MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Oregon Health Authority

Survey of the Average Cost of Dispensing a Medicaid Prescription for the State of Oregon

July 2024

DEDICATED TO GOVERNMENT HEALTH PROGRAMS

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Chapter 1: Executive Summary

Introduction

Under contract to the Oregon Health Authority (OHA), Myers and Stauffer LC performed a survey of pharmacy cost of dispensing. The cost of dispensing survey followed the methodology and used a survey instrument similar to those used by Myers and Stauffer in Medicaid pharmacy engagements in several other states. The methodology was consistent with guidelines from the Centers for Medicare and Medicaid Services (CMS) regarding the components of pharmacy cost that are appropriately reimbursed by the professional dispensing fee used within a state Medicaid fee-for-service pharmacy program.

To determine which pharmacies would be included within the survey process, Myers and Stauffer obtained a list of pharmacy providers currently enrolled in the Oregon Medicaid pharmacy program from OHA. According to the provider list, there were 834 pharmacy providers enrolled in the Oregon Medicaid program. Each of the 834 enrolled pharmacies was 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. There were 563 pharmacies which filed cost surveys that could be included in the cost of dispensing analysis. Myers and Stauffer applied pharmacy-specific cost-finding algorithms to the submitted survey data in order to calculate the average cost of dispensing at each pharmacy. The results from all pharmacies participating in the survey were subjected to statistical analysis and various measures of average (mean and median) cost of dispensing were calculated for all pharmacies and for various categories of pharmacies.

Summary of Findings

Based on the survey for pharmacies participating in the Oregon Medicaid program, the mean cost of dispensing, weighted by Medicaid prescription volume, was $12.15 per prescription for all pharmacies including specialty pharmacies.[1] For non-specialty pharmacies only, the mean cost of dispensing, weighted by Medicaid prescription volume, was $11.86 per prescription. Table 1.1 summarizes these and selected additional measures of pharmacy cost of dispensing derived from the survey results.

[1] For purposes of this report, “specialty” pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45 percent or more of total prescription sales. Within their survey responses, pharmacies were allowed to rely upon their own methods for categorizing products as “specialty” for the reporting of sales and summary counts of prescriptions dispensed.

Table 1.1 Cost of Dispensing for Oregon Pharmacies

	All Pharmacies Inclusive of Specialty	Non-specialty Pharmacies Only
Pharmacies Included in Analysis	563	494
Unweighted Mean (Average) [A]	$28.47	$15.12
Weighted Mean (Average) [A,B]	$12.15	$11.86
Unweighted Median [A]	$11.31	$10.83
Weighted Median [A, B]	$10.43	$10.35

[A] *Inflated to common point of December 31, 2023 (midpoint of year ending June 30, 2024).*
[B] *Weighted by Medicaid prescription volume.*

A significant inverse correlation was observed between a pharmacy's total prescription volume and the dispensing cost per prescription (see graphical representation of the relationship as a scatter plot in Exhibit 10). This relationship was similarly observed in previous cost of dispensing surveys performed in Oregon and other states as well. Based on results of previous surveys, OHA implemented a tiered structure for professional dispensing fees within the fee-for-service (FFS) Medicaid program based on pharmacy volume and are currently set as follows:

Table 1.2 Current Oregon Medicaid Tiered Professional Dispensing Fees

Pharmacy Annual Total Prescription Volume[2]	Current Professional Dispensing Fee
Less than 30,000 prescriptions	$14.30
30,000 to 69,999 prescriptions	$11.91
70,000 prescriptions or greater	$9.80

The average cost of dispensing based on the current survey data summarized according to prescription volume tiers of interest to OHA are included in the statistical summary (Exhibit 9) and later in this report. Myers and Stauffer has included various volume tier models based on the results of the cost of dispensing survey which OHA could consider to update professional dispensing fees.

Conclusions

Professional Dispensing Fee Options

Federal regulations at 42 CFR § 447.518(d) require that when states propose changes to either the ingredient portion of pharmacy reimbursement or the professional dispensing fee, states must

[2] 340B Covered Entities and non-chain critical access pharmacies are assigned to the lowest volume tier. Chain pharmacies are assigned to the highest volume tier. All other pharmacies are assigned a tier based on the total prescription volume reported on the annual Oregon Health Authority prescription volume survey.

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.

One option for a professional dispensing fee is a single professional dispensing fee for all pharmacies. This approach represents the simplest reimbursement option and is the most widely used methodology for pharmacy dispensing fees among state Medicaid programs. Based on the results of the survey of pharmacy cost of dispensing, a single dispensing fee of $12.15 would reimburse the weighted mean cost of dispensing prescriptions to Oregon Medicaid members inclusive of both specialty and non-specialty pharmacies. A single dispensing fee of $11.86 would reimburse the weighted mean cost of dispensing prescriptions to Oregon Medicaid members for non-specialty pharmacies but would not account for the cost of dispensing prescriptions by specialty pharmacies.

Another commonly utilized option for professional dispensing fees is an approach of using tiered professional dispensing fees, often linked to the total prescription volume of pharmacies. The Oregon Medicaid program moved to a tiered professional dispensing fee based on total pharmacy volume in 2010 at which time it also adopted the Oregon Average Actual Acquisition Cost (AAAC) as its basis for ingredient reimbursement. Currently, OHA has three professional dispensing fee tiers as presented in Table 1.2. Professional dispensing fee tier assignments are reviewed annually by OHA based on additional prescription volume information collected from pharmacies.

Regardless of the prescription volume tiers selected by OHA to form the basis for future professional dispensing fees, the ideal measures of the average cost of dispensing to use as the basis for setting fees are either the mean or median cost of dispensing weighted by Medicaid volume. Using a metric weighted by Oregon Medicaid volume rightly emphasizes the pharmacies that have the greatest participation in the Oregon Medicaid program. Furthermore the use of weighted measurements of average cost serves to mitigate the impact of outliers.

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 within the Oregon Medicaid program. Results of multiple cost of dispensing surveys has suggested higher dispensing costs in specialty pharmacies as compared to non-specialty pharmacies. While the use of a differential dispensing fee for specialty pharmacies is limited among state Medicaid programs, the prevalence of professional dispensing fees specifically for specialty products has increased in recent years.

Chapter 2: Cost of Dispensing Survey and Analysis

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

Dispensing Fees in Medicaid Programs

Reimbursement for prescription drugs is generally based on two components: ingredient reimbursement and the professional dispensing fee. The ingredient reimbursement is intended to cover the cost a pharmacy incurs to acquire a drug from a manufacturer or wholesaler. A dispensing fee is generally considered to be associated with covering the labor and overhead costs incurred by a pharmacy and intended to reimburse the expenses associated with the transfer of a drug from the pharmacy to a patient.

State Medicaid FFS pharmacy programs must use pharmacy reimbursement methodologies outlined in the Final Rule for Covered Outpatient Drugs (CMS-2345-FC). A key point in CMS-2345-FC with respect to the pharmacy dispensing fee is the requirement, codified at 42 CFR § 447.518(d), that when states propose changes to either the ingredient portion of pharmacy reimbursement or the professional dispensing fee for their FFS Medicaid pharmacy program, states must consider both aspects of reimbursement to ensure total payments to the pharmacy provider are in accordance with requirements of section 1902(a)(30)(A) of the Social Security Act.

Additionally, 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. In practice, CMS has required states to support a SPA submission changing the professional dispensing fee with the results of an in-state cost of dispensing (COD) survey (i.e., a survey which collects the labor and overhead cost incurred by pharmacies, and calculates an estimate of the average cost to dispense prescriptions) or to present an analysis based on the results of COD surveys performed in other states.

The Centers for Medicare and Medicaid Services (CMS) have provided some basic guidelines for appropriate costs to be reimbursed via a Medicaid pharmacy professional dispensing fee. CMS guidelines state:

"Professional dispensing fee means the fee which—

(1) Is incurred at the point of sale or service and pays for costs in excess of the ingredient cost of a covered outpatient drug each time a covered outpatient drug is dispensed;

(2) Includes only pharmacy costs associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid recipient. Pharmacy costs include, but are not limited to, reasonable costs associated with a pharmacist's time in checking the computer for information about an individual's coverage, performing drug utilization review and preferred drug list review activities, measurement or mixing of the covered outpatient drug, filling the container, beneficiary counseling, physically providing the completed prescription to the Medicaid beneficiary, delivery, special packaging, and overhead associated with maintaining the facility and equipment necessary to operate the pharmacy; and

(3) Does not include administrative costs incurred by the State in the operation of the covered outpatient drug benefit including systems costs for interfacing with pharmacies." [3]

Since CMS published CMS-2345-FC in February 2016, states have transitioned their FFS 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 of the state's road system.

In contrast to Medicaid FFS programs, Medicaid managed care pharmacy programs typically have greater flexibility for setting reimbursement rates including dispensing fees. The usual practice used within Medicaid managed care in many states is for Medicaid health plans to contract with a Pharmacy Benefit Manager (PBM) to administer pharmacy benefits. Medicaid health plans and their contracted PBMs typically reimburse pharmacies using reimbursement methods similar to those used in commercial health plans and Medicare Part D plans. These reimbursement methodologies typically rely on dispensing fees that are significantly less than those paid by most Medicaid FFS programs. 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 by PBMs contracted with Medicaid managed care plans, Medicare Part D plans and other

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

commercial PBMs 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.

Methodology of the Cost of Dispensing Survey

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

Survey Distribution

To determine the pharmacies which would be included within the survey process, Myers and Stauffer obtained from OHA a list of pharmacy providers currently enrolled in the Oregon Medicaid pharmacy program. According to the provider list, there were 834 pharmacy providers enrolled in the program. Surveys were mailed and emailed to all 834 pharmacy providers on February 1, 2024. Each surveyed pharmacy received a copy of the cost of dispensing survey (Exhibit 1), a letter of introduction from OHA (Exhibit 2), an instructional letter from Myers and Stauffer (Exhibits 3a and 3b), and an invitation to participate in a webinar hosted by Myers and Stauffer (Exhibit 4).

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

Additionally, Myers and Stauffer hosted informational webinars on February 8, 2024 and February 13, 2024. Providers were invited to attend via a web application and a conference call. A brief presentation was given to provide pharmacy staff with instructions regarding completion of the cost of dispensing survey. Additional time was allowed following the presentation to address provider questions.

Reminder postcards and emails were also used as tools to encourage provider response to the survey. Postcards were sent to pharmacies the week of February 22, 2024 (Exhibit 5) and the week of March 7, 2024 (Exhibit 6). The second postcard announced an extension of the original due date from March 7, 2024 to March 21, 2024. After discussions with OHA, a further reminder email was sent to pharmacies on March 15, 2024 extending the due date to April 1, 2024. Myers and Stauffer made additional reminder contacts via phone and e-mail to pharmacies that had not yet responded to the survey.

Fifteen providers reported themselves as ineligible for the survey. These pharmacies reported the following reasons for being ineligible: pharmacy closed, pharmacy no longer accepting Oregon

Medicaid, and pharmacy is associated with a tribal health organization. The fifteen pharmacies that reported themselves as ineligible were removed from the denominator when calculating the overall cost of dispensing survey response rate.

Surveys were accepted through April 16, 2024. As indicated in Table 2.1, there were 563 surveyed pharmacies that submitted a usable cost survey for this study resulting in a response rate of 68.7 percent.

Some of the submitted cost surveys contained errors or did not include complete information necessary for full analysis. For cost surveys with such errors or omissions, the pharmacy was contacted for clarification. There were limited instances in which issues on the cost survey could not be resolved in time for inclusion in the final survey analysis.[4]

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

Table 2.1 Cost of Dispensing Survey Response Rate

Pharmacy Category	Medicaid Enrolled Pharmacies	Pharmacies Exempt or Ineligible from Filing	Eligible Pharmacies	Usable Cost Surveys Received	Response Rate
Chain[5]	573	5	568	424	74.6%
Independent	261	10	251	139	55.4%
TOTAL	**834**	**15**	**819**	**563**	**68.7%**
In-State Urban[6]	474	3	471	337	71.5%
In-State Rural	179	5	174	122	70.1%
Out-of-State	181	7	174	104	59.8%
TOTAL	**834**	**15**	**819**	**563**	**68.7%**

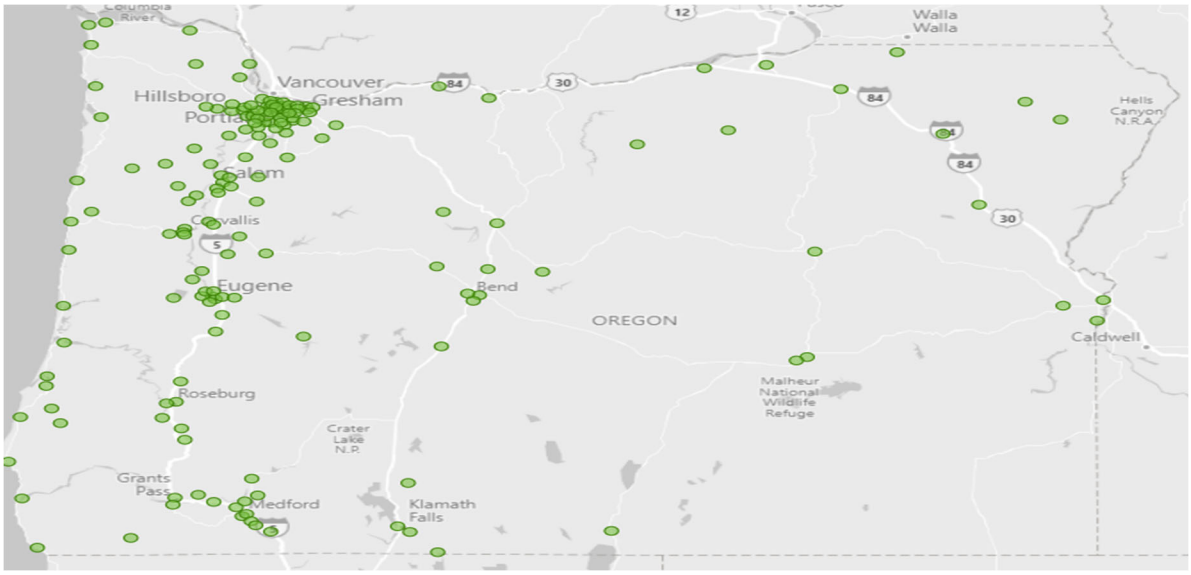
Following, are maps reflecting pharmacies located within the state of Oregon that participate in the Oregon Medicaid program (Map 1) and also pharmacies located within the state of Oregon that submitted a useable cost of dispensing survey (Map 2).

[4] There were 36 incomplete surveys received on or before April 16, 2024 that were eventually determined to be unusable because they were substantially incomplete or missing essential information. These issues could not be resolved in a timely manner with the submitting pharmacy. These incomplete surveys were not included in the count of 563 usable surveys received.

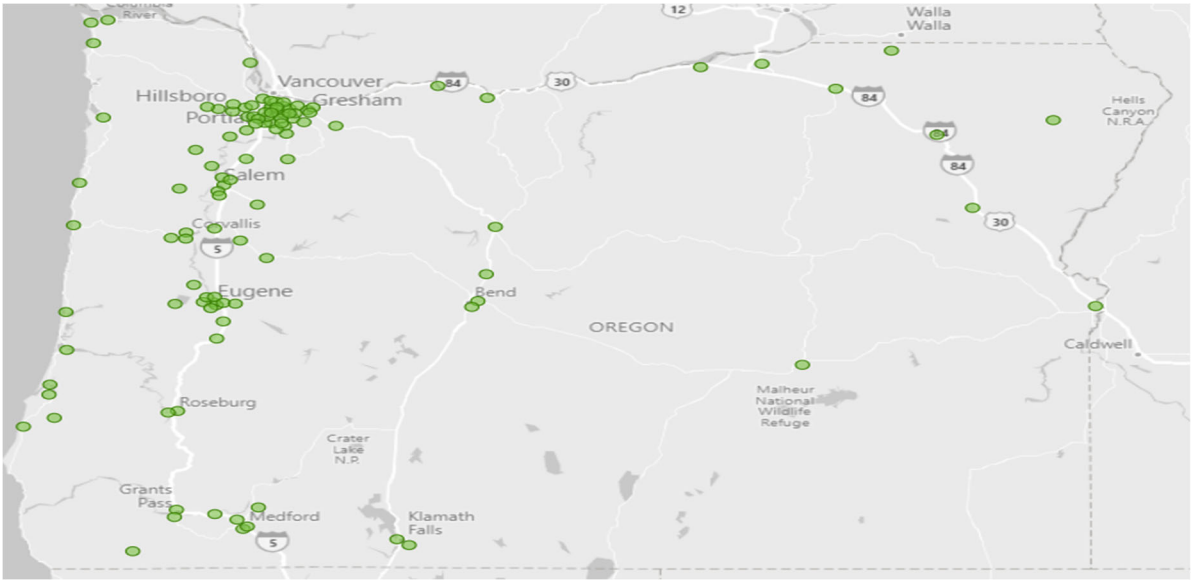
[5] For purposes of this survey, a chain was defined as an organization having four or more pharmacies under common ownership or control on a national level.

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

Map 1. In-State Pharmacies that Participate in the Oregon Medicaid Program



Map 2. In-State Respondent Pharmacies



Tests for Reporting Bias

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

Of the 563 usable cost surveys, 424 were from chain pharmacies and 139 were from independent pharmacies. There was a response rate of 74.6 percent for chain pharmacies compared to a response rate of 55.4 percent for independent pharmacies. The results of the χ^2 test indicated that the difference in response rate between chain and independent pharmacies was statistically significant at the 95 percent confidence level. This implies that independent pharmacies were underrepresented in usable surveys received. No adjustments to the cost of dispensing data were made as a result of this observation.

A χ^2 test was also performed with respect to the urban versus rural location for responding pharmacies that were located in the state of Oregon. Of the 563 non-exempt pharmacies located in the state of Oregon, 337 pharmacies (or 73 percent) were located in an urban area. The remaining 122 pharmacies (or 27 percent) were located in a rural area. There were 337 usable surveys submitted by in-state pharmacies in an urban location (a response rate of 71.5 percent). There were 122 usable surveys submitted by in-state pharmacies in a rural location (a response rate of 70.1 percent). The results of the χ^2 test indicated that the difference in response rate between urban and rural pharmacy locations within the state was not statistically significant at the 95 percent confidence level.

Desk Review Procedures

A desk review was performed for 100 percent of surveys received. This review identified incomplete cost surveys; pharmacies submitting these incomplete cost surveys were contacted by telephone and/or email to obtain information necessary for completion. The desk review process also incorporated a number of tests to determine the reasonableness of the reported data. In many instances, pharmacies were contacted to correct or provide confirmation of reported survey data that was flagged for review as a result of these tests for reasonableness.

Cost Finding Procedures

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

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

Although the denominator of the cost of dispensing formula (i.e., the “total number of prescriptions dispensed”) is relatively straight-forward, the calculation of the numerator of the formula (i.e., “total allowable cost related to dispensing prescriptions”) can be complex. “Cost finding” principles must be applied since not all reported pharmacy expenses were strictly related to the prescription dispensing function of the pharmacy. Most pharmacies are also engaged in lines of business other than the dispensing of prescription drugs. For example, many pharmacies have a retail business with sales of over-the-counter (OTC) drugs and other non-medical items such as groceries or other goods. Some pharmacies are involved in the sale of durable medical equipment and other medical supplies. The existence of these other lines of business

necessitates that procedures be applied to estimate the portion of expenses that are associated with the prescription dispensing function of the pharmacy.

"Cost finding" is the process of recasting cost data using rules or formulas in order to accomplish an objective. In this study, the objective is to estimate the cost of dispensing prescriptions to Medicaid members. To accomplish this objective, some pharmacy expenses must be allocated between the prescription dispensing function and other business activities. This process identified the reasonable and allowable costs necessary for dispensing prescriptions to Medicaid members.

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

Overhead Cost

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

- **All, or 100 percent**

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

  Overhead expenses that were considered entirely prescription-related include:

  - Prescription department licenses.
  - Prescription delivery expense.
  - Prescription containers and labels. (For many pharmacies the costs associated with prescription containers and labels are captured in their cost of goods sold. Subsequently, it was often the case that a pharmacy was unable to report expenses for prescription containers and labels. In order to maintain consistency, a minimum allowance for prescription containers and labels was determined to use for pharmacies that did not report an expense amount for containers and labels. The allowance was based on a statistical analysis of prescription containers and labels expense and number of prescriptions dispensed for pharmacies that did report prescription containers and labels expense. Based on this analysis, a minimum allowance of $0.60 per prescription was set).
  - Certain other expenses that were separately identified on Lines (32a) to (32t) of Page 7 of the cost survey (Exhibit 1).[7]

[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).

- **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]
  - Credit Card Processing Fees [12]
  - Certain expenses reported on Lines (32a) through (32t) of Page 7 of the cost survey (Exhibit 1) were excluded if the expense was not related to the dispensing of prescription drugs.

[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."*

[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.

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

- **Area ratio**

  In order to allocate expenses that were considered to be reasonably related to building space, an area ratio was calculated as prescription department floor space (in square feet) divided by total floor space. This initial ratio was 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. The resulting ratio was adjusted downward, when applicable, to not exceed the sales ratio (in order to avoid allocating 100 percent of these costs in the instance where the prescription department occupies the majority of the area of the store).

  Overhead expenses allocated on the area ratio include: [13]

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

- **Sales ratio**

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

  Overhead expenses allocated using the sales ratio include:

  - Personal property taxes
  - Other taxes
  - Insurance
  - Interest
  - Accounting and legal fees
  - Telephone and supplies

[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."*

- Computer Expenses
- 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 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.

[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.

To estimate the expense that would have been incurred had an employee been hired to perform the prescription-related functions actually performed by the owner, upper and lower limits were imposed on owner salaries and benefits. For purposes of setting limits on owner compensation, separate limits were applied to owners who are pharmacists and owners who are not pharmacists. Constraints for owners were set using upper and lower thresholds for hourly compensation that represented approximately the 95th and 40th percentiles of salaries and benefits for employee pharmacists and employee non-pharmacists (adjusted by an estimate of full-time equivalent (FTE) staff count to estimate hourly wages). The upper and lower constraints that were developed are shown in Table 2.2. Adjustments to owner salaries and benefits were only applied if the reported amounts were below the lower limit or in excess of the upper limit in which case the reported amounts were adjusted up or down to the respective limits.

Table 2.2 Hourly Wage and Benefit Limits for Owners

Owner Type	Lower Limit (Hourly)	Upper Limit (Hourly)
Pharmacist	$63.14	$112.55
Non-Pharmacist	$21.63	$74.90

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 563 pharmacies in the cost analysis, owner limits impacted 34 pharmacies, or 6.0 percent. Of these, 11 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 23 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 than $0.04 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 563 pharmacies included in the cost of dispensing analysis, this limit was applied to 10 pharmacies. In total, the final estimate of average pharmacy cost of dispensing per prescription was decreased by less than $0.01 as a result of the labor cost restraint.

Inflation Factors

All allocated overhead and labor cost was summed and multiplied by an inflation factor. Inflation factors are intended to reflect cost trends from the middle of the reporting period of a particular pharmacy to a common fiscal period ending June 30, 2024 (specifically from the midpoint of the pharmacy's fiscal year to December 31, 2023 which is the midpoint of the fiscal period ending June 30, 2024). The midpoint and terminal month indices used were taken from the Employment Cost Index, (all civilian, all workers; seasonally adjusted) published by the Bureau of Labor Statistics (BLS) (Exhibit 7). The use of inflation factors is typically preferred in order for pharmacy cost data from various fiscal years to be compared uniformly.

Cost of Dispensing Analysis and Findings

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

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

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

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

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

Median: the value that divides a set of observations (such as cost of dispensing) in half. In the case of this survey, the median is the value such that one half of the pharmacies in the set have a cost of dispensing that is less than or equal to the median and the other half of the pharmacies have a cost of dispensing that is greater than or equal to the median.

Weighted Median: this is determined by finding the pharmacy observation that encompasses the middle value prescription. The implication is that one half of the prescriptions were dispensed at a cost equal to or less than the weighted median, and one half of the prescriptions were dispensed at a cost equal to or more than the weighted median. In a hypothetical example, if there were 1,000,000 Medicaid prescriptions dispensed by the surveyed pharmacies and the pharmacies were arrayed in order of their cost of dispensing, the median weighted by Medicaid volume is the cost of dispensing of the pharmacy that dispensed the middle, or 500,000th prescription.

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

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

Table 2.3 Cost of Dispensing per Prescription – All Pharmacies

	Cost of Dispensing
Unweighted Mean	$28.47
Mean Weighted by Medicaid Volume	$12.15
Unweighted Median	$11.31
Median Weighted by Medicaid Volume	$10.43

n=563 pharmacies
Cost of dispensing has been inflated to the common point of December 31, 2023 (midpoint of year ending June 30, 2024).

See Exhibit 8 for a histogram of the cost of dispensing for all pharmacies. There was a large range between the highest and the lowest cost of dispensing observed. However, the majority of pharmacies (approximately 70 percent) had average cost of dispensing between $8 and $25.

Exhibit 9 includes a statistical summary with a wide variety of measures of pharmacy cost of dispensing with breakdowns for many pharmacy attributes potentially of interest. For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the pharmacies' zip code and the "Zip Code to Carrier Locality File" from the Centers for Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.

Specialty Pharmacies

Several pharmacies included in the cost analysis were identified as specialty pharmacies. For purposes of this report, "specialty pharmacies" are pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45 percent or more of

total prescription sales.[16] Within their survey responses, pharmacies were allowed to rely upon their own methods for categorizing products as "specialty" for the reporting of sales and summary counts of prescriptions dispensed. The analysis revealed significantly higher cost of dispensing associated with pharmacies classified as "specialty".[17]

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

Table 2.4 Cost of Dispensing per Prescription - Specialty versus Other Pharmacies

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Mean Weighted by Medicaid Volume
Specialty Pharmacies	69	Mean: 263,606 Median: 44,294	Mean: 675 Median: 19	$25.31
Other Pharmacies	494	Mean: 107,500 Median: 75,569	Mean: 4,250 Median: 3,344	$11.86

Cost of dispensing has been inflated to the common point of December 31, 2023 (midpoint of year ending June 30, 2024).

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

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

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

[17] In every pharmacy cost of dispensing study in which information on clotting factor, intravenous solution, home infusion and other specialty dispensing activity has been collected by Myers and Stauffer, such activity has been found to be associated with higher cost of dispensing. Discussions with pharmacists providing these services indicate that the activities and costs involved for these types of prescriptions are significantly different from the costs incurred by other pharmacies. The reasons for this difference include:

- Costs of special equipment for mixing and storage of clotting factor, intravenous, infusion and other specialty products.
- Costs of additional services relating to patient education, compliance programs, monitoring, reporting and other support for specialty products.
- Higher direct labor costs due to more intensive activities to prepare certain specialty prescriptions in the pharmacy.

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

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

Type of Pharmacy	Number of Pharmacies	Average Total Annual Prescription Volume (mean and median)	Average Medicaid Prescription Volume (mean and median)	Unweighted Mean	Mean Weighted by Medicaid Volume
Clotting factor and Compounded Infusion / Intravenous Products	17	Mean: 169,635 Median: 34,532	Mean: 33 Median: 0	$199.07	$124.84
Other Specialty Pharmacies	52	Mean: 294,328 Median: 68,632	Mean: 885 Median: 28	$99.55	$24.11

n= 69 pharmacies
Cost of dispensing has been inflated to the common point of December 31, 2023 (midpoint of year ending June 30, 2024).

Non-specialty Pharmacies

The analyses summarized in Tables 2.6 through 2.10 below exclude the specialty pharmacy providers. In making this exclusion, no representation is made that the cost structure of those pharmacies is not important to understand. However, it is reasonable to address issues relevant to those pharmacies separately from the cost structure of the vast majority of pharmacy providers that provide "traditional" pharmacy services. Table 2.6 restates the measurements noted in Table 2.3 excluding pharmacies that dispensed significant volumes of specialty prescriptions.

Table 2.6 Cost of Dispensing per Prescription – Excluding Specialty Pharmacies

	Dispensing Cost
Unweighted Mean	$15.12
Mean Weighted by Medicaid Volume	$11.86
Unweighted Median	$10.83
Median Weighted by Medicaid Volume	$10.35

n=494 pharmacies
Cost of dispensing has been inflated to the common point of December 31, 2023 (midpoint of year ending June 30, 2024).

Relationship between Cost of Dispensing and Prescription Volume

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

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

Table 2.7 Statistics for Pharmacy Total Annual Prescription Volume

Statistic	Value [A]
Mean	107,500
Standard Deviation	317,740
10th Percentile	34,223
25th Percentile	53,059
Median	75,569
75th Percentile	108,544
90th Percentile	144,714

n= 494 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45 percent or more of total prescription sales.*

Table 2.8 includes results from the current cost of dispensing study with measurements of the average cost of dispensing using the volume tiers currently used by OHA as the basis for professional dispensing fees for drugs within the FFS program.

Table 2.8 Average Dispensing Cost Tiered by Total Volume for Oregon Medicaid Pharmacies (Current Tiers)

Pharmacy Annual Total Prescription Volume	Number of Pharmacies [B]	Mean Weighted by Medicaid Volume [A]	Median Weighted by Medicaid Volume [A]
Less than 30,000 prescriptions	41	$29.03	$22.45
30,000 to 69,999 prescriptions	178	$13.59	$11.18
70,000 prescriptions or greater	275	$10.64	$9.65

[A] *Inflated to common point of December 31, 2023 (midpoint of year ending June 30, 2024).*

[B] *Excludes specialty pharmacies. For purposes of this report, "specialty" pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45% or more of total prescription sales.*

The current OHA tiers are reflective of a distribution of pharmacies from the 2010 pharmacy cost of dispensing survey. In the last decade, overall average prescription volume has increased across all pharmacy types. Tables 2.9 to 2.12 below include additional volume tier options that OHA can use to evaluate the distribution of pharmacies and tier options for professional dispensing fees. These tiers include a separate tier for pharmacies identified as 340B covered entities (CE).

Table 2.9 Average Dispensing Cost Tiered by Total Volume for Oregon Medicaid Pharmacies (Option 1)

Pharmacy Annual Total Prescription Volume	Number of Pharmacies [B]	Mean Weighted by Medicaid Volume [A]	Median Weighted by Medicaid Volume [A]
Less than 30,0000 prescriptions	25	$19.35	$16.20
30,000 to 69,999 prescriptions	154	$12.38	$10.96
70,000 prescriptions or greater	255	$10.11	$9.26
340B Covered Entities	60	$20.86	$18.84

[A] Inflated to common point of December 31, 2023 (midpoint of year ending June 30, 2024).

[B] Excludes specialty pharmacies. For purposes of this report, "specialty" pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45% or more of total prescription sales.

Table 2.10 Average Dispensing Cost Tiered by Total Volume for Oregon Medicaid Pharmacies (Option 2)

Pharmacy Annual Total Prescription Volume	Number of Pharmacies [B]	Mean Weighted by Medicaid Volume [A]	Median Weighted by Medicaid Volume [A]
Less than 35,000 prescriptions	34	$18.41	$12.49
35,000 to 74,999 prescriptions	165	$12.16	$10.79
75,000 prescriptions or greater	235	$10.04	$9.16
340B Covered Entities	60	$20.86	$18.84

[A] Inflated to common point of December 31, 2023 (midpoint of year ending June 30, 2024).

[B] Excludes specialty pharmacies. For purposes of this report, "specialty" pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45% or more of total prescription sales.

Table 2.11 Average Dispensing Cost Tiered by Total Volume for Oregon Medicaid Pharmacies (Option 3)

Pharmacy Annual Total Prescription Volume	Number of Pharmacies [B]	Mean Weighted by Medicaid Volume [A]	Median Weighted by Medicaid Volume [A]
Less than 40,000 prescriptions	45	$16.87	$12.54
40,000 to 79,999 prescriptions	172	$11.93	$10.75
80,000 prescriptions or greater	217	$9.99	$9.01
340B Covered Entities	60	$20.86	$18.84

[A] *Inflated to common point of December 31, 2023 (midpoint of year ending June 30, 2024).*

[B] *Excludes specialty pharmacies. For purposes of this report, "specialty" pharmacies are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45% or more of total prescription sales.*

Myers and Stauffer also conducted an additional analysis based on the current OHA tier assignments for respondent pharmacies. OHA conducts a pharmacy total volume survey during the fall of each year to reassess volume tiers. For all providers included in the cost of dispensing survey, tier assignments based on the 2023 survey of pharmacy total volume are as follows: 105 pharmacies assigned to the lowest volume tier, 48 pharmacies assigned to the middle volume tier, and 681 pharmacies assigned to the highest volume tier. Pharmacies are assigned a tier based on their reported total volume, with all chain pharmacies being assigned to the highest volume tier. Table 2.12 includes results from the current cost of dispensing study with measurements of the average cost of dispensing based on the current tier assignment for respondent pharmacies, with 340B covered entities in a separate tier.

Table 2.12 Average Dispensing Cost Tiered by Total Volume for Oregon Medicaid Pharmacies (Option 4)

Pharmacy Annual Total Prescription Volume	Number of Pharmacies [B]	Mean Weighted by Medicaid Volume [A]	Median Weighted by Medicaid
TR1 - Less than 30,000 prescriptions	16	$16.04	$16.26
TR2 - 30,000 to 69,999 prescriptions	17	$12.64	$11.58
TR3 - 70,000 prescriptions or greater (All Chains)	401	$10.67	$9.84
340B Covered Entities	60	$20.86	$18.84

A histogram of pharmacy total annual prescription volume and a scatter-plot of the relationship between cost of dispensing per prescription and total prescription volume are included in Exhibit 10.

Other Observations Associated with Cost of Dispensing and Pharmacy Attributes

The cost of dispensing of the surveyed pharmacies was broken down into the various components of overhead and labor related costs. Table 2.13 displays the means of the various cost components for surveyed pharmacies. Labor-related expenses accounted for approximately 73 percent of the overall cost of dispensing per prescription.

Expenses in Table 2.13 are classified as follows:

- Owner professional labor – owner's labor costs were subject to constraints in recognition of its special circumstances as previously noted.
- Employee professional labor consists of employee pharmacists. Other labor includes the cost of delivery staff, interns, technicians, clerks and any other employee with time spent performing tasks associated with the prescription dispensing function of the pharmacy.
- Building and equipment expenses 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 2.13 Components of Cost of Dispensing per Prescription

Type of Expense	Mean Weighted by Medicaid Volume [A]
Owner Professional Labor	$0.199
Employee Professional and Other Labor	$8.452
Building and Equipment	$0.798
Prescription Specific Expenses (including delivery)	$1.264
Other Overhead Expenses	$1.149
Total	**$11.86**

n= 494 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45 percent or more of total prescription sales.*

Cost of dispensing has been inflated to the common point of December 31, 2023 (midpoint of year ending June 30, 2024).

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

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

Expenses Not Allocated to the Cost of Dispensing

In the following Table 2.14, measurements are provided for certain expenses that were not included in the cost of dispensing. Reasons for not including these costs were discussed previously in the report. For all of the expenses below, average cost per prescription was calculated using a sales ratio as the basis for allocation.

Table 2.14 Non-Allocated Expenses per Prescription

Expense Category	Mean Weighted by Medicaid Volume [A]
Bad Debts	$0.054
Charitable Contributions	$0.005
Advertising	$0.047

n= 494 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45 percent or more of total prescription sales.*

Cost of dispensing has been inflated to the common point of December 31, 2023 (midpoint of year ending June 30, 2024).

Chapter 3: Additional Cost of Dispensing Analysis

Introduction

Myers and Stauffer conducted additional analysis of the cost of dispensing based on requests from OHA. These areas of additional analysis included Oregon Medicaid defined critical access pharmacies (for brevity, this group of pharmacies are subsequently referenced within this report as OM-CAP) ; an analysis comparing pharmacy cost to one measure of social determinants of health, the Social Vulnerability Index (SVI); and analysis of costs reported by pharmacies relating to costs reported by pharmacies to maintain compliance with various Oregon requirements associated with patient access to language and other communication services.

Oregon Medicaid Critical Access Pharmacy (OM-CAP)

Currently, Oregon Administrative Rule 410-121-0160(1)(b) includes the following dispensing fee tier assignment which applies to OM-CAP:

> *Independently owned pharmacies in communities that are the only enrolled pharmacy within a fifteen (15) mile radius from another pharmacy shall be reimbursed at a dispensing fee of $14.30 per claim.*

Myers and Stauffer reviewed the 2023 OHA pharmacy prescription volume survey to identify pharmacies that self-reported as being an OM-CAP. There were 25 pharmacies that identified themselves as being an OM-CAP. Of these 25 pharmacies, 10 pharmacies submitted a useable cost of dispensing survey. Table 3.1 summarizes the cost of dispensing for providers both classified and not classified as an OM-CAP.

Table 3.1 Cost of Dispensing for Pharmacies Grouped by Critical Access Pharmacy Indicator

	Number of Pharmacies [A]	Mean Weighted by Medicaid Volume [B]	Median Weighted by Medicaid Volume [B]
Classified as OM-CAP	10	$17.78	$12.85
Not classified as OM-CAP	484	$11.78	$10.31

n= 494 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45 percent or more of total prescription sales.*

[B] *Inflated to common point of December 31, 2023 (midpoint of year ending June 30, 2024).*

Social Vulnerability Index

Myers and Stauffer also considered the variability of the cost of dispensing based on social determinants of health which are measures of non-medical factors that may influence health outcomes. The Center for Disease Control/Agency for Toxic Substances and Disease Registry (CDC/ATSDR) publishes a measure of social vulnerability that considers the resilience of communities when confronted by external stress on human health. This measure is called the Social Vulnerability Index (SVI). The SVI incorporates 16 variables based on census data to assign a value associated with social vulnerability. These values are calculated at the level of census tracts and counties. The 16 variables are further combined into four themes: socioeconomic status, household characteristics, racial and ethnic minority status, and housing type and transportation. The resulting SVI values are determined from a percentile ranking of the component resulting in composite scores that range from 0 to 1. Within this ranking, higher values are associated with greater vulnerability.[18]

Myers and Stauffer matched the zip code of respondent pharmacies located within the state of Oregon to the SVI census tract information. These pharmacies were then placed into three groupings for analysis as follows:

- SV1 includes pharmacies with rankings between 0.62 and 0.96 and would be associated with the highest social vulnerability.
- SV2 includes pharmacies with rankings between 0.45 and 0.61.
- SV3 includes pharmacies with rankings between 0.07 and 0.44.

An analysis of the cost of dispensing data for non-specialty pharmacies did not reveal significant differences in the cost of dispensing survey results for these three groups of pharmacies. The results of the analysis is included in table 5 below.

Table 3.2 Cost of Dispensing for Pharmacies Grouped by SVI

SVI Groupings	Number of Pharmacies [A]	Mean Weighted by Medicaid Volume [B]	Median Weighted by Medicaid Volume [B]
SVI1	142	$12.91	$10.52
SVI2	136	$11.26	$10.11
SVI3	130	$11.40	$9.85
Out-of-state	86	$11.01	$10.98

n= 494 pharmacies

[A] *Excludes specialty pharmacies, which for purposes of this report are those pharmacies that reported sales for intravenous, home infusion, clotting factor and/or other specialty services of 45 percent or more of total prescription sales.*

[B] *Inflated to common point of December 31, 2023 (midpoint of year ending June 30, 2024).*

[18] Additional information related to the SVI can be found at: https://www.atsdr.cdc.gov/placeandhealth/svi/documentation/SVI_documentation_2020.html

Patient Accessibility

OHA requested Myers and Stauffer to collect cost information from pharmacies related to regulations for pharmacies to perform services related to prescription patient accessibility activities. Pharmacies were requested to report separately identifiable expenses for the provision of patient accessibility based on Oregon regulatory requirements for oral interpretation, document translation, and prescription readers. Providers were requested to report expenses for the following three questions on the cost of dispensing survey:

- Expenses associated with the provision of oral interpretation and translation (see Oregon Administrative Rule (OAR) 855-041-1040(10)).
- Expenses associated with the provision of prescription labels and informational inserts in languages other than English (see OAR 855-041-1132).
- Expenses associated with the provision of prescription readers for visually impaired patients (see OAR 855-041-1131).

There were 121 of the 563 respondent pharmacies that reported expenses in at least one of these three patient accessibility expense categories. Of these 121 pharmacies, 18 pharmacies that submitted information were located out-of-state. Pharmacies reported a wide range of expenses for patient accessibility services from a low of $5.00 to a high of $115,000. The average annual cost reported for the 121 pharmacies that separately reported one or more categories of expenses for patient accessibility services was $5,426 per pharmacy. Expressed as a component of the cost of dispensing on a per prescription basis, this equates to $0.07 per prescription for the pharmacies providing this information.

Table 3.3 includes the total cost and the cost expressed as a component of the cost of dispensing on a per prescription basis for in-state respondent pharmacies.

Table 3.3 Patient Accessibility (in-state respondent pharmacies only)

Pharmacy Annual Total Prescription Volume	Respondent Pharmacies	Total Expenses Reported	Per Prescription
Oral Interpretation	66	$92,954.81	$0.03
Document Translation	71	$134,138.50	$0.02
Prescription Readers	75	$65,592.98	$0.01

It should be noted that the patient accessibility expenses described above were included in the cost of dispensing calculations for the respondent pharmacies and allocated as a 100 percent pharmacy department expense as described in previous section of this report describing overhead cost allocations.

Exhibit 1
Oregon Health Authority
Pharmacy Cost of Dispensing Survey – Survey Form

Oregon Health Authority Pharmacy Cost of Dispensing Survey

Survey forms by Myers and Stauffer LC

M&S Use Only

Return Completed Forms to:
Myers and Stauffer LC
700 W. 47th Street, Suite 1100
Kansas City, Missouri 64112
or via email to: **disp_survey@mslc.com**

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER
Complete and return by March 7, 2024
Call toll free (800) 374-6858 or email disp_survey@mslc.com if you have any questions.

An electronic version of the Oregon Health Authority 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
(_____)_____	_____

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).**

SECTION IA -- PHARMACY ATTRIBUTES

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

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

(a) **1. New** _____ **2. Refill** _____ **3. Total** _____

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

Oregon Health Authority Pharmacy Cost of Dispensing Survey

SECTION IA -- PHARMACY ATTRIBUTES (continued)

(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 total number of prescriptions filled for the following classifications?

1. Oregon Medicaid (Fee-for-service or "Open Card") (BIN: 014203, PCN: ORDHSFFS) _____
2. Other Third Party _____
3. Cash _____

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

1. Oregon Medicaid (Fee-for-service or "Open Card") (BIN: 014203, PCN: ORDHSFFS) _____ %
2. Other Third Party (including Medicare, commercial, workers comp., etc.) _____ %
3. Cash _____ %

(f) Ownership Affiliation

1. □ Independent (1 to 3 stores)
2. □ Small Chain (4 to 9 stores)
3. □ Large Chain (10 or more stores)
4. □ Institutional (service to LTC facilities only)
5. □ Other (specify) _____

(g) Type of Ownership

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

(h) Location of Pharmacy (please check one)

1. □ Medical Office Building
2. □ Shopping Center
3. □ Stand Alone Building
4. □ Grocery Store / Mass Merchant
5. □ Outpatient Hospital
6. □ Other (specify) _____

(i) Do you own your building or lease from a related party (i.e., yourself, family member, or related corporation)? If so, mark yes and refer to special instructions for reporting building rent on page 7.

1. □ Yes 2. □ No

(j) How many hours per week is your pharmacy open? _____ Hours

(k) How many years has a pharmacy operated at this location? _____ Years

(l) Do you provide 24-hour emergency services for pharmaceuticals? 1. □ Yes 2. □ No

(m) What percentage of prescriptions dispensed were generic products? _____%

If your pharmacy is a 340B Covered Entity or Contract Pharmacy, complete lines (n) through (r)

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

1. □ Yes 2. □ No

(o) If yes, are prescriptions dispensed to Oregon Medicaid FFS or 'open card' recipients provided from 340B inventory?

1. □ Yes 2. □ No

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

1. □ Covered Entity 2. □ Contract Pharmacy

(q) Enter the total number of 340B prescriptions filled during the reporting period. _____

(r) Enter the total number of 340B prescriptions billed to Oregon Medicad FFS or 'open-card' recipients. _____

Oregon Health Authority Pharmacy Cost of Dispensing Survey

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

(s)	How many prescriptions were dispensed to Long Term Care (LTC) facilities? _____
(t)	How many Oregon Medicaid FFS or "open-card" prescriptions were dispensed to LTC facilities? _____
(u)	Do you dispense in unit dose packaging to long-term care facilities (e.g., medisets, blister packs, etc.)? 1. □ Yes 2. □ No What is the approximate percent of all prescriptions dispensed in unit dose packaging? _____%
(v)	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 (w) through (aa) as applicable.

(w)	What percent of total prescriptions filled are delivered? _____%
(x)	What percent of Oregon Medicaid FFS or "open-card" prescriptions filled are delivered? _____%
(y)	Does your pharmacy deliver prescriptions by mail (U.S. Postal Service, FedEx, UPS, etc.)? 1. □ Yes 2. □ No If yes, what is the approximate percentage of the total number of prescriptions that are delivered by mail? _____%
(z)	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.**
(aa)	How many total prescriptions were compounded? _____ How many Oregon Medicaid FFS or "open-card" prescriptions were compounded? _____ For prescriptions that are compounded, what is the average number of minutes spent preparing a prescription by pharmacists and technicians? Pharmacist: _____ Technician: _____

If your pharmacy acts as a central fill facility or receives prescriptions from a central fill facility, complete lines (bb) through (cc) as applicable.

(bb)	Does your pharmacy act as a central fill facility to provide prescriptions to other pharmacies? 1. □ Yes 2. □ No If yes, what percentage of prescriptions are provided to other pharmacies? _____%
(cc)	Does your pharmacy receive prescriptions from a central fill facility? 1. □ Yes 2. □ No If yes, what percentage of prescriptions are received from a central fill facility? _____%

Please report any separately identifiable expenses associated with the provision of patient accessibility based on Oregon regulatory requirements as described below. Note that responses to these items should not impact the reporting of all pharmacy overhead expenses on pages 7 and 8 of the survey (i.e., expenses reported here should also be included on pages 7 or 8, even if as a component of a broader expense category).

(dd)	Expenses associated with the provision of oral interpretation and translation (see Oregon Administrative Rule (OAR) 855-041-1040(10)). _____
(ee)	Expenses associated with the provision of prescription labels and informational inserts in languages other than English (see OAR 855-041-1132). _____
(ff)	Expenses associated with the provision of prescription readers for visually impaired patients (see OAR 855-041-1131). _____

SECTION IB -- OTHER INFORMATION

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

Oregon Health Authority Pharmacy Cost of Dispensing Survey

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

If you answered yes to question (z) 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.

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 ophthalmic, otic, etc.)			(3f)
Total for Non-specialty			
Total (Should reconcile to prescriptions and Pharmacy Department sales reported in Section IA)			(4)

Additional Pharmacy Attribute Questions for Pharmacies Dispensing Specialty Products

(a) What percentage of prescriptions dispensed were for products with REMS (Risk Evaluation and Mitigation Strategy) reporting requirements?	
(b) What percentage of prescriptions dispensed were for products that had patient monitoring and compliance activities in place?	
(c) What percentage of prescriptions dispensed were for products that had special storage requirements (e.g., refrigeration, etc.)?	

SECTION ID -- OTHER INFORMATION

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

Oregon Health Authority 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[4]	Total[6]	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[7]		(15)
Total Labor Expenses		(16)

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

SECTION IIA -- PERSONNEL COSTS

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

Footnote

1	FTE: Full-time Equivalent. Divide the total number of weekly hours worked for each job category by 40 hours to determine the estimated number of full time equivalent positions. This value can be a decimal but should be rounded to the nearest tenth. Example: 3 pharmacists; pharmacist 1 works 38 hours per week, Pharmacist 2 works 22 hours per week, Pharmacist 3 works 16 hours per week. Calculation = (38 + 22 + 16) ÷ 40 = 1.9 FTEs.
2	Total Salaries should include any bonuses and/or draws for owners.
3	Report the percent of time for any direct Dispensing Activities. Direct prescription dispensing activities as defined in 42 CFR § 447.502 include the pharmacist time associated with ensuring that possession of the appropriate covered outpatient drug is transferred to a Medicaid beneficiary. This includes, but is not limited to, a pharmacist's time in checking the computer for information about an individual's coverage, performing drug utilization review and preferred drug list review activities, measurement or mixing of the covered outpatient drug, filling the container, beneficiary counseling, physically providing the completed prescription to the Medicaid beneficiary, delivery, and special packaging.
4	Report the percent of time for Other RX Related Duties. Other Rx Related Duties include, but are not limited to, time spent maintaining the facility and equipment necessary to operate the pharmacy, third party reimbursement claims management, ordering and stocking prescription ingredients, taking inventory and maintaining prescription files.
5	Report the percent of time for Medication Therapy Management (MTM) 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. Columns A, B, C, and D must total 100%
8	Other Employee Benefits includes employee medical insurance, disability insurance, education assistance, etc.

SECTION IIB -- OVERHEAD EXPENSES

Complete this section using your internal financial statement or tax return for the **fiscal year ending listed on Page 2**. You should only use a tax return if the only store reported on the return is the store being surveyed. If you are using a tax return, the line numbers in the left columns correspond to federal income tax return lines. Use your most recently completed fiscal year for which financial records are available and completed (e.g., December 31, 2023, or December 31, 2022, if 2023 records are not yet complete). **If you prefer, you may submit a copy of your financial statement and/or tax return (including all applicable schedules) and Myers and Stauffer can complete Sections IIB and III (pages 7, 8, and 9).**

*** Notes about tax return line references**

Form 1040, Sched C, line 27a is for "other expenses" and a detailed breakdown of this category is typically reported on page 2, Part V of the form. Form 1065 (line 20), Form 1120 (line 26) and Form 1120S (line 19) are for "other deductions" and there are typically detailed breakdowns of the expenses in this category in the "Statements" attached to the returns.

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

SECTION IIB -- OVERHEAD EXPENSES, CONTINUED

(Round all amounts to nearest dollar or whole number.)

Other non-labor expenses not included on lines (1) through (30)

Examples: Franchise fees, other taxes not reported in Section IIB (a) (page 7), accreditation and/or certification fees, restocking fees, postage, administrative expenses, amortization, mandated language access services, etc. Specify each item and the corresponding amount. **Note that labor expenses are reported in Section IIA (page 5).** For corporate overhead expenses allocated to the individual store, please attach documentation to establish the expenses included in the allocation and describe the allocation basis.

	Expense Amount Reported	Myers and Stauffer Use Only	Line No.
			(32a)
			(32b)
			(32c)
			(32d)
			(32e)
			(32f)
			(32g)
			(32h)
			(32i)
			(32j)
			(32k)
			(32l)
			(32m)
			(32n)
			(32o)
			(32p)
			(32q)
			(32r)
			(32s)
			(32t)
Total page 8 overhead expenses (lines 32a to 32t)			(33)

SECTION III -- RECONCILIATION WITH FINANCIAL STATEMENT OR TAX RETURN

The purpose of this reconciliation is to ensure that all expenses have been included and that none have been duplicated. Complete these forms using the same fiscal year which was used to report overhead and labor expenses.

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

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

1040C - Line 28
1065 - line 21
1120 - line 27
1120S - line 20

Exhibit 2
Informational Letter from the Oregon Health Authority Regarding Pharmacy Cost of Dispensing Survey (Independent and Chain Pharmacies)

HEALTH SYSTEMS DIVISION
Tina Kotek, Governor

Oregon Health Authority

500 Summer St NE E35
Salem, OR 97301
Voice: 503-945-5772 or 800-527-5772
Fax: 503-373-7689
TTY: 711
www.oregon.gov/OHA/HSD

February 1, 2024

To: Pharmacy Owners and Managers

From: Nathan Roberts, Health and Professional Services Policy manager
Medicaid Programs

RE: Oregon Health Authority Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Oregon Health Authority (OHA) the agency responsible for administering the Oregon Health Plan (OHP), has contracted with Myers and Stauffer LC, a national Certified Public Accounting firm, to conduct a survey to assess the cost of dispensing prescriptions to Medicaid fee-for-service clients.

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 OHA with information to evaluate the professional dispensing fee component of the Oregon Health Plan fee-for service pharmacy reimbursement.

OHA has engaged Myers and Stauffer, an accounting firm with extensive experience in pharmacy cost of dispensing surveys, to conduct the survey. They have conducted similar surveys in many states. Myers and Stauffer and OHA will hold the information you provide to them in confidence, will disclose it only in aggregate form and never identify your pharmacy, and will use the information only for the purpose of conducting and reporting this survey for OHA. Your information will not be used for any other purpose.

Please provide the requested information on the enclosed survey form and submit it to Myers and Stauffer timely. 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 March 7, 2024.

We appreciate your continued service to our Medicaid participants, 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,

Nathan Roberts,
Health and Professional Services Policy manager
Medicaid Programs

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

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

February 1, 2024

Re: Oregon Health Authority Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Oregon Health Authority (OHA) the agency responsible for administering the Oregon Health Plan (OHP), 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 professional dispensing fee component of the OHA fee-for-service pharmacy reimbursement. All pharmacies enrolled in the Oregon Medicaid fee-for-service pharmacy program are requested to participate in the survey according to the following instructions:

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

It is very important that all pharmacies cooperate fully by filing an accurate cost survey. Pharmacies are encouraged to return the required information as soon as possible, **but forms must be returned no later than March 07, 2024.**

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

Electronic format of the survey tool:

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

If you prefer to respond in a paper format:

Send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
Attn: Oregon Health Authority 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 Label with any envelope. Postage will be paid by Myers and Stauffer LC.

Whether you complete the survey in electronic or paper format, we recommend that you retain a copy of the completed survey forms for your records.

Pharmacies are encouraged to return the required information as soon as possible, but forms must be returned no later than March 7, 2024.

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 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
mhill@mslc.com

Enclosures: Letter from the Oregon Health Authority
Oregon Health Authority Pharmacy Cost of Dispensing Survey
Myers and Stauffer LC Business Reply Label
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

February 1, 2024

Re: Oregon Health Authority Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner/Manager:

The Oregon Health Authority (OHA) the agency responsible for administering the Oregon Health Plan (OHP), 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 professional dispensing fee component of the OHA fee-for-service pharmacy reimbursement. All pharmacies enrolled in the Oregon Medicaid fee-for-service pharmacy program are requested to participate in the survey.

Enclosed is the "Oregon Health Authority Pharmacy Cost of Dispensing Survey" form. You may respond to the survey using either an electronic or paper format. You will need to submit survey information for each pharmacy that participates in the Oregon 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 organizations pharmacies which participate in the Oregon Medicaid program. Pharmacy information is presented as shown in records from OHA. 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 March 07, 2024.**

If you prefer to respond in an electronic format:

You should submit survey data for each store on the attached list and any additional stores/locations that participate in the Oregon 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 LC 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 be required to submit a completed survey for each store on the attached list and **any additional stores/locations** that participate in the Oregon 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: Oregon Cost of Dispensing Survey
700 W. 47th Street, Suite 1100
Kansas City, MO 64112

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

Whether you complete the survey in electronic or paper 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.

Pharmacies are encouraged to return the required information as soon as possible, but forms must be returned no later than March 07, 2024.

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
mhill@mslc.com

Enclosures:
- Letter from the Oregon Health Authority
- Oregon Health Authority Pharmacy Cost of Dispensing Survey
- List of Pharmacies that participate in the Oregon Medicaid program
- Myers and Stauffer LC Business Reply Label
- Informational Meeting Invitation

Exhibit 4
Informational Meeting Flyer
(Independent and Chain Pharmacies)

Informational Meetings
Oregon Health Authority
Pharmacy Cost of Dispensing Survey

The Oregon Health Authority (OHA) the agency responsible for administering Oregon's Medicaid Program, is conducting a pharmacy cost of dispensing survey. The survey results will be used to evaluate the Oregon Health Authority pharmacy reimbursement methodology.

OHA 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 (Pacific)
Thursday February 8, 2024	3:00 PM – 4:00 PM
Tuesday February 13, 2024	8:30 AM – 9:30 AM

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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

REMINDER

Survey Due March 07, 2024

Oregon Health Authority Pharmacy Cost of Dispensing Survey

MYERS AND STAUFFER LC

The Oregon Health Authority (OHA) has contracted with Myers and Stauffer to conduct a pharmacy cost of dispensing survey. All pharmacy providers that participate in Oregon Health Plan fee-for-service pharmacy program are requested to participate in the survey.

You should have received a letter from OHA, Myers and Stauffer, 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 the OHA to evaluate future fee-for-service pharmacy reimbursement rates.

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer toll free at 1-800-374-6858 or via email to disp_survey@mslc.com. If you have any questions regarding the survey, please contact Myers and Stauffer. You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

Your cooperation in providing the information for this survey is greatly appreciated.

Surveys are due
March 7, 2024

MYERS AND STAUFFER LC

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

FINAL REMINDER

Due Date Extended to March 21, 2024

Oregon Health Authority
Pharmacy Cost of Dispensing Survey

MYERS AND STAUFFER LC

The Oregon Health Authority (OHA) has contracted with Myers and Stauffer to conduct a pharmacy cost of dispensing survey. All pharmacy providers that participate in Oregon Health Plan fee-for-service pharmacy program are requested to participate in the survey.

Several weeks ago you should have received a copy of the dispensing cost survey form and corresponding instructions. Surveys were sent with a due date of March 7, 2024. **In order to allow pharmacies more time to respond to the dispensing cost survey, Myers and Stauffer has been instructed by the OHA to continue to accept surveys through March 21, 2024. This will be the final extension of the survey due date.** Your participation in the dispensing cost survey is required. This survey is being used by the OHA to evaluate future reimbursement rates.

If you have not received a survey form or have misplaced your survey form, you can contact Myers and Stauffer toll free at 1-800-374-6858 or via email to disp_survey@mslc.com. If you have any questions regarding the survey, please contact Myers and Stauffer. You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

Your cooperation in providing the information for this survey is greatly appreciated.

Surveys are due no later than

March 21, 2024

MYERS AND STAUFFER LC

Exhibit 7
Table of Inflation Factors for Cost of Dispensing Survey

Table of Inflation Factors for Dispensing Cost Survey
Oregon Health Authority

Fiscal Year End Date	Midpoint Date	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	152.10	159.00	1.045	61
1/31/2023	7/31/2022	152.70	159.00	1.041	52
2/28/2023	8/31/2022	153.30	159.00	1.037	112
3/31/2023	9/30/2022	153.90	159.00	1.033	16
4/30/2023	10/31/2022	154.50	159.00	1.029	0
5/31/2023	11/30/2022	155.00	159.00	1.026	0
6/30/2023	12/31/2022	155.60	159.00	1.022	17
7/31/2023	1/31/2023	156.20	159.00	1.018	0
8/31/2023	2/28/2023	156.80	159.00	1.014	97
9/30/2023	3/31/2023	157.40	159.00	1.010	6
10/31/2023	4/30/2023	157.90	159.00	1.007	0
11/30/2023	5/31/2023	158.50	159.00	1.003	0
12/31/2023	6/30/2023	159.00	159.00	1.000	145
1/31/2024	7/31/2023	159.60	159.00	0.996	57

Total Number of Stores	**563**

[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 June 30, 2024 (specifically from the midpoint of the pharmacy's fiscal year to December 31, 2023 which is the midpoint of the fiscal period ending June 30, 2024). Inflated costs are obtained by multiplying the overhead and labor costs reported by pharmacies using the inflation factor in the fifth column. Wage costs tend to rise over time so that costs reported twelve months ago naturally tend to be lower than costs reported in the current month. The inflation adjustment uses the cost index midway through the prior fiscal year and is the best estimate of the average price level that can be made based on available data.

Exhibit 8
Histogram of Pharmacy Cost of Dispensing

Histogram of Pharmacy Dispensing Cost

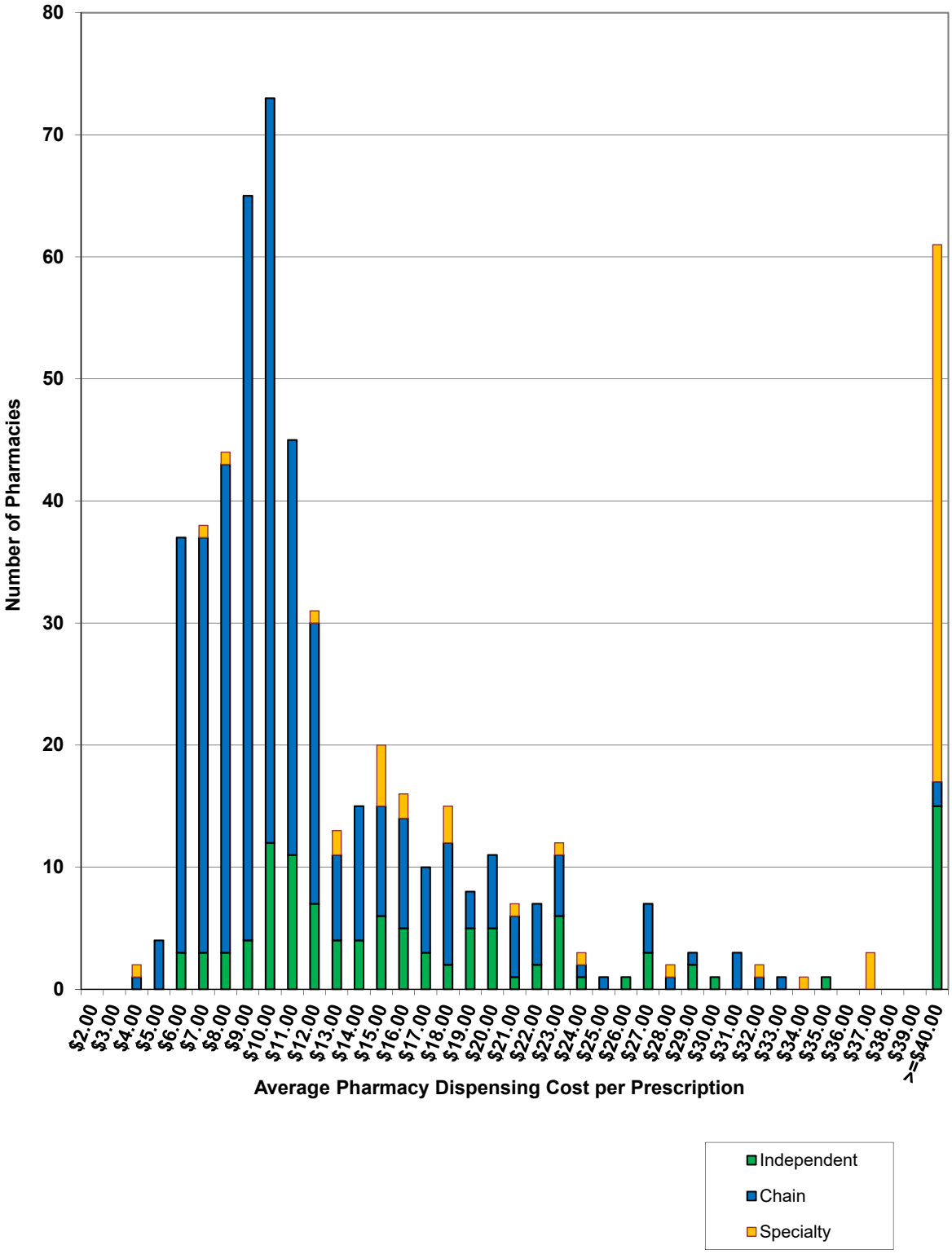


Exhibit 9
Cost of Dispensing Survey Data – Statistical Summary

Pharmacy Cost of Dispensing Survey
Statistical Summary
Oregon Health Authority

Characteristic	n: Number of Pharmacies	Average Total Prescription Volume	Average Medicaid Prescription Volume	Pharmacy Dispensing Cost per Prescription [1] — Measurements of Central Tendency — Means — Mean	Means — Weighted by Total Rx Volume	Means — Weighted by Medicaid Rx Volume	Medians — Median	Medians — Weighted by Total Rx Volume	Medians — Weighted by Medicaid Rx Volume	Other Statistics — Standard Deviation	95% Confidence Interval for Mean (based on Student t) — Lower Bound	Upper Bound	*t* Value (with n-1 degrees of freedom)
All Pharmacies in Sample	563	126,632	3,811	$28.47	$24.41	$12.15	$11.31	$10.98	$10.43	$58.41	$23.63	$33.30	1.96
Non Specialty Pharmacies [2]	494	107,500	4,250	$15.12	$11.87	$11.86	$10.83	$10.15	$10.35	$17.41	$13.58	$16.65	1.96
Specialty Pharmacies [2]	69	263,606	675	$124.07	$61.04	$25.31	$95.64	$34.00	$16.00	$124.20	$94.23	$153.90	2.00
Specialty Pharmacy Breakdown [3]													
Clotting factor and Compounded Infusion / Intravenous	17	169,635	33	$199.07	$74.96	$124.84	$159.45	$53.40	$85.58	$140.68	$126.75	$271.40	2.12
Other	52	294,328	885	$99.55	$58.42	$24.11	$42.75	$34.00	$16.00	$108.95	$69.21	$129.88	2.01
Non Specialty Pharmacies Only													
Affiliation:													
Chain	384	113,032	4,382	$11.96	$10.86	$10.93	$10.37	$10.02	$9.85	$5.79	$11.38	$12.54	1.97
Independent	110	88,187	3,788	$26.12	$16.39	$15.64	$15.89	$12.90	$13.26	$33.11	$19.87	$32.38	1.98
Chain Size:													
Small Chain (4 to 9 locations)	15	48,030	2,318	$22.70	$20.92	$21.54	$21.32	$18.76	$18.76	$8.52	$17.98	$27.41	2.14
Large Chain (10 or more locations)	369	115,675	4,466	$11.53	$10.69	$10.70	$10.28	$10.02	$9.81	$5.22	$10.99	$12.06	1.97
Affiliation (In State Only):													
Chain (In State)	346	89,186	4,739	$11.52	$10.46	$10.92	$10.21	$9.71	$9.81	$5.36	$10.95	$12.08	1.97
Independent (In State)	88	77,359	4,693	$26.67	$14.83	$15.66	$16.02	$12.90	$13.26	$35.11	$19.23	$34.11	1.99
Annual Rx Volume:													
0 to 29,999	41	18,173	1,519	$43.37	$28.35	$29.03	$27.44	$20.58	$22.45	$46.61	$28.66	$58.08	2.02
30,000 to 69,999	178	52,893	2,696	$15.31	$14.85	$13.59	$11.77	$11.60	$11.18	$10.57	$13.74	$16.87	1.97
70,000 and higher	275	156,164	5,662	$10.78	$10.93	$10.64	$9.62	$10.02	$9.65	$4.24	$10.28	$11.28	1.97
0 to 34,999	52	21,348	1,594	$38.99	$26.44	$26.35	$23.07	$20.20	$20.53	$42.91	$27.05	$50.94	2.01
35,000 to 74,999	189	56,308	2,827	$14.47	$14.12	$13.19	$11.54	$11.20	$11.09	$9.38	$13.12	$15.81	1.97
75,000 and higher	253	163,450	5,858	$10.69	$10.89	$10.57	$9.51	$10.02	$9.51	$4.17	$10.18	$11.21	1.97
0 to 39,999	69	25,441	1,718	$33.48	$22.81	$23.45	$20.58	$16.67	$19.44	$38.55	$24.22	$42.74	2.00
40,000 to 79,999	195	60,310	3,083	$14.05	$13.74	$12.83	$11.20	$11.12	$11.12	$9.17	$12.75	$15.34	1.97
80,000 and higher	230	172,126	5,998	$10.51	$10.82	$10.45	$9.38	$10.02	$9.41	$4.06	$9.98	$11.04	1.97
Annual Rx Volume:													
(Based on Current OHA tiers with 340B Covered Entity tier):													
TR1 - 0 to 29,999	16	35,585	1,963	$19.99	$15.80	$16.04	$16.54	$14.44	$16.26	$14.43	$12.30	$27.68	2.13
TR2 - 30,000 to 69,999	17	48,950	2,178	$13.17	$12.96	$12.64	$11.58	$11.58	$11.58	$4.06	$11.08	$15.26	2.12
TR3 - 70,000 and higher (plus all chains)	401	120,410	4,511	$12.58	$11.13	$10.67	$10.32	$10.02	$9.84	$12.46	$11.36	$13.80	1.97
340B Covered Entities	60	56,987	3,701	$31.30	$21.27	$20.86	$23.02	$20.03	$18.84	$33.26	$22.71	$39.90	2.00
Annual Rx Volume (with 340B Covered Entities tier):													
0 to 29,999	25	20,794	1,549	$31.46	$21.20	$19.35	$19.44	$18.35	$16.20	$37.95	$15.80	$47.13	2.06
30,000 to 69,999	154	53,911	2,677	$14.31	$13.94	$12.38	$11.51	$11.20	$10.96	$10.76	$12.59	$16.02	1.98
70,000 and higher	255	160,250	5,593	$10.19	$10.54	$10.11	$9.43	$10.02	$9.26	$3.59	$9.75	$10.64	1.97
340B Covered Entities	60	56,987	3,701	$31.30	$21.27	$20.86	$23.02	$20.03	$18.84	$33.26	$22.71	$39.90	2.00
0 to 34,999	34	24,030	1,585	$29.08	$21.60	$18.41	$18.72	$15.91	$12.49	$34.05	$17.20	$40.96	2.03
35,000 to 74,999	165	57,295	2,790	$13.51	$13.29	$12.16	$11.12	$11.01	$10.79	$9.39	$12.07	$14.96	1.97
75,000 and higher	235	167,724	5,800	$10.09	$10.51	$10.04	$9.26	$10.02	$9.16	$3.44	$9.64	$10.53	1.97
340B Covered Entities	60	56,987	3,701	$31.30	$21.27	$20.86	$23.02	$20.03	$18.84	$33.26	$22.71	$39.90	2.00
0 to 39,999	45	27,507	1,684	$25.22	$18.78	$16.87	$14.63	$12.98	$12.54	$30.38	$16.10	$34.35	2.02
40,000 to 79,999	172	60,541	2,978	$13.26	$12.98	$11.93	$11.02	$10.91	$10.75	$9.20	$11.88	$14.65	1.97
80,000 and higher	217	175,276	5,941	$10.01	$10.49	$9.99	$9.17	$10.02	$9.01	$3.46	$9.55	$10.48	1.97
340B Covered Entities	60	56,987	3,701	$31.30	$21.27	$20.86	$23.02	$20.03	$18.84	$33.26	$22.71	$39.90	2.00

Pharmacy Cost of Dispensing Survey
Statistical Summary
Oregon Health Authority

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)
Location (Urban vs. Rural): [4]													
In State Urban	316	89,488	4,623	$13.43	$11.15	$11.81	$10.50	$9.97	$10.14	$9.82	$12.34	$14.51	1.97
In State Rural	118	79,556	5,017	$17.70	$11.54	$12.04	$10.76	$10.20	$10.72	$29.43	$12.34	$23.07	1.98
All In State (Urban and Rural)	434	86,788	4,730	$14.59	$11.25	$11.88	$10.62	$10.11	$10.30	$17.54	$12.93	$16.24	1.97
Out of State	60	257,318	775	$18.93	$13.37	$11.29	$13.30	$10.89	$10.98	$16.07	$14.78	$23.08	2.00
Annual Medicaid Rx Volume: [5]													
0 to 1,499	132	132,356	526	$22.83	$13.67	$16.74	$12.54	$10.02	$11.01	$30.49	$17.58	$28.08	1.98
1,500 to 4,799	181	65,314	2,942	$13.93	$11.83	$13.71	$10.95	$10.42	$10.79	$8.46	$12.69	$15.17	1.97
4,800 and Higher	181	131,559	8,273	$10.68	$10.56	$10.98	$9.51	$9.96	$9.85	$4.20	$10.06	$11.29	1.97
Medicaid Utilization Ratio: [5]													
0.00% to 4.99%	229	135,024	1,935	$15.73	$12.03	$10.41	$10.89	$10.28	$9.97	$20.08	$13.12	$18.35	1.97
5.00% to 9.99%	228	87,118	5,956	$13.79	$11.18	$11.43	$10.54	$9.67	$9.86	$14.56	$11.88	$15.69	1.97
10.00% and Higher	37	62,746	8,061	$19.51	$15.63	$15.97	$14.96	$14.92	$14.72	$15.10	$14.47	$24.54	2.03
Total Rx Volume and Location													
In State Urban Only													
0 to 39,999	41	25,248	1,761	$28.67	$23.02	$26.60	$23.05	$20.58	$23.05	$18.96	$22.68	$34.65	2.02
40,000 to 79,999	135	60,231	3,442	$12.80	$12.56	$12.81	$11.05	$10.96	$11.01	$4.57	$12.03	$13.58	1.98
80,000 and higher	140	136,514	6,599	$9.56	$9.91	$10.15	$8.82	$9.17	$8.82	$3.30	$9.01	$10.11	1.98
In State Rural only													
0 to 39,999	22	23,702	2,026	$45.74	$23.06	$18.90	$18.72	$16.05	$12.49	$61.14	$18.63	$72.85	2.08
40,000 to 79,999	39	60,611	3,372	$12.39	$12.11	$12.99	$10.99	$10.88	$11.26	$4.50	$10.93	$13.85	2.02
80,000 and higher	57	114,076	7,297	$10.52	$10.41	$11.00	$9.41	$9.16	$10.11	$3.60	$9.56	$11.47	2.00
Institutional:													
LTC Institutional Pharmacies [6]	23	335,923	5,951	$13.55	$12.49	$13.20	$12.90	$11.52	$12.41	$3.02	$12.24	$14.85	2.07
Non-LTC Institutional Pharmacies [6]	471	96,346	4,166	$15.19	$11.76	$11.77	$10.73	$10.02	$10.15	$17.82	$13.58	$16.81	1.97
Unit Dose:													
Does dispense unit dose	40	221,457	5,491	$12.25	$12.23	$11.78	$11.77	$11.52	$10.98	$3.20	$11.23	$13.28	2.02
Does not dispense unit dose	454	97,460	4,140	$15.37	$11.79	$11.87	$10.75	$10.02	$10.19	$18.12	$13.70	$17.04	1.97
Critical Access Pharmacies[7]**:**													
Classified as Critical Access Pharmacy	10	46,128	2,792	$49.89	$21.40	$17.78	$14.83	$12.85	$12.85	$72.65	($2.08)	$101.87	2.26
Not classified as Critical Access Pharmacy	484	108,768	4,280	$14.40	$11.78	$11.78	$10.82	$10.14	$10.31	$13.62	$13.18	$15.61	1.96
Social Vulnerability Indicator[8]**:**													
SVI1 (0.62 to 0.96)	142	86,546	5,263	$17.44	$12.10	$12.91	$11.01	$10.47	$10.52	$23.52	$13.53	$21.34	1.98
SVI2 (0.45 to 0.61)	136	95,707	5,307	$13.61	$10.84	$11.26	$10.60	$9.96	$10.11	$17.44	$10.65	$16.57	1.98
SVI3 (0.07 to 0.44)	130	81,417	3,688	$12.94	$10.83	$11.40	$10.31	$9.68	$9.85	$9.55	$11.29	$14.60	1.98
Out-of state pharmacies	86	200,177	1,753	$16.95	$13.11	$11.01	$12.35	$10.78	$10.98	$14.03	$13.94	$19.96	1.99
340B Pharmacy Status													
Covered Entity	60	56,987	3,701	$31.30	$21.27	$20.86	$23.02	$20.03	$18.84	$33.26	$22.71	$39.90	2.00
Contract Pharmacy	279	119,903	4,057	$11.95	$11.38	$11.68	$10.69	$10.02	$10.63	$4.31	$11.44	$12.46	1.97

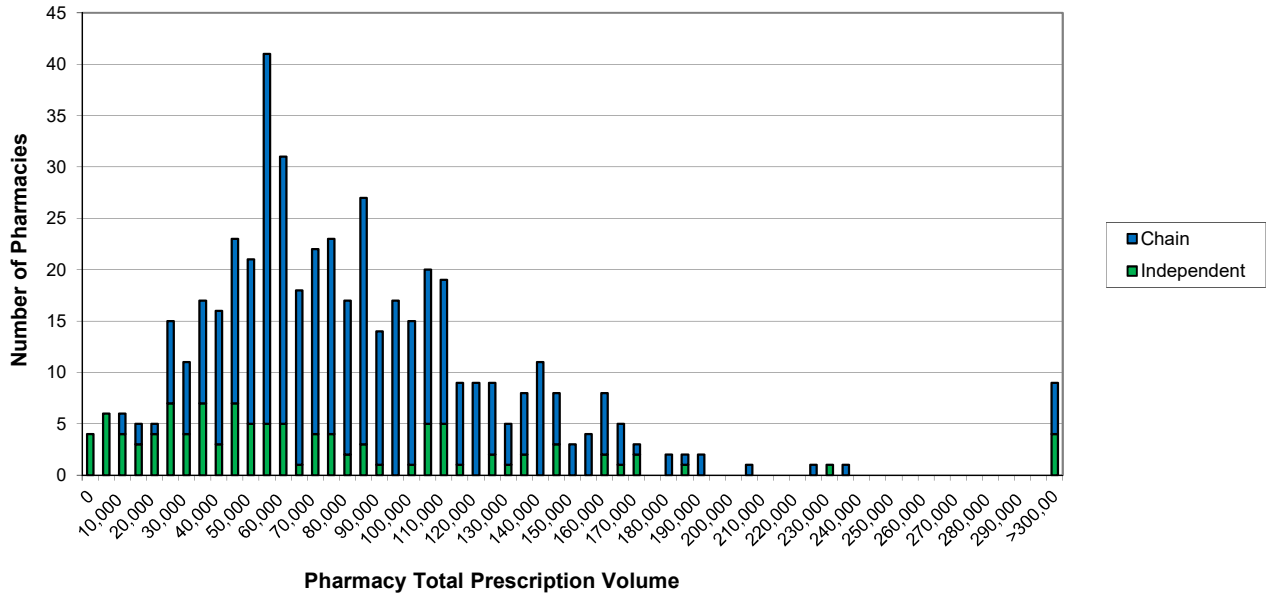
Notes:
1) All pharmacy dispensing costs are inflated to the common point of 12/31/2023 (i.e., midpoint of a fiscal year ending 6/30/2024).
2) For purposes of this report a "specialty pharmacy" is one that reported sales for intravenous, home infusion, clotting factor and/or other specialty products of 45 percent or more of total prescription sales.
3) For purposes of this report specialty pharmacies were divided into three categories. Clotting factor specialty, infusion specialty, and other specialty.
4) Myers and Stauffer used the pharmacies' zip code and the Zipcode to Carrier Locality File from the Centers for Medicare & Medicaid Services to determine if the pharmacy was located in an urban or rural area.
5) Medicaid volume is based on the time period of January 1, 2023 to December 31, 2023.
6) For purposes of this report an "LTC Institutional Pharmacy" is one that reported dispensing 25 percent or more of prescriptions to long-term care facilities.
7) According to OAR 431-121-2000(4) "Critical Access Pharmacy (CAP)" means a pharmacy in Oregon that is further than a ten-mile radius from any other pharmacy. CAP designation is based on self-reported response to the 2023 OHA prescription volume survey.
8) Social Vulnerability Indicator: The Center for Disease Control/Agency for Toxic Substances and Disease Registry (CDC/ATSDR) publishes a Social Vulnerability Indicator (SVI) that considers the resilience of communities when confronted by external stress on human health. SVI values are determined from a percentile ranking of the component resulting in composite scores that range from 0 to 1. Within this ranking, higher values are associated with greater vulnerability.

Exhibit 10
Charts Relating to Pharmacy Total Prescription Volume:

A: Histogram of Pharmacy Total Prescription Volume

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

Histogram of Pharmacy Total Prescription Volume



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

(Non-Specialty Pharmacies, Total Prescription Volume < 400,000)

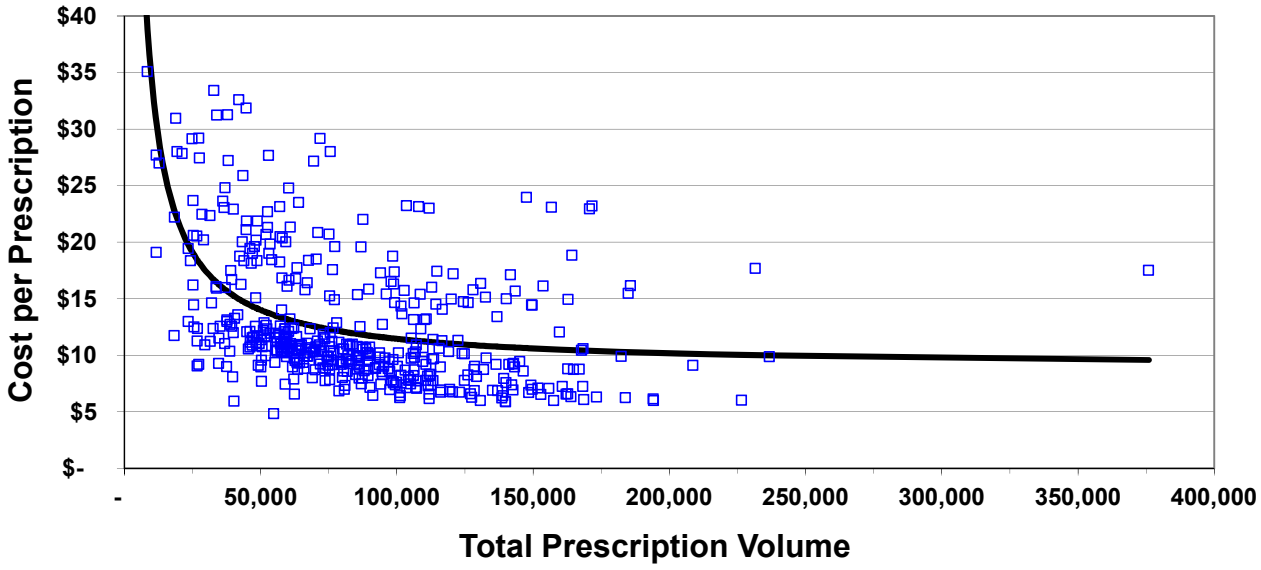


Exhibit 11
Chart of Components of Cost of Dispensing per Prescription

Chart of Components of Dispensing Cost per Prescription (Non-specialty pharmacies)

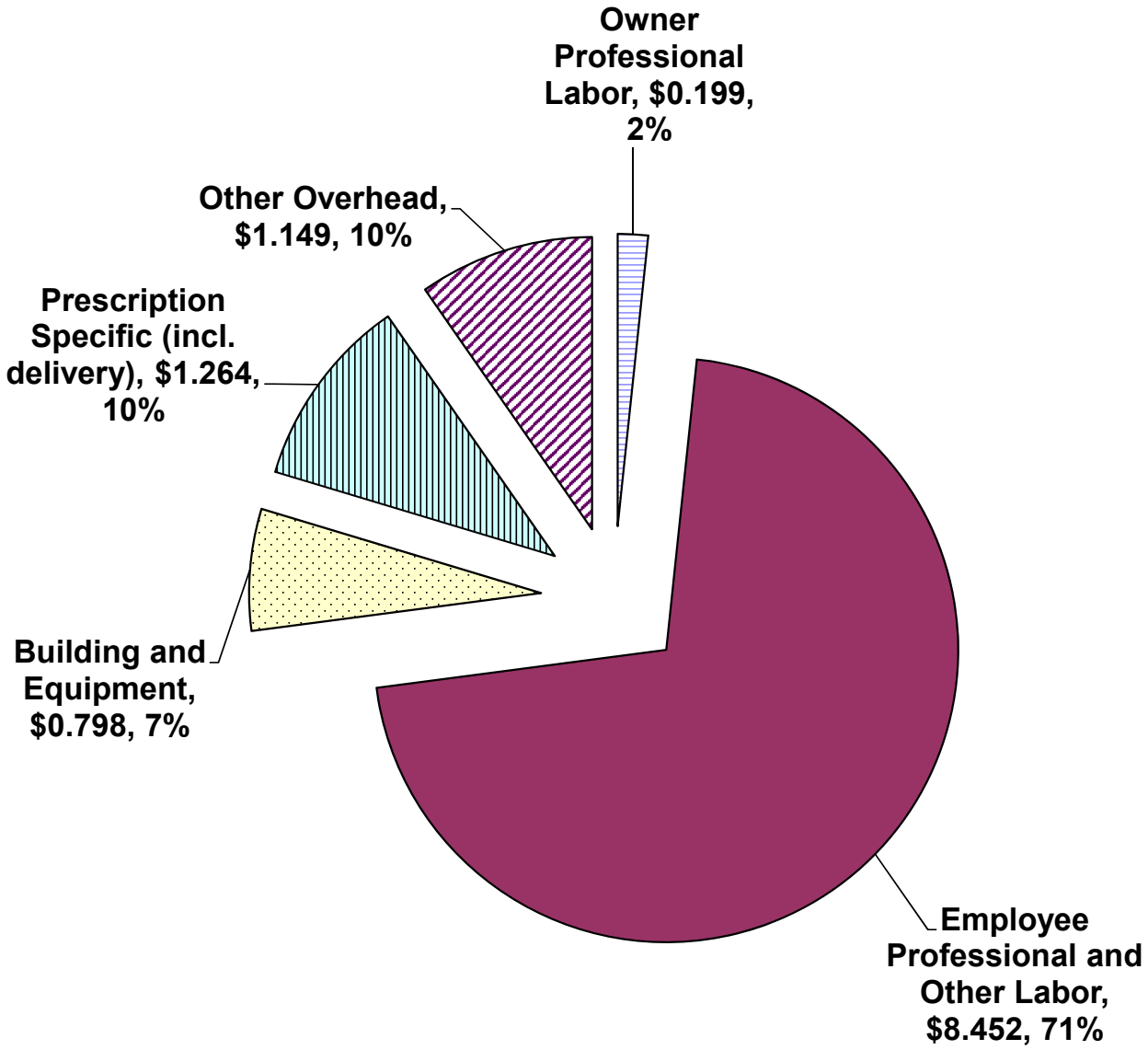


Exhibit 12
Summary of Pharmacy Attributes

Summary of Pharmacy Attributes
Oregon Health Authority

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)	561	Oregon Medicaid fee for service	N/A	7.3%
		Other third party	N/A	73.8%
		Cash	N/A	18.9%
		Total	N/A	*100.0%*
Payer Type: percent of payments (averages)	560	Oregon Medicaid fee for service	N/A	6.1%
		Other third party	N/A	91.0%
		Cash	N/A	2.9%
		Total	N/A	*100.0%*
Type of ownership	563	Individual	4	0.7%
		Corporation	536	95.2%
		Partnership	2	0.4%
		Other	21	3.7%
		Total	*563*	*100.0%*
Location	563	Medical office building	87	15.5%
		Shopping center	17	3.0%
		Stand alone building	157	27.9%
		Grocery store / mass merchant	251	44.6%
		Outpatient Hospital	18	3.2%
		Other	33	5.9%
		Total	*563*	*100.0%*
Purchase drugs through 340B pricing	563	Yes	322	57.2%
		No	241	42.8%
		Total	*563*	*100.0%*
Provision of 340B inventory to Medicaid (for those that indicated they purchase drugs through 340B pricing)	322	Yes	45	14.0%
		No	277	86.0%
		Total	*322*	*100.0%*
Building ownership (or rented from related party)	563	Yes, (own building or rent from related party)	214	38.0%
		No	349	62.0%
		Total	*563*	*100.0%*
Hours open per week	536	61.1 Hours	N/A	N/A
Years pharmacy has operated at current location	548	22.1 Years	N/A	N/A
Provision of 24 hour emergency services	563	Yes	77	13.7%
		No	486	86.3%
		Total	*563*	*100.0%*
Percent of prescriptions to generic products	532	Percent of prescriptions dispensed that were generic products	532	79.0%
Percent of prescriptions to long-term care facilities	563	Yes (Average of 37.7% of prescriptions were to long-term care facilities for those pharmacies indicating dispensation to long-term care facilities)	57	10.1%
		No	506	89.9%
		Total	563	*100.0%*
Provision of unit dose services	563	Yes (average of 53.2% of prescriptions for pharmacies indicating provision of unit dose prescriptions. Approximately 96.0% of unit dose prescriptions were reported as prepared in the pharmacy with 4.0% reported as purchased already prepared from a manufacturer)	67	11.9%
		No	496	88.1%
		Total	*563*	*100.0%*

Summary of Pharmacy Attributes
Oregon Health Authority

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Percent of total prescriptions delivered	563	Yes (Average of 44.0% of prescriptions were delivered for those pharmacies indicating delivery)	238	31.4%
		No	325	68.6%
		Total	*563*	*100.0%*
Percent of Medicaid prescriptions delivered	563	Yes (Average of 41.1% of Medicaid prescriptions were delivered for those pharmacies indicating delivery)	196	34.8%
		No	367	65.2%
		Total	*563*	*100.0%*
Percent of prescriptions dispensed by mail	563	Yes (Average of 28.9% of prescriptions were delivered by mail for those pharmacies indicating delivery)	270	48.0%
		No	293	52.0%
		Total	*563*	*100.0%*
Percent of prescriptions compounded	563	Yes (Average of 6.7% of total prescriptions were compounded for pharmacies indicating compounding)	122	21.7%
		No	441	78.3%
		Total	*563*	*100.0%*