

2021 Retail Pharmacy Reimbursement in Medicare Part D by Drug and Pharmacy Type

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Tory Carver, FSA, MAAA

Samantha D'Anna, PhD

Tracy Margiott, FSA, MAAA

Executive Summary

Retail pharmacy reimbursement at the point of sale (POS) differs by pharmacy type because of both the cost per drug and mix of drugs dispensed.

Examples:

- **Cost per drug:** Reimbursement amount differs for Drug A by pharmacy type.
- **Mix of drugs dispensed:** Drug A has a higher cost than Drug B, irrespective of pharmacy type. The proportion of Drug A and Drug B dispensed differs by pharmacy type.

Generic Drugs

Cost per drug: On average, Pharmacy Services Administrative Organization (PSAO) and non-PSAO independent pharmacies have higher POS generic drug reimbursement compared to chain pharmacies.

Mix of drugs dispensed: Typically, PSAO and non-PSAO pharmacies dispense a greater proportion of higher cost generics compared to the generic mix dispensed at chain pharmacies.

Brand Drugs

Cost per drug: Average POS brand drug reimbursement is similar across pharmacy types.

Mix of drugs dispensed: The mix of brand drugs dispensed results in similar average brand reimbursement across pharmacy types.

Specialty Drugs

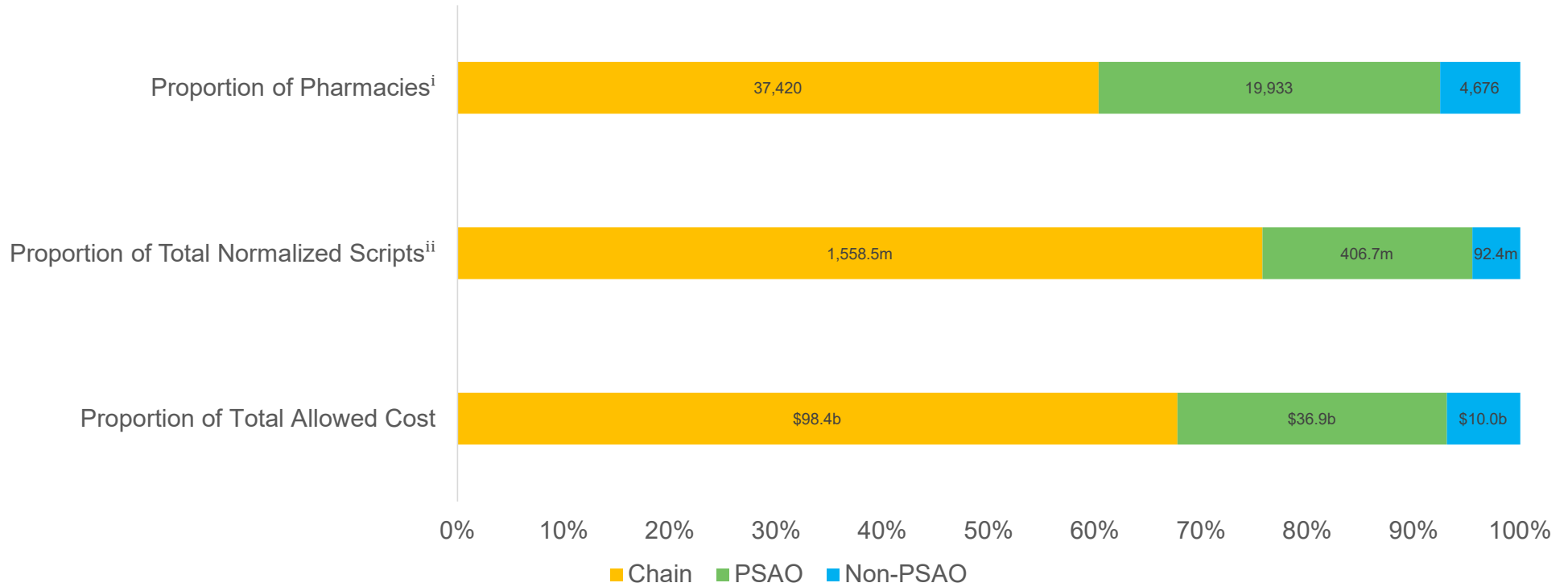
Cost per drug: On average, Non-PSAO pharmacies have higher POS specialty drug reimbursement compared to chain and PSAO pharmacies.

Mix of drugs dispensed: Typically, non-PSAO pharmacies dispense a greater proportion of higher cost specialty drugs compared to the specialty mix dispensed at PSAO and chain pharmacies.

Key Definitions and Data Sources

Retail Pharmacy Types Chain PSAO Non-PSAO	<p>Developed using National Council for Prescription Drug Programs (NCPDP) data. See methodology for further detail.</p> <ul style="list-style-type: none">•Chain: A group of four or more retail pharmacies under common ownership•PSAO: Independent retail pharmacies that are part of a Pharmacy Services Administrative Organizations (PSAO)•Non-PSAO: Independent retail pharmacies that are not part of a PSAO <p>This analysis includes scripts filled at retail pharmacies only. Not all pharmacies are mapped under NCPDP – this analysis uses data from pharmacies mapped into the above categories.</p>
Drug Types Generic Brand Specialty	<p>Generic and brand drugs are defined by Medispan. See methodology for further detail.</p> <p>Specialty drugs are defined as those having an allowed cost per 30-day script greater than \$670, per CMS's CY2021 specialty definition as defined in the annual call letter. Many specialty scripts are filled at specialty pharmacies. These scripts are not included in this analysis.</p>
Part D Allowed Cost	<p>2021 Medicare Part D Cost and utilization data from the Center for Medicare and Medicaid Services (CMS) Research Identifiable Files (RIF).</p> <p>Allowed cost per script metrics reflect POS pharmacy reimbursement prior to any post-POS pharmacy direct and indirect remuneration (DIR). This analysis does not consider the impact of pharmacy DIR, which affects overall reimbursement levels to pharmacies.</p>

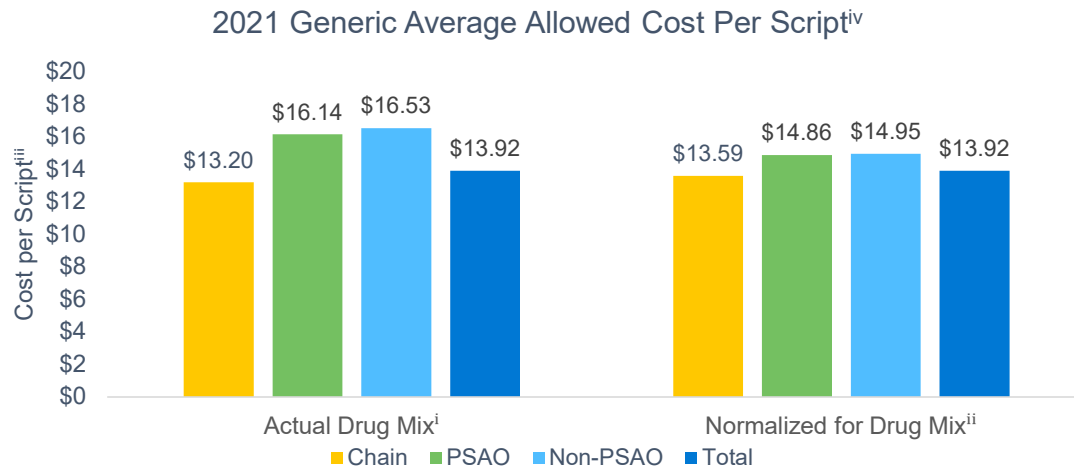
Summary Metrics by Pharmacy Type



ⁱ Pharmacies classified as chain, PSAO, or Non-PSAO that have claims within the RIF dataset.

ⁱⁱ Scripts normalized to a 30-day basis.

POS Reimbursement by Pharmacy Type: Generic Allowed Cost per Script



ⁱ Average allowed cost per script by pharmacy type.

ⁱⁱ Average allowed cost per script by drug was calculated by pharmacy type and re-weighted by the total distribution of scripts across all pharmacy types. This reflects the average cost per script if each pharmacy type dispensed the same mix of drugs.

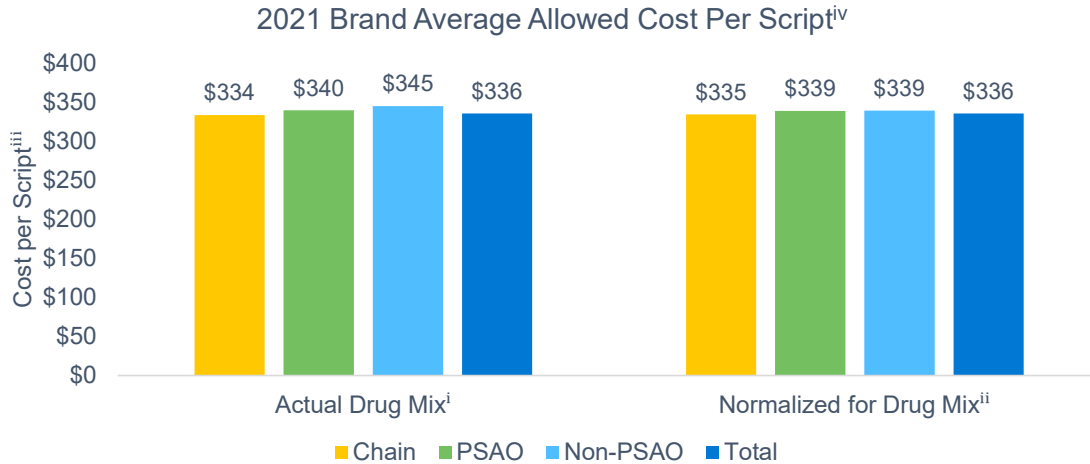
ⁱⁱⁱ Allowed cost per script defined as ingredient cost plus dispensing fee paid at the POS. This analysis does not consider the impact of pharmacy DIR, which affects overall reimbursement levels to pharmacies.

^{iv} Scripts normalized to a 30-day basis.

- On average, (PSAO) and non-PSAO independent pharmacies have higher POS generic drug reimbursement compared to chain pharmacies
- Typically, PSAO and non-PSAO pharmacies dispense a greater proportion of higher cost generics compared to the generic mix dispensed at chain pharmacies
- 50% of all generic drugs have a cost per script between approximately \$3 and \$15

Cost per Script for Generic Drugs with Highest Total Allowed Dollars			
Drug Name	Chain	PSAO	Non-PSAO
ATORVASTATIN CALCIUM	\$5.51	\$5.76	\$5.92
LEVOTHYROXINE SODIUM	\$7.95	\$10.34	\$10.51
GABAPENTIN	\$12.38	\$11.77	\$12.52
METOPROLOL SUCCINATE ER	\$9.24	\$10.42	\$10.38
ROSUVASTATIN CALCIUM	\$12.83	\$13.59	\$13.41
DULOXETINE HCL	\$20.75	\$21.51	\$21.62
WIXELA INHUB	\$171.81	\$203.01	\$200.16
HYDROCODONE/ACETAMINOPHEN	\$20.39	\$24.61	\$24.94
OMEPRAZOLE	\$7.06	\$7.12	\$7.43
LOSARTAN POTASSIUM	\$5.26	\$6.05	\$6.02

POS Reimbursement by Pharmacy Type: Brand Allowed Cost per Script



ⁱ Average allowed cost per script by pharmacy type.

ⁱⁱ Average allowed cost per script by drug was calculated by pharmacy type and re-weighted by the total distribution of scripts across all pharmacy types. This reflects the average cost per script if each pharmacy type dispensed the same mix of drugs.

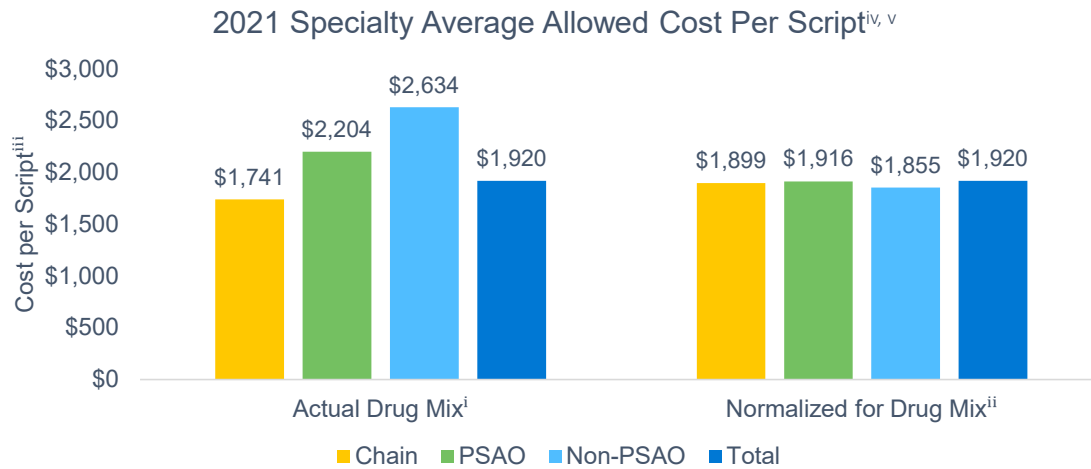
ⁱⁱⁱ Allowed cost per script defined as ingredient cost plus dispensing fee paid at the POS. This analysis does not consider the impact of pharmacy DIR, which affects overall reimbursement levels to pharmacies.

^{iv} Scripts normalized to a 30-day basis.

- Average POS brand drug reimbursement is similar across pharmacy types
- The mix of brand drugs dispensed results in similar average brand reimbursement across pharmacy types
- 50% of all brand drugs have a cost per script between approximately \$90 and \$510

Cost per Script for Brand Drugs with Highest Total Allowed Dollars			
Drug Name	Chain	PSAO	Non-PSAO
ELIQUIS	\$502	\$501	\$498
XARELTO	\$499	\$499	\$496
JANUVIA	\$504	\$508	\$502
JARDIANCE	\$553	\$562	\$558
LANTUS SOLOSTAR	\$337	\$342	\$348
TRELEGY ELLIPTA	\$617	\$619	\$618
MYRBETRIQ	\$428	\$428	\$426
SYMBICORT	\$366	\$365	\$366
NOVOLOG FLEXPEN	\$541	\$523	\$533
ENTRESTO	\$577	\$582	\$580

POS Reimbursement by Pharmacy Type: Specialty Allowed Cost per Script



ⁱ Average allowed cost per script by pharmacy type.

ⁱⁱ Average allowed cost per script by drug was calculated by pharmacy type and re-weighted by the total distribution of scripts across all pharmacy types. This reflects the average cost per script if each pharmacy type dispensed the same mix of drugs.

ⁱⁱⁱ Allowed cost per script defined as ingredient cost plus dispensing fee paid at the POS. This analysis does not consider the impact of pharmacy DIR, which affects overall reimbursement levels to pharmacies.

^{iv} Specialty scripts are commonly filled at specialty pharmacies. This analysis focuses on specialty scripts filled at retail pharmacies.

^v Scripts normalized to a 30-day basis.

- On average, non-PSAO pharmacies have higher POS specialty drug reimbursement compared to chain and PSAO pharmacies
- Typically, non-PSAO pharmacies dispense a greater proportion of higher cost specialty drugs compared to the specialty mix dispensed at PSAO and chain pharmacies
- 50% of all specialty drugs have a cost per script between approximately \$560 and \$2,650

Specialty Distributions by Drug Class

Drug Class	Average Cost per Script	Percentage of Total Specialty Scripts	Percentage of Specialty Scripts by Pharmacy Type		
			Chain	PSAO	Non-PSAO
Autoimmune Agents	\$6,336	3.7%	3.5%	3.9%	5.4%
Incretin Mimetic Agents (GLP-1 Receptor Agonists) ⁱ	\$862	31.9%	34.8%	26.6%	22.2%
Immunomodulators	\$17,516	0.7%	0.8%	0.3%	0.9%
Antineoplastic Enzyme Inhibitor - Blood Cancers	\$10,426	0.8%	0.6%	1.4%	1.8%
Antiretrovirals - HIV Combinations	\$3,418	4.0%	3.1%	6.0%	5.7%
Antineoplastic Enzyme Inhibitor - Other Solid Tumors	\$14,981	0.5%	0.3%	0.7%	1.0%
Multiple Sclerosis Agents	\$5,817	1.1%	1.3%	0.7%	0.8%
Antineoplastic Hormonal Agents - Male	\$6,860	0.8%	0.5%	1.2%	1.5%
Antineoplastic Enzyme Inhibitor - Breast / Ovarian	\$13,429	0.4%	0.3%	0.6%	0.8%
Long-Acting Injectable Antipsychotics	\$2,364	1.9%	0.9%	4.3%	3.4%
All Other Drug Classes	\$1,431	54.2%	53.9%	54.4%	56.5%

- Chain pharmacies have a higher proportion of specialty scripts on Incretin Mimetic Agents (GLP-1 Receptor Agonists), a less-expensive specialty class, compared to PSAO and Non-PSAO pharmacies
- Non-PSAO pharmacies have a higher proportion of specialty scripts on more-expensive specialty classes compared to chain and PSAO pharmacies (e.g., Autoimmune Agents, Antineoplastic Enzyme Inhibitor - Blood Cancers, Antineoplastic Enzyme Inhibitor - Other Solid Tumors, Antineoplastic Hormonal Agents - Male, and Antineoplastic Enzyme Inhibitor - Breast / Ovarian)

Cost per Script for Specialty Drugs with Highest Total Allowed Dollars

Drug Name	Average Cost per Script			Percentage of Specialty Scripts		
	Chain	PSAO	Non-PSAO	Chain	PSAO	Non-PSAO
REVLIMID	\$17,291	\$16,774	\$16,906	0.7%	0.3%	0.7%
TRULICITY ⁱ	\$868	\$871	\$869	16.2%	12.3%	10.0%
HUMIRA PEN	\$6,954	\$7,194	\$7,245	0.9%	1.0%	1.4%
OZEMPIC ⁱ	\$843	\$845	\$843	9.6%	7.0%	6.0%
IMBRUVICA TABLETS	\$14,431	\$14,271	\$14,270	0.1%	0.4%	0.5%
XTANDI	\$11,763	\$11,947	\$12,034	0.2%	0.4%	0.5%
BIKTARVY	\$3,569	\$3,564	\$3,550	1.3%	2.6%	2.5%
IBRANCE	\$13,327	\$13,407	\$13,506	0.2%	0.3%	0.4%
VICTOZA ⁱ	\$894	\$907	\$894	5.7%	4.3%	3.9%
POMALYST	\$19,261	\$18,912	\$18,934	0.2%	0.1%	0.2%

- Chains have a higher proportion of scripts on less-expensive specialty drugs compared to PSAO and Non-PSAO pharmacies (e.g., Trulicity and Ozempic)
- Non-PSAO pharmacies have a higher proportion of scripts on more expensive drugs compared to chain and PSAO pharmacies (e.g., Imbruvica Tablets, Xtandi, Ibrance)
- For Non-PSAO pharmacies, approximately 5% of specialty scripts are on Velphoro, which has a cost per script of approximately \$2,455 at non-PSAO pharmacies

Methodology – Part 1

2021 Medicare Part D Cost and Utilization Data. We relied on calendar year 2021 Medicare Part D data from the CMS Research Identifiable Files (RIF), reflecting 100% of Part D beneficiary experience. The impacts of new medication releases or indications since 2021 are not considered in this analysis. The increase in GLP-1 medication use in subsequent years may impact the results of this analysis.

Pharmacy DIR. In 2021, pharmacy DIR was reflected post-point-of-sale. This analysis does not consider the impact of pharmacy DIR, which affects overall reimbursement levels to pharmacies.

Drug Type. We used a combination of Medi-Span's Multi-Source Code and Brand Name Code to define generic and brand drug type on a National Drug Code (NDC) basis as defined below. The resulting NDC level information is then grouped to a drug name basis, with the most common definition of brand or generic by utilization used as the final assignment. Specialty drugs are defined as those having an allowed cost per 30-day script greater than \$670 at a drug name level, per CMS's CY2021 specialty definition as defined in the annual call letter.

Medi-Span data was used to define brand and generic drugs as follows:

Multisource Code	Brand Name Code	Drug Type
M, N, or O	T	Brand
M, N, or O	B or G	Generic
Y	G, B, or T	Generic

Allowed Cost Per Script. Allowed cost per normalized 30-day script defined as ingredient cost plus dispensing fee paid at the point-of-sale.

Other considerations. This analysis does not analyze all potential drivers of differences in reimbursement by pharmacy type. Other considerations may include preferred and non-preferred network status, differences between 30-day and 90-day reimbursements, the impact of pharmacy DIR, and the impact of newer medications in data after 2021, among others.

Methodology – Part 2

Pharmacy Type. Chain, Independent and PSAO were determined from the primary parent organization relationship type codes, primary provider type codes, and dispenser class codes provided in the National Council for Prescription Drug Program's (NCPDP) DataQ database. We have not validated the accuracy of the information provided by NCPDP. We rely on NCPDP to validate information it receives from pharmacies and other sources.

We considered Chains as pharmacies with parent organization relationship type of 01, and PSAOs as a parent organization relationship type of 05. We reclassified pharmacies with other classification codes by matching legal business names of Chains or PSAOs. All other retail locations were classified as independents.

We excluded the following data:

- Parent Organization Relationship type codes:
 - 03 Drug Purchasing organization (not associated with payers of claims)
 - 04 Claims management organization (not associated with contracts between payers and providers)
 - Names containing "LTC" or "Long Term Care"
- Provider Type Codes not in:
 - 01 Community / Retail pharmacy
 - 08 Indian Health Service / Tribal / Urban Indian Health (I/T/U) Pharmacy
 - 12 Managed Care Organization Pharmacy
 - 14 Clinic Pharmacy
- Dispenser Type Codes:
 - 06 Government Pharmacy
 - 07 Alternate Dispensing Site

Disclosures

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