
Survey of the Average Cost of Filling a Medicaid Prescription in the State of Louisiana

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Table of Contents

I. EXECUTIVE SUMMARY	4
INTRODUCTION.....	4
SUMMARY OF FINDINGS.....	4
II. DISPENSING COST SURVEY	7
METHODOLOGY OF THE DISPENSING COST SURVEY	8
COST FINDING PROCEDURES	11
DISPENSING COST ANALYSIS AND FINDINGS.....	19
COMPONENTS OF DISPENSING COST	22
CONCLUSIONS	24
III. ANALYSIS OF PHARMACY REIMBURSEMENT RATES BY OTHER PAYERS	25
STATE MEDICAID PHARMACY REIMBURSEMENT	25
PRIVATE PAYER PHARMACY REIMBURSEMENT.....	28

EXHIBITS

- Exhibit 1 Louisiana Medicaid Pharmacy Cost Report
- Exhibit 2 Louisiana Medicaid Pharmacy Cost Report Instructions
- Exhibit 3 Letter from the Louisiana Department of Health and Hospitals Regarding Pharmacy Dispensing Cost Survey
- Exhibit 4a Initial Letter from Myers and Stauffer for Dispensing Cost Survey (Independent Pharmacies)
- Exhibit 4b Initial Letter from Myers and Stauffer for Dispensing Cost Survey (Chain Pharmacies)
- Exhibit 5a Second Letter from Myers and Stauffer for Dispensing Cost Survey (Independent Pharmacies)
- Exhibit 5b Second Letter from Myers and Stauffer for Dispensing Cost Survey (Chain Pharmacies)
- Exhibit 6a Third Letter from Myers and Stauffer for Dispensing Cost Survey (Independent Pharmacies)
- Exhibit 6b Third Letter from Myers and Stauffer for Dispensing Cost Survey (Chain Pharmacies)
- Exhibit 7 Response Rate by Parish and Region
- Exhibit 8a Field Examination Notification Letter from Myers and Stauffer
- Exhibit 8b Field Examination Confirmation Letter from Myers and Stauffer
- Exhibit 9 Summary of Field Examination Findings

- Exhibit 10 Construction and Application of Owner Pharmacist Salary Limits
- Exhibit 11 Table of Inflation Factors for Dispensing Cost Survey
- Exhibit 12 Histogram of Pharmacy Dispensing Cost
- Exhibit 13 Pharmacy Dispensing Cost Survey Data - Statistical Summary
- Exhibit 14 Table of Zip Codes, Parishes and Urban Versus Rural Designations

- Exhibit 15 Charts Relating to Pharmacy Total Prescription Volume:
 - A: Histogram of Pharmacy Total Prescription Volume
 - B: Relationship Between Dispensing Cost per Prescription and Total Prescription Volume
- Exhibit 16 Summary of Pharmacy Attributes
- Exhibit 17 Chart of Components of Dispensing Cost per Prescription

I. Executive Summary

Introduction

Under contract to the Louisiana Department of Health and Hospitals, Myers and Stauffer LC performed a study of pharmacy dispensing cost. The dispensing study followed the methodology and used a survey instrument similar to those used by Myers and Stauffer in Medicaid pharmacy engagements in several other states.

There were 1,114 pharmacy providers enrolled in the Medicaid program with paid claims between July 1, 2009 and June 30, 2010. Of these providers, there were - 1,068 pharmacies that were located in the state of Louisiana. Of these, 1,061 pharmacies had Medicaid volume of at least 250 prescriptions or payments of at least \$20,000. Myers and Stauffer randomly selected 600 pharmacies to receive a survey instrument from the population of 1,061 pharmacies. These 600 pharmacies were requested to submit survey information for this study.

Myers and Stauffer performed desk review procedures to test completeness and accuracy for all dispensing cost surveys submitted. Additionally, on-site field visits were performed at 22 pharmacies to validate reported costs. There were 525 pharmacies that filed cost surveys that could be included in this analysis.¹ Data from these surveys was used to calculate the average cost of dispensing at each pharmacy and results from these pharmacies were tabulated and subjected to statistical analysis.

Myers and Stauffer also compared the pharmacy dispensing fee of the Louisiana Medicaid program to the dispensing fees of other state Medicaid programs. Additionally, Myers and Stauffer has provided some general comments relating to the reimbursement rates paid by private drug plans.

Summary of Findings

The significant findings of the study are as follows:

¹ Some pharmacies submitted surveys that were incomplete or contained data errors that precluded their use in this study. As time permitted, pharmacies that submitted incomplete or erroneous survey information were contacted for clarification. However, not all pharmacies responded to these requests for additional information, and those surveys were not included in the final analysis.

Dispensing Cost

- **Per the survey of pharmacy dispensing cost for pharmacies participating in the Louisiana Medicaid program, the statewide average (mean) cost of dispensing, weighted by Medicaid volume, was \$10.13 per prescription.** This figure excludes seven specialty pharmacies which exhibited a significantly different cost structure.

Table 1.1 Dispensing Cost^A for Louisiana Pharmacies

Pharmacies Included in Analysis ^B	518
Unweighted Average (Mean)	\$11.28
Weighted Average (Mean) ^C	\$10.13
Unweighted Median	\$9.86
Weighted Median ^C	\$9.51

^A Inflated to common point of December 31, 2010 (midpoint of state fiscal year ending June 30, 2011).

^B Excludes 7 specialty pharmacies, which for purposes of this report are those pharmacies where intravenous, infusion or other specialty products constituted at least 10% of prescription sales.

^C Weighted by Medicaid volume.

Comparison of Pharmacy Reimbursement Rates

State Medicaid agencies use a wide variety of reimbursement rates in their pharmacy programs. Pharmacy dispensing fees in these programs vary from under \$2 to over \$11. At \$5.77, the dispensing fee for Louisiana Medicaid falls at approximately the 90th percentile of all state Medicaid dispensing fees (i.e., 90% of states pay equal to or less than Louisiana Medicaid). Ingredient reimbursement for brand name drug products ranges from a low of AWP minus 17.5% to a high of AWP minus 5%. At AWP minus 15% for chain² pharmacies and AWP minus 13.5% for non-chain pharmacies, the ingredient reimbursement for brand name drug products under Louisiana Medicaid falls at approximately the 38th percentile of all state ingredient reimbursement rates for brand name drug products (i.e., 38% of states pay equal to or less than Louisiana Medicaid).³

² The Department of Health and Hospitals defines a chain as having more than 15 pharmacies under common ownership and enrolled in Louisiana Medicaid.

³ Based on the midpoint between the independent pharmacy reimbursement rate of AWP minus 13.5% and the chain pharmacy reimbursement rate of AWP minus 15.0% (i.e., AWP minus 14.25%). Percentile ranking is based on states that use AWP as the basis for brand name drug product reimbursement.

Private third party payers generally reimburse for dispensing fees and drug ingredients at rates less than those paid by Louisiana Medicaid. On average, dispensing fees paid by private third party payers are less than the dispensing cost of most pharmacies, with one national study reporting average dispensing fees of less than \$2 in 2010.⁴

⁴ See *2010-2011 Prescription Drug Benefit Cost and Plan Design Report*, Pharmacy Benefits Management Institute, LP and Takeda Pharmaceuticals North America, Inc.

II. Dispensing Cost Survey

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

In its final rule to implement provisions of the Deficit Reduction Act of 2005 (DRA), the Centers for Medicare and Medicaid Services (CMS) have provided some basic guidelines for appropriate costs to be reimbursed via a Medicaid pharmacy dispensing fee. CMS guidelines state:

“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.”⁵

In order to determine costs incurred to dispense pharmaceuticals to Medicaid recipients in the state of Louisiana, Myers and Stauffer utilized a survey method consistent with CMS guidelines and the methodology of previous surveys conducted by Myers and Stauffer in several states.

⁵ See “Medicaid Program; Prescription Drugs; Final Rule.” Federal Register, 72: 136 (17 July 2007), p. 39240. These guidelines are codified at 42 CFR 47.502.

Methodology of the Dispensing Cost Survey

Survey Distribution

Myers and Stauffer obtained from the Department a list of pharmacy providers currently enrolled in the Medicaid program. There were 1,114 pharmacy providers enrolled in the Medicaid program with paid claims between July 1, 2009 and June 30, 2010. Of these providers, there were 1,061 pharmacies that were located in the state of Louisiana and had Medicaid volume of at least 250 prescriptions or payments of at least \$20,000. From these 1,061 pharmacies, Myers and Stauffer randomly selected 600 pharmacies to receive a survey instrument.⁶ Surveys were mailed on December 9, 2010. Each sampled pharmacy received a copy of the cost survey (Exhibit 1), instructions for the survey (Exhibit 2), a letter of explanation from the Department of Health and Hospitals (Exhibit 3) and a letter of explanation from Myers and Stauffer (Exhibit 4a and Exhibit 4b).

Concerted efforts to encourage participation were made to enhance the survey response rate. Myers and Stauffer sent additional letters reminding pharmacies of the survey on January 24, 2011 (Exhibit 5a and Exhibit 5b). On February 28, 2011, an additional letter was mailed extending the due date for the survey by two weeks from February 25, 2011 to March 11, 2011 (Exhibit 6a and Exhibit 6b). The survey forms, instructions and a letter of explanation from Myers and Stauffer offered pharmacy owners the option of having Myers and Stauffer complete certain sections of the survey if copies of financial statements and/or tax returns were submitted. A toll-free telephone number was listed on the survey form and pharmacists were instructed to call to resolve any questions they had concerning completion of the survey form.

Providers were given instructions to report themselves as ineligible for the survey if they met certain criteria. Pharmacies were to be deemed ineligible if they had closed their pharmacy, had a change of ownership, or had less than six months of cost data available (e.g., due to a pharmacy that recently opened, or changed ownership). Of the 600 surveyed pharmacies, 11 pharmacies were determined to be ineligible to participate (based on the returned surveys).

Surveys were accepted through April 15, 2011. As indicated in Table 2.1, there were 525 pharmacies (out of 600 surveyed pharmacies) that submitted a usable cost survey for this study, which is a response rate of 89.1%.

⁶ A total of 53 pharmacies were excluded from the sampling process on the criteria of being located out-of-state or having Medicaid prescription volume less than 250 prescriptions and Medicaid payments of less than \$20,000 (Medicaid volume based on the time period July 1, 2009 and June 30, 2010). The pharmacies excluded from the sampling process based on these criteria accounted for approximately 0.2% of Medicaid prescriptions dispensed and 1.2% of Medicaid payments.

Some of the submitted cost surveys contained errors or did not include complete information necessary for full evaluation. For cost surveys with such errors or omissions, the pharmacy was contacted for clarification. There were some cases in which issues on the cost survey were not resolved in time for inclusion in the final analysis.⁷

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

Table 2.1 Pharmacies Responding to Dispensing Cost Survey

Pharmacy Category	Total Medicaid Enrolled Pharmacies	Total Pharmacies Eligible for Sampling	Sampled Pharmacies Receiving Cost Surveys	Pharmacies Exempt or Ineligible from Filing	Eligible Pharmacies	Usable Cost Surveys Received ⁸	Response Rate
<i>By pharmacy chain or independent affiliation</i>							
Chain ⁹	572	546	305	0	305	288	94.4%
Non-chain	542	515	295	11	284	237	83.5%
TOTAL	1,114	1,061	600	11	589	525	89.1%
<i>By pharmacy location</i>							
Urban ¹⁰	743	737	414	6	408	360	87.0%
Rural	325	324	186	5	181	165	91.2%
Out of State	46	0	0	0	0	0	N/A
TOTAL	1,114	1,061	600	11	589	525	89.1%

Survey response rate by parish and region is included in Exhibit 7.

Tests for Reporting Bias

For the pharmacy traits of affiliation (i.e., chain or independent) and location (i.e., urban or rural), the sample of pharmacies was tested to determine if it was representative of the population of Medicaid provider pharmacies. Since the response rate of the sample pharmacies was less than 100 percent, the possibility of bias in the responding sample should be considered. To measure

⁷ There were 5 surveys received on or before April 15, 2011 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.

⁸ There were 64 eligible pharmacies that did not respond to the survey request with a usable survey on or before April 15, 2011.

⁹ For purposes of this table, a "chain" pharmacy is one that has more than 15 pharmacies under common ownership and enrolled in Louisiana Medicaid. The "non-chain" category includes some pharmacies that meet a casual definition of a "chain pharmacy", but do not meet the criteria for a "chain" based on the definition used by the Department of Health and Hospitals.

¹⁰ For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the parish of the pharmacies' location and tables from the U.S. Census Bureau to determine if the pharmacy was located in a Metropolitan Statistical Area (MSA). Pharmacies in an MSA were assigned an "urban" location flag; other pharmacies were assigned a "rural" location flag.

the likelihood of this possible bias, chi-square (χ^2) tests were performed. A χ^2 test evaluates differences between proportions for two or more groups in a data set.

Of the 525 usable cost surveys, 237 were from non-chain pharmacies and 288 were from chain pharmacies. There was a response rate of 94.4% for chain pharmacies compared to a response rate of 83.5% for independent pharmacies. The results of the χ^2 test indicated that difference in the response rates for chain and independent pharmacies was within sampling tolerances.

A χ^2 test was also performed with respect to the urban versus rural location of the pharmacy. The results of this test indicated that the difference in response rate for pharmacies in urban versus rural locations (a response rate of 87.0% for urban pharmacies compared to a response rate of 91.2% for rural pharmacies) was within sampling tolerances.

Receipt and Review Procedures

For confidentiality purposes, each pharmacy was randomly assigned a four-digit identification number and each cost survey was carefully examined. A desk review was performed for each survey received. This review identified incomplete cost surveys, and pharmacies submitting these cost surveys were contacted by telephone to obtain information necessary for completion.

Field Examination Procedures

In addition to the desk review procedures, 22 pharmacies were selected for an on-site field examination. The selection was primarily random, but geographic location was taken into consideration. A letter was sent to each selected pharmacy notifying them of selection for an on-site visit, the time period during which the field examination would take place, and the necessary data to have available (Exhibit 8a). Each pharmacy was then contacted by telephone for further explanation of the field examination and scheduling of a specific time and date. A second letter was sent to pharmacies confirming the time and date of the field examination with additional details regarding documentation to have available (Exhibit 8b). An examination file was prepared for each of the pharmacies containing a uniform field examination program, a copy of the completed reviewed cost survey and other necessary work papers.

Following the actual visit to the pharmacy, work papers were completed and reviewed for quality assurance. Results of the field examinations showed no significant bias in overstating or understating costs reported on the cost survey (Exhibit 9).

Cost Finding Procedures

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

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

Determining the result of this equation becomes more complex since not all costs are 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. Some pharmacies are involved in the sale of durable medical equipment. The existence of these other lines of business necessitates that procedures be taken to isolate the costs involved in 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 recipients. To accomplish this objective, some pharmacy costs must be allocated between the prescription dispensing function and other business activities. This process identified the reasonable and allowable costs necessary for prescription dispensing to Medicaid recipients.

Dispensing cost consists of two main components: overhead and labor. The cost finding rules employed to determine each of these components are described in the following sections.

Overhead Costs

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

- Sales ratio – prescription sales divided by total sales.
- Area ratio – prescription department floor space (in square feet) divided by total floor space.
- All, or 100% – overhead costs that are entirely related to prescription functions.

- None, or 0% – overhead costs that are entirely related to non-prescription functions.

Overhead costs that were considered *entirely prescription-related* include:

- Prescription department licenses.
- Prescription delivery expense.
- Prescription computer expense.
- Prescription containers and labels (For many pharmacies the costs associated with prescription containers and labels is captured in their cost of goods. 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 set at the 95th percentile of prescription containers and labels expense per prescription for pharmacies that did report prescription containers and labels expense: \$0.3676 per prescription).
- Certain other expenses that were separately identified on lines 21a-21r ¹¹ of the cost survey (Exhibit 1).

Overhead costs that were *not allocated as a prescription expense* include:

- Income taxes ¹²
- Bad debts ¹³
- Advertising ¹⁴

¹¹ “Other” expenses were analyzed to determine the appropriate basis for allocation of each expense: sales ratio, area ratio, 100% related to dispensing cost or 0% (not allocated).

¹² Income taxes are not considered an operational cost because they are based upon the profit of the pharmacy operation. Although a separate line was provided for the state income taxes of corporate filers, these costs were not included in this study as a prescription cost. This provides equal treatment to each pharmacy, regardless of the type of ownership.

¹³ The exclusion of bad debts from the calculation of dispensing costs 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 dispensing fee.

¹⁴ 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.”

- Charitable Contributions ¹⁵
- Certain costs reported on Lines 21a through 21r of the cost survey were occasionally excluded. An example is freight expense, which usually relates only to nonprescription purchases or cost of goods sold.

The remaining expenses were assumed to be related to *both prescription and nonprescription sales*. Joint cost allocation is necessary to avoid understating or overstating the cost of filling a prescription.

Those overhead costs allocated on the *area ratio* (as previously defined) include:

- Depreciation
- Real estate taxes
- Rent ¹⁶
- Repairs
- Utilities

The costs in these categories were considered a function of floor space.¹⁷

Section IB of the survey included two options for pharmacies to report measurements of pharmacy floor space. “Option 1” required that pharmacies report two measurements: 1) total store area and 2) prescription department area. As indicated in the survey instructions, the prescription department measurement was to exclude patient waiting area, counseling area, prescription department office space and prescription department storage. This option allowed pharmacies a relatively simple method to provide store area measurements. It was indicated in the instructions that a standard factor would be used to modify

¹⁵ 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.

¹⁶ The survey instrument included these special instructions for reporting rent: “Overhead costs reported on the cost report must be resulting from arms-length transactions between non-related parties. Related parties include, but are not limited to, those related by family, by business or financial association, and by common ownership or control. The most common non-arms-length transaction involves rental of property between related parties. The only allowable expense of such transactions for cost determination purposes would be the actual costs of ownership (depreciation, taxes, interest, etc., for the store area only).” 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.”

¹⁷ 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.

the area ratio obtained under this method to account for patient waiting area, counseling area, prescription department office space and prescription department storage.

Section IB also offered “Option 2”, for which pharmacies reported measurements for patient waiting area, counseling area, prescription department office space and prescription department storage in addition to total store area and prescription department area.

Of the 525 usable cost of dispensing surveys submitted to Myers and Stauffer, there were 49 surveys which reported store area using Option 2. Based on an analysis of the data reported, Myers and Stauffer calculated that the average ratio of the “base” prescription department area (i.e., the area where prescriptions are actually filled) to the prescription department area inclusive of patient waiting area, counseling area, prescription department office space and prescription department storage was 1.02. In other words, the total area associated with patient waiting area, counseling area, prescription department office space and prescription department storage was approximately equal, on average, to the area of the “base” prescription department.

Based on this analysis, a factor of 2.0 was used for pharmacies reporting store area using Option 1. The raw floor space ratio reported on the cost survey was increased by this factor to account for patient waiting area, counseling area, prescription department office space and prescription department storage. For pharmacies that reported store area using Option 2, the actual measurements were used to calculate the area ratio. The resulting area ratio was adjusted downward, when necessary, so not to exceed the sales ratio (in order to avoid allocating 100% of these costs in the instance where the prescription department occupies the majority of the area of the store).

Overhead costs allocated using the *sales ratio* include:

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

Labor Costs

Labor costs are 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 per prescription. There are various classifications of salaries and wages requested on the cost survey (Lines 1a-4 of Page 6 of the cost survey) due to the different cost 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 (Lines 2a to 2j of Page 6 of the cost survey) 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 prescription labor costs 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:¹⁸

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

The allocation of salaries, payroll taxes, and benefits for all other prescription employees (Lines 3a-3h of Page 6 of the cost survey) was based directly upon the percentage of time spent in the prescription department as indicated on the individual cost survey. For example, if the reported percentage of prescription time was 75 percent and total salaries were \$10,000, then the allocated prescription cost would be \$7,500.

Owner Compensation Issues

The allocation of salaries, payroll taxes, and benefits of the owner pharmacists (Lines 1a-1d of Page 6 of the cost survey) was based upon the same modified percentage as that used for employee pharmacists. However, limitations were placed upon the allocated salaries, payroll taxes, and benefits of owner pharmacists. Since compensation reported for owner pharmacists are not costs

¹⁸ 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.

that have arisen from arm's length negotiations, they are not similar to other costs. A pharmacy owner has a different approach toward other expenses than toward his/her own salary. In fact, owners often pay themselves above the market costs of securing the services of an employee pharmacist. This excess effectively represents a withdrawal of business profits, not a cost of dispensing. Some owners may underpay themselves for business reasons, which would also misrepresent the true dispensing cost.

A factor considered in determining the allocation of owner's salaries was the variability in productivity. For example, one owner pharmacist may dispense 30,000 prescriptions per year while another may dispense 5,000. Those owner pharmacists who dispensed a greater number of prescriptions were allowed a higher salary than were owner pharmacists who dispensed a smaller number of prescriptions. Since variance is not nearly as great with respect to employee pharmacists, the owner pharmacist's salary was subjected to limits based upon employee pharmacists' salaries per prescription.

Determining Owner Compensation Allowances

To estimate the cost that would have been incurred had an employee been hired to perform the prescription-related functions actually performed by the owner, a statistical regression technique was used. A bivariate plot shows the correlation between an independent (predictor) variable and a dependent (predicted) variable (Exhibit 10). The upper and lower limits on owner pharmacist salary were determined from a bivariate regression.¹⁹ In order to accurately reflect the trend of decreasing marginal costs with increasing volume, a regression technique that fit the bivariate data to a logarithmic curve was used. The resulting regression equation to predict pharmacist labor cost at varying amounts of work performed is:

$$\text{Labor cost} = 42,137 \times \ln(\text{number of prescriptions dispensed}^{20}) - 310,724$$

(where \ln represents the natural logarithm function)

This equation was used to establish limits for allocating owner pharmacist costs. There was variation in actual employee salaries both above and below this regression line. This variation is measured by the equation's *standard error of the estimate*, \$29,787. The standard error of the estimate was used to construct upper and lower limits of owner pharmacist labor cost:

$$\text{Upper Limit} = 42,137 \times \ln(\text{number of prescriptions dispensed}) - 261,729$$

¹⁹ Employee pharmacist salary per prescription was used to set limitations on owner pharmacist salary estimates due to the "arm's length" nature and lack of variance in employee productivity compared with owner productivity.

²⁰ The number of prescriptions filled by the owner pharmacist was determined by multiplying the percent of owner-filled prescriptions (Lines 1a-1d of Page 6 of the cost survey) by the total number of prescriptions dispensed (Line a of Page 1 of the cost survey).

$$\text{Lower Limit} = 42,137 \times \ln(\text{number of prescriptions dispensed}) - 326,344$$

These two constraints effectively set upper and lower thresholds at approximately the 30th and 95th percentiles of volume adjusted employee salaries. An additional constraint is a \$157,340 maximum salary and a \$24,807 minimum salary. These amounts are set at the 40th and 95th percentile of volume adjusted employee salaries.

There is no reason to believe that managerial or clerical duties performed by the non-pharmacist owners were more valuable to the prescription dispensing function than for other functions. As with other owners, the amount shown for salaries, payroll taxes, and benefits was not a result of arm's length negotiations. Therefore, an upper limit of \$83,200 and a lower limit of \$31,200 were placed upon these labor costs. These limits were based on an analysis of salaries of employee pharmacists and were adjusted based on the reported time worked by the owner non-pharmacist.

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 dispensing cost. Of the 525 pharmacies in the cost analysis, owner limits impacted 197 pharmacies, or 37.5%. Of these, 53 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 144 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 dispensing cost per prescription was decreased by approximately \$0.02 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 instance, the constraint would come into play for an operation that reported 75 percent pharmacy sales and 100 percent pharmacy labor (obviously, 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:

$$\frac{0.3(\text{Sales Ratio})}{0.1 + (0.2)(\text{Sales Ratio})}$$

A sensitivity analysis of the labor cost restraint was performed in order to determine the impact of the limit on the overall analysis of pharmacy cost. The analysis indicates that of the 525 pharmacies included in the dispensing cost analysis, this limit was applied to 50 pharmacies. The final estimate of average pharmacy dispensing cost per prescription was decreased by approximately \$0.02 as a result of this limit.

Inflation Factors

All allocated costs for overhead and labor were totaled and multiplied by an inflation factor. Inflation factors are intended to reflect cost changes from the middle of the reporting period of a particular pharmacy to a common fiscal period ending December 31, 2010 (specifically from the *midpoint* of the pharmacy's fiscal year to the *midpoint* of the common fiscal period, the year ending June 30, 2011). The midpoint and terminal month indices used were taken from the Employment Cost Index, (health care and social assistance; seasonally adjusted) (Exhibit 11). The use of inflation factors is preferred in order for pharmacy cost data from various fiscal years to be compared uniformly.

Dispensing Cost Analysis and Findings

The dispensing costs for all pharmacies in the sample are summarized in the following tables and paragraphs. Findings for all pharmacies in the sample are presented collectively, and additionally are presented for subsets of the sample 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 average, or mean, and the median. Findings are presented in the forms of means and medians, both raw and weighted.²¹

As is typically the case with dispensing cost surveys, statistical “outliers” are a common occurrence. These outlier pharmacies have dispensing costs that are not typical of the majority of pharmacies. Medians are sometimes preferred to averages (i.e., the arithmetic mean) in situations where the magnitude of outlier values results in an average that does not represent what is thought of as “average” or normal in the common sense.

For all pharmacies in the sample, findings are presented in Table 2.2.

Table 2.2 Cost Per Prescription – All Pharmacies

	Dispensing Cost
Unweighted Average (Mean)	\$18.24
Average (Mean) Weighted by Medicaid Volume	\$10.24
Unweighted Median	\$9.93
Median Weighted by Medicaid Volume	\$9.51

(Dispensing costs have been inflated to the common point of December 31, 2010)

See Exhibit 12 for a histogram of the dispensing cost for all pharmacies in the sample. There was a large range between the highest and the lowest dispensing

²¹ **Different Measures of Central Tendency:**

Unweighted mean: the arithmetic average cost for all pharmacies.

Weighted mean: the average cost of all prescriptions dispensed by pharmacies included in the sample, 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 in the sample and divides that sum by the total of all prescriptions in the sample. The weighting factor can be either total prescription volume or Medicaid prescription volume.

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

cost observed for pharmacies in the sample. However, the majority of pharmacies (80%) had dispensing costs between approximately \$6 and \$17.

Several pharmacies included in the cost analysis were identified as specialty pharmacies, which for purposes of this report are those pharmacies where intravenous, infusion or other specialty products constituted at least 10% of prescription sales. The analysis revealed significantly higher cost of dispensing associated with seven pharmacies in the sample that provided significant levels of these services.²²

The difference in dispensing costs that were observed for providers of specialty services compared to those pharmacies that did not offer these specialty services is summarized in Table 2.3.

Table 2.3 Cost Per Prescription - Specialty Versus Other Pharmacies

Type of Pharmacy	Number of Pharmacies	Unweighted Average (Mean) Cost	Standard Deviation
Specialty Pharmacies (e.g., intravenous or infusion)	7	\$533.28	\$1,231.30
Other Pharmacies	518	\$11.28	\$10.19

(Dispensing costs have been inflated to the common point of December 31, 2010)

Pharmacies that dispense specialty prescriptions as a significant part of their business often have dispensing costs in excess of those found in a traditional pharmacy. The analyses summarized in Tables 2.4 and 2.5 below exclude the 7 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 Louisiana Medicaid pharmacy providers that provide “traditional” pharmacy services.

Table 2.4 restates the measurements noted in Table 2.2 excluding pharmacies that dispensed significant volumes of specialty prescriptions.

²² In every pharmacy dispensing study where information on intravenous solution and home infusion dispensing activity has been collected by Myers and Stauffer, such activity has been found to be associated with higher dispensing costs. Discussions with pharmacists providing these services indicate that the activities and costs involved in these specialty prescriptions are significantly different from the costs incurred by the traditional retail or institutional pharmacy. The reasons for this difference include:

- Costs of special equipment for mixing and storage of specialty products.
- Higher direct labor costs because most specialty prescriptions must be prepared in the pharmacy, whereas the manual activities to fill traditional prescription are mainly limited to counting pills (or vials, etc.) and printing and affixing the label.
- There is often inconsistency in the manner in which prescriptions are counted in specialty pharmacies. A specialty pharmacy may mix and deliver many “dispensings” of a daily intravenous, home infusion or blood factor product from a single prescription, counting it in their records as only one prescription. This results in dispensing costs being spread over a number of prescriptions that is smaller than if the pharmacy had counted each refill as an additional prescription.

This latter factor, in particular, can have a dramatic impact on increasing a pharmacy’s calculated cost per prescription.

Table 2.4 Cost Per Prescription – Excluding Specialty Pharmacies

Dispensing Cost	
Unweighted Average (Mean)	\$11.28
Average (Mean) Weighted by Medicaid Volume	\$10.13
Unweighted Median	\$9.86
Median Weighted by Medicaid Volume	\$9.51

(Dispensing costs have been inflated to the common point of December 31, 2010)

Additional statistical measures of pharmacy dispensing cost are provided in Exhibit 13. For measurements that refer to the urban or rural location of a pharmacy, Myers and Stauffer used the pharmacies' zip code and tables from the U.S. Census Bureau to determine if the pharmacy was located in a Metropolitan Statistical Area (MSA). Pharmacies in an MSA were assigned an "urban" location flag; other pharmacies were assigned a "rural" location flag. A table of zip codes and their designation as urban or rural is included at Exhibit 14. It should be noted that zip codes can overlap parish boundaries; therefore the mapping of zip codes into parishes and a corresponding MSA should be considered an approximation.

The relationship between total prescription volume and dispensing cost was especially pronounced. Pharmacies were classified into meaningful groups based upon their differences in total prescription volume. Dispensing costs were then analyzed based upon these volume classifications.

Table 2.5 Dispensing Cost by Pharmacy Total Annual Prescription Volume^A

Total Annual Prescription Volume of Pharmacy	Number of Stores	Unweighted Average (Mean) Cost	Average (Mean)
			Weighted by Medicaid Volume
0 to 49,999	202	\$13.86	\$12.05
50,000 to 79,999	124	\$10.10	\$10.06
80,000 and Higher	192	\$9.34	\$9.51

^A Excludes 7 specialty pharmacies, which for purposes of this report are those pharmacies where intravenous, infusion or other specialty products constituted at least 10% of prescription sales.

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

Medicaid volume or total prescription volume may provide a more realistic measurement of typical dispensing cost.

Table 2.6 Statistics for Pharmacy Total Annual Prescription Volume^A

Statistic	Value
Mean	77,260
Standard Deviation	54,539
10 th Percentile	24,739
25 th Percentile	38,392
Median	60,850
75 th Percentile	105,958
90 th Percentile	149,862

^A Excludes 7 specialty pharmacies, which for purposes of this report are those pharmacies where intravenous, infusion or other specialty products constituted at least 10% of prescription sales.

A histogram of pharmacy total annual prescription volume and a scatter-plot of the relationship between dispensing cost per prescription and total prescription volume are included in Exhibit 15.

Several pharmacy attributes were collected on the cost survey. A summary of these attributes is provided at Exhibit 16.

Components of Dispensing Cost

The dispensing cost of the surveyed pharmacies was broken down into the various components of overhead and labor related costs. Table 2.7 displays the means of the various cost components for pharmacies in the sample. Labor-related expenses accounted for approximately 60% to 70% of overall prescription dispensing costs.

Expenses in Table 2.7 are classified as follows:

- Owner professional labor – owner’s labor costs were subject to constraints in recognition of its special circumstances as previously noted.
- Employee professional labor consists of employee pharmacists. Other labor includes the cost of delivery persons, interns, technicians, clerks and any other employee with time spent performing the prescription dispensing function of the pharmacy.
- Building and equipment expense includes depreciation, rent, building ownership costs, repairs, utilities and any other expenses related to building and equipment.

- Prescription-specific expense includes pharmacist-related dues and subscriptions, prescription containers and labels, prescription-specific computer expenses, prescription-specific delivery expenses (other than direct labor costs) and any other expenses that are specific to the prescription dispensing function of the pharmacy.
- Other overhead expenses consist of all other expenses that were allocated to the prescription dispensing function of the pharmacy including interest, insurance, telephone, and legal and professional fees.

Table 2.7 Components of Prescription Dispensing Cost

Type of Expense	Unweighted Average (Mean) Cost	Average (Mean) Weighted by Medicaid Volume
Owner Professional Labor	\$1.440	\$1.050
Employee Professional and Other Labor	\$6.080	\$5.258
Building and Equipment	\$0.857	\$0.781
Prescription Specific Expenses (incl. delivery)	\$1.455	\$1.689
Other Overhead Expenses	\$1.447	\$1.354
Total	\$11.279	\$10.131

^A Excludes 7 specialty pharmacies, which for purposes of this report are those pharmacies where intravenous, infusion or other specialty products constituted at least 10% of prescription sales.

A pie chart of the components of prescription dispensing cost is provided in Exhibit 17.

Expenses Not Allocated to the Cost of Dispensing

In the following Table 2.8, measurements are provided for certain expenses that were not included in the cost of dispensing. Reasons for not including these costs were discussed previously. For all of the expenses below, average cost per prescription was calculated using a sales ratio as the basis for allocation.

Table 2.8 Non-Allocated Expenses Per Prescription^A

Expense Category	Unweighted Average (Mean) Cost	Average (Mean) Weighted by Medicaid Volume
Bad Debts	\$0.055	\$0.085
Charitable Contributions	\$0.016	\$0.015
Advertising	\$0.342	\$0.244

^A Excludes 7 specialty pharmacies, which for purposes of this report are those pharmacies where intravenous, infusion or other specialty products constituted at least 10% of prescription sales.

Conclusions

Myers and Stauffer performed a study of the cost of dispensing prescription medications to Medicaid recipients in the state of Louisiana. The dispensing cost study considered operational data, professional services data and overhead data relating to the costs of pharmacy operation. Based on our analysis of dispensing costs of pharmacies participating in the Louisiana Medicaid program, the statewide average²³ dispensing cost per prescription for all payer types was \$10.13 This figure excludes 7 specialty pharmacies, which as noted previously exhibited a significantly different cost structure.

²³ The statewide average dispensing cost per prescription is the mathematical mean, weighted by each pharmacy's Medicaid volume. That is, the average dispensing cost per prescription of a pharmacy with higher Medicaid volume is weighted more in this average than a pharmacy with lower Medicaid volume.

III. Analysis of Pharmacy Reimbursement Rates by Other Payers

State Medicaid Pharmacy Reimbursement

Dispensing fees for Medicaid programs vary from state to state and have typically been based on an analysis of costs incurred by pharmacies within the state as well as other market factors. An overview of Medicaid dispensing fees and ingredient reimbursement is included in the following table.

Table 3.1 State Medicaid Pharmacy Reimbursement Rates²⁴

State	Dispensing Fee	Ingredient Reimbursement
Alabama	\$10.64	AAC
Alaska	3.45 to 11.46	AWP - 5%
Arizona	\$2.00	AWP - 15%
Arkansas	\$5.51	B: AWP - 14% G: AWP - 20%
California	\$7.25 \$8.00 (LTC)	AWP - 17%
Colorado	\$4.00 \$1.89 for Institutions	B: AWP - 14.5% G: AWP - 45%
Connecticut	\$3.15	B: AWP - 14% G: AWP - 40%
Delaware	\$4.50	AWP - 14% AWP - 16% (LTC)%
DC	\$4.50	AWP - 10%
Florida	\$3.73 (Non 340 B) \$7.50 (340 B)	AWP - 16.4% WAC + 4.75%
Georgia	\$4.63 (for profit) 4.33 (not for profit)	AWP - 11%
Hawaii	\$4.67	AWP - 10.5%
Idaho	\$4.94 (\$5.54 for unit dose)	AWP - 12%
Illinois	B: \$3.40 G: \$4.60	B: AWP -12% G: AWP - 25%
Indiana	\$4.90	B: AWP -16% G: AWP - 20%
Iowa	\$4.34	AWP - 12%
Kansas	\$3.40	B: AWP -13% G: AWP - 27%
Kentucky	G: \$5.00 B: \$4.50	G: AWP - 14% B: AWP - 15%
Louisiana	\$5.77	AWP - 13.5% (AWP - 15% for chains)

²⁴ Source: CMS, "Medicaid Prescription Reimbursement Information by State - Quarter Ending December 2010". See http://www.cms.hhs.gov/Reimbursement/20_StateMedicaidRxReimb.asp.

State	Dispensing Fee	Ingredient Reimbursement
Maine	\$3.35 \$1.00 (mail order) \$4.35 and \$5.35 (compounding) \$12.50(insulin syringe)	AWP - 15% AWP - 17%(on direct supply) AWP - 20% (mail order)
Maryland	B: \$2.69 G: \$3.69 (+\$1.00 for LTC) \$7.25 (home IV)	AWP - 12% WAC + 8%
Massachusetts	\$3.00(Non 340B) \$10 (340B)	WAC + 5%
Michigan	\$2.50 (\$2.75 LTC)	AWP - 13.5% (1-4 stores) AWP - 15.1% (5+ stores)
Minnesota	\$3.65(+\$0.30 for legend unit dose drugs)	AWP - 12%
Mississippi	B: \$3.91 G: \$5.50	B: (AWP - 12%/WAC + 9%) G: AWP - 25%
Missouri	\$4.09	AWP - 10.43% WAC + 10%
Montana	\$5.04 \$12.50 to \$22.50 (compounding)	AWP - 15%
Nebraska	\$3.27 to \$5.00	AWP - 11%
Nevada	\$4.76 \$22.40 daily (home IV therapy) \$16.80 daily (nursing facility IV therapy)	AWP - 15%
New Hampshire	\$1.75	AWP - 16%
New Jersey	\$3.73 to \$3.99 (twenty-four hour emergency service, patient consultation and location)	AWP - 17.5%
New Mexico	\$2.50 or \$3.65	AWP - 14%
New York	B:\$3.50 G:\$4.50	B: AWP -16.25% B: AWP - 12%(specialized HIV pharmacies) G: AWP - 25%
North Carolina	B:\$4.00 G:\$5.60	WAC + 7% or AWP - 14.5% ASP + 2.39% or AWP - 13.61% (physician administered drugs)
North Dakota	B:\$4.60 G:\$5.60 plus \$0.15 per pill (pill splitting)	AWP - 10% WAC +12.5%
Ohio	\$3.70	AWP - 14.4% WAC + 7%
Oklahoma	\$4.02	AWP - 12.0%
Oregon	Volume tiers: \$14.01, \$10.14 and \$9.68	AAC
Pennsylvania	\$4.00 \$5.00 (compounding)	AWP - 14% WAC + 7%
Rhode Island	\$3.40 (outpatient) LTC: \$2.85	WAC
South Carolina	\$4.05 LTC: \$3.15	AWP - 10%
South Dakota	\$4.75 (\$5.55 for unit dose)	AWP - 13%

State	Dispensing Fee	Ingredient Reimbursement
Tennessee	PBM national network: \$1.50 TennCare network: B: \$2.50 G: \$3.00 LTC B: \$5.00 LTC G: \$6.00 \$25 (compound prescriptions)	PBM national network: AWP - 16% TennCare network: AWP - 13%
Texas	\$7.50 + 2% of cost of drug	AWP - 15% WAC + 12%
Utah	\$3.90 (urban) \$4.40 (rural)	AWP - 15%
Vermont	\$4.75 (In-State) \$2.50 (Out-of-State)	AWP - 14.2%
Virginia	\$3.75 (\$5.00 for unit dose)	AWP - 10.25%
Washington	\$4.24 to \$5.25	B: AWP - 16% G: AWP - 50%
West Virginia	B:\$2.50 G:\$5.30 \$8.25 (340B)	B: AWP - 15% G: AWP - 30%
Wisconsin	B:\$3.44 G: \$3.94 \$0.015 per unit (for repackaging) \$9.45 to \$22.16 (compound drug fee) \$9.45 to 40.11 (pharmaceutical care dispensing fee)	AWP - 14%
Wyoming	\$5.00	AWP - 11%

Pharmacy dispensing fees for state Medicaid pharmacy programs vary from under \$2 to over \$11. Ingredient reimbursement for brand name drug products is predominately based on the AWP benchmark and ranges from a low of AWP minus 17.5%, to a high of AWP minus 5%. As can be noted in Table 3.1, the dispensing fee and ingredient reimbursement formulas used in various states are often based on multiple numeric values, using different factors for different drug products. In order to evaluate how Louisiana Medicaid pharmacy reimbursement policies compare to other state Medicaid programs. With these conversions, we developed statistics presenting average reimbursement rates for all states, which are shown in Table 3.2.

Table 3.2 Average State Medicaid Pharmacy Reimbursement – Brand Name Drugs

Pharmacy Reimbursement Component	Mean	Median
Dispensing Fee	\$4.51	\$4.14
Ingredient Reimbursement (Brand Name Drugs; based on states utilizing AWP)	AWP – 13.3%	AWP – 14.0%

The maximum dispensing fee for Louisiana Medicaid (\$5.77) falls at approximately the 90th percentile of all state Medicaid dispensing fees (i.e., 90% of states pay equal to or less than Louisiana Medicaid). The ingredient reimbursement for brand name drug products under Louisiana Medicaid falls at approximately the 38th percentile of all state Medicaid ingredient reimbursement rates for brand name drug products (i.e., 38% of states pay equal to or less than Louisiana Medicaid).²⁵

Private Payer Pharmacy Reimbursement

Pharmacy reimbursement rates paid by private third party payers (typically through networks operated by pharmaceutical benefits managers, or PBMs) have been researched and reported in other publications. One survey, published in 2010, reported average dispensing fees to retail pharmacies for brand name drugs of \$1.62 and average ingredient reimbursement of AWP minus 17.5%.²⁶

²⁵ The ingredient allowance for Louisiana Medicaid for single-source products is AWP minus 15% for chain pharmacies and AWP minus 13.5% for non-chain pharmacies. The Department of Health and Hospitals defines a chain as having more than 15 pharmacies under common ownership and enrolled in Louisiana Medicaid. To simplify discussion of state-to-state comparisons, the percentile calculation assumes the midpoint of the rates for chain and non-chain pharmacies: AWP minus 14.25%. Percentile ranking is based on states that use AWP as the basis for brand name drug product reimbursement.

²⁶ See *2010-2011 Prescription Drug Benefit Cost and Plan Design Report*, Pharmacy Benefits Management Institute, LP and Takeda Pharmaceuticals North America, Inc.

Exhibit 1
Louisiana Medicaid
Pharmacy Cost of Dispensing
Survey

Louisiana Medicaid Pharmacy Cost of Dispensing Survey

Provider Number

Return Completed Forms to:
 Myers and Stauffer LC
 11440 Tomahawk Creek Parkway
 Leawood, Kansas 66211

2010

Under contract with the Louisiana Department of Health and Hospitals

ROUND ALL AMOUNTS TO NEAREST DOLLAR OR WHOLE NUMBER

Complete and return by **February 25, 2011**

Instructions are enclosed. Call toll free (800) 374-6858 if you have any questions.

Name of Pharmacy _____ Telephone No. () _____
 Street Address _____ Fax 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.

Your Signature	Print/Type Name	Title/Position	Date
Preparer's Signature (other than owner)		Title/Position	Date
Preparer's Street Address		City and State	Zip Phone Number

SECTION IA -- PHARMACY ATTRIBUTES

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

List the total number of all prescriptions dispensed during the fiscal year as follows:

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

(b) What is the approximate percentage of prescriptions dispensed for the following classifications?
 1. Medicaid Fee for Service _____% 2. Other 3rd Party _____%
 3. Cash _____%

What is the approximate percentage of payments received from the following classifications?
 1. Medicaid Fee for Service _____% 2. Other 3rd Party _____%
 3. Cash _____%

(c) **Ownership Affiliation**
 1. Independent (1 to 15 LA Medicaid pharmacies) 2. Chain (more than 15 LA Medicaid pharmacies)
 3. Institutional (service to LTC facilities only) 4. Other (specify) _____

(d) **Type of Ownership**
 1. Individual 2. Corporation 3. Partnership 4. Other (specify) _____

(e) **Location**
 1. Medical Office Building 2. Shopping Center
 3. Separate or downtown 4. Grocery Store / Mass Merchant
 5. Other (specify) _____

SECTION IB -- FLOOR SPACE

Report store floor space. Please use actual measurements and minimize the use of estimates. Square footage measurements are required and will be used as a basis for allocating certain expenses. There are two reporting options for pharmacies. **Pick Option 1 or Option 2 to report pharmacy square footage.**

Option 1

Option 1 requires that you report two measurements: 1) Total store and 2) Prescription department. When measuring the total store, include only the retail area and exclude any storage area (e.g., basement, attic, off-the-premises areas or freight in/out areas). When measuring the prescription department, exclude patient waiting area, counseling area, prescription department office space and prescription department storage. These must be included in total store area. If you use Option 1, a factor will be added to the prescription department to account for waiting area, counseling area, prescription department office space and prescription department storage.

*Example: if the total store area is 1,000 sq. ft. and the prescription department is 250 sq. ft.; with a factor of 1.5, the modified area ratio used to allocate certain expenses would be $250 / 1,000 * 1.5 = 0.375$.*

(1a) Total Store _____

(1b) Prescription Department..... _____

Option 2

Option 2 requires that you report additional measurements including waiting area, counseling area, prescription department office space and prescription department storage. If you use Option 2, the area ratio used to allocate certain expenses will be based on actual reported measurements and will not be modified by a factor as in Option 1. When measuring the total store, include only the retail area and exclude any storage area (e.g., basement, attic, off-the-premises areas, or freight in/out areas).

(2a) Total Store _____

(2b) Prescription Department..... _____

(2c) Waiting Area..... _____

(2d) Counseling Area..... _____

(2e) Prescription Department Office..... _____

(2f) Prescription Department Storage..... _____

Round all amounts to nearest dollar or whole number.

SECTION IIA -- SALES

	Prescription Drugs Only	Total Store Including Prescription Drugs	Line No.
Sales (Excluding Sales Tax)	_____	_____	(1)
Cost of Goods Sold	_____	_____	(2)

SECTION IIB -- OVERHEAD EXPENSES

Complete this section using your internal financial statement or tax return. If you are using a tax return, please refer to the line numbers in the left columns that correspond to federal income tax return lines.

The following information is from fiscal / tax year ending..... _____ / _____ / _____ (3)

2009 Tax Form Number

				Total Expense	Myers and Stauffer Use Only	Line No.
1040C	1065	1120	1120S			
13	16a	20	14	Depreciation (this fiscal year only - not accumulated).....	_____	(4)
23	14	17	12	Taxes		
				(a) Personal Property Taxes.....	_____	(5a)
				(b) Real Estate Taxes.....	_____	(5b)
				(c) Payroll Taxes.....	_____	(5c)
				(d) Sales Tax.....	_____	(5d)
				(e) State Income Tax (corporations only).....	_____	(5e)
				(f) Provider Tax.....	_____	(5f)
				(g) Any other taxes (specify each type and amount)	_____	(5g)
20b	13	16	11	Rent		
				(a) Building Rent (see instructions).....	_____	(6a)
20a	13	16	11	(b) Equipment and Other.....	_____	(6b)
21	11	14	9	Repairs.....	_____	(7)
15	20	26	19	Insurance		
				(a) Workers Comp. and Employee Medical.....	_____	(8a)
15	20	26	19	(b) Other.....	_____	(8b)
16a&b	15	18	13	Interest.....	_____	(9)
17	20	26	19	Legal and Professional Fees.....	_____	(10)
27	20	26	19	Dues and Publications.....	_____	(11)
27	12	15	10	Bad Debts (see Page 8 for optional breakdown).....	_____	(12)
			19	Charitable Contributions (corporations only).....	_____	(13)
25	20	26	19	Utilities		
				(a) Telephone	_____	(14)
				(b) Heat, Water, Lights, Sewer, Trash and other Utilities	_____	(15)
18&22	20	26	19	Operating and Office Supplies (exclude Rx containers and labels)	_____	(16)
8	20	22	16	Advertising	_____	(17)
27	20	26	19	Computer Expenses	_____	(18)
9,27	20	26	19	Rx Delivery Expenses	_____	(19)
27	20	26	19	Rx Containers and Labels (see instructions).....	_____	(20)

SECTION IIB -- OVERHEAD EXPENSES, CONTINUED

Other non-labor expenses not included on lines (4) to (20)

Examples: Security expense, janitorial expense, bank fees, credit card fees, franchise fees, switching fees, e-prescribing transaction fees, accreditation fees, restocking fees, postage, etc.

Specify each item and the corresponding amount. Note that labor expenses are reported on Page 6.

	Total Expense	Myers and Stauffer Use Only	Line No.
(a) _____	_____	_____	(21a)
(b) _____	_____	_____	(21b)
(c) _____	_____	_____	(21c)
(d) _____	_____	_____	(21d)
(e) _____	_____	_____	(21e)
(f) _____	_____	_____	(21f)
(g) _____	_____	_____	(21g)
(h) _____	_____	_____	(21h)
(i) _____	_____	_____	(21i)
(j) _____	_____	_____	(21j)
(k) _____	_____	_____	(21k)
(l) _____	_____	_____	(21l)
(m) _____	_____	_____	(21m)
(n) _____	_____	_____	(21n)
(o) _____	_____	_____	(21o)
(p) _____	_____	_____	(21p)
(q) _____	_____	_____	(21q)
(r) _____	_____	_____	(21r)
Total Overhead Expenses [Add Line (5) through Line (22)]	_____	_____	(22)

SECTION IIC -- PERSONNEL COSTS -- List each person separately (except Line 4). Attach schedule if necessary.

	Check if RPh	Estimate Percent of Rxs Dispensed by Each RPh	Annual Salaries, Bonuses and/or Drawings	Average Weekly Hours		Line No.		
				No. Weeks Employed This Fiscal Year	Total Store Including Rx Dept.		Rx Dispensing Related Duties Only	
Owners, Individual Proprietors, Partners, and Stockholders	(a)	_____	_____	_____	_____	_____	(1a)	
	(b)	_____	_____	_____	_____	_____	(1b)	
	(c)	_____	_____	_____	_____	_____	(1c)	
	(d)	_____	_____	_____	_____	_____	(1d)	
	(e)	_____	_____	_____	_____	_____	(1e)	
Employee and Relief Pharmacists	(a)	_____	_____	_____	_____	_____	(2a)	
	(b)	_____	_____	_____	_____	_____	(2b)	
	(c)	_____	_____	_____	_____	_____	(2c)	
	(d)	_____	_____	_____	_____	_____	(2d)	
	(e)	_____	_____	_____	_____	_____	(2e)	
	(f)	_____	_____	_____	_____	_____	(2f)	
	(g)	_____	_____	_____	_____	_____	(2g)	
	(h)	_____	_____	_____	_____	_____	(2h)	
	(i)	_____	_____	_____	_____	_____	(2i)	
	(j)	_____	_____	_____	_____	_____	(2j)	
	Subtotal:		100%	XXXXX	XXXXX	XXXXX	XXXXX	(2k)
	Other Employees with Time in Rx Dept. (including technicians, delivery, etc.)	(a)	XXX	XXXXXXXXXX	_____	_____	_____	(3a)
(b)		XXX	XXXXXXXXXX	_____	_____	_____	(3b)	
(c)		XXX	XXXXXXXXXX	_____	_____	_____	(3c)	
(d)		XXX	XXXXXXXXXX	_____	_____	_____	(3d)	
(e)		XXX	XXXXXXXXXX	_____	_____	_____	(3e)	
(f)		XXX	XXXXXXXXXX	_____	_____	_____	(3f)	
(g)		XXX	XXXXXXXXXX	_____	_____	_____	(3g)	
(h)		XXX	XXXXXXXXXX	_____	_____	_____	(3h)	
All Non-Rx Employee Salaries			_____				(4)	
Pension, Profit-sharing etc.			_____				(5)	
Other Employee Benefits			_____				(6)	
TOTAL - Salaries and Benefits			=====				(7)	

SECTION II D -- RECONCILIATION WITH FINANCIAL STATEMENT OR TAX RETURN

2009 Tax Form Number			
1040C	1065	1120	1120S

Column 1
Cost Survey Amounts

Column 2
Financial Statement or Tax Return Amounts

28	21	27	20	Total Expenses per Financial Statement or Tax Return		(1)
				Enter Amount from Section IIB, Line (22)		(2)
				Enter Amount from Section IIC, Line (7)		(3)
				Total Expenses per Cost Survey [add Lines (2) and (3)] Specify Items with Amounts that are on Cost Survey but not on Financial Statement or Tax Return		(4)
				(a) _____		(5a)
				(b) _____		(5b)
				(c) _____		(5c)
				(d) _____		(5d)
				(e) _____		(5e)
				Specify Items with Amounts that are on Financial Statement or Tax Return but not on this Cost Survey		
				(a) _____		(6a)
				(b) _____		(6b)
				(c) _____		(6c)
				(d) _____		(6d)
				(e) _____		(6e)
				Total [add Lines (1) to (6e)] Column Totals Must be Equal		(7)

SECTION IIIA -- OPTIONAL BUILDING INFORMATION

Completion of this section is optional. If you own your building or lease from a related party, please provide additional information about your building.

- (a) If you reported that you lease your building from a related party, please report the amount of actual rent expense for the year (per books). _____
- (b) If you own your building, please indicate the year in which you purchased the building. _____
- (c) If you rent the building from a related party, please indicate the age of the building. _____
- (d) What is the prevailing rental rate (per square foot) for similar commercial properties in the area in which this particular store is located? _____ (per sq. ft.)

SECTION IIIB -- OPTIONAL BREAKDOWN OF BAD DEBT EXPENSE

Completion of this section is optional. If you reported bad debt expense on Page 4, Section IIB, Line (12) and a breakdown of bad debt expense is available, please complete this section.

- (a) Bad debt expense associated with uncollected Medicaid co-payments: _____
- (b) Bad debt expense associated with Medicare Part D: _____
- (c) Bad debt expense associated with other third party payers: _____
- (d) Bad debt expense associated with cash payers (prescriptions only): _____
- (e) Bad debt expense associated with non-prescription sales: _____
- (f) Other bad debt expense (specify) _____:
- (g) Total bad debt expense (should equal Page 4, Section IIB, Line (12)): _____

SECTION IIIC -- OPTIONAL OTHER INFORMATION

Completion of this section is optional. List any additional information regarding issues you feel contributes to your cost of filling a prescription but was not captured elsewhere on this form. If there is a measurable cost associated with the issue described, report the amount. Attach additional pages if necessary to describe the issue.

Issue	Associated Cost
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Exhibit 2
Louisiana Medicaid
Pharmacy Cost of Dispensing
Survey Instructions

Louisiana Medicaid Pharmacy Cost of Dispensing Survey

Frequently Asked Questions (FAQ)

- Q.** Which fiscal year should I use?
- A.** You should use the most recent fiscal year that has already ended for which records are complete. For many pharmacies, this will be the fiscal year that ended on December 31, 2009. You should not use a fiscal year that is still in progress or one for which financial records are not yet complete. If your books are not closed for your most recent fiscal year and will not be ready in time to respond to the survey, use the previous fiscal year. You should make your best effort to use the most recently ended fiscal year, however if circumstances force you to use older data, please be aware that all survey data will be inflation-adjusted to a common point. It is important that the pharmacy attributes that you report (e.g., the number of prescriptions dispensed etc.), correspond to the same time period as the financial data being reported.
- Q.** Do I have to report my store square footage in two different ways?
- A.** No. Section IB on Page 3 offers pharmacies two different options for reporting store square footage. Option 1 requires that you make fewer measurements, but increases the reliance on estimates in the cost allocation methodology. Option 2 reduces the reliance on estimates, but requires that you make more measurements of various sections of your store. Chose Option 1 or Option 2 according to your preference. Square footage is essential to the cost allocation process, so it is extremely important that you report square footage using one of these options.
- Q.** If I send a copy of my financial statement or income tax return, will you complete the overhead expenses section (Section IIB)?
- A.** Yes. Sending a financial statement or income tax return is not required, but doing so will decrease the amount of work you have to do for the survey. Please make sure to send all supporting schedules to your business income tax return. If you send a financial statement or income tax return, Myers and Stauffer will complete Section IIB for you. You must still complete all other sections of the survey.
- Q.** I don't see an expense category that matches my specific pharmacy costs? Where do I report those expenses?
- A.** Section IIB of the survey captures overhead expenses (i.e., all expenses other than labor and labor-related expense). In addition to some standard expense categories include on Page 4, Section IIB continues on Page 5 and has additional lines which can be used to report expenses that don't fit those standard expense categories. Examples of other expenses to report here include security expense, janitorial expense, bank fees, credit card fees, franchise fees, switching fees, e-prescribing transaction fees, accreditation fees, restocking fees and postage. Your financial records may include other categories as well. Be sure to provide a short description of the expense category as well as the corresponding amount. All expenses included in your financial statement should be included in the cost survey.
- Q.** I believe that my pharmacy incurs additional cost that isn't readily available on my financial statement. How do I report those costs?
- A.** Section IIIC on Page 8 of the survey is intended for you to describe any additional issues you feel contributes to your cost of filling a prescription but was not captured elsewhere on the survey form. If there is a measurable cost associated with the issue described you should report the amount. You may attach additional pages if necessary to describe the issue. These concerns will be reviewed by Myers and Stauffer.

Louisiana Medicaid Pharmacy Cost of Dispensing Survey

Instructions

Survey Forms by

Myers and Stauffer LC
Certified Public Accountants
11440 Tomahawk Creek Parkway
Leawood, Kansas 66211
800-374-6858

PURPOSE: The purpose of this survey is to determine the approximate cost of dispensing prescriptions in the State of Louisiana.

WHO MUST FILE THIS FORM

Except for the following, all sampled Louisiana Medicaid pharmacies must file this cost survey:

- New pharmacies that were in business less than six months during the reporting period
- Pharmacies with a change of ownership that resulted in less than six months in business during the reporting period

If your pharmacy meets either of the two exceptions listed above, check the box next to the explanation describing your business, write your pharmacy name and provider number (NPI), provide a contact telephone number, sign your name and return only this page to the address above.

Provider Number	Name of Pharmacy
Phone No.	Signature/Title

GENERAL INSTRUCTIONS

If any assistance is needed in completing this survey, call toll-free (800) 374-6858. Complete these forms using your most recently completed fiscal year for which financial records are available and complete (e.g., December 31, 2009) and **return them by February 25, 2011**. Most retail pharmacies can complete the survey form by using their most recent annual financial statement or federal income tax return. If you are using an income tax return, most expense line items can be transferred directly from a line on a tax return to a line on the cost survey. Line reference numbers of four tax forms are listed on the left side of the cost survey. Simply locate the column for your tax form.

If you prefer, send us a copy of your financial statements or income tax return (Form 1065, 1120, 1120S, or Schedule C of Form 1040 including supporting schedules) and we will complete the overhead expenses, Section IIB, Page 3 and Section IID, Page 4, for you. **You will still need to fill in the remaining sections of the cost survey.** If you

Louisiana Medicaid Pharmacy Cost of Dispensing Survey – Instructions

send a copy of your financial statement or tax return, identify any expenses that are 100% Rx-Department expenses such as continuing education, and identify any expenses that are 100% non-Rx Department expenses.

Round all amounts to the nearest dollar or whole number.

Multiple Location/Chain Pharmacies

Central administration expenses incurred by multiple location and/or chain pharmacies shall be reported on lines (21a)-(21r) of Section IIB. Report the expense allocated to each store. Methods of allocation must be reasonable and conform to generally accepted accounting principles. Warehousing expense must be separately identified and entered on lines (21a)-(21r) of Section IIB.

SECTION IA -- PHARMACY ATTRIBUTES

The information gathered from your answers to these questions will be analyzed to determine its relationship to your cost of dispensing a prescription. It may be necessary to provide estimates for some answers; estimate as carefully and accurately as possible.

Line (a) **“Prescriptions Dispensed.”** Report the total number of all prescriptions filled **during the fiscal year** of the costs reported on pages 4 through 7 of the cost survey. This information may be kept on a daily or monthly log or on your computer.

SECTION IB -- FLOOR SPACE

Since **floor space** will be used in allocating certain expenses, accuracy is important. Please use actual measurements and minimize the use of estimates. Square footage measurements are required and will be used as a basis for allocating certain expenses. There are two reporting options for pharmacies. **Pick Option 1 or Option 2 to report pharmacy square footage.**

Option 1

Option 1 requires that you report two measurements: 1) Total store and 2) Prescription department. When measuring the total store, include only the retail area and exclude any storage area (e.g., basement, attic, off-the-premises areas or freight in/out areas). When measuring the prescription department, exclude patient waiting area, counseling area, prescription department office space and prescription department storage. These must be included in total store area. If you use Option 1, a factor will be added to the prescription department to account for waiting area, counseling area, prescription department office space and prescription department storage.

*Example: if the total store area is 1,000 sq. ft. and the prescription department is 250 sq. ft.; with a factor of 1.5, the modified area ratio used to allocate certain expenses would be $250 / 1,000 * 1.5 = 0.375$.*

Option 2

Option 2 requires that you report additional measurements including waiting area, counseling area, prescription department office space and prescription department storage. If you use Option 2, the area ratio used to allocate certain expenses will be based on actual reported measurements and will not be modified by a factor as in Option 1. When measuring the total store, include only the retail area and exclude any storage area (e.g., basement, attic, off-the-premises areas, or freight in/out areas).

Louisiana Medicaid Pharmacy Cost of Dispensing Survey – Instructions

SECTION IIA -- SALES

- Line (1)** **List total store sales excluding sales tax.** Total store sales and cost of goods sold are shown on the federal income tax return. If there is no separate record of prescription drug sales, estimate it as accurately as possible. Sales of prescription drug items shall NOT include nonprescription OTC's, durable medical equipment, or other nonprescription items. One method to estimate sales of prescription drug items is to use a sales tax return.
- Line (2)** **Cost of Goods Sold.** If Rx cost of goods sold is not readily available, leave that line blank.

SECTION IIB -- OVERHEAD EXPENSES

For your convenience, Myers and Stauffer will complete Section IIB of the survey for you if you wish to 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). You will still need to complete other sections of the cost survey.

Overhead costs reported on the cost survey must be resulting from arms-length transactions between non-related parties. Related parties include, but are not limited to, those related by family, by business or financial association, and by common ownership or control. **The most common non-arms-length transaction involves rental of property between related parties. The only allowable expense of such transactions for cost determination purposes would be the actual costs of ownership (depreciation, taxes, interest, etc., for the store area only). The rental amount will be disallowed. Show this as a reconciling item in Section IID.**

- Line (5a) & (5b)** **Personal Property Taxes and Real Estate Taxes.** Include only personal property taxes or real estate taxes paid on property used in this pharmacy's business.
- Line (5c)** **Payroll Taxes.** Include the employer's share of Social Security, Medicare and state/federal unemployment taxes.
- Line (5d)** **Sales Tax.** Include sales tax only if it is included in expenses reported on your financial statement or tax return. If sales tax is not included in expenses reported on your financial statement or tax return, leave this line blank.
- Line (5f)** **Provider Tax.** Include provider prescription taxes paid (i.e., the \$0.10 per prescription tax under R.S. 46.2605).
- Line (6a)** **Building Rent.** Include only rent that applies to the store. **Report only rental expense incurred by transactions between non-related parties. See the first paragraph of this section for expenses allowed in lieu of rent paid to a related party.**
- Line (9)** **Interest.** Include only interest expenses unrelated to prescription drug purchases. Other interest shall be included as a reconciling item on lines (36a) through (36b).
- Line (10)** **Legal and Professional Fees.** Include only legal expenses unrelated to litigation. Other legal expenses shall be included as a reconciling item on lines (36a) through (36b).
- Line (12)** **Bad Debts.** Include bad debt expense for this fiscal year only – not accumulated bad debts. If it is possible for you to provide a breakdown of bad debt expense, see Section IIIB "Optional Breakdown of Bad Debt Expense" on Page 8.

Louisiana Medicaid Pharmacy Cost of Dispensing Survey – Instructions

- Line (16)** **Operating and Office Supplies.** If prescription containers and labels are included in your supplies, exclude them from this line and show them on line (20).
- Line (19)** **Rx Delivery Expenses.** If you deliver Rx items only, report expenses paid for your delivery vehicle here including expenses paid to a delivery service for delivery of Rx items. These expenses shall not be duplicated on any other line. If your delivery vehicle is used by other departments of the pharmacy or for miscellaneous purposes, do not enter anything on this line and enter delivery expenses on line (21a)-(21r).
- Line (20)** **Rx Containers and Labels.** The cost of prescription containers and labels shall be included here if separately identified on your financial statement or as “other deductions” on your federal income tax return. If this expense is included in cost of goods sold on your federal income tax return and if your accounting records are such that this figure is difficult to determine, leave this line blank. An allowance will be made for Rx containers and labels.
- Lines (21a)-(21r)** **Other Overhead Expenses.** On these lines identify any non-labor expenses not already included on your cost survey but listed on your financial statement or as other deductions on your federal income tax return. **Identify each item and the amount, rather than labeling all such expenses as “miscellaneous.” If you wish, you can simply attach a schedule that lists these expenses.** Clearly label any items that are 100% Rx-related or that are 100% non-Rx-related.

SECTION IIC -- PERSONNEL COSTS

- Lines (1a)-(2j)** **Percent of Prescriptions Dispensed.** Provide your best estimate of the percentage of prescriptions dispensed by each pharmacist. Notice: This column must total line 2k (100%).
- Lines (1a)-(5h)** **Average Weekly Hours.** You may not have detailed records of where each employee worked; however, provide your best estimate of an average or “typical” week. Report the average number of hours the employee worked per week in the “Total Store” column. The “Rx Dispensing Related Duties Only” column shall show the average number of hours per week spent performing Rx-related duties. Rx-related duties are defined as time spent filling prescriptions as well as doing the related administrative work including ordering and stocking prescription ingredients, taking inventory, maintaining prescription files, third party reimbursement claims management and delivering prescriptions. Pharmacists providing consultation to long-term care facilities must be identified and listed separately.
- Lines (1a)-(1e)** **Owners.** All individual proprietors, partners, or stockholders shall list their total drawings and/or salaries for the year. Do not show net profit as the owner’s salary but **only actual drawings or salary.** For those owners who took no salary or drawings, show zero to indicate you have not overlooked this line – an allowance for salary will be imputed based on time worked and/or prescriptions dispensed.
- Lines (3a)-(3h)** **Other Employees with Time in Rx. Dept.** Rx Technicians, nonprofessional, clerical, and delivery personnel who perform Rx-related duties shall be listed.
- Line (4)** **All Non-Rx Employees.** List total salaries for all employees who spend no time in Rx-related duties.

Louisiana Medicaid Pharmacy Cost of Dispensing Survey – Instructions

Lines (5)&(6) Pension, profit sharing etc. and Other Employee Benefits. List total expenses associated with pension plans, retirement plans and other employee benefits not reported elsewhere. These labor-related expenses will be allocated to employee salaries.

SECTION IID -- 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. For example, pharmacies operating as sole proprietors will normally need to list owner's salaries, drawings, and benefits as a reconciling item. Other examples of reconciling items are the 50% meals deduction, rent paid to related party, etc.

SECTION IIIA -- OPTIONAL BUILDING INFORMATION

Completion of this section is optional. If you own your building or lease from a related party, please provide additional information about your building.

SECTION IIIB -- OPTIONAL BREAKDOWN OF BAD DEBT EXPENSE

Completion of this section is optional. If you reported bad debt expense on Page 4, Section IIB, Line (12) and a breakdown of bad debt expense is available, please complete this section.

SECTION IIIC -- OPTIONAL OTHER INFORMATION

Completion of this section is optional. List any additional information regarding issues you feel contributes to your cost of filling a prescription but was not captured elsewhere on this form. If there is a measurable cost associated with the issue described, report the amount. Attach additional pages if necessary to describe the issue.

Exhibit 3
Letter from the
Louisiana Department of
Health and Hospitals
Regarding Pharmacy
Cost of Dispensing Survey



State of Louisiana
Department of Health and Hospitals
Office of Management and Finance

December 10, 2010

RE: 2011 Dispensing Cost Survey

Dear Medicaid Pharmacy Provider:

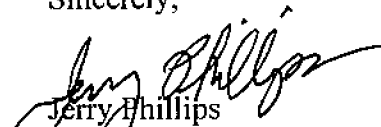
The Department of Health and Hospitals has contracted with the firm of Myers and Stauffer, Certified Public Accountants, to conduct a dispensing cost survey. This firm has extensive experience in performing pharmacy cost studies and analysis.

A statistically valid sample of Louisiana Medicaid pharmacy providers has been selected to participate in the survey process. If your pharmacy is selected, you are required to participate in the survey process. Should a provider fail to participate, the Bureau may terminate the provider from the program.

To accomplish the amount of work which must be performed and to ensure an accurate and valid measurement of dispensing costs, all forms must be completed and returned to Myers and Stauffer by the deadline listed in the dispensing cost survey packet. February 25, 2011. To assist you in completing the survey, a toll-free number is included in the instructions to the survey form.

Your prompt and complete response is critical to the proper documentation of dispensing cost and your continued enrollment in the Medicaid Program. Thank you for your cooperation.

Sincerely,


Jerry Phillips
Undersecretary

JP/mjt

Exhibit 4a
Initial Letter from
Myers and Stauffer for
Cost of Dispensing Survey
(Independent Pharmacies)

**Sample
(Independent
Pharmacies)**



December 9, 2010

«prov_no» / «random»

«prov_name»

ATTENTION: OWNER OR MANAGER

«address»

«city», «state» «zip»

Re: Louisiana Medicaid Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner or Manager:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. A random sample of pharmacy providers has been selected to participate in the survey. Your pharmacy has been selected and is required to participate in the survey according to the following directions:

1. After reviewing the survey instructions, complete and return the enclosed “Louisiana Medicaid Pharmacy Cost of Dispensing Survey”.
2. For your convenience, Myers and Stauffer will complete Section IIB “Overhead Expenses” for you if you wish to 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). You will still need to complete other sections of the cost survey.
3. If your financial statements or tax return have not been completed for your most recent fiscal year, file a cost survey using your prior year's financial statements (or tax return) and the corresponding prescription data for that year. The data will be adjusted accordingly.
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. **The Louisiana Department of Health and Hospitals has designated participation in this survey as mandatory for all pharmacies selected to participate.** It is very important that all pharmacies cooperate fully by filing an accurate cost survey. Pharmacies are encouraged to return the requested information as soon as possible, but forms must be returned **no later than February 25, 2011.**

Send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
11440 Tomahawk Creek Parkway
Leawood, Kansas 66211

Return the survey using the enclosed Business Reply Label with any envelope. Postage will be paid by Myers and Stauffer.

It is very important that pharmacies respond with accurate information. All submitted surveys must be reviewed and validated by staff at Myers and Stauffer. If our review yields the need for additional inquiries, Myers and Stauffer staff will contact you. Additionally, Myers and Stauffer staff will be performing on-site field examinations at a limited number of pharmacies to validate survey responses. If your pharmacy is selected for additional procedures, you will be contacted by Myers and Stauffer.

If you have any questions, please call toll free at 1-800-374-6858. Your cooperation in providing the information for this survey is greatly appreciated.

Sincerely,

A handwritten signature in cursive script that reads "T. Allan Hansen". The signature is written in black ink and is positioned above the typed name and contact information.

T. Allan Hansen
Manager
ahansen@mslc.com

Exhibit 4b
Initial Letter from
Myers and Stauffer for
Cost of Dispensing Survey
(Chain Pharmacies)

Sample
(Chain Pharmacies)



December 9, 2010

«Chain_Name»
ATTN: «Corporate_Contact_Person»
«Address_1»
«City», «State» «Zip»

Re: Louisiana Medicaid Pharmacy Cost of Dispensing Survey

To: Louisiana Chain Pharmacy Providers:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. A random sample of pharmacy providers has been selected to participate in the survey. Pharmacies associated with your chain have been selected and are required to participate in the survey.

Enclosed are several copies of the “Louisiana Medicaid Pharmacy Cost of Dispensing Survey”. Please review the survey instructions. You may respond to the survey using either a paper or electronic format. In past surveys performed by Myers and Stauffer, many pharmacy chains have preferred to respond to the survey in an electronic format.

We have also enclosed a listing of the names and addresses of your pharmacies that participate in the Louisiana Medicaid program and were selected to participate in the survey. Pharmacy information is presented as shown in records from the Louisiana Department of Health and Hospitals. If this list is inaccurate, please notify Myers and Stauffer.

If you prefer to respond in a paper format: You must submit a completed survey for each store on the attached list. If you will require additional survey forms, please contact Myers and Stauffer for forms or make additional copies as needed. Please send completed forms to:

Myers and Stauffer LC
Certified Public Accountants
11440 Tomahawk Creek Parkway
Leawood, Kansas 66211

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

If you prefer to respond in an electronic format: You will still be required to submit survey data for each store on the attached list using an Excel spreadsheet template provided by Myers and Stauffer. To obtain the Excel spreadsheet, send a request by e-mail or telephone to Myers and Stauffer (contact information below). Surveys that are completed electronically may be

submitted via e-mail.

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

Pharmacies are encouraged to return the requested information as soon as possible, but no later than February 25, 2011.

It is very important that pharmacies respond with accurate information. All submitted surveys must be reviewed and validated by staff at Myers and Stauffer. If our review yields the need for additional inquiries, Myers and Stauffer staff will contact you. Additionally, Myers and Stauffer staff will be performing on-site field examinations at a limited number of pharmacies to validate survey responses. If any of your pharmacies are selected for additional procedures, you will be contacted by Myers and Stauffer.

If you have any questions, please contact Myers and Stauffer:

Shelly Schmitz
mschmitz@mslc.com
(913) 234-1861

Allan Hansen
ahansen@mslc.com
(913) 234-1038

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

Sincerely,



T. Allan Hansen
Manager
Toll Free: (800) 374-6858
Direct Phone: (913) 234-1038
E-mail: ahansen@mslc.com

Exhibit 5a
Second Letter from
Myers and Stauffer for
Cost of Dispensing Survey
(Independent Pharmacies)

**Sample
(Independent
Pharmacies)**



January 24, 2011

«prov_no» / «random»
«prov_name»
ATTENTION: OWNER OR MANAGER
«address»
«city», «state» «zip»

Re: Louisiana Medicaid Pharmacy Cost of Dispensing Survey

Dear Pharmacy Owner or Manager:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. A random sample of pharmacy providers has been selected to participate in the survey. Your pharmacy has been selected and is required to participate in the survey.

In the past few weeks, you should have received a copy of the dispensing cost survey form and instructions. If you have not received a survey form or have misplaced your survey form please contact Myers and Stauffer at 1-800-374-6858. An electronic copy of the survey form and instructions may also be requested via e-mail to Shelly Schmitz at mschmitz@mslc.com or Allan Hansen at ahansen@mslc.com.

Your prompt response to the survey is appreciated so that we can meet the project schedule set by the Department of Health and Hospitals. Surveys are due on February 25, 2011. However, you are encouraged to submit a completed survey as soon as possible. If you have any questions regarding the survey, please contact Myers and Stauffer at 1-800-374-6858.

Your cooperation with this survey process is greatly appreciated.

Sincerely,

T. Allan Hansen
Manager
ahansen@mslc.com

Exhibit 5b
Second Letter from
Myers and Stauffer for
Cost of Dispensing Survey
(Chain Pharmacies)

**Sample
(Chain Pharmacies)**



January 24, 2010

«Chain_Name»
ATTN: «Corporate_Contact_Person»
«Address_1»
«City», «State» «Zip»

Re: Louisiana Medicaid Pharmacy Cost of Dispensing Survey

To: Louisiana Chain Pharmacy Providers:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. A random sample of pharmacy providers has been selected to participate in the survey. Pharmacies associated with your chain have been selected and are required to participate in the survey.

In the past few weeks, you should have received copies of the dispensing cost survey form and instructions. Myers and Stauffer also prepared a listing of the names and addresses of pharmacies in your chain that participate in the Louisiana Medicaid program. If you have not received the survey forms, have misplaced your survey forms or if you have any questions, please contact Myers and Stauffer at 1-800-374-6858. Survey forms and instructions may also be requested via e-mail to Shelly Schmitz or Allan Hansen (see contact information below). You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

If you have any questions, please contact Myers and Stauffer:

Shelly Schmitz
mschmitz@mslc.com
(913) 234-1861

Allan Hansen
ahansen@mslc.com
(913) 234-1038

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

Sincerely,

T. Allan Hansen
Manager
Toll Free: (800) 374-6858
Direct Phone: (913) 234-1038
E-mail: ahansen@mslc.com

Exhibit 6a
Third Letter from
Myers and Stauffer for
Cost of Dispensing Survey
(Independent Pharmacies)

**Sample
(Independent
Pharmacies)**



February 28, 2011

«prov_no» / «random»
«prov_name»
ATTENTION: OWNER OR MANAGER
«address»
«city», «state» «zip»

Re: Urgent Request for Participation in Pharmacy Cost of Dispensing Study

Dear Pharmacy Owner or Manager:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. A random sample of pharmacy providers has been selected to participate in the survey. Your pharmacy has been selected and is required to participate in the survey.

In December 2010 you should have received a copy of the dispensing cost survey form and instructions. Surveys were due on February 25, 2011. According to our records, a completed survey has not been received from your pharmacy.

Your participation in the dispensing cost survey is very important. This survey is being used by the Department of Health and Hospitals to evaluate future reimbursement rates. Additionally, the Department of Health and Hospitals has indicated that participation in the survey is mandatory. Failure to participate may jeopardize your pharmacy's status as a Medicaid provider.

If you have not received a survey form, have misplaced your survey form or if you have any questions regarding the survey, please contact Myers and Stauffer at 1-800-374-6858. An electronic copy of the survey form and instructions may also be requested via e-mail to Shelly Schmitz at mschmitz@mslc.com or Allan Hansen at ahansen@mslc.com.

In order to allow more pharmacies time to respond to the dispensing cost survey, Myers and Stauffer will continue to accept surveys through Friday, March 11, 2011.

If you recently have mailed your survey to Myers and Stauffer, we thank you for your participation. Please feel free to contact Myers and Stauffer if you would like to confirm receipt of your submitted survey.

Your cooperation with this survey process is greatly appreciated.

Sincerely,

T. Allan Hansen
Manager
ahansen@mslc.com

Exhibit 6b
Third Letter from
Myers and Stauffer for
Cost of Dispensing Survey
(Chain Pharmacies)

**Sample
(Chain Pharmacies)**



Certified Public Accountants

February 28, 2011

«Chain_Name»
ATTN: «Corporate_Contact_Person»
«Address_1»
«City», «State» «Zip»

Re: Urgent Request for Participation in Pharmacy Cost of Dispensing Study

To: Louisiana Chain Pharmacy Providers:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. A random sample of pharmacy providers has been selected to participate in the survey. Pharmacies associated with your chain have been selected and are required to participate in the survey.

In December 2010 you should have received a copy of the dispensing cost survey form and instructions. Myers and Stauffer also prepared a listing of the names and addresses of pharmacies in your chain that participate in the Louisiana Medicaid program that were sampled for the survey.

Surveys were due on February 25, 2011. According to our records, completed surveys have not been received for your pharmacies.

Your participation in the dispensing cost survey is very important. This survey is being used by the Department of Health and Hospitals to evaluate future reimbursement rates. Additionally, the Department of Health and Hospitals has indicated that participation in the survey is mandatory. Failure to participate may jeopardize your pharmacy's status as a Medicaid provider.

If you have not received the survey forms, have misplaced your survey forms or if you have any questions, please contact Myers and Stauffer at 1-800-374-6858. Survey forms and instructions may also be requested via e-mail to Shelly Schmitz or Allan Hansen (see contact information below). You may also request an Excel template of the survey form if you prefer to respond in an electronic format.

In order to allow more pharmacies time to respond to the dispensing cost survey, Myers and Stauffer will continue to accept surveys through Friday, March 11, 2011. If you have any questions, please contact Myers and Stauffer:

Shelly Schmitz
mschmitz@mslc.com
(913) 234-1861

Allan Hansen
ahansen@mslc.com
(913) 234-1038

If you recently have sent your survey to Myers and Stauffer, we thank you for your participation. Please feel free to contact Myers and Stauffer if you would like to confirm receipt of your submitted survey.

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

Sincerely,

T. Allan Hansen, Manager
Toll Free: (800) 374-6858 / Direct Phone: (913) 234-1038
E-mail: ahansen@mslc.com

Exhibit 7
Response Rate by
Parish and Region

Response Rate by Parish and Region
Louisiana Department of Health and Hospitals

Summary by Parish

Parish	DHH Region Code	Total Number of Louisiana			Usable Surveys Received	Response Rate (Excludes Exempt)	
		Medicaid Pharmacies (In- State)	Eligible Pharmacies	Sampled Pharmacies			Exempt Pharmacies
JEFFERSON	1	101	101	50	0	43	86.0%
ORLEANS	1	55	54	34	0	32	94.1%
PLAQUEMINES	1	3	3	0	0	0	N/A
ST. BERNARD	1	6	6	2	0	2	100.0%
ASCENSION	2	25	25	13	0	13	100.0%
E. BATON ROUGE	2	97	96	61	0	47	77.0%
EAST FELICIANA	2	3	3	3	0	2	66.7%
IBERVILLE	2	10	10	6	1	5	100.0%
POINTE COUPEE	2	6	6	1	1	0	N/A
W. BATON ROUGE	2	6	6	3	1	1	50.0%
WEST FELICIANA	2	2	2	2	0	2	100.0%
ASSUMPTION	3	3	3	3	0	3	100.0%
LAFOURCHE	3	19	19	8	1	7	100.0%
ST. CHARLES	3	10	10	5	0	3	60.0%
ST. JAMES	3	5	5	3	0	1	33.3%
ST. JOHN BAPTIST	3	7	7	3	0	2	66.7%
ST. MARY	3	18	18	10	1	8	88.9%
TERREBONNE	3	24	24	17	0	17	100.0%
ACADIA	4	19	19	16	0	15	93.8%
EVANGELINE	4	17	17	7	0	6	85.7%
IBERIA	4	21	21	11	0	11	100.0%
LAFAYETTE	4	60	60	26	1	19	76.0%
ST. LANDRY	4	29	29	20	1	18	94.7%
ST. MARTIN	4	14	14	10	0	10	100.0%
VERMILION	4	17	17	8	0	7	87.5%
ALLEN	5	7	7	4	1	3	100.0%
BEAUREGARD	5	5	5	2	0	1	50.0%
CALCASIEU	5	52	52	25	0	22	88.0%
CAMERON	5	0	0	0	0	0	N/A
JEFFERSON DAVIS	5	12	12	7	0	7	100.0%
AVOUELLES	6	16	16	8	1	7	100.0%
CATAHOULA	6	4	4	0	0	0	N/A
CONCORDIA	6	5	5	2	0	2	100.0%
GRANT	6	3	3	1	0	1	100.0%
LA SALLE	6	7	7	5	0	5	100.0%
RAPIDES	6	33	32	20	0	19	95.0%
VERNON	6	6	6	4	1	3	100.0%
WINN	6	6	6	1	0	1	100.0%
BIENVILLE	7	4	4	2	0	2	100.0%
BOSSIER	7	18	18	9	0	9	100.0%
CADDO	7	54	54	37	0	34	91.9%
CLAIBORNE	7	5	5	2	0	2	100.0%
DE SOTO	7	5	5	4	0	4	100.0%
NATCHITOCHE	7	8	8	1	0	0	0.0%
RED RIVER	7	2	2	2	0	1	50.0%
SABINE	7	7	7	6	0	5	83.3%
WEBSTER	7	10	10	7	0	7	100.0%
CALDWELL	8	2	2	1	0	1	100.0%
EAST CARROLL	8	3	3	1	0	1	100.0%
FRANKLIN	8	5	5	4	0	4	100.0%

Response Rate by Parish and Region
Louisiana Department of Health and Hospitals

Summary by Parish

Parish	Total Number of Louisiana						Usable Surveys Received	Response Rate (Excludes Exempt)
	DHH Region Code	Medicaid Pharmacies (In-State)	Eligible Pharmacies	Sampled Pharmacies	Exempt Pharmacies			
JACKSON	8	3	3	0	0	0	N/A	
LINCOLN	8	11	11	8	0	8	100.0%	
MADISON	8	3	3	0	0	0	N/A	
MOREHOUSE	8	11	11	8	0	8	100.0%	
OUACHITA	8	50	50	24	1	19	82.6%	
RICHLAND	8	9	9	6	0	5	83.3%	
TENSAS	8	2	2	2	0	2	100.0%	
UNION	8	6	6	0	0	0	N/A	
WEST CARROLL	8	4	4	1	0	1	100.0%	
LIVINGSTON	9	19	19	10	0	10	100.0%	
ST. HELENA	9	4	4	3	0	3	100.0%	
ST. TAMMANY	9	51	48	37	0	34	91.9%	
TANGIPAHOA	9	24	24	14	0	13	92.9%	
WASHINGTON	9	15	14	10	0	7	70.0%	
Totals		1,068	1,061	600	11	525	89.1%	

Summary by Region

DHH Region	Total Number of Louisiana						Usable Surveys Received	Response Rate (Excludes Exempt)
	DHH Region Code	Medicaid Pharmacies (In-State)	Eligible Pharmacies	Sampled Pharmacies	Exempt Pharmacies			
New Orleans	1	165	164	86	0	77	89.5%	
Baton Rouge	2	149	148	89	3	70	81.4%	
Thibodaux	3	86	86	49	2	41	87.2%	
Lafayette	4	177	177	98	2	86	89.6%	
Lake Charles	5	76	76	38	1	33	89.2%	
Alexandria	6	80	79	41	2	38	97.4%	
Shreveport	7	113	113	70	0	64	91.4%	
Monroe	8	109	109	55	1	49	90.7%	
Mandeville	9	113	109	74	0	67	90.5%	
Totals		1,068	1,061	600	11	525	89.1%	

Exhibit 8a
Field Examination
Notification Letter from
Myers and Stauffer

Sample



March 9, 2011

«prov_no» / «random»
«prov_name»
ATTENTION: OWNER OR MANAGER
«address»
«city», «state» «zip»

**Re: Louisiana Medicaid Pharmacy Cost of Dispensing Study:
On Site Visits to Validate Surveys**

Dear Pharmacy Owner or Manager:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. Myers and Stauffer recently received a survey from your pharmacy and we thank you for your participation in the survey process.

It is very important that accurate information is reported to the Department of Health and Hospitals. Accordingly, Myers and Stauffer is required to review and validate all surveys received. You may have previously been contacted by telephone by Myers and Stauffer with follow-up questions regarding your submitted survey.

Additionally, in accordance with our contract with the Department of Health and Hospitals, Myers and Stauffer will be performing on-site field visits to selected pharmacies to perform further validation procedures. The purpose of these visits is to further verify the accuracy of data submitted on the cost survey.

Your pharmacy has been selected for an on-site field visit. The on-site field visits will occur between March 28 and April 8, 2011.

Our on-site field visit program has been designed so as to minimize any inconvenience to you. The records that will be needed during the validation visit are the following items that were used to prepare the Louisiana Medicaid Pharmacy Cost of Dispensing Survey:

- Financial statements and/or tax returns for the fiscal year reported on the survey.
- Prescription records corresponding to the fiscal year reported on the survey.
- Any other work papers you relied upon to complete the cost of dispensing survey.

The visit will take from one to two hours, however we will make every attempt to minimize the

time spent with you or your pharmacist. A member of our staff will contact you by telephone to arrange the specific time, date, and location of the visit.

If you have any questions concerning the proposed field visit, please contact Myers and Stauffer:

Allan Hansen		Shelly Schmitz
ahansen@mslc.com	or	mschmitz@mslc.com
(913) 234-1038		(913) 234-1861

Thank you for your assistance and cooperation.

Sincerely,

A handwritten signature in cursive script that reads "T. Allan Hansen". The signature is written in black ink and is positioned below the word "Sincerely,".

T. Allan Hansen
Manager
ahansen@mslc.com

Exhibit 8b
Field Examination
Confirmation Letter from
Myers and Stauffer

Sample


Myers and Stauffer_{LC}

Certified Public Accountants

March 17, 2011

«Provider_Number» / «Random_ID»
«Provider_Name»
ATTENTION: «Contact_Name__Upper_case»
«address»
«city», «state» «Zip»

**Re: Louisiana Medicaid Pharmacy Cost of Dispensing Study:
On Site Visit to Validate Survey**

Dear «Salutation»:

The Louisiana Department of Health and Hospitals has contracted with Myers and Stauffer LC to conduct a pharmacy dispensing cost survey as part of the process to evaluate Medicaid fees for prescription medications in the state of Louisiana. Myers and Stauffer recently received a survey from your pharmacy and contacted you regarding an on-site field visit. The purpose of this visit is to verify the accuracy of data submitted on the cost survey. This letter confirms the date, time and location for the field visit and provides additional information regarding the documentation that will be reviewed by Myers and Stauffer staff.

Date / Time:	«Date__Time»
Location for on-site visit:	«Location»
Pharmacy included in review:	«Pharmacies_Included»
Survey covers fiscal year ending:	«Pharmacy_FYE»
Myers and Stauffer staff assigned:	«MS_Staff_Assigned»

Exhibit 9
Summary of
Field Examination Findings

Summary of Field Examination Findings
Louisiana Department of Health and Hospitals

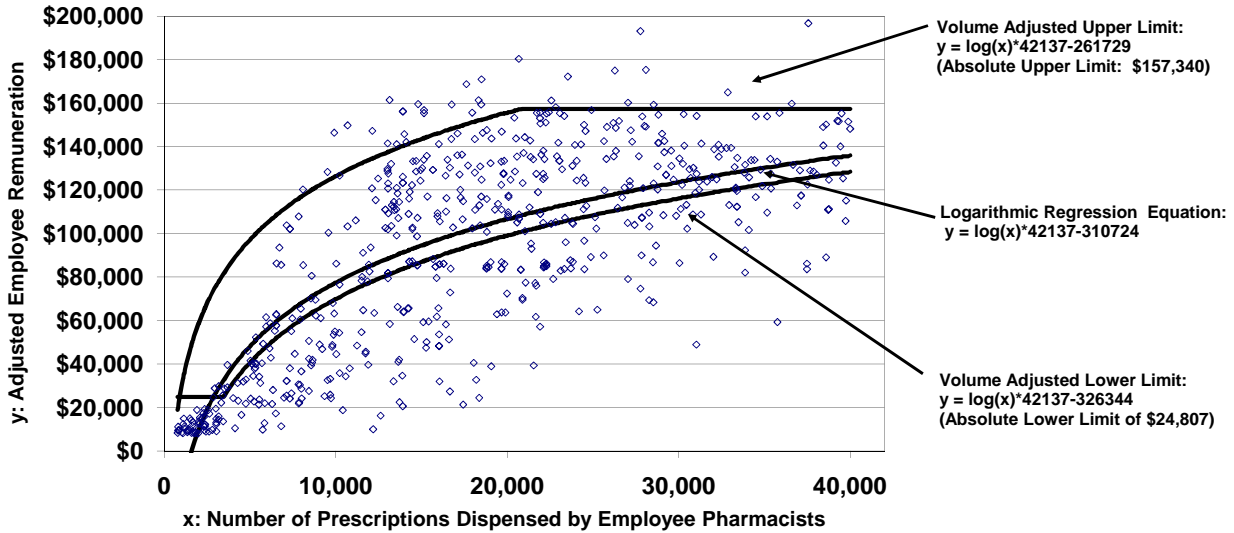
Assigned Number	Exceptions and Comments	Dispensing Cost per Prescription Increase / (Decrease)		
		Original	Revised	
0634	Revised count of prescriptions, area ratio, cost of goods sold ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$7.14	\$6.95	(\$0.19)
1101	Area ratio, sales ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$6.51	\$8.22	\$1.71
1558	Area ratio, various labor allocations	\$21.30	\$22.83	\$1.53
1871	Area ratio, sales ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$7.52	\$7.37	(\$0.15)
2674	Area ratio, sales ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$9.94	\$10.90	\$0.96
3209	Revised count of prescriptions, area ratio, sales ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$10.39	\$9.52	(\$0.87)
3641	Area ratio	\$27.08	\$27.02	(\$0.06)
4076	Area ratio	\$8.38	\$8.76	\$0.38
4679	Area ratio, various labor allocations	\$25.78	\$22.64	(\$3.14)
4787	Revised count of prescriptions, area ratio, sales ratio, various labor allocations	\$10.73	\$12.55	\$1.82
4994	Revised count of prescriptions, area ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$6.73	\$7.45	\$0.72
5217	Area ratio	\$9.72	\$9.72	\$0.00
5622	Revised count of prescriptions, area ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$5.52	\$7.40	\$1.88
6112	Adjust miscellaneous overhead expenses to tax return, various labor allocations	\$11.99	\$13.15	\$1.16
6345	Area ratio, adjust miscellaneous overhead expenses to tax return	\$21.14	\$21.85	\$0.71
7483	Area ratio, sales ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$6.72	\$9.98	\$3.26
7488	Revised count of prescriptions, area ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$13.49	\$10.32	(\$3.17)
7592	Area ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$5.43	\$8.00	\$2.57
7958	Area ratio	\$8.87	\$8.72	(\$0.15)
8471	Area ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$16.07	\$17.16	\$1.09
8664	Revised count of prescriptions, area ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$12.35	\$12.98	\$0.63
8668	Area ratio, cost of goods sold ratio, adjust miscellaneous overhead expenses to tax return, various labor allocations	\$7.53	\$9.66	\$2.13
	Mean Change per Pharmacy			\$0.58
	Standard Deviation			\$1.58
	Number of Pharmacies			22
	95% Confidence Interval for Mean Change Due to On-Site Field Visit			
	Lower Bound			(\$0.08)
	Upper Bound			\$1.24

Exhibit 10
Construction and Application
of Owner Pharmacist Salary Limits

Construction and Application of Owner Pharmacist Salary Limits

Oregon Department of Human Services

Construction of Owner Pharmacist Salary Limits Based on Employee Pharmacist Salaries



Application of Owner Pharmacist Salary Limits



Exhibit 11
Table of Inflation Factors
for Dispensing Cost Survey

Table of Inflation Factors for Dispensing Cost Survey
Louisiana Department of Health and Hospitals

Fiscal Year End Date	Midpoint Date	Terminal Month		Inflation Factor	Number of Stores with Year End Date
		Midpoint Index ₁	Index (12/31/2010) ₁		
12/31/2008	6/30/2008	109.6	115.1	1.050	2
1/31/2009	7/31/2008	109.9	115.1	1.047	0
2/28/2009	8/31/2008	110.1	115.1	1.045	0
3/31/2009	9/30/2008	110.4	115.1	1.043	0
4/30/2009	10/31/2008	110.6	115.1	1.041	1
5/31/2009	11/30/2008	110.7	115.1	1.040	0
6/30/2009	12/31/2008	110.9	115.1	1.038	0
7/31/2009	1/31/2009	111.2	115.1	1.035	0
8/31/2009	2/28/2009	111.4	115.1	1.033	0
9/30/2009	3/31/2009	111.7	115.1	1.030	0
10/31/2009	4/30/2009	111.9	115.1	1.029	0
11/30/2009	5/31/2009	112.0	115.1	1.028	0
12/31/2009	6/30/2009	112.2	115.1	1.026	129
1/31/2010	7/31/2009	112.4	115.1	1.024	63
2/28/2010	8/31/2009	112.5	115.1	1.023	34
3/31/2010	9/30/2009	112.7	115.1	1.021	3
4/30/2010	10/31/2009	112.9	115.1	1.019	0
5/31/2010	11/30/2009	113.0	115.1	1.019	4
6/30/2010	12/31/2009	113.2	115.1	1.017	35
7/31/2010	1/31/2010	113.3	115.1	1.016	2
8/31/2010	2/28/2010	113.5	115.1	1.014	72
9/30/2010	3/31/2010	113.6	115.1	1.013	25
10/31/2010	4/30/2010	113.8	115.1	1.011	0
11/30/2010	5/31/2010	113.9	115.1	1.011	1
12/31/2010	6/30/2010	114.1	115.1	1.009	123
1/31/2011	7/31/2010	114.2	115.1	1.008	31

Total Number of Stores	525
-------------------------------	------------

¹ Midpoint and terminal month indices were obtained from the Employment Cost Index, (health care and social assistance; 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.

Exhibit 12
Histogram of
Pharmacy Dispensing Cost

**Histogram of Pharmacy Dispensing Cost
(Non-Specialty Pharmacies)**

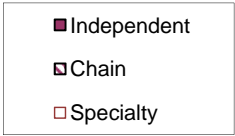
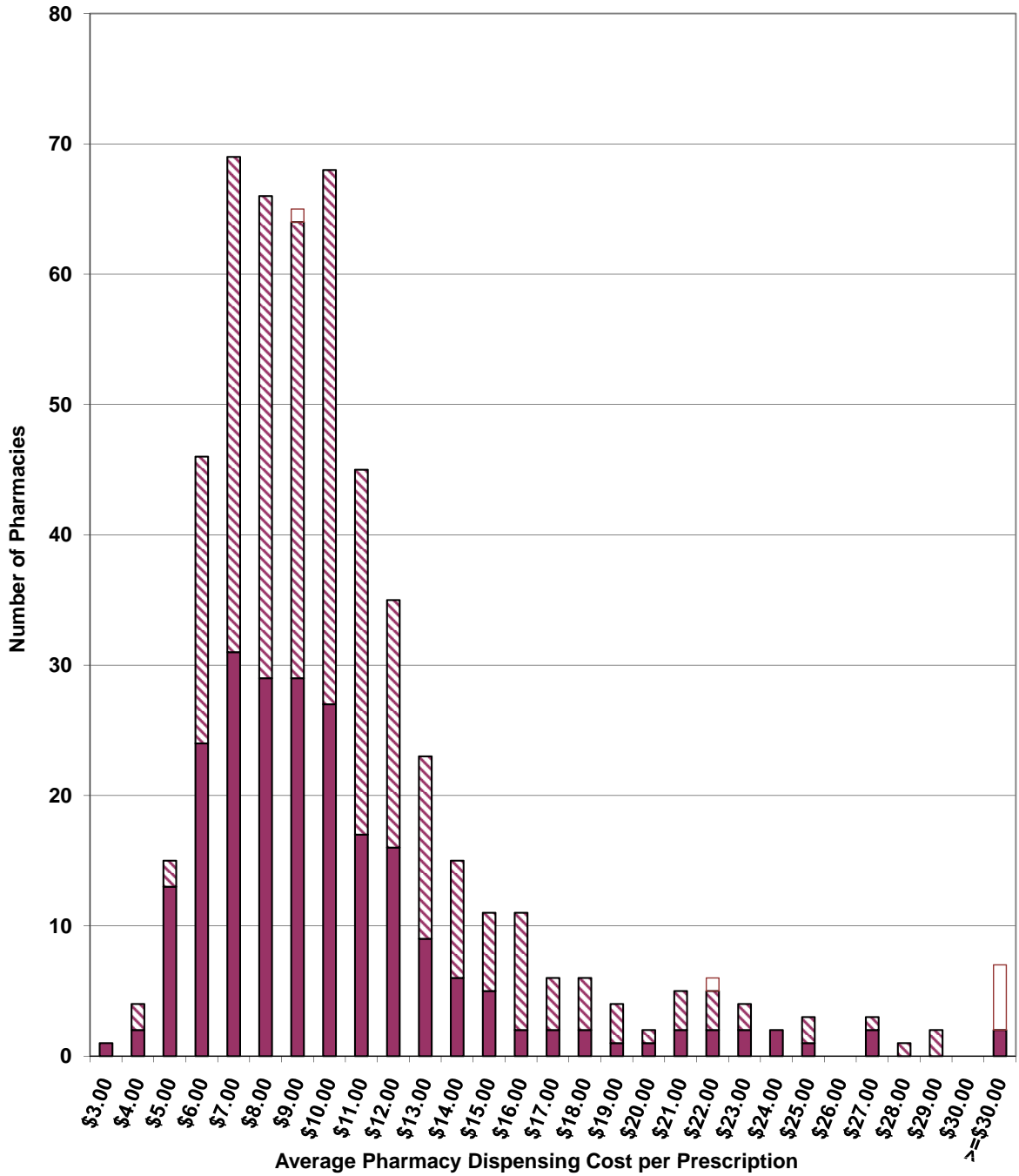


Exhibit 13
Pharmacy Dispensing
Cost Survey Data
Statistical Summary

**Pharmacy Cost of Dispensing Survey
Statistical Summary
Louisiana Department of Health and Hospitals**

Pharmacy Dispensing Cost per Prescription ¹											
Characteristic	n: Number of Pharmacies	Measurements of Central Tendency						Other Statistics			
		Means			Medians			Standard Deviation	95% Confidence Interval for Mean (based on Student t)		
		Mean	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume		Lower Bound	Upper Bound	t Value (with n-1 degrees of freedom)
All Pharmacies in Sample	525	\$18.24	\$9.94	\$10.24	\$9.93	\$9.36	\$9.51	\$145.10	\$5.80	\$30.68	1.96
Non Specialty Pharmacies ²	518	\$11.28	\$9.87	\$10.13	\$9.86	\$9.35	\$9.51	\$10.19	\$10.40	\$12.16	1.96
Specialty Pharmacies ²	7	\$533.28	\$20.96	\$72.19	\$60.66	\$6.04	\$53.05	\$1,231.30			
<u>Non Specialty Pharmacies Only</u>											
Affiliation:											
Chain	288	\$11.15	\$9.93	\$10.12	\$10.25	\$9.57	\$10.00	\$4.35	\$10.65	\$11.66	1.97
Independent	230	\$11.45	\$9.76	\$10.15	\$9.52	\$8.81	\$8.82	\$14.51	\$9.56	\$13.33	1.97
Location (Urban vs. Rural): ³											
Urban	353	\$12.06	\$10.20	\$10.60	\$10.39	\$9.74	\$10.01	\$12.00	\$10.81	\$13.32	1.97
Rural	165	\$9.62	\$8.99	\$9.23	\$8.88	\$8.20	\$8.69	\$3.78	\$9.04	\$10.20	1.97
Location (DHH Region):											
Region 1	76	\$16.39	\$11.35	\$12.15	\$11.53	\$10.57	\$10.82	\$24.37	\$10.82	\$21.96	1.99
Region 2	69	\$11.03	\$10.56	\$10.95	\$10.29	\$10.22	\$10.10	\$3.93	\$10.09	\$11.97	2.00
Region 3	40	\$9.97	\$9.04	\$9.28	\$8.99	\$8.34	\$8.72	\$3.67	\$8.79	\$11.14	2.02
Region 4	84	\$11.14	\$10.24	\$10.31	\$10.06	\$9.64	\$9.79	\$4.42	\$10.18	\$12.10	1.99
Region 5	32	\$9.79	\$9.02	\$9.00	\$9.70	\$8.60	\$8.61	\$2.98	\$8.71	\$10.86	2.04
Region 6	38	\$9.82	\$9.16	\$9.20	\$9.06	\$8.15	\$7.94	\$3.33	\$8.73	\$10.92	2.03
Region 7	63	\$9.90	\$9.00	\$9.09	\$8.89	\$8.22	\$8.58	\$4.44	\$8.78	\$11.02	2.00
Region 8	49	\$9.86	\$8.76	\$8.86	\$9.07	\$7.78	\$8.21	\$3.91	\$8.74	\$10.99	2.01
Region 9	67	\$10.60	\$9.95	\$10.11	\$9.98	\$10.00	\$10.02	\$3.55	\$9.73	\$11.47	2.00
Institutional:											
LTC Institutional Pharmacies ⁴	16	\$12.54	\$10.21	\$11.42	\$9.72	\$8.23	\$8.72	\$6.78	\$8.93	\$16.16	2.13
Non-LTC Institutional Pharmacies ⁴	502	\$11.24	\$9.85	\$10.05	\$9.86	\$9.45	\$9.52	\$10.28	\$10.34	\$12.14	1.96
Unit Dose:											
Does not dispense unit dose	368	\$11.52	\$9.81	\$10.28	\$9.73	\$9.29	\$9.55	\$11.83	\$10.30	\$12.73	1.97
Does dispense unit dose	150	\$10.71	\$10.06	\$9.76	\$10.06	\$9.51	\$9.35	\$3.90	\$10.08	\$11.34	1.98

**Pharmacy Cost of Dispensing Survey
Statistical Summary
Louisiana Department of Health and Hospitals**

Pharmacy Dispensing Cost per Prescription ¹											
Characteristic	n: Number of Pharmacies	Measurements of Central Tendency						Other Statistics			
		Means			Medians			Standard Deviation	95% Confidence Interval for Mean (based on Student t)		
		Mean	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume	Median	Weighted by Total Rx Volume	Weighted by Medicaid Rx Volume		Lower Bound	Upper Bound	t Value (with n-1 degrees of freedom)
Annual Rx Volume:											
0 to 49,999	202	\$13.86	\$12.11	\$12.05	\$11.45	\$10.53	\$10.32	\$15.48	\$11.71	\$16.00	1.97
50,000 to 79,999	124	\$10.10	\$10.06	\$10.06	\$9.17	\$9.19	\$9.06	\$3.80	\$9.43	\$10.78	1.98
80,000 and Higher	192	\$9.34	\$9.25	\$9.51	\$8.91	\$8.83	\$9.36	\$2.81	\$8.94	\$9.74	1.97
Annual Medicaid Rx Volume: ⁵											
0 to 5,999	174	\$14.32	\$11.50	\$13.99	\$11.45	\$10.39	\$10.98	\$16.61	\$11.83	\$16.80	1.97
6,000 to 11,999	176	\$9.86	\$9.54	\$9.83	\$9.18	\$9.08	\$9.14	\$3.16	\$9.39	\$10.32	1.97
12,000 and Higher	168	\$9.64	\$9.43	\$9.65	\$9.37	\$9.16	\$9.51	\$3.27	\$9.14	\$10.13	1.97
Medicaid Utilization Ratio: ⁵											
0.0% to 9.99%	172	\$11.10	\$9.61	\$9.61	\$9.81	\$9.05	\$9.04	\$4.56	\$10.41	\$11.79	1.97
10.0% to 19.99%	202	\$10.48	\$9.82	\$9.86	\$9.62	\$9.49	\$9.51	\$4.16	\$9.90	\$11.06	1.97
20.0% and Higher	144	\$12.63	\$10.38	\$10.60	\$10.20	\$10.03	\$9.98	\$17.98	\$9.67	\$15.59	1.98
Provision of Compounding Services											
Provides compounding (>=10% of Rx's)	15	\$12.03	\$12.71	\$13.04	\$8.44	\$8.80	\$9.52	\$6.76	\$8.29	\$15.78	2.14
Compounding <10% of Rx's	503	\$11.26	\$9.79	\$10.05	\$9.87	\$9.35	\$9.51	\$10.28	\$10.36	\$12.16	1.96

Notes:

- 1) All pharmacy dispensing costs are inflated to the common point of 12/31/2010 (i.e., midpoint of state fiscal year ending 6/30/2011).
- 2) For purposes of this report a "specialty pharmacy" is one that reported sales for intravenous, home infusion, enteral nutrition and/or blood factor services of 10% or more of total prescription sales.
- 3) Myers and Stauffer used the pharmacies' zip code and tables from the U.S. Census Bureau to determine if the pharmacy was located in a Metropolitan Statistical Area or a Micropolitan Statistical Area. Pharmacies not in a Metropolitan Statistical Area are considered "rural" for purposes of this report.
- 4) For purposes of this report a "LTC Institutional Pharmacy" is one that reported dispensing 50% or more of prescriptions to long-term care facilities.
- 5) Medicaid volume is based on Louisiana Medicaid claims data for the time period of July 1, 2009 to June 30, 2010.

Exhibit 14
Table of Zip Codes, Parishes
and Urban Versus Rural
Designations

Table of Zip Codes, Parishes and Metropolitan / Micropolitan / Rural Locations for Surveyed Pharmacies

Louisiana Department of Health and Hospitals

Zip Code	Parish	Census Status ^{2,3}
70001	JEFFERSON	METRO
70002	JEFFERSON	METRO
70003	JEFFERSON	METRO
70005	JEFFERSON	METRO
70006	JEFFERSON	METRO
70032	ST. BERNARD	METRO
70047	ST. CHARLES	METRO
70052	ST. JAMES	
70053	JEFFERSON	METRO
70056	JEFFERSON	METRO
70058	JEFFERSON	METRO
70062	JEFFERSON	METRO
70065	JEFFERSON	METRO
70067	JEFFERSON	METRO
70068	ST. JOHN BAPTIST	METRO
70069	ST. JOHN BAPTIST	METRO
70070	ST. CHARLES	METRO
70071	ST. JAMES	
70072	JEFFERSON	METRO
70085	ST. BERNARD	METRO
70087	ST. CHARLES	METRO
70094	JEFFERSON	METRO
70112	ORLEANS	METRO
70114	ORLEANS	METRO
70115	ORLEANS	METRO
70116	ORLEANS	METRO
70117	ORLEANS	METRO
70118	ORLEANS	METRO
70119	ORLEANS	METRO
70121	JEFFERSON	METRO
70122	ORLEANS	METRO
70123	JEFFERSON	METRO
70124	ORLEANS	METRO
70125	ORLEANS	METRO
70126	ORLEANS	METRO
70127	ORLEANS	METRO
70128	ORLEANS	METRO
70129	ORLEANS	METRO
70130	ORLEANS	METRO
70131	ORLEANS	METRO
70301	LAFOURCHE	METRO
70339	ASSUMPTION	MICRO
70345	LAFOURCHE	METRO
70346	ASCENSION	METRO
70359	TERREBONNE	METRO
70360	TERREBONNE	METRO
70363	TERREBONNE	METRO
70364	TERREBONNE	METRO
70373	LAFOURCHE	METRO
70374	LAFOURCHE	METRO

Zip Code	Parish	Census Status ^{2,3}
70380	ST. MARY	MICRO
70381	ST. MARY	MICRO
70390	ASSUMPTION	MICRO
70391	ASSUMPTION	MICRO
70392	ST. MARY	MICRO
70394	LAFOURCHE	METRO
70401	TANGIPAHOA	MICRO
70403	TANGIPAHOA	MICRO
70420	ST. TAMMANY	METRO
70422	TANGIPAHOA	MICRO
70426	WASHINGTON	MICRO
70427	WASHINGTON	MICRO
70433	ST. TAMMANY	METRO
70435	ST. TAMMANY	METRO
70437	ST. TAMMANY	METRO
70438	WASHINGTON	MICRO
70441	ST. HELENA	METRO
70443	ST. HELENA	METRO
70444	TANGIPAHOA	MICRO
70446	TANGIPAHOA	MICRO
70448	ST. TAMMANY	METRO
70452	ST. TAMMANY	METRO
70454	TANGIPAHOA	MICRO
70458	ST. TAMMANY	METRO
70460	ST. TAMMANY	METRO
70461	ST. TAMMANY	METRO
70462	LIVINGSTON	METRO
70471	ST. TAMMANY	METRO
70501	LAFAYETTE	METRO
70503	LAFAYETTE	METRO
70506	LAFAYETTE	METRO
70507	LAFAYETTE	METRO
70508	LAFAYETTE	METRO
70510	VERMILION	MICRO
70512	ST. LANDRY	MICRO
70517	ST. MARTIN	METRO
70518	LAFAYETTE	METRO
70520	LAFAYETTE	METRO
70525	ACADIA	MICRO
70526	ACADIA	MICRO
70529	LAFAYETTE	METRO
70532	JEFFERSON DAVIS	MICRO
70533	VERMILION	MICRO
70535	ST. LANDRY	MICRO
70538	ST. MARY	MICRO
70542	VERMILION	MICRO
70543	ACADIA	MICRO
70544	IBERIA	MICRO
70546	JEFFERSON DAVIS	MICRO
70548	VERMILION	MICRO

Table of Zip Codes, Parishes and Metropolitan / Micropolitan / Rural Locations for Surveyed Pharmacies

Louisiana Department of Health and Hospitals

Zip Code	Parish	Census Status ^{2,3}
70549	JEFFERSON DAVIS	MICRO
70552	IBERIA	MICRO
70554	EVANGELINE	
70555	VERMILION	MICRO
70560	IBERIA	MICRO
70563	IBERIA	MICRO
70570	ST. LANDRY	MICRO
70577	ST. LANDRY	MICRO
70578	ACADIA	MICRO
70582	ST. MARTIN	METRO
70583	LAFAYETTE	METRO
70584	ST. LANDRY	MICRO
70586	EVANGELINE	
70589	ST. LANDRY	MICRO
70591	JEFFERSON DAVIS	MICRO
70601	CALCASIEU	METRO
70605	CALCASIEU	METRO
70611	CALCASIEU	METRO
70633	CALCASIEU	METRO
70634	BEAUREGARD	MICRO
70647	CALCASIEU	METRO
70648	ALLEN	
70659	LINCOLN	MICRO
70663	CALCASIEU	METRO
70668	CALCASIEU	METRO
70669	CALCASIEU	METRO
70711	LIVINGSTON	METRO
70714	E. BATON ROUGE	METRO
70719	W. BATON ROUGE	METRO
70722	EAST FELICIANA	METRO
70726	LIVINGSTON	METRO
70734	ASCENSION	METRO
70737	ASCENSION	METRO
70739	E. BATON ROUGE	METRO
70748	EAST FELICIANA	METRO
70754	LIVINGSTON	METRO
70757	IBERVILLE	METRO
70760	POINTE COUPEE	METRO
70764	IBERVILLE	METRO
70767	W. BATON ROUGE	METRO
70769	ASCENSION	METRO
70775	WEST FELICIANA	METRO
70776	IBERVILLE	METRO
70785	LIVINGSTON	METRO
70786	LIVINGSTON	METRO
70788	IBERVILLE	METRO
70791	E. BATON ROUGE	METRO
70805	E. BATON ROUGE	METRO
70806	E. BATON ROUGE	METRO
70807	E. BATON ROUGE	METRO

Zip Code	Parish	Census Status ^{2,3}
70808	E. BATON ROUGE	METRO
70809	E. BATON ROUGE	METRO
70810	E. BATON ROUGE	METRO
70814	E. BATON ROUGE	METRO
70815	E. BATON ROUGE	METRO
70816	E. BATON ROUGE	METRO
70817	E. BATON ROUGE	METRO
70818	E. BATON ROUGE	METRO
70819	E. BATON ROUGE	METRO
70826	E. BATON ROUGE	METRO
71001	BIENVILLE	
71019	RED RIVER	
71037	BOSSIER	METRO
71038	CLAIBORNE	
71040	CLAIBORNE	
71049	DE SOTO	METRO
71052	DE SOTO	METRO
71055	WEBSTER	MICRO
71064	BOSSIER	METRO
71075	WEBSTER	MICRO
71082	CADDO	METRO
71101	CADDO	METRO
71103	CADDO	METRO
71104	CADDO	METRO
71105	CADDO	METRO
71106	CADDO	METRO
71107	CADDO	METRO
71108	CADDO	METRO
71109	CADDO	METRO
71111	BOSSIER	METRO
71112	BOSSIER	METRO
71118	CADDO	METRO
71119	CADDO	METRO
71129	CADDO	METRO
71201	OUACHITA	METRO
71202	OUACHITA	METRO
71203	OUACHITA	METRO
71220	MOREHOUSE	MICRO
71232	RICHLAND	
71254	EAST CARROLL	
71259	RICHLAND	
71261	MOREHOUSE	MICRO
71263	WEST CARROLL	
71269	RICHLAND	
71270	LINCOLN	MICRO
71280	OUACHITA	METRO
71291	OUACHITA	METRO
71292	OUACHITA	METRO
71295	FRANKLIN	
71301	RAPIDES	METRO

Table of Zip Codes, Parishes and Metropolitan / Micropolitan / Rural Locations for Surveyed Pharmacies

Louisiana Department of Health and Hospitals

Zip Code	Parish	Census Status ^{2,3}
71303	RAPIDES	METRO
71322	AVOYELLES	
71327	AVOYELLES	
71334	CONCORDIA	MICRO
71336	FRANKLIN	
71341	AVOYELLES	
71342	LA SALLE	
71346	RAPIDES	METRO
71351	AVOYELLES	
71353	ST. LANDRY	MICRO
71357	TENSAS	
71360	RAPIDES	METRO
71366	TENSAS	
71369	AVOYELLES	
71373	CONCORDIA	MICRO

Zip Code	Parish	Census Status ^{2,3}
71405	RAPIDES	METRO
71407	GRANT	METRO
71418	CALDWELL	
71446	VERNON	MICRO
71449	SABINE	
71457	NATCHITOCHEs	MICRO
71463	ALLEN	
71465	LA SALLE	
71480	LA SALLE	
71483	WINN	
71485	RAPIDES	METRO
71486	SABINE	
71496	VERNON	MICRO

Notes:

1) Table is limited to pharmacies located within the state of Louisiana.

2) Census status refers to the U.S. Bureau of the Census designation for a parish as being in a metropolitan statistical area or micropolitan statistical area (per December 2007 definitions, obtained from <http://www.census.gov>).

METRO = The county is located in a metropolitan statistical area.

MICRO = The county is located in a micropolitan statistical area.

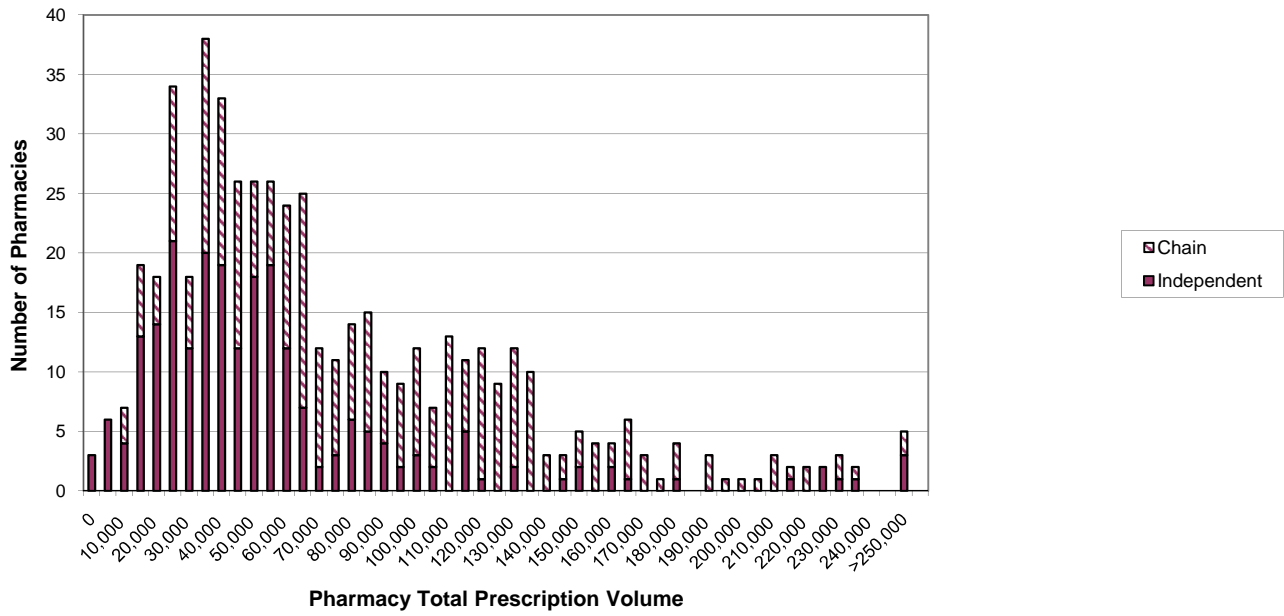
3) For purposes of the pharmacy dispensing cost survey, pharmacies not located in metropolitan statistical areas are considered to have a "rural" location.

Exhibit 15
**Charts Relating to Pharmacy Total
Prescription Volume:**

**A: Histogram of Pharmacy Total
Prescription Volume**

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

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



Scatter Plot of Relationship Between Dispensing Cost per Prescription and Total Prescription Volume (Non-Specialty Pharmacies)

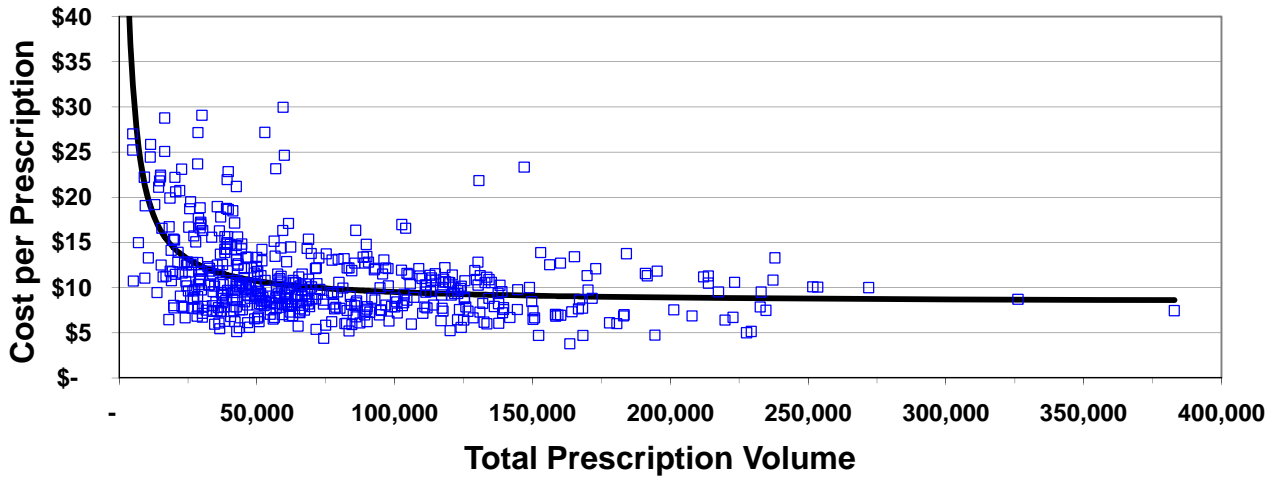


Exhibit 16
Summary of Pharmacy Attributes

Summary of Pharmacy Attributes
Louisiana Department of Health and Hospitals

Attribute	Number of Pharmacies Responding	Statistics for Responding Pharmacies		
		Response	Count	Percent
Payer Type: percent of prescriptions (averages)		Medicaid fee for service	N/A	17.0%
		Other third party	N/A	69.1%
		Cash	N/A	13.9%
		<i>Total</i>	N/A	100.0%
Payer Type: percent of payments (averages)		Medicaid fee for service	N/A	20.9%
		Other third party	N/A	68.2%
		Cash	N/A	10.9%
		<i>Total</i>	N/A	100.0%
Type of ownership	522	Individual	26	5.0%
		Corporation	455	87.2%
		Partnership	12	2.3%
		Other	29	5.6%
		<i>Total</i>	522	100.0%
Location	462	Medical office building	29	6.3%
		Shopping center	59	12.8%
		Downtown or individual building	174	37.7%
		Grocery store / mass merchant	180	39.0%
		Other	20	4.3%
		<i>Total</i>	462	100.0%
Building ownership (or rented from related party)	514	Yes, (own building or rent from related party)	193	37.5%
		No	321	62.5%
		<i>Total</i>	514	100.0%
Hours open per week	515	69.0 hours	N/A	N/A
Years pharmacy has operated at current location	500	17.1 years	N/A	N/A
Provision of 24 hour emergency services	512	Yes	240	46.9%
		No	272	53.1%
		<i>Total</i>	512	100.0%
Percent of prescriptions to long-term care facilities	525	4.3% for all pharmacies; (20.1% for 113 pharmacies reporting > 0%)	N/A	N/A
Provision of unit dose services	485	Yes (average of 21.4% of prescriptions for pharmacies indicating provision of unit dose prescriptions. Approximately 93% of unit dose prescriptions were reported as prepared in the pharmacy with 7% reported as purchased already prepared from a manufacturer)	115	23.7%
		No	370	76.3%
		<i>Total</i>	485	100.0%
Percent of total prescriptions delivered	525	9.1% for all pharmacies; (29.4% for 163 pharmacies reporting > 0%)	N/A	N/A
Percent of Medicaid prescriptions delivered	310	9.0% for all pharmacies; (4.4% for 46 pharmacies reporting > 0%)	N/A	N/A
Percent of prescriptions dispensed by mail	525	0.4% for all pharmacies; (8.8% for 36 pharmacies reporting >0% percent of prescriptions dispensed by mail)	N/A	N/A
Provision of specialty products or service (e.g., intravenous or home infusion, enteral nutrition, blood factor or derivatives prescriptions)	525	Yes	25	4.8%
		No	500	95.2%
		<i>Total</i>	525	100.0%
Percent of prescriptions compounded	525	0.9% for all pharmacies; (5.5% for 90 pharmacies reporting >0 compounded Rx's)	N/A	N/A

Exhibit 17
Chart of Components
of Dispensing Cost
per Prescription

Chart of Components of Dispensing Cost per Prescription

