

A Comparison of Personnel Costs to Dispense Workers' Compensation and Medi-Cal Prescriptions in California Community Pharmacies

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Prepared for



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Executive Summary

We conducted a comparative analysis of personnel-related dispensing costs incurred by California community pharmacies to dispense prescriptions billed to workers' compensation insurance versus California Medicaid (Medi-Cal).

The sampling frame for the analysis included independent and chain community pharmacies licensed, operating and physically located in the State of California that had been pre-qualified as having a sufficient volume of workers' compensation (WC) and Medi-Cal (MC) prescriptions and agreed to participate in the project.

Data collection commenced in January, 2012. By the close of data collection in May, 2012, usable data had been reported for 38 independent and chain community pharmacies. Among the 20 pharmacies that did not report use of a WC claims management service (i.e., third-party biller) to bill WC prescriptions, the average personnel-related cost to dispense a new WC prescription was found to be **\$3.16 greater** than a new MC prescription (\$7.49 vs. \$4.33). The average cost to dispense a refilled WC prescription in these pharmacies was found to be **\$2.44 greater** than a MC prescription (\$6.09 vs. \$3.65). For both new and refilled prescriptions, WC required a greater proportion of the pharmacist's time versus that of other pharmacy personnel.

In addition to the incremental personnel-related costs, pharmacies that did not use a third-party billing service incurred an additional \$2.89 in bad debt expense for dispensing a WC prescription as a result of reversed or denied claims. There was found to be no difference in accounts receivable carrying costs between WC and MC.

Among the 18 pharmacies that reported using a third-party billing service, the comparative in-store personnel-related costs of dispensing WC and MC prescriptions were found to differ only slightly. Among these pharmacies, new WC prescriptions required **\$0.34 more** personnel-related costs than new MC prescriptions (\$3.31 vs. \$2.97). In the case of refilled prescriptions, WC required **\$0.37 less** (\$2.38 vs. \$2.75) than refilled MC prescriptions. Moreover, use of third-party billing services eliminated entirely the cost of bad debt from denied or reversed claims. These efficiencies, however, come at a cost as the estimated per claim cost of the third-party billing service to pharmacies in this study averaged **\$9.56** per claim, thereby more than overcoming the savings from reduced personnel and bad debt costs to pharmacies.

The results of this study appear to support assertions that California workers' compensation prescriptions require significantly more cost on the part of community pharmacies to dispense when compared to Medi-Cal. While third-party billing services eliminate the risk of bad debt and reduce the cost of in-store pharmacy personnel required to dispense and bill for WC prescriptions, their fees for this service more than compensate for the savings they generate.

Project Overview

This report contains the results of a comparative analysis of personnel-related costs incurred by California community pharmacies to process, dispense and bill for prescription drugs provided to patients covered by California workers' compensation insurance vs. California Medicaid (Medi-Cal).

Background and Objectives

Workers' compensation insurance (WC) provides coverage for medical expenses that result from work-related injuries including first-dollar coverage for prescription drugs. Substantial anecdotal data and a limited amount of empirical evidence suggest that community pharmacies incur higher personnel-related costs to dispense WC prescriptions than those billed to private pay or to other public and private insurance programs.¹ Despite these apparent differences, however, payment to pharmacies for dispensing WC prescriptions in California continues to be linked to fee schedules for California Medicaid, also known as Medi-Cal (MC).²

It is thought that incremental dispensing costs for providing prescription drugs to WC patients may result from the additional work required of pharmacy personnel to perform a variety of activities that are needed to successfully process, dispense, bill and receive payment, including:

- Contacting employers to verify the existence and date of a work-related injury;
- Identifying the relevant WC insurance carrier and the carrier's claims adjuster;
- Submitting claims for payment in the format required by insurance carriers;
- Verifying coverage and medical necessity, and;
- Consulting with insurance adjusters regarding therapeutic and generic substitution of medications.

In response to the additional work required for prescriptions covered by WC insurance, many pharmacies employ the services of an outside WC claims management service, also known as "third-party billers." Because workers' compensation usually represents a small fraction of the overall prescription business of most community pharmacies, there is typically not enough volume to justify dedicating the staff and resources required to effectively handle these additional activities. Third-party billers emerged to fill this need.

In contrast to conventional prescription benefit managers (PBMs) that process the prescription claims of community pharmacies, third-party billers actually buy the WC prescription receivable from the pharmacy for a discounted amount and then bill the payer at a higher rate. Profitability results from the spread between what the third-party biller pays the pharmacy for the prescription and the amount it eventually collects from the payer. In so doing, the third-party biller shoulders the burden of billing the WC claim and assumes the cost of carrying outstanding accounts receivable as well as the risk of bad debt from claims that are ultimately denied by the payer.

For pharmacies that elect to shift the burden of WC claims billing to a third-party biller, the incremental cost of dispensing a WC prescription includes the difference between the amount the

pharmacy is paid by the third-party biller and the amount it would have received if the prescription had been billed directly to the payer, typically through a PBM.

The purpose of this project was to analyze the incremental costs incurred by community pharmacies in California to process, dispense and successfully bill for WC prescriptions when compared to those for MC while distinguishing between pharmacies that use a WC third-party billing service from those that do not.

The primary research questions were:

1. How much incremental personnel time is required of California pharmacies to process, dispense and bill for workers' compensation prescriptions when compared to Medi-Cal, and;
2. What is the incremental cost incurred by California pharmacies to process, dispense and bill for workers' compensation prescriptions when compared to Medi-Cal?
3. What is the incremental bad debt and accounts receivables carrying costs for workers' compensation prescriptions when compared to Medi-Cal?

Methods

The methods of multidimensional work sampling were used to observe and record the time required by pharmacy personnel to process, dispense and bill for a sample of WC and MC prescriptions in a panel of independent and chain community pharmacies.³⁻⁶ Staff at participating pharmacies were instructed to record each discrete episode of activity (i.e., each "touch") required to process, dispense and bill for a sample of WC and MC prescriptions using the Prescription Activity Documentation Form that appears in Attachment 1.

For each episode of activity, the observer documented five data elements:

- Date of the activity;
- Staff classification of the person performing the activity;
- The person or entity with whom the staff member interacted during activity (Contact);
- The reason or objective for the activity (Function/Reason), and;
- The number of minutes during which the staff member was actively engaged in performing the activity (Time)

Because pharmacy staff are frequently interrupted or delayed in completing dispensing-related tasks, observers were instructed to include only the amount of time that the staff member was actively and exclusively engaged in the activity in question, not the total amount of time that may have elapsed during which the objective of the activity was accomplished.

This approach deviates significantly from that used in a conventional cost-of-dispensing analysis in which the total cost of all dispensing personnel is divided equally among the total number of

prescriptions that were dispensed during the period. In so doing, the latter approach includes the cost of “down time” during which staff are not actively engaged in the processing or dispensing of a prescription and is therefore a more conservative estimate of dispensing costs.

Participating pharmacies were instructed to designate one staff member to perform all documentation for a total of 40 prescriptions, ten in each of the following categories:

<u>Rx Type</u>	<u>Payment Source</u>
10 New	Workers’ Compensation
10 Refill	Workers’ Compensation
10 New	Medi-Cal
10 Refill	Medi-Cal

The personnel time required to complete each activity was converted to dollars using the median reported wages for pharmacy staff in different personnel classifications as reported in the Participating Pharmacy Profile that appears in Attachment 2.

Study Sample

Letters of support for the study were obtained from the California Pharmacists Association (CPhA), the Academy of Pharmacy Owners (APO), the National Association of Chain Drug Stores (NACDS) and the California Retailers Association. The sample for the study consisted of independent and chain community pharmacies that responded to solicitations for participation from the contractor and the California Pharmacists Association (CPhA). An example of this solicitation to participate appears in Attachment 3. Pharmacies that met eligibility criteria for a minimum volume of 10 WC and MC prescriptions per week were offered a \$100 Amazon gift card in return for their participation.

From the initial sampling frame of 124 independent and chain community pharmacies that responded to solicitations and met the initial eligibility criteria, 48 (38.7%) eventually agreed to participate in the study. Data collection began in January, 2012.

Results

By the deadline of May 15, 2012, data had been received from 41 pharmacies. Upon receipt, data collection forms were reviewed for completeness. In cases where data were not complete or contained apparent data entry errors, contractor staff contacted the submitting pharmacy owner/manager via telephone, fax and/or e-mail to supplement or correct the data.

Of the 41 pharmacies that submitted data, two (2) were eliminated due to insufficient data after repeated attempts to contact the reporting pharmacy owner/manager were unsuccessful. One (1) additional pharmacy was eliminated from the analysis because the pharmacy had discontinued accepting prescriptions from Medi-Cal patients prior to beginning data collection.

Data from 38 pharmacies were eventually included in the analysis. Descriptive characteristics of participating pharmacies appear in Tables 1 and 2.

TABLE 1: Ownership and Location of Participating Pharmacies

Pharmacy Characteristic	N (%)
Ownership Type	
Independent	29 (76.3)
Chain	9 (23.7)
Location	
Rural	13 (34.2)
Non-rural	25 (65.8)

As illustrated in Table 1 above, 29 (76/3%) of the 38 pharmacies that submitted data for the study were independently owned while the remaining 9 (23.7%) were outlets of a single chain pharmacy organization. Participating pharmacies were located in 34 different Zip Codes of which 13 (34.2%) are defined as rural or super rural by the Centers for Medicare and Medicaid Services (CMS).⁷

TABLE 2: Prescription Volume of Participating Pharmacies

Rx Volume & Sales	Mean	Median	Range
Annual Prescription Volume	65,463	61,226	47,073 – 145,983
% Workers' Compensation Rxs	2.94%	1.89%	0.87% - 22.4%
% Medi-Cal Rxs	12.86%	10.07%	1.00% - 36.8%
Annual Prescription Sales	\$4,662,891	\$3,899,453	\$2,760,206 - \$12,939,844
Workers' Compensation Rx Sales	\$95,520	\$81,892	\$28,413 - \$122,156
Medi-Cal Rx Sales	\$685,788	\$526,110	\$85,389 - \$1,526,476

The mean annual prescription volume of pharmacies that participated in the study was 65,463 (Table 2). The median (50th percentile) prescription volume was 61,226, suggesting that the mean was somewhat inflated by higher volume pharmacies in the data.

Across all participating pharmacies, WC prescriptions accounted for an average of 2.94% of total prescription volume while Medi-Cal represented 12.86%. Once again, somewhat lower median values suggest the influence that a small number of high values had on inflating the mean. Likewise, mean annual prescription sales were affected by several higher volume pharmacies.

Reported compensation of staff in participating pharmacies inclusive of fringe benefits and bonuses appear in Table 3. The median wage paid to staff pharmacists inclusive of benefits was \$64.24. Substantial variance in reported wages was observed across the 29 independent pharmacies that participated in the study as indicated by the relatively broad ranges.

TABLE 3: Compensation of Pharmacy Staff by Position

Pharmacy Staff Position	Mean	Median	Range
Pharmacist	\$67.78	\$64.24	\$45.00 - \$95.00
Technician	\$16.93	\$15.80	\$14.00 - \$30.00
Clerk	\$15.05	\$12.70	\$12.00 - \$20.00
Intern	\$28.71	\$23.30	\$19.70 - \$40.00

In the Participating Pharmacy Profile (Attachment 2), participants were asked if they use a claims management service (i.e., third-party biller) to assist in processing and billing WC claims. Eighteen (47.4%) indicated affirmatively, including all nine chain pharmacies. Participants were then asked to estimate the average per-claim cost of their WC claims management service as the percent difference between what they are currently paid for a WC claim and what they would receive for the same claim if it had been billed directly or through a conventional PBM.

The average per-claim cost of a WC claims management service among the 18 pharmacies that use a third-party billing service was 15.38% (range, 5.47% - 40.00%). As the range suggests, participating pharmacies provided widely varying estimates of the per claim cost of their WC claims management service with chains reporting substantially lower cost estimates than independent pharmacies.

A total of 1,455 usable Prescription Activity Documentation Forms were received from the 38 participating pharmacies. Several pharmacies reported they were unable to fulfill the requirement of 10 new and refill WC prescriptions prior to the final deadline for submission of data.

Table 4 provides a description of activities that were required to process, dispense and bill each of the four prescription types in participating pharmacies. Among the 20 independent community pharmacies that did not use a third-party billing service, new WC prescriptions required an average of 3.9 actions (i.e., “touches”) while refills required an average of 3.4. In many cases these discrete actions occurred on different dates, in some cases separated by a period of up to several weeks. In contrast, the number of actions required to process, dispense and bill for new and refilled Medi-Cal prescriptions in the same pharmacies was reported to be 2.7 and 2.4, respectively.

Among the 18 pharmacies that reported using a third-party biller, new WC prescription required an average of 1.9 actions while refills required an average of 1.7. In contrast, the average number of actions required to dispense new and refilled MC prescriptions was 1.2 and 1.3, respectively. While statistically significant, it should be noted that, the differences between WC and Medi-Cal prescriptions in this group was much narrower in an absolute sense than in pharmacies that did not use a third-party billing service.

TABLE 4: Personnel Actions and Time Required to Dispense Prescriptions

Prescription Type	Actions		Time (min)		Personnel	
	Mean	Range	Mean	Range	% RPh	% Other Staff
Pharmacies without a Third-Party Billing Service (n=20)						
Workers' Comp new Rxs (n=187)	3.9 ^{a,b}	1.3 – 5.7	13.3	3 - 58	37.4	62.6
Workers' Comp refill Rxs (n=173)	3.4 ^{c,d}	1.1 – 6.2	11.9	2 - 45	31.1	68.9
Medi-Cal new Rxs (n=198)	2.7 ^a	1.0 – 6.1	8.1	2 - 51	34.0	66.0
Medi-Cal refill Rxs (n=195)	2.4 ^c	1.0 – 4.4	7.6	2 - 62	27.3	72.7
Pharmacies with a Third-Party Billing Service (n=18)						
Workers' Comp new Rxs (n=171)	1.9 ^{b,e}	1.1 – 3.5	6.8	2 - 40	28.1	71.9
Workers' Comp refill Rxs (n=175)	1.7 ^{d,f}	1.0 – 3.3	5.5	2 - 50	21.5	78.5
Medi-Cal new Rxs (n=179)	1.2 ^e	1.0 – 2.9	5.7	3 – 62	32.3	67.7
Medi-Cal refill Rxs (n=177)	1.3 ^f	1.0 – 3.1	6.3	2 - 55	21.8	78.3

^{a-f}p<.05

Among the 20 pharmacies that did not use a third-party billing service, new WC prescriptions were found to require an average of 5.2 minutes of additional pharmacy staff time to dispense when compared with new MC prescriptions. Moreover, WC prescriptions required a slightly higher percentage of the pharmacist's time (37.4% vs. 34.0%) than did MC prescriptions. Similarly, refilled WC prescriptions required an average of 4.3 minutes of additional staff time and a higher proportion of pharmacist time (31.1% vs. 27.3%) than refilled MC prescriptions.

Among 18 pharmacies that reported using a third-party biller, new WC prescriptions required 1.1 minutes more pharmacy staff time than MC prescriptions. However, WC prescriptions required a slightly smaller percentage of the pharmacist's time in this group than did MC prescriptions (28.1% vs. 32.3%). In the case of refilled prescriptions, MC required an average of 0.8 minutes more staff time and a higher percentage of the pharmacist's time than did WC (21.8% vs. 21.5%). These data would appear to support the conclusion that third-party billing services significantly reduce the amount of pharmacy staff time and related cost required to dispense and bill for WC prescriptions.

Figure 1 provides a comparison of contacts required during dispensing-related activities performed by staff in pharmacies that did not use a third-party billing service. Particularly notable is the amount of time spent in contact with the insurer or adjuster for WC prescriptions which was more than twice that for MC prescriptions (7.3% vs. 2.8%). In contrast, MC prescriptions required proportionately more time in contact with the claims processor or PBM than did WC prescriptions. Where they were specified by the observers, 'Other' contacts included attorneys, accountants, drug wholesalers and other pharmacies or pharmacists.

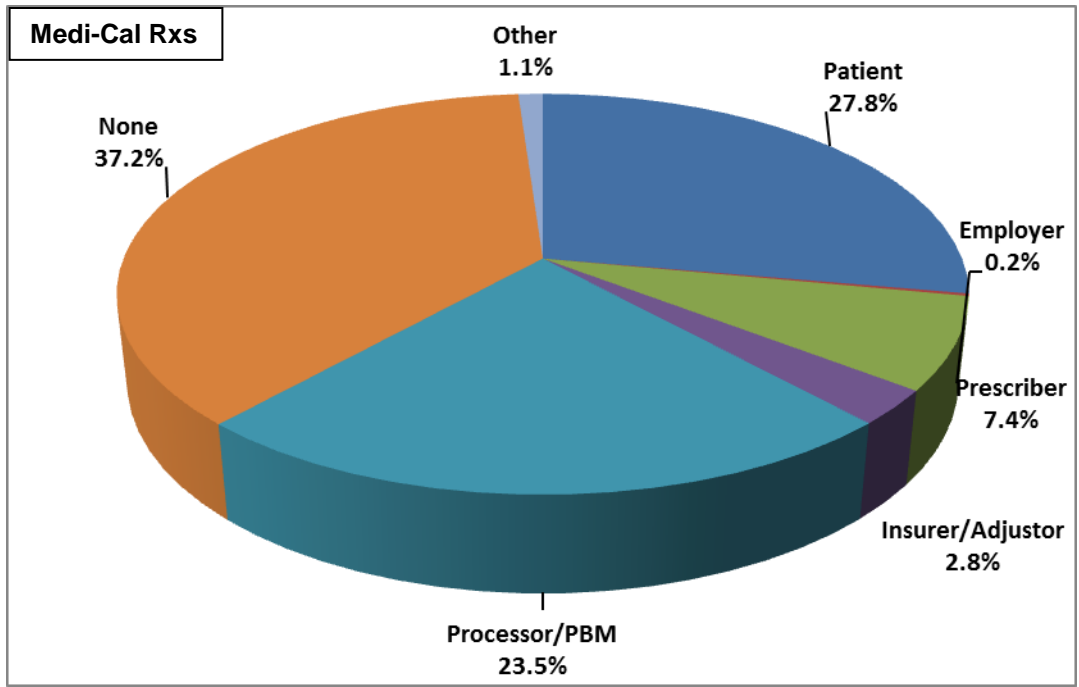
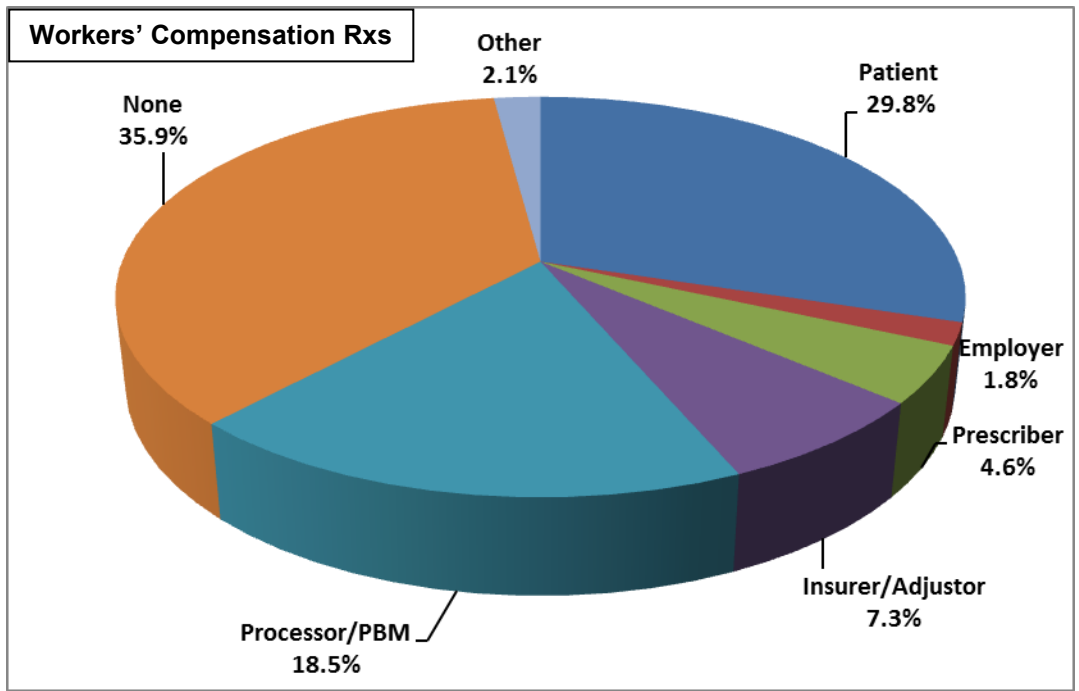


FIGURE 1: Contacts by Staff in Pharmacies without a Third-Party Billing Service

Figure 2 illustrates the distribution of time spent in contact with outside individuals and entities by staff in pharmacies that reported using a third-party billing service. Noteworthy here is that pharmacy staff spent proportionately more of their time working alone during the processing and dispensing of WC prescriptions. In contrast, comparatively more time was spent with claims processors, PBMs and prescribers when processing and dispensing MC prescriptions.

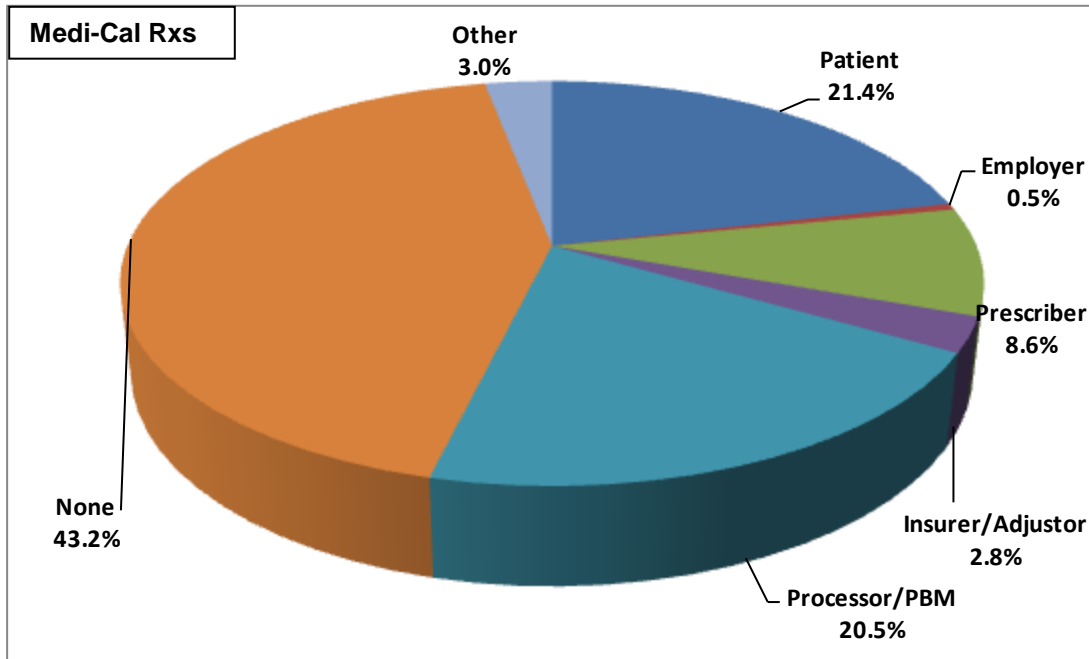
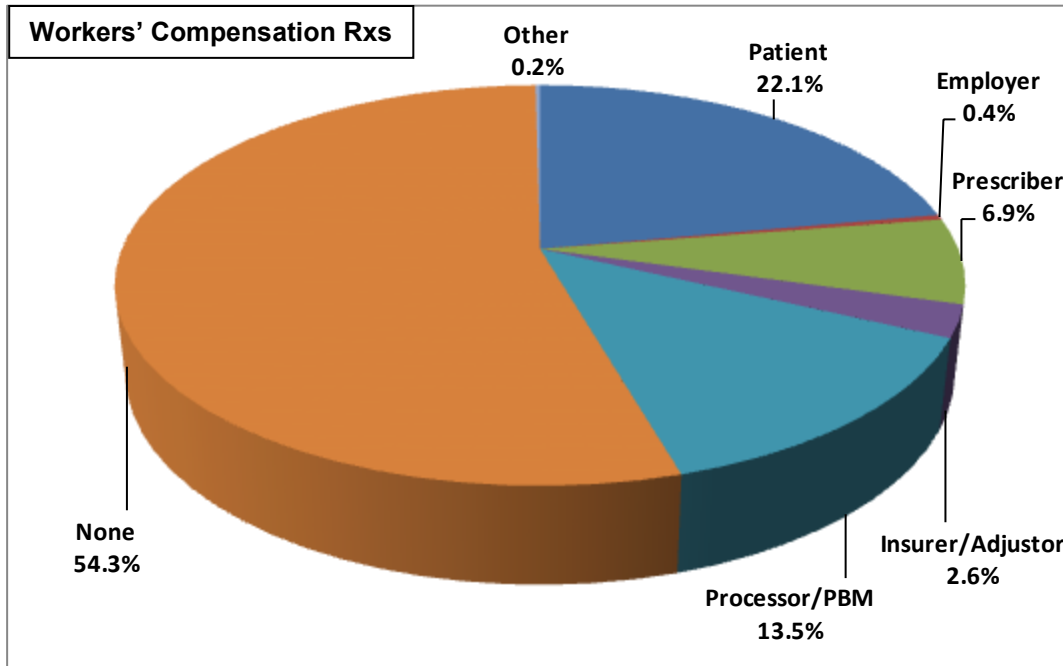


FIGURE 2: Contacts by Staff in Pharmacies with a Third-Party Billing Service

Figure 3 illustrates the function or reason for the dispensing-related activities engaged in by staff in pharmacies that did not use a third-party billing service.

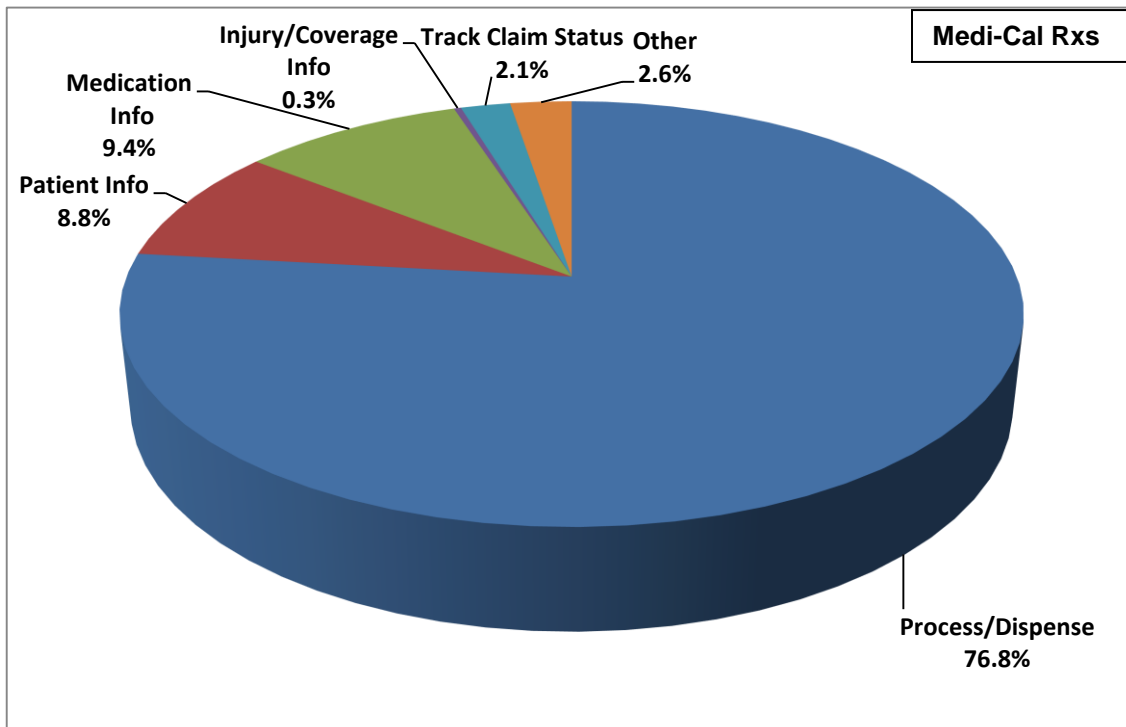
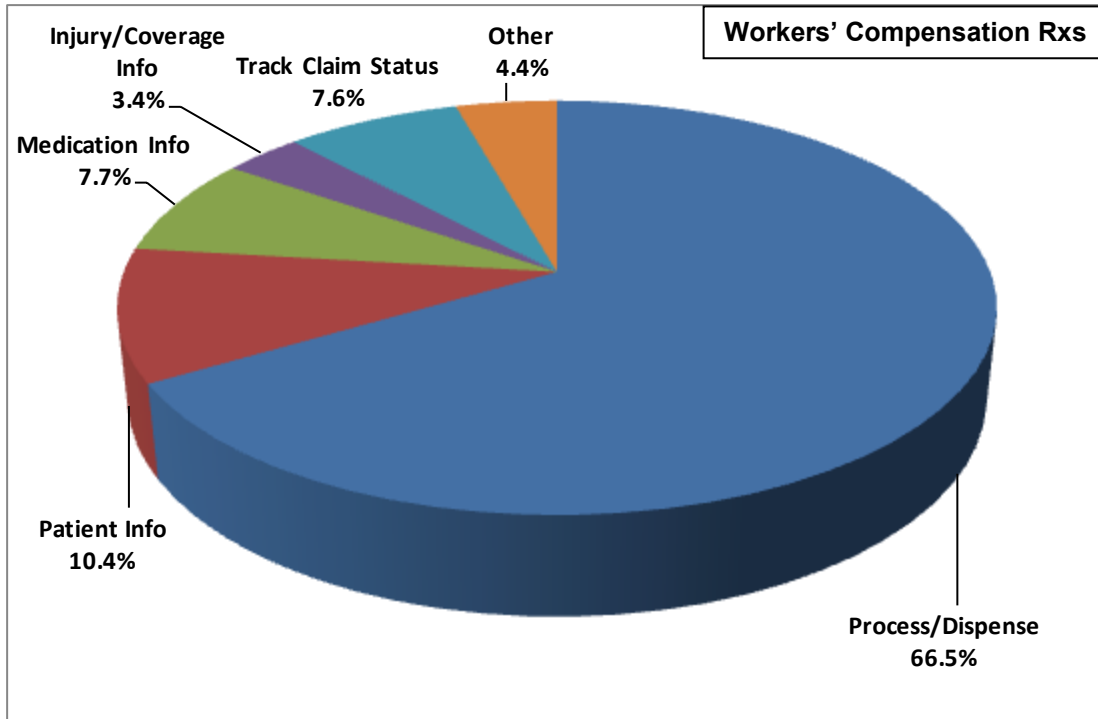


FIGURE 3: Reason for Staff Activities in Pharmacies without a Third-Party Billing Service

As indicated in Figure 3, proportionately more staff time was spent verifying patient injury or insurance coverage and tracking the status of claims for WC patients among pharmacies that do

not use a third-party billing service. Proportionately less time was spent processing and dispensing prescriptions when compared with MC patients.

Figure 4 illustrates the functional reasons for dispensing-related activities engaged in by staff in pharmacies that reported using a third-party billing service. Staff in these pharmacies spent proportionately more time processing/dispensing WC prescriptions and less time collecting patient and medication information when compared to MC prescriptions.

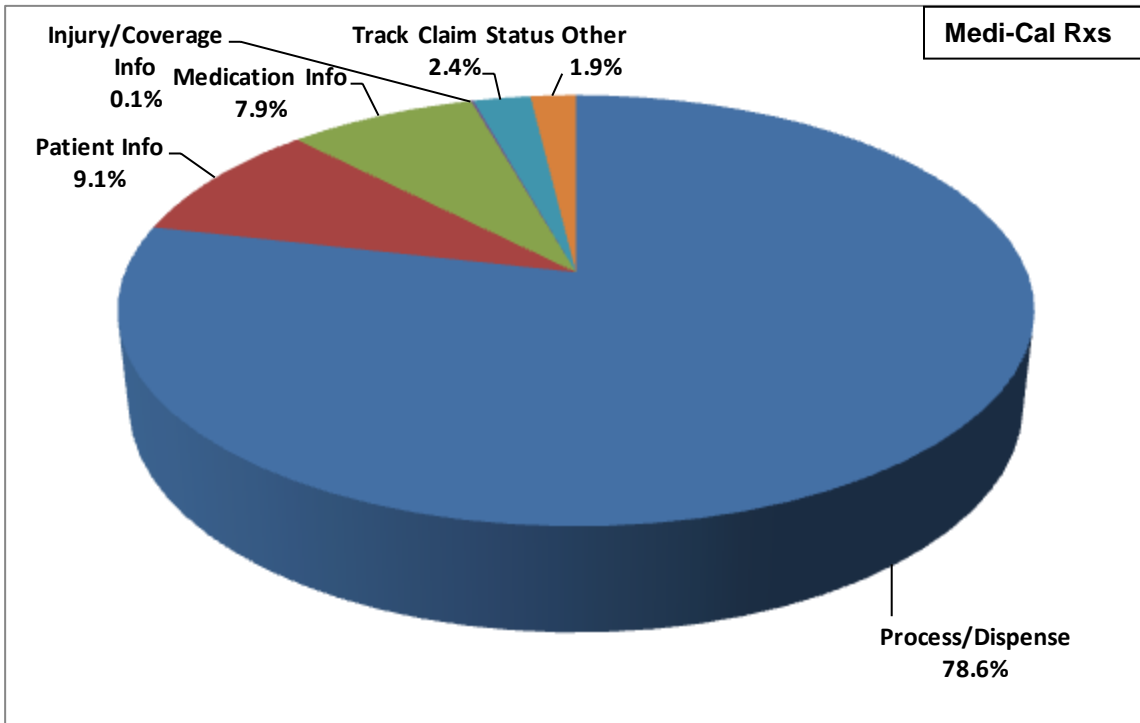
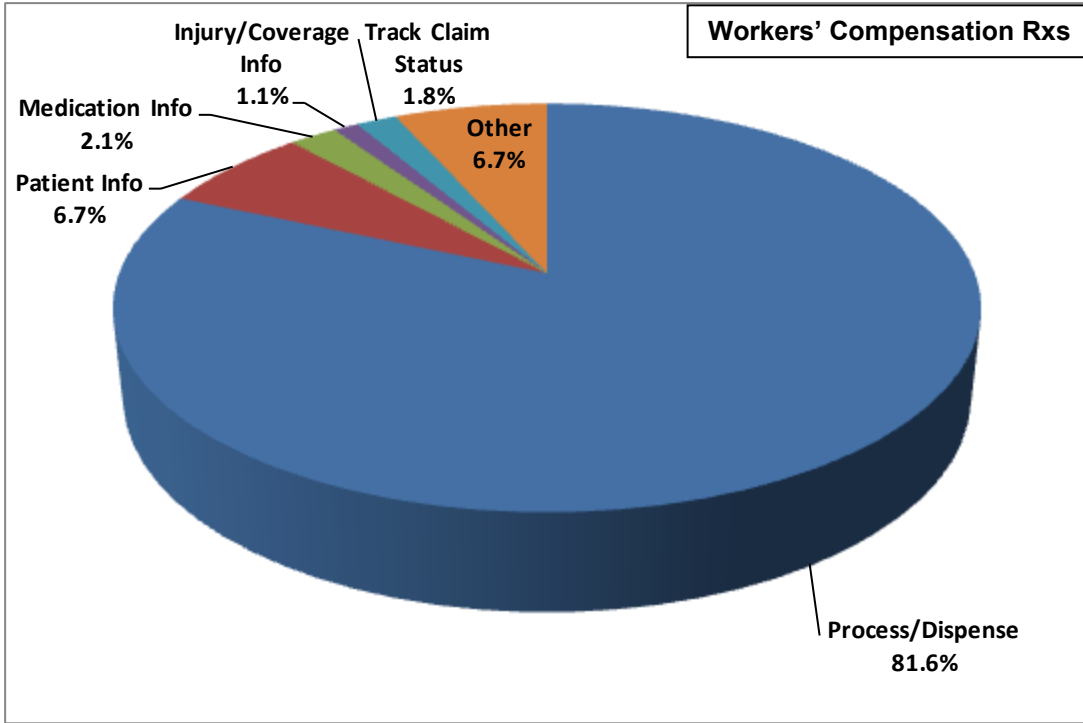


FIGURE 4: Reason for Staff Activities in Pharmacies with a Third-Party Billing Service

The personnel-related costs of dispensing WC and MC prescriptions in participating pharmacies appear in Table 5.

TABLE 5: Pharmacy Personnel-related Costs to Dispense Prescriptions

Rx Type	Total Staff Time (min)	RPh %	RPh Wage /min	RPh Cost	Other Staff %	Other Staff Wage /min	Other Staff Cost	Total Pharmacy Staff Cost
Pharmacies <u>without</u> a Third-Party Billing Service (n=20)								
WC - new	13.3	37.4	\$1.07	\$5.32	62.6	\$0.26	\$2.17	\$7.49
WC - refill	11.9	31.1	\$1.07	\$3.96	68.9	\$0.26	\$2.13	\$6.09
MC - new	8.1	34.0	\$1.07	\$2.94	66.0	\$0.26	\$1.39	\$4.33
MC - refill	7.6	27.3	\$1.07	\$2.21	72.7	\$0.26	\$1.44	\$3.65
Pharmacies <u>with</u> a Third-Party Billing Service (n=18)								
WC - new	6.8	28.1	\$1.07	\$2.04	71.9	\$0.26	\$1.27	\$3.31
WC - refill	5.5	21.5	\$1.07	\$1.26	78.5	\$0.26	\$1.12	\$2.38
MC - new	5.7	32.3	\$1.07	\$1.97	67.7	\$0.26	\$1.00	\$2.97
MC - refill	6.3	21.8	\$1.07	\$1.47	78.3	\$0.26	\$1.28	\$2.75

The formula used to calculate the cost of pharmacy personnel time required to process, dispense and bill for prescriptions was as follows:

$$C_t = (T_p * W_p) + (T_o * W_o)$$

Where:

C_t = Total dispensing-related cost of all pharmacy staff

T_p = Pharmacist time in minutes (Total Staff Time x RPh %)

W_p = Pharmacist median wage (per minute)

T_o = Other (non-pharmacist) staff time in minutes (Total Staff Time x Other %)

W_o = Other (non-pharmacist) staff weighted median wage (per minute)

Among the 20 pharmacies that reported not using a third-party billing service, the average personnel-related cost to dispense a new WC prescription was found to be **\$3.16 more** than that for a new MC prescription (\$7.49 - \$4.33). The cost to dispense a refilled WC prescription in these pharmacies was **\$2.44 more** than that for a MC prescription (\$6.09 - \$3.65).

Among the 18 pharmacies that reported using a third-party billing service, the comparative personnel-related costs of dispensing WC and MC prescriptions were found to differ very

slightly. In these pharmacies, new WC prescriptions required **\$0.34 more** personnel-related costs than new MC prescriptions (\$3.31 - \$2.97). In the case of refilled prescriptions, WC actually required **\$0.37 less** (\$2.38 - \$2.75) than refilled MC prescriptions. It should be noted, however, that this comparison includes only direct, in-store personnel costs and does not factor in the cost of the billing service itself.

Among the 18 pharmacies that reported using a third-party billing service, the average WC claim was \$62.14. Pharmacies in this group reported the average per claim cost of their WC claims management service to be 15.38%. When multiplied together, the average estimated cost that a third-party billing service added to each WC prescription in this group of pharmacies was calculated to be **\$9.56**. It is important to note, however, that pharmacies using a third-party billing service reported a wide range of estimates for the per claim cost of the service, ranging from a low of 5.74% to a high of 40%. The estimated per claim cost of the service among the 18 pharmacies in this group therefore ranged from a low of \$3.57 to a high of \$24.86. This wide range across the sample suggests that the mean value of \$9.56 should be interpreted with caution.

Summary

Community pharmacists have long complained they incur significantly more time, cost and risk to dispense and bill for workers' compensation prescriptions than those dispensed to patients covered by other public and private insurance programs. Moreover, substantial anecdotal data exists to support this assertion, as WC prescriptions are widely considered to require additional time and effort by pharmacy personnel. However, empirical data to support these assertions have been largely absent.

In his 2007 analysis of 30 independent and chain community pharmacies in Texas, Schafermeyer estimated the additional cost of dispensing a new workers' compensation prescription when compared with cash prescriptions was \$9.86. This value included \$4.07 in incremental personnel costs and \$5.13 in additional "back end" costs including; \$1.11 in accounts receivable carrying costs from delays in payment, \$1.98 in bad debt expense from reversed or denied claims, and \$2.00 in additional central office overhead expenses. It should be noted that these estimates were based exclusively on information provided by pharmacy personnel during telephone interviews and did not include in-store observations or data collection.¹

The average WC claim for pharmacies in our study that did not use a third-party biller was \$71.12. Assuming a median accounts receivable collection period of 22 days^a and an interest rate of 3.25%, the delay in converting accounts receivable to cash would add \$0.14 to the cost of dispensing a WC prescription. This value is significantly lower than that estimated in the Schafermeyer analysis and may be explained in part by the observation that most pharmacies in our study used PBMs to process their WC claims as opposed to billing directly. Moreover, industry sources suggest the collection period for Medi-Cal claims is similar.

^aIndustry data provided by Health Strategy Associates, LLC.

Industry sources also indicate that 20.8% of out-of-network WC prescriptions and 2.8% of in-network WC prescriptions dispensed by community pharmacies are denied or reversed and approximately 93% of WC prescriptions are in-network and 7% are out-of-network.^a If so, this would add \$2.89 in bad debt expense to the average cost of dispensing a WC prescription, a value that is somewhat higher than that estimated in the Schafermeyer study. In contrast, an internal analysis of four months of Medi-Cal claims by a large chain pharmacy in California found that the percentage of Medi-Cal claims that are ultimately denied or reversed is negligible at only .0271%, i.e., virtually zero.

The results of our study found that in a sample of 20 independent community pharmacies in California that billed WC claims directly (typically through a PBM but without the aid of a third-party biller), pharmacies incurred an average of \$3.16 of additional personnel costs to dispense a new workers' compensation prescription when compared to Medi-Cal. While the differential for refilled prescriptions was slightly less at \$2.44, these results would appear to support pharmacists' claims that WC prescriptions require additional personnel time and cost. In addition, data from industry sources indicate that, on average, pharmacies incur an additional \$2.89 in bad debt expense for dispensing WC prescriptions that are billed without the aid of a third party biller, resulting in a total incremental dispensing cost for a new WC prescription of \$6.05 (\$5.33 for a refill) when compared to Medi-Cal.

In contrast, among 18 independent and chain pharmacies that used a third-party billing service, little difference was found in the personnel-related costs to dispense WC claims when compared to Medi-Cal. Moreover, pharmacies using such a service eliminated the incremental accounts receivable carrying costs and bad debt expense incurred by their counterparts that did not use a third-party billing service.

A WC third-party billing service essentially represents an outsourcing by the dispensing pharmacy of some costs that are required to fully dispense, bill and collect payment for WC prescriptions. For that reason, the cost of the service is appropriately considered to be a legitimate operating cost that is incurred by the pharmacy to dispense WC prescriptions in pharmacies that utilize these services.

Among pharmacies that reported using a third-party billing service for their WC prescriptions, the average per claim cost of the service was estimated to be \$9.56, significantly more than the personnel and bad debt costs incurred by pharmacies that do not use such a service. Once again, however, pharmacies using these services reported a wide range of estimates for the per claim cost of this service ranging from a low of 5.74% to a high of 40% (mean = 15.38%) and thus should be interpreted with caution. Moreover, third-party billers also relieve pharmacies of the cost of carrying outstanding accounts receivables and the risk of bad debt from claims that are ultimately denied by the payer. The improvement in pharmacy workflow, efficiency and staff productivity among pharmacies that use such services may also provide value that justifies or offsets some of the additional costs that community pharmacies incur to use these services.

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ATTACHMENT 1: Prescription Activity Documentation Form

Prescription Activity Documentation Form

Pharmacy Name: _____ NABP # _____

Rx No. _____

Payer: **Medi-Cal** **Workers' Compensation**

Rx Status: **New** **Refill**

<u>Date</u>	<u>Contact</u>	<u>Function/Reason</u>	<u>By</u>	<u>Time (minutes)</u>
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____
___/___/12	_____	_____	_____	_____

Contact

- A = Patient
- B = Employer
- C = Physician / Prescriber
- D = Insurer / Adjustor
- E = Claims Processor / PBM
- F = None
- G = Other

Reason / Function

- A = Process & Dispense Rx
- B = Patient Info
- C = Medication Info
- D = Injury/Coverage Info
- E = Track Claim Status
- F = Other

By

- A = Pharmacist
- B = Technician
- C = Clerk
- D = Intern
- E = Other Staff

ATTACHMENT 2: Participating Pharmacy Profile

California Workers' Compensation Study Participating Pharmacy Profile

Pharmacy Name: _____ NABP # _____

Address: _____

City: _____ State: **CA** ZIP: _____

Contact Person: _____ Email: _____

1. What is the Annual Prescription Volume?
New _____
Refill _____
2. What % of Rxs are billed to Workers' Compensation? _____%
3. What % of Rxs are billed to Medi-Cal? _____%
4. What are the Total Annual Prescription Sales? \$ _____
5. What are the annual sales for Workers' Compensation Rxs? \$ _____
6. What are the annual sales for Medi-Cal Rxs? \$ _____
7. What is the average compensation for employees in each of the following personnel classes, including all fringe benefits and bonuses:

Pharmacist	\$ _____	per hour
Technician	\$ _____	per hour
Clerk	\$ _____	per hour
Intern	\$ _____	per hour
Other (specify)	\$ _____	per hour

8. Does your pharmacy bill through an outside Workers' Compensation claims management service (e.g., StoneRiver)? NO YES
(if 'Yes' continue to question 9)

9. What is the average cost of the outside WC claims management service as a percentage of what you would have received if you had billed the claim yourself? (Example: if you receive \$35 for a claim billed through the WC management service that you would have received \$50 when billed directly to a PBM then the fee = $15 \div 50 = 30\%$)

Average cost of WC claims management service = _____%

ATTACHMENT 3: Pharmacy Participation Solicitation

Workers' Compensation Dispensing Fee Study

Dear Pharmacy Owner or Manager,

Despite substantial anecdotal evidence that pharmacies incur more personnel cost to dispense Workers' Compensation (WC) prescriptions, reimbursement in California remains tied to the Medi-Cal payment formula. To help establish a more rational basis for reimbursement we are seeking pharmacies to participate in a study to determine the additional personnel time and cost required to dispense and bill for a small sample of WC prescriptions when compared to Medi-Cal prescriptions.

To be eligible for this study, your pharmacy must dispense at least 10 WC and 10 Medi-Cal prescriptions per week. The project will require a member of your staff or student intern to document the amount of time required to process, dispense and successfully bill for 40 prescriptions (10 new and refill WC; 10 new and refill Medi-Cal) using a standard documentation form. Be assured that your pharmacy's individual data will never be shared with anyone. All data will be reported in aggregate form only.

This study has been endorsed by the Academy of Pharmacy Owners, the California Pharmacists Association and the California Retailers Association. In appreciation for your participation, you will receive a **\$100 Amazon gift certificate**. But more important, your participation will help create an evidence-based rationale for adjusting the dispensing fee for Workers' Compensation prescriptions in California to better reflect the true costs incurred to dispense them.

Please indicate your willingness to consider participating in this project below and return the form via fax. If you are interested, you will be contacted with additional information.

Yes, I would like more information about participating in this important project

Pharmacy Name: _____

Mailing Address: _____

Contact Person: _____

Telephone: _____ Fax: _____

Email: _____

FAX Completed form to **623-572-3549**

**Attention: Michael T. Rupp, PhD
Research Consultant**