

LONG-TERM CARE PHARMACY DISPENSING COSTS*A Report in Response to House Resolution 2000-545***Report Highlights**

Pharmacies incur additional costs when dispensing medications to residents of long-term care facilities. The Department of Public Welfare, however, pays the same dispensing fee (\$4) for MA recipients in a long-term care facility as for prescriptions dispensed in a retail setting.

- **Additional Requirements.** To comply with federal and state pharmacy dispensing requirements, pharmacies dispensing medication to residents of long-term care facilities must perform activities over and above those performed for traditional retail customers. Federal Medicare and Medicaid and state long-term care facility licensing standards also impose requirements that must be met by dispensing pharmacies. For example, they must dispense drugs for facility residents in urgent and emergency situations and devise systems to help ensure the facility has a medication error rate of less than five percent and that residents are free of any significant medication errors.
 - **Unit Dose Systems.** To reduce the opportunity for such errors, nursing facilities nationally and in Pennsylvania use “unit dose” distribution systems. With “unit dose” systems, the pharmacy delivers the medication directly to the nursing floor in unit packaging that identifies the resident, his/her medication, and the date and time he/she is to receive the medication, along with special instructions. Without such systems, long-term care facilities report they would have increased medication error rates, problems in accounting for legally controlled substances, need more nursing hours to be able to administer medication, and risk infection control problems.
 - **Additional Costs.** An LB&FC survey found that PA long-term care pharmacy providers have additional dispensing costs (beyond those incurred by a retail pharmacy) of about \$2.87 per prescription. Almost half of this additional cost (\$1.31) is attributable to delivery costs.
 - **Medicaid Reimbursement.** The Department of Public Welfare (DPW) pays the same dispensing fee (\$4 per prescription) to pharmacies dispensing to Medical Assistance recipients in a retail setting and residents in licensed nursing facilities. It also does not pay for the additional cost to acquire drug manufacturers’ unit dose products when dispensed to such residents.
 - **Other States.** LB&FC staff looked at 19 other states to determine how they address the added costs associated with long-term care dispensing in their Medicaid programs. Twelve of these states pay additional reimbursement for dispensing to residents of long-term care facilities. Also, all but one reimburse for the additional cost associated with acquisition of manufacturers’ unit dose products for use by residents of nursing facilities and other state-supervised programs. The one exception (California) pays pharmacies more for drug acquisition than DPW.
- Recommendations.** DPW should:
- ❖ consider adjusting its dispensing fee.
 - ❖ consider covering the additional costs for manufacturers’ unit dose products for Medicaid recipients in state-supervised residential programs.