

20.7 - *Dispensing Fees*

(Rev. 14, Issued; 09-30-11, Effective: 09-30-11, Implementation: 09-30-11)

As discussed in section 20.6, negotiated prices must include any applicable dispensing fees. Provided that Part D sponsors include only those activities allowed under CMS' definition of dispensing fees in the dispensing fees negotiated with network pharmacies and offer standard

contracting terms and conditions to all similarly situated pharmacies, in accordance with section 50.8.1, CMS notes that Part D sponsors have the flexibility to vary the actual dispensing fee paid to pharmacies. For example, Part D sponsors may need to increase the dispensing fees paid to rural or long-term care pharmacies in order to obtain their participation in networks and meet the pharmacy access standards. Table 2 below provides a summary of the costs that may be included in dispensing fees, as well as those that may not.

Table 2
Costs that May and May Not Be Included in Dispensing Fees

Costs That May be Included in Dispensing Fees	<ul style="list-style-type: none"> • Costs that are incurred at the point of sale and pay for costs in excess of the ingredient cost of a covered Part D drug each time a covered Part D drug is dispensed. • Pharmacy costs associated with ensuring that possession of the appropriate covered Part D drug is transferred to a Part D enrollee. These pharmacy costs include, but are not limited to: <ul style="list-style-type: none"> ○ <i>The salaries of pharmacists and other pharmacy workers;</i> ○ Any reasonable costs associated with a pharmacist's time in checking the computer for information about an individual's coverage; ○ Performing quality assurance activities consistent with 42 CFR 423.153(c)(2); ○ Measurement or mixing of the covered Part D drug, including any labor costs associated with mixing a compounded product that contains at least one Part D drug component, as detailed in section 10.4 of chapter 6; ○ Filling the container; ○ Physically providing the completed prescription to the Part D enrollee; ○ Delivery; ○ Special packaging, <i>e.g., assistive technology packaging; and</i> ○ Overhead associated with maintaining the facility and equipment necessary to operate the pharmacy, <i>including costs associated with the acquisition and maintenance of</i>
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technology.

- Reasonable pharmacy costs that are appropriate for the typical beneficiary in that pharmacy setting, for example:
 - Costs associated with postal or freight shipping (to include air courier) to beneficiaries located in remote and frontier areas with limited or no access to roads. While the typical beneficiary served by a retail pharmacy in most areas of the country would not require postage, freight or other transport costs for delivery of drugs, CMS believes that it is reasonable to assume that the typical beneficiary in remote and frontier areas with limited or no access to roads would require delivery of drugs via postal or freight shipping (to include air courier). Because such a circumstance constitutes a distinct pharmacy setting, CMS believes that the costs associated with postal or freight shipping (to include air courier) to such remotely located beneficiaries would constitute reasonable costs that could be reimbursed as part of the dispensing fee negotiated between a Part D sponsor and a contracted network pharmacy.
 - Costs associated with special packaging and delivery for residents of non-LTC facilities (e.g., assisted living facilities and other forms of congregate residential settings) with the same level of care need as residents of LTC facilities. It is reasonable to assume that the typical enrollee residing in a non-LTC facility setting who meets the same level of care need as a beneficiary in an LTC facility would require the provision of dispensing related services such as unit-dose packaging and home delivery that are provided by LTC pharmacies to the residents of LTC facilities. For this reason, CMS believes that non-LTC facilities in which individuals meeting an institutionalized level of care need constitute a distinct pharmacy setting, and one in which specialized services such as specialized packaging and home delivery would be appropriate for Part D sponsors to reimburse LTC pharmacies via the dispensing fee. However, CMS notes that it would not be appropriate for Part D sponsors to reimburse LTC pharmacies for these specialized services for individuals who do not meet an institutionalized level of care need.
 - *With respect to LTC pharmacies, dispensing fees should take into consideration any incremental costs associated*

	<p><i>with any increased number of dispensing events in a billing cycle due to the dispensing methodology used to minimize the dispensing of unused drugs.</i></p> <ul style="list-style-type: none"> ○ <i>Costs associated with data collection on unused Part D drugs and restocking fees associated with return for credit and reuse in LTC pharmacies when return for credit and reuse is permitted under State law and is allowed under the contract between the Part D sponsors and the pharmacy.</i>
Costs That May Not be Included in Dispensing Fees	<ul style="list-style-type: none"> • Administrative costs incurred by the Part D sponsor in the operation of the Part D benefit, including systems costs for interfacing with pharmacies. • Supplies, equipment, and services associated with administration of covered Part D drugs, including those associated with home infusion therapy of covered Part D drugs or with vaccine administration.¹ With the exception of costs associated with vaccine administration, these costs may also not be paid by Part D sponsors through a separate fee or additional compensation to home infusion pharmacies and other providers. Other than medication therapy management programs, medical or clinical services may not be included in administrative fees. In addition, professional services, including those associated with home infusion, may not be included in supplemental Part D benefits. The costs associated with supplies, equipment, and services for home infusion therapy of covered Part D drugs must be paid by either the enrollee or another payer. • Reasonable pharmacy costs that are not appropriate for the typical beneficiary in that pharmacy setting, for example: <ul style="list-style-type: none"> ○ Home delivery by retail pharmacies, since the typical retail customer does not require home delivery. While it would be appropriate for Part D sponsors to reimburse LTC, mail-order, and home infusion pharmacies for home delivery costs via the dispensing fee, this would not be the case for retail pharmacies, where the term “delivery” would be limited to the transfer of a covered Part D drug from the pharmacist to the patient at the point of sale. ○ Costs associated with delivery of drugs from manufacturers

¹ The administration of a Part D-covered vaccine is included in the definition of a “Part D drug,” effective January 1, 2008. Consequently, the Part D program covers vaccine administration costs associated with Part D vaccines. For more information, refer to section 10.14 of [chapter 6](#).

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