prescription volume.

For both weighted means and weighted medians, the use of Medicaid prescription volume as the weighting factor is particularly meaningful for consideration in determining appropriate reimbursement since it emphasizes the cost of dispensing from those pharmacies that dispense more significant volumes of Medicaid prescriptions.

Per the survey of pharmacy dispensing cost for pharmacies participating in the Nebraska Medicaid program, the mean cost of dispensing, weighted by Medicaid volume, was $11.06 per prescription for all pharmacies including specialty pharmacies.[1] For non-specialty pharmacies only, the mean cost of dispensing, weighted by Medicaid volume, was $10.50 per prescription. Table 1.1 includes additional measures of the average cost of dispensing.

Table 1.1 Dispensing Cost for Nebraska Medicaid Pharmacies

	All Pharmacies Inclusive of Specialty	Non-specialty Pharmacies Only
Pharmacies Included in Analysis	316	260
Unweighted Mean (Average) [A]	$38.42	$13.39
Weighted Mean (Average) [A,B]	$11.06	$10.50
Unweighted Median [A]	$11.75	$10.31
Weighted Median [A, B]	$9.26	$9.22

[A] Inflated to common point of June 30, 2024 (midpoint of year ending December 31, 2024).
[B] Medicaid volume is based on the time period July 1, 2023 to June 30, 2024

Within the survey data, 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 has also been observed in cost of dispensing surveys performed in other states. The mean and median cost of dispensing, weighted by Medicaid volume, for non-specialty pharmacies is presented in Table 1.2 for pharmacies grouped by total prescription volume.

Table 1.2 Cost of Dispensing by Total Prescription Volume (Non-Specialty Pharmacies)

Pharmacy Annual Total Prescription Volume	Mean weighted by Medicaid Volume	Median weighted by Medicaid Volume
Less than 56,999 prescriptions	$15.74	$14.14
57,000 to 103,999 prescriptions	$10.69	$9.76
104,000 prescriptions or greater	$9.27	$8.26

n= 260 pharmacies
[A] Excludes specialty pharmacies, which for purposes of this report are those pharmacies that self-reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 50 percent or more of total prescription sales.
Dispensing costs have been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

[1] For purposes of this report, "specialty" pharmacies are those pharmacies that self-reported sales for intravenous, home infusion, blood factor and/or other specialty products of 50 percent or more of total prescription sales.

Conclusions

Cost of Dispensing Trends

Myers and Stauffer has performed multiple cost of dispensing studies for states since 2010. In many of these surveys, we have observed a pattern of limited cost increase over time. While some input costs, including labor, have increased over recent time periods, other factors, including increased efficiencies associated with dispensing prescriptions, appear to have restrained the increase in the cost of dispensing *on a per prescription basis*. Perhaps more than any other factor, increases in total prescription volume have been observed in other surveys to moderate increases in the cost of dispensing on a per prescription basis.

Professional Dispensing Fee Options

Federal regulations at 42 CFR § 447.518(d) require that when states propose changes in the Medicaid FFS pharmacy program to either the ingredient portion of pharmacy reimbursement or the professional dispensing fee, states must consider both to ensure that total reimbursement to the pharmacy provider is in accordance with requirements of section 1902(a)(30)(A) of the Social Security Act. 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. Professional dispensing fees must also be supported by adequate cost-based data such as the findings of the survey methodology described within this report.

There are several options which DHHS 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 fee-for-service (FFS) programs.

As an alternative to a reimbursement methodology based on a single dispensing fee, several states have adopted professional dispensing fee methodologies that either recognize cost differences among pharmacy categories or are designed to incentivize desired pharmacy practices. The total volume of prescriptions dispensed and the cost of dispensing at an individual pharmacy typically have been observed to be inversely correlated. While a tiered professional dispensing fee approach based on total prescription volume can better align the dispensing fee received by pharmacies to their actual costs, there are also several impacts to a Medicaid program using this approach. There are additional operational requirements for the claims processor to assign and pay each pharmacy according to the designated tiers. Further, processes need to be developed to assign tiers for new pharmacies and to regularly monitor and update the tier assignments for pharmacies in the 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 Nebraska Medicaid pharmacy programs.

Despite indications that the cost of dispensing in specialty pharmacies varies from the cost of dispensing in non-specialty pharmacies, the use of a differential dispensing fee for specialty pharmacies has not been universally adopted within state Medicaid FFS programs and many

states have focused their dispensing fees based on the cost of dispensing observed at non-specialty pharmacies. This report includes average cost of dispensing measurements for several categories of specialty pharmacies which can be considered in the process of evaluating professional dispensing fees for the Nebraska Medicaid pharmacy program.

Additional Recommendation Regarding Survey Participation Requirements

The response rate of the current cost of dispensing survey was 40.9 percent. While the data obtained through the survey is suitable to evaluate options for professional dispensing fees, a higher response rate for future surveys could add additional credibility to the process. Myers and Stauffer has noted in numerous engagements for other state Medicaid programs the impact of having requirements for cost of dispensing survey participation. Having regulatory language or a provision in the Medicaid provider agreement that would require pharmacy participation in any subsequent cost of dispensing surveys performed by DHHS pursuant to Legislative Bill 204 could markedly increase the survey response rate. Based on our experience, there are several chain organizations that will only participate in a Medicaid pharmacy cost of dispensing survey if there is an explicit statutory, regulatory or contractual requirement to do so. Accordingly, we recommend that DHHS consider updating cost of dispensing survey participation requirements before the next survey is scheduled to be performed in two years.

Chapter 2: Dispensing Cost Survey and Analysis

DHHS engaged Myers and Stauffer LC to perform a study of costs incurred by pharmacies participating in the Nebraska Medicaid pharmacy programs to dispense prescription medications. There are two primary components related to the provision of prescription medications: dispensing cost and drug ingredient cost. Dispensing cost consists of the overhead and labor costs incurred by a pharmacy to fill prescription medications.

Within its definition of the term "professional dispensing fee", the Centers for Medicare and Medicaid Services (CMS) has provided some guidelines for appropriate costs to be reimbursed via a Medicaid pharmacy dispensing fee. The definition states:

> *"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."* [2]

In its recently published final rule, CMS-2434-F, CMS clarified that proposed changes to professional dispensing fees should be based on "adequate cost-based data, such as a State or national survey of retail pharmacy providers or other reliable cost-based data other than a survey." Specifically, CMS indicated that "…submission by the State of data that are not based on pharmacy costs, such as market-based research (for example, third party payments accepted by pharmacies), to support the professional dispensing fee would not qualify as supporting data." [3]

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

[3] See 42 CFR § 447.518 and "Medicaid Program; Misclassification of Drugs, Program Administration and Program Integrity Updates Under the Medicaid Drug Rebate Program." (CMS-2434-F) Federal Register, 89: 187 (26 September 2024) p 79020.

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

In contrast to Medicaid FFS programs, Medicaid managed care plans are frequently more aligned with the reimbursement methodologies of commercial health plans and Medicare Part D plans who usually contract with a PBM to administer pharmacy benefits. For pharmacies within their networks, these PBMs do not typically use ingredient reimbursement methodologies that are based on average acquisition cost (AAC), as are used in Medicaid FFS programs, but rather use other industry standard benchmarks such as the Average Wholesale Price (AWP) to which various discounts are applied. Proprietary Maximum Allowable Cost (MAC) lists for pricing of generic products are also frequently utilized. Dispensing fees paid are established within contracts with network pharmacies as determined by PBMs and /or individual managed care organizations. These dispensing fees are often less than $1.00 and are markedly less than the average cost of dispensing, on a per prescription basis, incurred by most pharmacies.

In recent years, several states including Nebraska have implemented requirements within their Medicaid managed care programs to increase transparency of pharmacy reimbursement and provide increased oversight of the administration of the pharmacy benefit. Legislative Bill 204 requires that all Medicaid managed care organizations pay the same dispensing fee to independent pharmacies that is used within the Nebraska FFS Medicaid program. Additional Nebraska statutes place requirements on PBMs with respect to pharmacy audits, recoupments, and maximum allowable costs (MAC) lists.

States have adopted several models to provide additional levels of supervision regarding the provision of the pharmacy benefit through the managed care delivery system. Most states with Medicaid managed care continue to use the traditional PBM model but some have increased oversight on PBMs. These increased requirements have included the elimination of spread pricing, restrictions on retrospective reimbursement adjustments, elimination of transaction fees, and implementation of additional reporting requirements on PBMs and health plans.

Other states have adopted the single PBM (SPBM) model in which the state Medicaid agency selects one PBM to serve all health plans. States which have either implemented the SPBM model or are in an implementation stage include Kentucky, Louisiana, Mississippi, and Ohio. Other states have signaled interest in potential explorations of the SPBM model. Two models of SPBM contracting have been utilized within states that have implemented this approach. Under the most commonly used model, the state Medicaid agency procures the SPBM and requires each health plan to contract individually with the SPBM. In this model, the state agency sets overall policies which the SPBM must follow for all claims processed but health plans remain at

risk for the provision of the pharmacy benefit. In contrast, under another model, the SPBM is solely contracted with the state Medicaid agency and operates as a prepaid ambulatory health plan, which exclusively provides the pharmacy benefit to all members enrolled in a managed care plan; under this alternative model, health plans are not at risk for the pharmacy benefit.

Methodology of the Dispensing Cost Survey

In order to determine costs incurred to dispense pharmaceuticals to members of the Nebraska Medicaid pharmacy programs, Myers and Stauffer utilized a survey method consistent with federal regulations for the expenses to include within 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 DHHS to refine the survey tool to meet their objectives.

Survey Distribution

Myers and Stauffer obtained from DHHS a list of pharmacy providers currently enrolled in the Nebraska Medicaid pharmacy program. There were 801 pharmacy providers enrolled in the Nebraska Medicaid pharmacy program. All 801 pharmacies were requested to submit survey information for this study.

Surveys were mailed to all 801 pharmacy providers on December 4, 2024. Each surveyed pharmacy received a copy of the cost survey (Exhibit 1), a letter of introduction from DHHS (Exhibit 2), an instructional letter from Myers and Stauffer (Exhibits 3a and 3b), and an invitation to participate in webinars hosted by Myers and Stauffer (Exhibit 4).

Concerted efforts to encourage participation were made to enhance the survey response rate. A survey help desk was provided by Myers and Stauffer. A toll-free telephone number and email address were listed on the survey form and pharmacists were instructed to call or email to resolve any questions they had concerning completion of the survey form. The instructional letter offered pharmacy owners the option of having Myers and Stauffer complete certain sections of the survey for those that were willing to submit copies of financial statements and/or tax returns. For convenience in completing the cost of dispensing survey, the survey forms were made available in both a printed format and in an electronic format (Microsoft Excel).

Myers and Stauffer hosted informational presentations on December 12, 2024 and December 17, 2024. Providers were given an overview of the cost of dispensing survey process and the survey tool. Providers were given the opportunity to ask questions during the presentation and encouraged to reach out to the survey help desk if they had further questions or needed assistance completing the survey.

Reminder postcards were sent on January 8, 2025 to non-respondent pharmacies (Exhibit 5). An additional postcard was sent on January 29, 2025 with a further reminder and an extension of the original due date of January 29, 2025 to February 12, 2025 (Exhibit 6).

To further encourage survey participation, a reminder email was sent to all non-respondent providers on January 8, 2025. Additional reminder emails were sent to providers on January 29, 2025, February 5, 2025, and February 11, 2025.

Providers were given instructions to report themselves as ineligible for the survey if they met certain criteria. Pharmacies were to be deemed exempt or ineligible if they had closed their pharmacy, had a change of ownership, or had less than six months of cost data available (e.g., due to a pharmacy that recently opened, or changed ownership). Of the 801 surveyed pharmacies, 29 pharmacies were determined to be exempt or ineligible to participate (based on the returned surveys).

Surveys were accepted through February 18, 2025. As indicated in Table 2.1, 316 surveyed pharmacies submitted a usable cost survey for this study resulting in a response rate of 40.9 percent.

Some of the submitted cost surveys contained errors or did not include complete information necessary for full evaluation. For cost surveys with such errors or omissions, the pharmacy was contacted for clarification. There were limited instances in which issues on the cost survey were not resolved in time for inclusion in the final analysis.[4] As indicated in Table 2.1, there were 316 surveyed pharmacies that submitted a usable cost survey for this study resulting in a response rate of 40.9 percent.

Table 2.1 Dispensing Cost Survey Response Rate

Pharmacy Category	Medicaid Enrolled Pharmacies	Pharmacies Exempt or Ineligible from Filing	Eligible Pharmacies	Usable Cost Surveys Received	Response Rate
Chain[5]	389	10	379	208	54.9%
Non-chain	412	19	393	108	27.5%
TOTAL	**801**	**29**	**772**	**316**	**40.9%**
In-State Urban[6]	268	11	257	149	58.0%
In-State Rural	198	5	193	63	32.6%
Out-of-State	335	13	322	104	32.3%
TOTAL	**801**	**29**	**772**	**316**	**40.9%**

[4] There were 17 incomplete surveys received on or before February 18, 2025 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 316 usable surveys received.

[5] For purposes of this survey, a chain was defined as an organization having seven 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.

Tests for Reporting Bias

For the pharmacy traits of affiliation (i.e., chain or non-chain) and location (i.e., urban or rural), the response rates of the submitted surveys were tested to determine if they were representative of the population of Medicaid provider pharmacies. Since the overall response rate of the surveyed pharmacies was less than 100 percent, the possibility of bias in the response rate should be considered. To measure the likelihood of this possible bias, chi-square (χ^2) tests were performed. A χ^2 test evaluates differences between proportions for two or more groups in a data set.

Of the 316 usable cost surveys, 208 were from chain pharmacies and 108 were from non-chain pharmacies. There was a response rate of 54.9 percent for chain pharmacies compared to a response rate of 27.5 percent for non-chain pharmacies. The results of the χ^2 test indicated that the difference in response rate between chain and non-chain pharmacies was statistically significant at the 5 percent confidence level. This implies that independent pharmacies were underrepresented in usable surveys received. All pharmacies that participate in the Nebraska Medicaid pharmacy program were given an opportunity to participate in the pharmacy cost of dispensing survey, therefore 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 located in Nebraska. Of the 450 non-exempt pharmacies located in Nebraska, 257 pharmacies (or 57.1 percent) were in an urban area. The remaining 193 pharmacies (or 27.9 percent) were in a rural area. There were 149 usable surveys submitted by pharmacies in an urban location (a response rate of 58.0 percent). There were 63 usable surveys submitted by pharmacies in a rural location (a response rate of 32.6 percent). The results of the χ^2 test indicated that the difference in response rate between urban and rural pharmacy locations was statistically significant at the 5 percent confidence level. This implies that rural pharmacies were underrepresented in usable surveys received. All pharmacies that participate in the Nebraska Medicaid pharmacy program were given an opportunity to participate in the pharmacy cost of dispensing survey, therefore no adjustments to the cost of dispensing data were made as a result of this observation.

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 several 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 because of these tests for reasonableness.

Cost Finding Procedures

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

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

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 groceries, durable medical equipment, medical supplies, over the counter (OTC) drugs, non-medical items and other goods 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 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 Costs

Overhead cost per prescription was calculated by summing the allocated overhead of each pharmacy and dividing this sum by the number of prescriptions dispensed. Overhead expenses that were reported for the entire pharmacy were allocated to the prescription department based on one of several methods as described on the following pages:

- **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. To maintain consistency, a minimum allowance for prescription containers and labels was determined to use for pharmacies that did not report an expense amount for containers and labels. The allowance was set at the 95th percentile of prescription containers and labels expense per prescription for non-specialty pharmacies that did report prescription containers and labels expense approximately $0.62 per prescription).

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

- **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 [8]
  - Bad debts [9]
  - Advertising [10]
  - Charitable Contributions [11]

[7] "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).

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

[9] 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.

[10] 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."*

- Credit Card Processing Fees [12]
- Certain expenses reported on Lines (32a) through (32t) of Page 8 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**

  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 (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: [13]

  - Depreciation
  - Real estate taxes
  - Rent [14]
  - Repairs
  - Utilities

[11] 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.

[12] 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.

[13] 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.

[14] 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."*

- **Sales ratio**

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

  Overhead expenses allocated using the sales ratio include:

  - Personal property taxes
  - 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: [15]

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

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

[15] 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.

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 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 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 more than the upper limit in which case the reported amounts were adjusted up or down to the respective limits.

Table 2.2 Hourly Wage Limits for Owners

Owner Type	Lower Limit (Hourly)	Upper Limit (Hourly)
Pharmacist	$58.29	$92.13
Non-Pharmacist	$19.84	$66.53

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 316 pharmacies in the cost analysis, owner limits impacted 35 pharmacies, or 11.1 percent. Of these, 16 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 19 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 $0.03 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 316 pharmacies included in the cost of dispensing analysis, this limit was applied to one pharmacy. In total, the final estimate of average pharmacy cost of dispensing per prescription was decreased by less than $0.01 because of the labor cost restraint.

Inflation Factors

All allocated costs for overhead and labor were totaled and multiplied by an inflation factor. Inflation factors are intended to reflect cost changes from the middle of the reporting period of a particular pharmacy to a common fiscal period ending December 31, 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 (ECI), (all civilian, all workers; seasonally adjusted) published by the Bureau of Labor Statistics (BLS) (Exhibit 7). The use of inflation factors is preferred for pharmacy cost data from various fiscal years to be compared uniformly. The majority of submitted cost surveys were based on a fiscal year which ended on or within four months of December 31, 2023.

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 Dispensing Cost per Prescription – All Pharmacies

	Dispensing Cost
Unweighted Mean	$38.42
Mean Weighted by Medicaid Volume	$11.06
Unweighted Median	$11.75
Median Weighted by Medicaid Volume	$9.26

n=316 pharmacies
Dispensing costs have been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

See Exhibit 8 for a histogram of the dispensing cost for all pharmacies. There was a large range between the highest and the lowest dispensing cost observed. However, the majority of pharmacies (approximately 61 percent) had average dispensing costs between $5 and $15.

Exhibit 9 includes a statistical summary with a wide variety of measures of pharmacy dispensing cost with breakdowns for many pharmacy attributes potentially of interest. For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the pharmacies' 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. There is not a statutory, regulatory, or universal industry accepted definition of "specialty pharmacies". 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. Although some state Medicaid programs have established lists of "specialty drugs" for specific purposes, these lists are not uniform across all Medicaid programs. For purposes of this report, "specialty pharmacies" are pharmacies that self-reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 50 percent or more of total prescription sales. The analysis revealed significantly higher cost of dispensing associated with pharmacies with these criteria.

In most pharmacy cost of dispensing studies 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.

The difference in dispensing costs that were observed for providers of specialty products compared to those pharmacies that did not offer these specialty products is summarized in Table 2.4.

Table 2.4 Dispensing Cost per Prescription - Specialty versus Other Pharmacies

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Specialty Pharmacies	56	Mean: 232,956 Median: 48,082	Mean: 1,628 Median: 17	$154.60	$25.14
Other Pharmacies	260	Mean: 377,424 Median: 80,795	Mean: 8,796 Median: 5,676	$13.39	$10.50

n= 316 pharmacies
Dispensing costs have been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

Pharmacies that dispense specialty prescriptions as a significant part of their business often have dispensing costs in excess of those found in a traditional pharmacy. As part of the survey, pharmacies that dispense specialty drugs were requested to provide a breakdown of sales and prescriptions dispensed for categories of specialty products dispensed. Based on the data obtained on the survey, Myers and Stauffer categorized specialty pharmacies into three primary categories:

- Pharmacies that dispense 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 products 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 case, non-specialty products.

Table 2.5 Dispensing Cost per Prescription – Categories of Specialty Pharmacies

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Clotting factor	14	Mean: 177,005 Median: 21,941	Mean: 528 Median: 5	$225.91	$72.00
Compounded Infusion / Intravenous Products	5	Mean: 42,912 Median: 7,360	Mean: 199 Median: 0	$246.32	$248.62
Other Specialty Pharmacies	37	Mean: 279,808 Median: 85,042	Mean: 2,237 Median: 29	$115.22	$18.26

n= 56 pharmacies
Dispensing costs have 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 Dispensing Cost per Prescription – Excluding Specialty Pharmacies

	Dispensing Cost
Unweighted Mean	$13.39
Mean Weighted by Medicaid Volume	$10.50
Unweighted Median	$10.31
Median Weighted by Medicaid Volume	$9.22

n= 260 pharmacies
Dispensing costs have been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

Relationship of Dispensing Cost with Prescription Volume

There is a significant correlation between a pharmacy's total prescription volume and the dispensing cost per prescription. This result is not surprising because many of the costs associated with a business operation, including the dispensing of prescriptions, have a fixed component that does not vary significantly with increased volume. For stores with a higher total prescription volume, these fixed costs are spread over a greater number of prescriptions resulting in lower costs per prescription. A number of relatively low volume pharmacies in the survey skew the distribution of dispensing cost and increase the measurement of the unweighted average (mean) cost of dispensing. Means and medians weighted by either Medicaid volume or total prescription volume may provide a more realistic measurement of typical dispensing cost.

Pharmacies were classified into meaningful groups based upon their differences in total prescription volume. Dispensing costs were then analyzed based upon these volume

classifications. Table 2.7 displays the calculated cost of dispensing for non-specialty pharmacies arrayed into tiers based on total annual prescription volume. Table 2.8 provides statistics for pharmacy annual prescription volume.

Table 2.7 Dispensing Cost by Pharmacy Total Annual Prescription Volume

Statistic	Value [A]
Mean	377,424
Standard Deviation	2,327,059
10th Percentile	25,949
25th Percentile	45,791
Median	80,795
75th Percentile	146,468
90th Percentile	271,099

n= 260 pharmacies

[A] Excludes specialty pharmacies, which for purposes of this report are those pharmacies that self-reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 50 percent or more of total prescription sales.

Dispensing costs have been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

Table 2.8 Statistics for Pharmacy Total Annual Prescription Volume

Total Annual Prescription Volume of Pharmacy	Number of Pharmacies [A]	Unweighted Mean	Mean Weighted by Medicaid Volume
0 to 56,999	80	$19.78	$15.74
57,000 to 103,999	74	$11.08	$10.69
104,000 and Higher	106	$10.18	$9.27

n= 260 pharmacies

[A] Excludes specialty pharmacies, which for purposes of this report are those pharmacies that self-reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 50 percent or more of total prescription sales.

Dispensing costs have 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 scatterplot of the relationship between dispensing cost per prescription and total prescription volume are included in Exhibit 10.

Other Observations Associated with Dispensing Cost and Pharmacy Attributes

The dispensing cost of the surveyed pharmacies was broken down into the various components of overhead and labor related costs. Table 2.9 displays the means of the various cost components for surveyed pharmacies. Labor-related expenses accounted for approximately 72 percent of overall prescription dispensing costs.

Expenses in Table 2.9 are classified as follows:

- Owner professional labor – owner's labor costs were subject to constraints in recognition of its special circumstances as previously noted.
- Employee professional labor consists of employee pharmacists. Other labor includes the cost of delivery persons, interns, technicians, clerks and any other employee with time spent performing the prescription dispensing function of the pharmacy.
- Building and equipment expense includes depreciation, rent, building ownership costs, repairs, utilities and any other expenses related to building and equipment.
- Prescription-specific expense includes pharmacist-related dues and subscriptions, prescription containers and labels, prescription-specific computer expenses, prescription-specific delivery expenses (other than direct labor costs) and any other expenses that are specific to the prescription dispensing function of the pharmacy.
- Other overhead expenses consist of all other expenses that were allocated to the prescription dispensing function of the pharmacy including interest, insurance, telephone, and legal and professional fees.

Table 2.9 Components of Prescription Dispensing Cost

Type of Expense	Mean Weighted by Medicaid Volume [A]
Owner Professional Labor	$0.276
Employee Professional and Other Labor	$7.279
Building and Equipment	$0.983
Prescription Specific Expenses (including delivery)	$1.250
Other Overhead Expenses	$0.709
Total	**$10.497**

n= 260 pharmacies

[A] Excludes specialty pharmacies, which for purposes of this report are those pharmacies that self-reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 50 percent or more of total prescription sales.

Dispensing costs have been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

A chart of the components of prescription dispensing cost is provided in Exhibit 11.

In addition to pharmacy dispensing cost data, several pharmacy attributes were collected on the cost survey. A summary of those attributes is provided at Exhibit 12.

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 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	$0.056
Charitable Contributions	$0.009
Advertising	$0.132

n= 260 pharmacies

[A] Excludes specialty pharmacies, which for purposes of this report are those pharmacies that self-reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 50 percent or more of total prescription sales.

Dispensing costs have been inflated to the common point of June 30, 2024 (midpoint of year ending December 31, 2024).

Exhibit 1
Nebraska Department of Health and Human Services Cost of Dispensing Survey (All Pharmacies)

Nebraska Department of Health and Human Services (DHHS)
Nebraska Medicaid Pharmacy Cost of Dispensing Survey

Survey forms by Myers and Stauffer LC under contract with the Nebraska DHHS

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 January 29, 2025
Call toll free (800) 374-6858 or email disp_survey@mslc.com if you have any questions.

An electronic version of the Nebraska 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 _____ Prov. No. (NPI) _____

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 Nebraska Medicaid pharmacies are requested to complete all pages of this survey unless you meet the following criteria:

1. □ New pharmacies that were in business less than **six months** during the most recently completed reporting period.

   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" do not need to complete the remaining portions of the survey. If you have any questions as to the status of your pharmacy please call Myers and Stauffer at (800)374-6858 or email disp_survey@mslc.com for assistance.

Nebraska 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).

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

1. New _____ **2. Refill** _____ **3. Total** _____

"Prescriptions Dispensed." Report the total number of all prescriptions filled during the fiscal year being reported on this cost survey. This information may be kept on a daily or monthly log or on your computer.

(b) **Sales and Floor Space**

	Pharmacy Department Only	Total Store (Retail and Pharmacy Department)
Sales (Excluding Sales Tax)		
Cost of Goods Sold		
Floor Space (see instructions below)	Sq. Ft.	Sq. Ft.

Store sales excluding sales tax. Total store sales and cost of goods sold can usually be obtained from a financial statement or a federal income tax return (if the tax return only includes the store being surveyed). "Pharmacy Department" sales should only include sales of prescription drugs should not include non-prescription over the counter drugs, durable medical equipment or other nonprescription items.

Cost of Goods Sold. If pharmacy department cost of goods sold is not readily available, leave that line blank.

Floor Space. Provide square footage for pharmacy department dispensing area 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 _____ %

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 _____ %

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

(f) Ownership Affiliation

1. □ Independent/Non-Chain Pharmacy (1 to 6 units)
2. □ Chain Pharmacy (7 or more units with common ownership or corporate identity on a national level)
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) _____

Nebraska Medicaid Pharmacy Cost of Dispensing Survey

(i)	Does your pharmacy purchase drugs through the 340B Drug Pricing Program? 1. □ Yes 2. □ No If yes, are prescriptions dispensed to Nebraska 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
(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 (p).

(o)	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 to long-term care facilities or assisted living homes? _____ If yes, how many Nebraska Medicaid prescriptions were dispensed in unit dose packaging to long-term care facilities or assisted living homes? _____
(p)	If you provide unit dose packaging, what percent of unit dose packaging is: 1. Purchased from manufacturers _____% 2. Prepared in the pharmacy _____%

If your pharmacy provides delivery, mail order, specialty, or compounding services, complete lines (q) through (u) as applicable.

(q)	How many total prescriptions filled are delivered? _____
(r)	How many Nebraska Medicaid prescriptions filled are delivered? _____
(s)	Does your pharmacy deliver prescriptions by mail (U.S. Postal Service, FedEx, UPS, etc.)? 1. □ Yes 2. □ No If yes, how many total prescriptions are delivered by mail? _____ If yes, how many Nebraska Medicaid prescriptions filled are delivered? _____
(t)	Are you presently providing specialty products or services (e.g., intravenous, infusion, enteral nutrition, blood factors or derivatives, other pre-filled injectable or oral specialty products)? 1. □ Yes 2. □ No **If yes, you must complete the product breakdown in section IC on page 4.**
(u)	How many total prescriptions dispensed were compounded? _____ ` How many Nebraska Medicaid prescriptions dispensed were compounded? _____ ` For prescriptions that are compounded, what is the average number of minutes spent preparing a prescription by: Pharmacist: _____ Technician: _____

SECTION IB -- OTHER INFORMATION

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

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

If you answered yes to question (t) 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 factor can be prefilled, however place it in "clotting factor 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. Nebraska Medicaid, like most Medicaid agencies, does not have a specific list of specialty products and has not codified a specific definition. We leave the interpretation of what a specialty product is up to the provider completing the survey. Specialty products include a wide range of products from items with special handling requirements, special storage requirements, or that have a high cost. The specialty classifications that you use should be sufficient for our analysis and someone will be in contact if we have any questions during the survey review.

Product Category	Number of Prescriptions	Dollar Amount of Sales	Line No.
Infusion Products			
Compounded infusion products			(1a)
Total Parenteral Nutrition (TPN) products			(1b)
Clotting factor 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 products that required patient monitoring or compliance activities by the pharmacy staff?	
(c) What percentage of prescriptions dispensed were for products that had special storage requirements (e.g., refrigeration, etc.)?	

SECTION ID -- OTHER INFORMATION

Use the section below to provide additional narrative description of the specialty products and services that are provided by your pharmacy. Use this section to describe any patient monitoring programs, patient compliance programs, case management services or disease management services provided by your pharmacy. Describe any specialized equipment used in your pharmacy. Attach additional pages as necessary.

Nebraska 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 and Vaccine Administration[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 (INSTRUCTIONS)

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. 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 patient, 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) and Vaccine Administration. 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.
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. Percent of time columns must total 100%
8	Other Employee Benefits includes employee medical insurance, disability insurance, education assistance, etc.

Nebraska Medicaid Pharmacy Cost of Dispensing Survey

SECTION IIB -- OVERHEAD EXPENSES

Complete this section using your internal financial statement or tax return for the **fiscal year ending listed on Page 2**. You should only use a tax return if the only store reported on the return is the store being surveyed. If you are using a tax return, 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 21), Form 1120 (line 26) and Form 1120S (line 20) 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 on page 7, accreditation and/or certification fees, restocking fees, postage, administrative expenses, amortization, etc. Specify each item and the corresponding amount. **Note that labor expenses are reported 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. For allocation from a central fill facility, provide description expenses included and the allocation method.

	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
Iformational Letter from the Nebraska Department of Health and Human Services Regarding Pharmacy Cost of Dispensing Survey (All Pharmacies)

NEBRASKA

Good Life. Great Mission.

DEPT. OF HEALTH AND HUMAN SERVICES

Jim Pillen, Governor

December 4, 2024

RE: Nebraska Department of Health and Humans Services pharmacy cost of dispensing survey

Dear Pharmacy Owner/Manager:

The Nebraska Department of Health and Human Services (DHHS), the agency responsible for administering the Nebraska Medicaid pharmacy program, is conducting a survey of the cost of dispensing prescriptions to Nebraska Medicaid members as required by Legislative Bill 204, approved by the Governor on April 16, 2024.

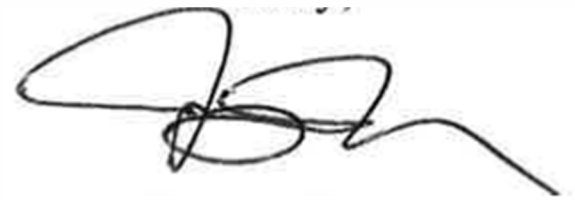
The Centers for Medicare and Medicaid Services (CMS) published regulation, Federal Covered Outpatient Drugs Final Rule (CMS-2345-FC), requires State Medicaid agencies to adopt pharmacy reimbursement methodologies to pay pharmacies for the actual acquisition cost of drugs plus a professional dispensing fee. The pharmacy cost of dispensing survey will provide DHHS with information to evaluate the professional dispensing fee component of the Nebraska Medicaid pharmacy reimbursement.

DHHS has engaged Myers and Stauffer LC, a national Certified Public Accountant firm with extensive experience in pharmacy cost of dispensing surveys, to conduct the survey. They have conducted similar surveys in many states. DHHS and Myers and Stauffer will hold the information you provide to them in confidence and will disclose it only in aggregate form so individual pharmacies cannot be identified.

Please provide the requested information on the enclosed survey tool, and submit directly to Myers and Stauffer. It is crucial that we have complete participation with this survey from each chain, independent, and specialty pharmacy. You should return completed survey(s) directly to Myers and Stauffer LC, no later than January 29, 2025.

We appreciate your continued service to our Medicaid members, as well as your cooperation in this important study. Please direct questions about the survey to Myers and Stauffer at 1-800-374-6858 or **disp_survey@mslc.com**.

Sincerely,



Jeremy Brunssen, Deputy Director
Division of Medicaid and Long Term Care

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

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

December 4, 2024

Re: Nebraska Department of Health and Human Services – Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Nebraska Department of Health and Human Services (DHHS) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing medications in Nebraska. All pharmacies enrolled in the Nebraska Medicaid Pharmacy Program are requested to participate in the survey according to the following instructions:

1. Complete the enclosed "Nebraska Medicaid Pharmacy Cost of Dispensing Survey".
2. For your convenience, Myers and Stauffer 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.

Responding in an electronic format is preferred:

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 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:

Please send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
Attn: Nebraska 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.

Pharmacies are encouraged to return the requested information as soon as possible, **but forms must be returned no later than January 29, 2025.**

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.

It is very important that pharmacies respond with accurate information. All submitted surveys will be reviewed and validated by staff at Myers and Stauffer. If the review yields the need for additional inquiries, Myers and Stauffer staff will contact you.

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

Myers and Stauffer will be conducting informational meetings via telephonic/internet-based webinars to further explain the survey. At these meetings, Myers and Stauffer will present more details about the survey process, discuss what information is being requested and answer any questions regarding the survey form. Please refer to the enclosed information meeting flyer for further information 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
Myers and Stauffer, LC
Email: mhill@mslc.com

Enclosures: Letter from the Nebraska Department of Health and Human Services
Nebraska Medicaid Pharmacy Cost of Dispensing Survey Form
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

December 4, 2024

Re: Nebraska Department of Health and Human Services – Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Nebraska Department of Health and Human Services (DHHS) has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a pharmacy cost of dispensing survey as part of the process to evaluate the costs associated with dispensing medications in Nebraska. All pharmacies enrolled in the Nebraska Medicaid Pharmacy Program are requested to participate in the survey.

Enclosed is the "Nebraska 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 Nebraska 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 Nebraska Medicaid program. Pharmacy information is presented as shown in records from DHHS. 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 January 29, 2025.**

Respond in an electronic format is preferred:

We strongly encourage pharmacies to respond in an electronic format. You will need to submit survey data for each store on the attached list and any additional stores/locations that participate in the Nebraska Medicaid program using an Excel spreadsheet template provided by Myers and Stauffer LC. 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.

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

If you prefer to respond in a paper format:

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

Myers and Stauffer LC
Certified Public Accountants
Attn: Nebraska 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.

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 about regarding the survey form. Please refer to the enclosed information meeting flyer for further information 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
Myers and Stauffer, LC
Email: mhill@mslc.com

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

Exhibit 4
Informational Meeting Flyer
(All Pharmacies)

Informational Meetings
Nebraska Department Health and Human Services
Pharmacy Cost of Dispensing Survey

The Nebraska Department of Health and Human Services (DHHS) is conducting a pharmacy cost of dispensing survey. The survey results will be used to evaluate the costs associated with dispensing medications in the Nebraska Medicaid pharmacy program.

DHHS 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 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 (Central)
Thursday, December 12, 2024	8:30 AM
Tuesday, December 17, 2024	3:00 PM

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Exhibit 5
First Survey Reminder Postcard
(All Non-Respondent Pharmacies)

REMINDER

Survey Due January 29, 2025

Nebraska Department of Health and Human Services

Pharmacy Cost of Dispensing Survey

MYERS AND STAUFFER LC

The Nebraska Department of Health and Human Services (DHHS) has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey. All pharmacy providers that participate in the Nebraska Medicaid pharmacy program are requested to participate in the survey.

You should have received a letter from DHHS, 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 DHHS to evaluate future pharmacy reimbursement rates.

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer LC. If you have any questions regarding the survey or need the Excel version of the survey, please contact Myers and Stauffer LC toll free at (800) 374-6858 or via email to disp_survey@mslc.com.

Surveys are due no later than
January 29, 2025

MYERS AND STAUFFER LC

Exhibit 6
Survey Reminder / Extension Postcard
(All Non-Respondent Pharmacies)

FINAL REMINDER

Due Date Extended to February 12, 2025

Nebraska Department of Health and Human Services

Pharmacy Cost of Dispensing Survey

MYERS AND STAUFFER LC

The Nebraska Department of Health and Human Services (DHHS) has contracted with Myers and Stauffer LC to conduct a pharmacy cost of dispensing survey. All pharmacy providers that participate in the DHHS Medicaid pharmacy program are requested to participate in the survey.

Several weeks ago you should have received a letter from DHHS, 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 DHHS to evaluate future pharmacy reimbursement rates. All Nebraska Medicaid pharmacy providers should participate in the survey.

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer LC. If you have any questions regarding the survey or need the Excel version of the survey, please contact Myers and Stauffer LC toll free at (800)374-6858 or via email to disp_survey@mslc.com.

Surveys are due no later than
February 12, 2025

MYERS AND STAUFFER LC

Exhibit 7
Table of Inflation Factors for Cost of Dispensing Survey

Table of Inflation Factors for Dispensing Cost Survey

Nebraska Department of Health and Human Services

Fiscal Year End Date	Midpoint Date	Terminal Month Midpoint Index [1]	Terminal Month Index (6/30/2024) [1]	Inflation Factor	Number of Stores with Year End Date
12/31/2022	6/30/2022	152.1	165.5	1.088	2
1/31/2023	7/31/2022	152.7	165.5	1.084	0
2/28/2023	8/31/2022	153.3	165.5	1.08	0
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	0
6/30/2023	12/31/2022	155.6	165.5	1.064	5
7/31/2023	1/31/2023	156.2	165.5	1.06	0
8/31/2023	2/28/2023	156.8	165.5	1.055	0
9/30/2023	3/31/2023	157.4	165.5	1.051	0
10/31/2023	4/30/2023	157.9	165.5	1.048	1
11/30/2023	5/31/2023	158.5	165.5	1.044	1
12/31/2023	6/30/2023	159.0	165.5	1.041	160
1/31/2024	7/31/2023	159.5	165.5	1.038	3
2/29/2024	8/31/2023	160.1	165.5	1.034	0
3/31/2024	9/30/2023	160.6	165.5	1.031	3
4/30/2024	10/31/2023	161.1	165.5	1.027	0
5/31/2024	11/30/2023	161.6	165.5	1.024	0
6/30/2024	12/31/2023	162.1	165.5	1.021	17
7/31/2024	1/31/2024	162.7	165.5	1.017	0
8/31/2024	2/29/2024	163.4	165.5	1.013	61
9/30/2024	3/31/2024	164.0	165.5	1.009	40
10/31/2024	4/30/2024	164.5	165.5	1.006	23

Total Number of Stores	316

[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 8
Histogram of Pharmacy Dispensing Cost

Histogram of Pharmacy Dispensing Cost

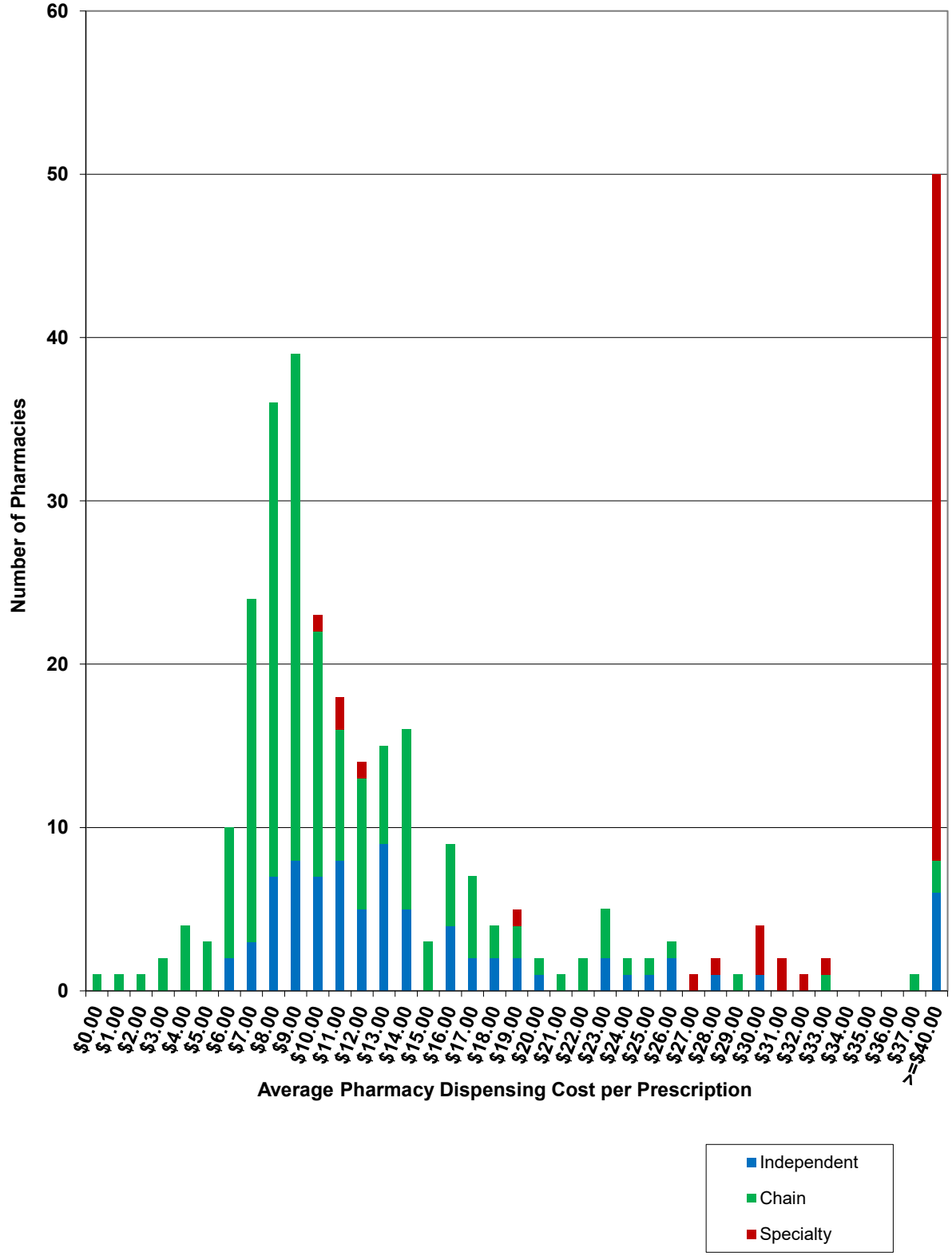


Exhibit 9
Pharmacy Cost of Dispensing Survey Data – Statistical Summary

Pharmacy Cost of Dispensing Survey
Statistical Summary
Nebraska Department of Health and Human Services

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	95% Confidence Interval for Mean (based on Student t) — Upper Bound	*t* Value (with n-1 degrees of freedom)
All Pharmacies in Sample	316	351,822	7,526	$38.42	$14.84	$11.06	$11.75	$8.29	$9.26	$86.50	$28.84	$47.99	1.97
Non Specialty Pharmacies	260	377,424	8,796	$13.39	$8.70	$10.50	$10.31	$7.83	$9.22	$10.04	$12.17	$14.62	1.97
Specialty Pharmacies [2]	56	232,956	1,628	$154.60	$61.03	$25.14	$102.79	$31.03	$11.43	$160.24	$111.69	$197.51	2.00
Specialty Pharmacy Breakdowns [2]													
Clotting Factor	14	177,005	528	$225.91	$51.35	$72.00	$136.92	$43.75	$75.94	$244.99	$84.46	$367.36	2.16
Compounded Infusion / Intravenous	5	42,912	199	$246.32	$173.47	$248.62	$255.12	$99.70	$255.12	$113.69	$105.16	$387.48	2.78
Other	37	279,808	2,237	$115.22	$61.02	$18.26	$70.71	$31.03	$11.43	$106.67	$79.65	$150.79	2.03
Non Specialty Pharmacies Only													
Affiliation:													
Chain [3]	181	446,893	9,340	$11.81	$7.55	$9.77	$9.56	$7.78	$8.91	$7.70	$10.68	$12.94	1.97
Independent	79	218,260	7,550	$17.02	$14.08	$12.55	$12.69	$13.27	$11.17	$13.36	$14.02	$20.01	1.99
Location (Urban vs. Rural): [4]													
In State Urban	139	93,424	12,066	$12.59	$10.22	$10.75	$10.12	$9.16	$9.22	$7.64	$11.31	$13.87	1.98
In State Rural	62	78,016	9,042	$12.05	$9.87	$9.67	$9.60	$9.26	$9.07	$8.01	$10.02	$14.09	2.00
Out of State	59	1,361,140	834	$16.69	$8.38	$11.22	$12.37	$7.78	$7.83	$15.14	$12.75	$20.64	2.00
Annual Rx Volume:													
0 to 56,999	80	32,401	3,385	$19.78	$17.79	$15.74	$14.82	$14.28	$14.14	$14.36	$16.59	$22.98	1.99
57,000 to 103,999	74	76,518	10,010	$11.08	$10.76	$10.69	$9.70	$9.45	$9.76	$5.86	$9.72	$12.44	1.99
104,000 and Higher	106	847,885	12,032	$10.18	$8.30	$9.27	$8.97	$7.78	$8.26	$4.94	$9.23	$11.13	1.98
Annual Medicaid Rx Volume: [5]													
0 to 2,249	80	898,306	554	$17.72	$8.05	$12.62	$12.51	$7.78	$10.84	$14.84	$14.42	$21.03	1.99
2,250 to 10,999	108	136,309	6,183	$12.51	$11.50	$11.81	$10.39	$10.05	$9.67	$7.23	$11.13	$13.89	1.98
11,000 and Higher	72	160,338	21,873	$9.91	$9.15	$9.88	$9.07	$8.29	$8.91	$3.04	$9.20	$10.63	1.99
Medicaid Utilization Ratio: [5]													
0.0% to 6.99%	112	763,658	2,674	$15.12	$8.47	$9.75	$10.25	$7.78	$8.84	$13.21	$12.65	$17.60	1.98
7.00% to 15.49%	94	86,803	9,216	$11.61	$10.28	$10.28	$10.03	$9.36	$9.36	$4.66	$10.66	$12.57	1.99
15.50% and Higher	54	82,241	20,762	$12.91	$10.13	$10.87	$11.54	$8.77	$9.07	$8.74	$10.52	$15.29	2.01

Pharmacy Cost of Dispensing Survey
Statistical Summary
Nebraska Department of Health and Human Services

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]	28	408,184	10,967	$17.14	$13.63	$14.20	$15.62	$15.41	$15.41	$9.80	$13.33	$20.94	2.05
Non-LTC Institutional Pharmacies	232	373,711	8,534	$12.94	$8.05	$9.92	$9.95	$7.78	$8.97	$9.99	$11.65	$14.23	1.97
Unit Dose:													
Does dispense unit dose	28	408,184	10,967	$17.14	$13.63	$14.20	$15.62	$15.41	$15.41	$9.80	$13.33	$20.94	2.05
Does not dispense unit dose	232	373,711	8,534	$12.94	$8.05	$9.92	$9.95	$7.78	$8.97	$9.99	$11.65	$14.23	1.97
Provision of Compounding Services													
Provides compounding (>=10% of Rxs)	3	169,194	1,561	$38.79	$28.96	$14.31	$24.46	$24.46	$14.28	$34.01	($45.71)	$123.28	4.30
Compounding <10% of Rxs	257	379,855	8,881	$13.10	$8.59	$10.49	$10.22	$7.83	$9.19	$9.23	$11.96	$14.23	1.97
340B Pharmacy Status													
Self-reported as 340B Covered Entity	9	54,745	1,797	$40.60	$31.82	$34.74	$29.96	$23.05	$13.63	$27.03	$19.83	$61.38	2.31
Self-reported as 340B contract pharmacy	173	165,821	10,010	$11.06	$6.98	$9.57	$9.40	$7.43	$8.91	$6.23	$10.12	$11.99	1.97
Neither 340B Covered Entity or 340B contract pharmacy	78	883,981	6,913	$15.44	$9.25	$12.75	$13.46	$7.83	$12.07	$8.56	$13.51	$17.37	1.99

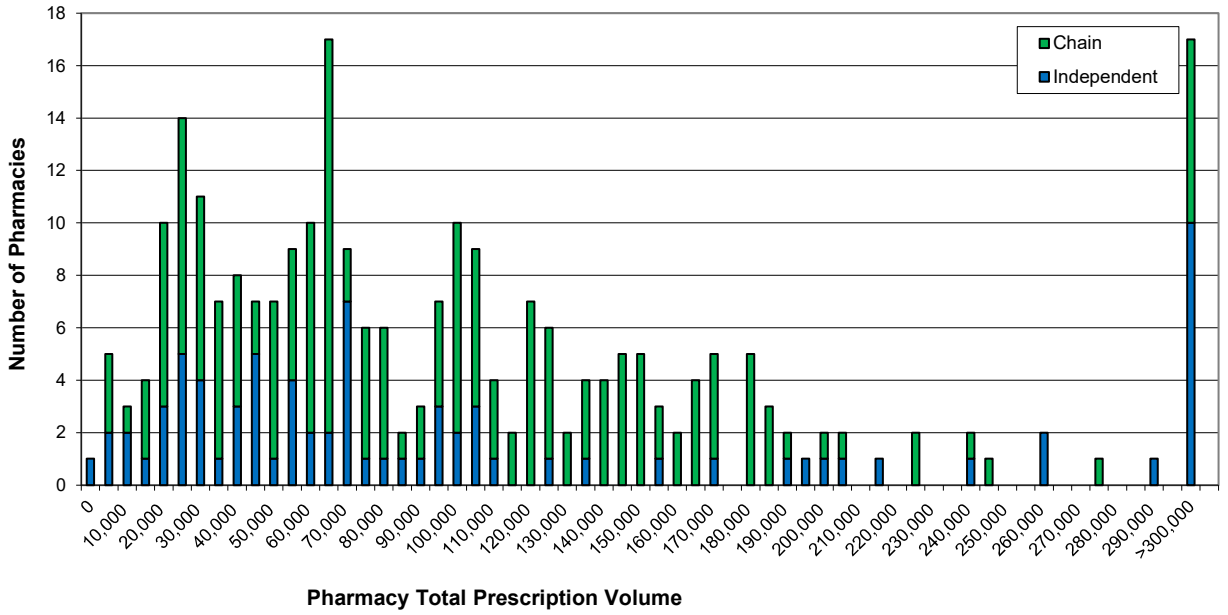
Notes:
1) All pharmacy dispensing costs are inflated to the common point of 6/30/2024 (i.e., midpoint of a fiscal year ending 12/31/2024).
2) For purposes of this report a "specialty pharmacy" is one that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 50% or more of total prescription sales.
3) For purposes of this survey, a chain was defined as an organization having seven or more pharmacies under common ownership or control on a national level.
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 Nebraska Medicaid volume for the time period of July 1, 2023 to June 30, 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 10
Charts Relating to Pharmacy Total Prescription Volume:

A: Histogram of Pharmacy Total Prescription Volume

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

Histogram of Pharmacy Total Prescription Volume



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

(Non-Specialty Pharmacies, Total Prescription Volume < 300,000)

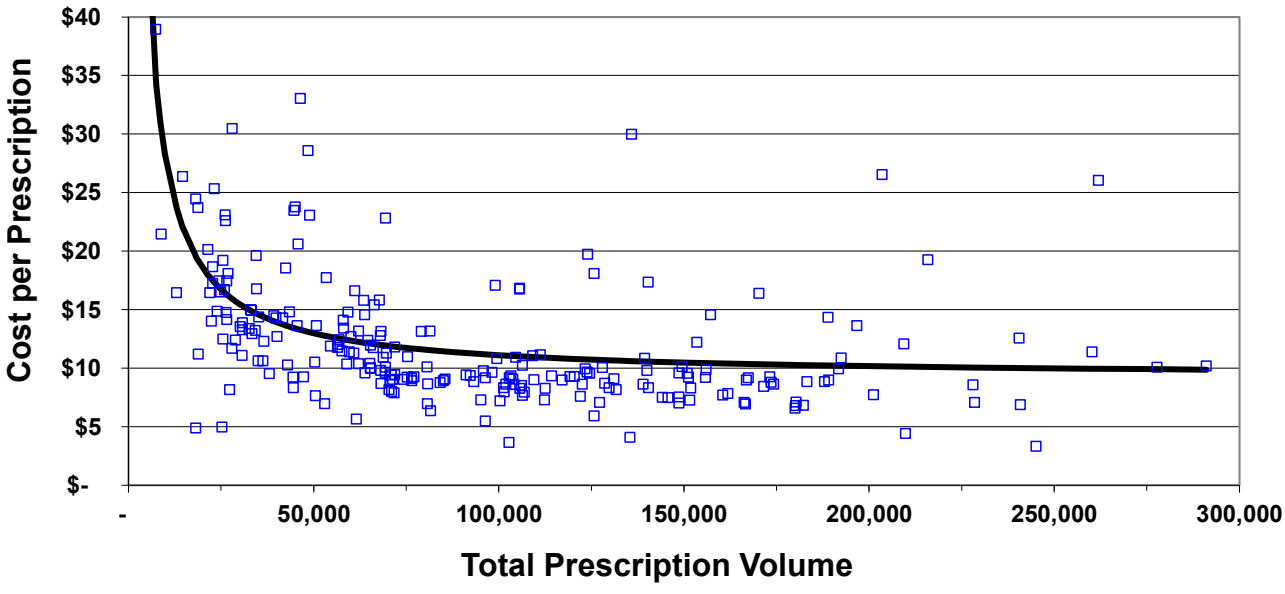


Exhibit 11
Chart of Components of Cost of Dispensing per Prescription

Chart of Components of Dispensing Cost per Prescription

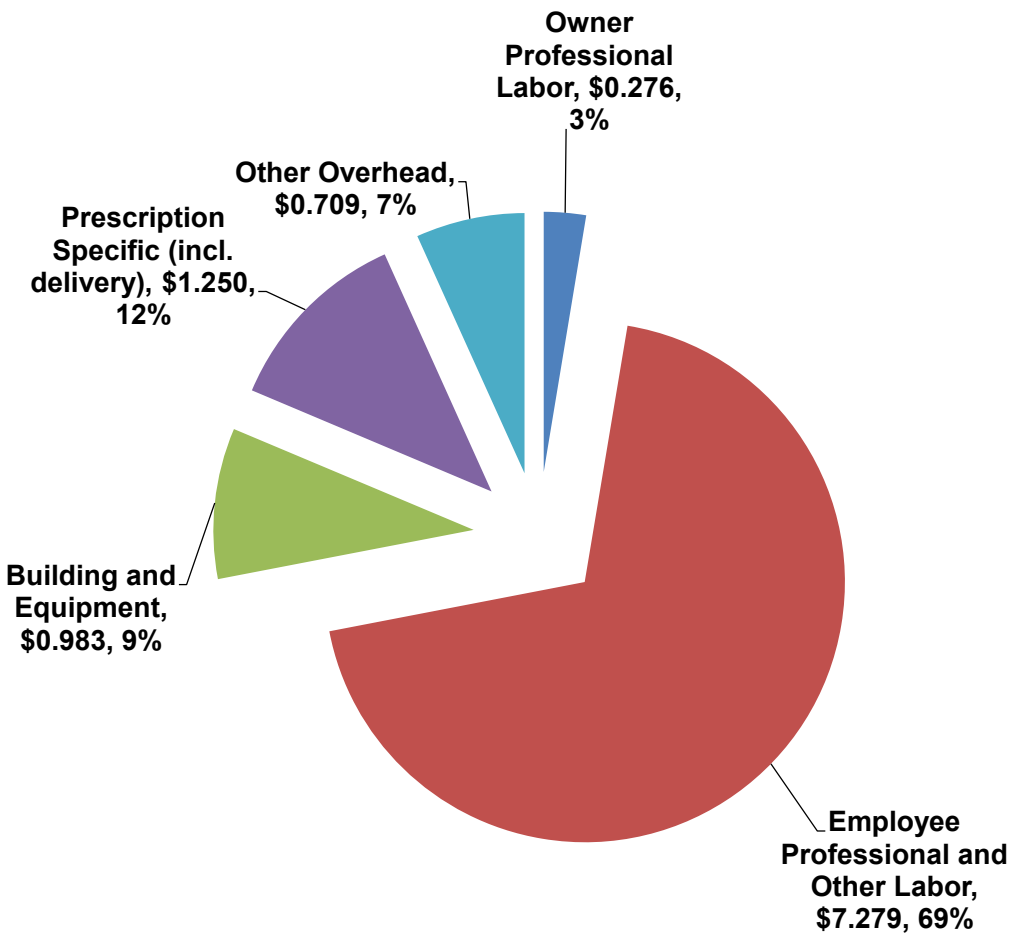


Exhibit 12
Summary of Pharmacy Attributes

Summary of Pharmacy Attributes
Nebraska Department of Health and Human Services

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)	312	Medicaid fee for service	N/A	2.6%
		Medicaid managed care	N/A	11.6%
		Other third party	N/A	79.2%
		Cash	N/A	6.6%
		Total	N/A	*100.0%*
Payer Type: percent of payments (averages)	311	Medicaid fee for service	N/A	2.8%
		Medicaid managed care	N/A	11.2%
		Other third party	N/A	82.4%
		Cash	N/A	3.6%
		Total	N/A	*100.0%*
Type of ownership	316	Individual	2	0.6%
		Corporation	303	95.9%
		Partnership	4	1.3%
		Other	7	2.2%
		Total	*316*	*100.0%*
Location	316	Medical office building	34	10.8%
		Shopping center	20	6.3%
		Stand alone building	166	52.5%
		Grocery store / mass merchant	56	17.7%
		Outpatient Hospital	10	3.2%
		Other	30	9.5%
		Total	*316*	*100.0%*
Building ownership (or rented from related party)	316	Yes, (own building or rent from related party)	81	25.6%
		No	235	74.4%
		Total	*316*	*100.0%*
Hours open per week	314	60.5 hours	N/A	N/A
Years pharmacy has operated at current location	313	17.6 years	N/A	N/A
Provision of 24 hour emergency services	316	Yes	107	33.9%
		No	209	66.1%
		Total	*316*	*100.0%*
Percent of prescriptions dispensed that were generic products	301	Percent of prescriptions dispensed that were generic products	301	74.6%
Self-reproted as a 340B covered entity or 340B contract pharmacy.	316	Self-reported as a 340B covered entity	12	3.8%
		Self-reported as a 340B contract pharmacy	200	63.3%
		Neither covered entity or contract pharmacy	104	32.9%
		Total	316	100.0%
Provision of unit dose services	316	Yes (average of 35.4% of prescriptions for pharmacies indicating provision of unit dose prescriptions. Approximately 98.6% of unit dose prescriptions were reported as prepared in the pharmacy with 1.4% reported as purchased already prepared from a manufacturer)	71	22.5%
		No	245	77.5%
		Total	*316*	*100.0%*
Percent of total prescriptions delivered	316	28.1% for all pharmacies; (38.0% for 234 pharmacies reporting > 0%)	N/A	N/A
Percent of Medicaid prescriptions delivered	316	8.6% for all pharmacies; (25.1% for 108 pharmacies reporting > 0%)	N/A	N/A
Percent of prescriptions dispensed by mail	316	18.9% for all pharmacies; (35.8% for 167 pharmacies reporting >0% percent of prescriptions dispensed by mail)	N/A	N/A
Percent of Total prescriptions compounded.	316	2.1% for all pharmacies; (22.5% for 29 pharmacies reporting >0 compounded Rxs)	N/A	N/A