



EXECUTIVE SUMMARY

The objectives of our audit were to determine the propriety of dispensing fee payments made to pharmacy providers servicing nursing home residents, as well as review the effectiveness of the division's controls to contain these expenditures. We concluded that, while payments were made in accordance with current regulations, fees were not reduced when the bulk of prescription costs were shifted to the federal Medicare Part D program. The division should modify its current regulations and methodology for computing Medicaid dispensing fees to pharmacies to reflect the changes in the federal program.

AUDIT HIGHLIGHTS

The division pays a capitated dispensing fee to pharmacies servicing Medicaid beneficiaries residing in approved nursing homes, regardless of the number of filled prescriptions, based on the total number of Medicaid fee-for-service beneficiary days in the facility. This monthly payment ranges between \$15 and \$22. From January 1, 2006 through August 31, 2008 dispensing fee payments to the 31 contracted pharmacies totaled \$13.8 million.

On January 1, 2006 the federal government implemented the Medicare Part D Prescription Drug program. Prior to Medicare Part D, Medicaid paid for most prescription drugs of nursing home residents enrolled in both Medicare and Medicaid. Drug coverage, including dispensing fees, for this population switched from Medicaid to Medicare with the implementation of Medicare Part D. As a result, there was a reduction of more than 80 percent in the number of prescriptions paid for Medicaid recipients in nursing homes. However, the capitated dispensing fees paid to these pharmacies were not adjusted to reflect changes in coverage caused by Medicare Part D. Had the capitated dispensing fees been adjusted based on the reduced volume of prescriptions filled, the division could have saved \$10.9 million (50 percent federal) since January 1, 2006.

The division had developed several project proposals to reduce dispensing fee payments to the pharmacies since Medicare Part D was enacted. However, none of the project proposals have been implemented.

AUDITEE RESPONSE

The division concurs with our recommendations.

For the complete audit report [click here](#).