

Medical Assistance Reimbursement Rate Update

Pharmacies rely on professional dispensing fees to ensure serving medical assistance patients remains a sustainable business



If professional dispensing fees are not updated over time as intended, pharmacies may not be available to serve Medical Assistance patients. Underwater and unjustifiable reimbursement rates (set by PBMs) across medicaid managed care (MC), and employer-based payers are leading to closures of pharmacies, understaffed pharmacy locations, and pharmacy “deserts.” The fee-for-service pharmacy reimbursement model used by Medical Assistance, including the professional dispensing fee, is the only reimbursement model affecting Minnesota pharmacies that is under direct control of the state government.

Cost of dispensing survey shows increased costs for pharmacies

This legislation will update Minnesota Statute 256B.0625, Subd. 13e, where the professional dispensing fee component of Medical Assistance payment rates to pharmacies for dispensing prescriptions is specified. The same statute states that the Department of Human Services (DHS) shall conduct a Cost of Dispensing Survey (CODS) once every 3 years, and provide recommendations for any changes to the professional dispensing fee to the chairs and ranking members of the legislative committees with jurisdiction over medical assistance pharmacy reimbursement.

DHS completed an updated Cost of Dispensing survey and made such recommendations in August 2023. Based on the results of the 2023 Minnesota Cost of Dispensing Survey, **DHS recommends revising the current professional dispensing fee (\$10.77) to the median weighted by Medicaid prescription volume (\$11.55) for all community retail pharmacies.**

Based on the data a 2024 rate adjustment is due

This bill requires fair and adequate financial reimbursement for pharmacy services, to preserve safe and convenient access to prescription medication for all Minnesotans. Federal Medicaid requirements, adopted by the 2018 Minnesota Legislature known as the Outpatient Drug Rule, specify that Medical Assistance must reimburse pharmacies using an actual acquisition cost (AAC) plus professional dispensing fee model. The federal government required states to move to a transparent model that also requires the dispensing fee reimbursement rate to reflect the current cost of dispensing.

This means that pharmacies do not earn a mark-up or “margin” on the cost of the drug product itself; instead all net revenue to pharmacies (i.e. the funds used to pay staff wages, building costs, cost of prescription vials, labels, bags, etc.) are in the form of a professional dispensing fee, which is determined by cost accounting surveys using data submitted by the pharmacies themselves. The October 2023 CODS is based on 2021 year data, which is behind where current costs are and especially with the inflation pharmacies in Minnesota have experienced. The rate increase needs to happen this year.

In the past, the legislature recognized the importance of conducting these cost accounting surveys on a regular basis (every 3 years), understanding that market conditions and/or inflation could change the underlying costs for pharmacies over time. The overall reimbursement model implies that the professional dispensing fee should be automatically updated with the results of each new survey, however this is specified in statute, and thus requires legislation to make the update. Since the most recent survey was completed, and recommendations given in August 2023, the 2024 session is the most appropriate time for this update to be made.



Angela Franey, Executive Director
Minnesota Pharmacists Association
4248 Park Glen Rd, Minneapolis, MN 55416
(952) 928-4680 - angelafr@mpha.org
www.mpha.org