

**OMB No. 0938-1041**  
**CMS-10241**

## **Supporting Statement for Paperwork Reduction Act**

### **Survey of Retail Prices: Payment and Utilization Rates, and Performance Rankings** **“Annual State Report and Annual State Performance Rankings” – PART I** **“Survey of Retail Community Pharmacy Invoice Prices” - PART II**

#### **Background**

CMS is performing a “Survey of Retail Prices: Payment and Utilization Rates, and Performance Rankings.” This study is divided into two parts.

Part I focuses on the retail community pharmacy consumer prices. It also includes reporting by the States of payment and utilization rates for the 50 most widely prescribed drugs, and comparing State drug payment rates with the national retail survey prices. The template for States to use to complete Part I of this contract was approved under OMB #0938-1041.

Part II of this contract focuses on the retail community pharmacy ingredient costs. This segment provides for a survey of the average acquisition costs of all covered outpatient drugs purchased by retail community pharmacies. The prices will be updated on at least a monthly basis. Part II is now being added as a revision to OMB #0938-1041.

#### **Part I: Annual Report**

Section 6001 (f) of the DRA requires CMS to contract with a vendor to conduct a monthly national survey of retail prescription drug prices and to report the prices to the States. These national average prices may be used as a benchmark by the States for the management of their prescription drug programs.

The law requires that the States submit pricing information for the 50 most widely prescribed drugs so that the States’ prices can be compared to the national average prices obtained from the survey. The States pricing information will be compared and the States will be ranked.

The law also requires that States report their drug utilization rates for noninnovator multiple source (generic) drugs, their payment rates under their State plan, and their dispensing fees.

A template has been developed to facilitate data collection.

#### **Part II: Retail Price Survey**

Section 1902(a)(30)(A) of the Act requires, in part, that States have methods and procedures to assure that payment for Medicaid care and services is consistent with efficiency, economy, and quality of care. In accordance with these provisions and in light of the OIG reports concerning published prices (OIG Audit reports – A-06-00-00023, A-06-01-00053, A-06-02-00041)[1], we

believe it is necessary for States to have a more accurate reference price to base reimbursement for prescription drugs.

The data will provide information which CMS expects to use to assure compliance with Federal requirements. Section 1927(f) provides, in part, that CMS may contract with a vendor to conduct monthly surveys of retail prices for covered outpatient drugs. The statute provides that such prices represent a nationwide average of consumer purchase prices, net of discounts and rebates. The statute further contemplates that the contractor provide notification when a drug product becomes generally available and that the contract include such terms and conditions as the Secretary shall specify, including a requirement that the vendor monitor the marketplace. We have included terms in our vendor contract to obtain additional information regarding marketplace prices (including pharmacy prices), which would be provided on a voluntary basis.

CMS will develop a National Average Drug Acquisition Cost (NADAC) for States to consider when developing reimbursement methodology. The NADAC is a new pricing benchmark that will be based on the national average costs that pharmacies pay to acquire Medicaid covered outpatient drugs. This pricing benchmark will be based on drug acquisition costs collected directly from pharmacies through a nationwide survey process. This survey will be conducted on a monthly basis to ensure that the NADAC reference file remains current and up-to-date.

A NADAC Survey Request for Information has been developed to send to random pharmacies for voluntary completion.

## A. Justification

### 1. Need and Legal Basis

#### Part I: Annual Report

Section 6001(e)(2) and (3) of the DRA requires the States to a report to CMS their payment rates under their State Plan, dispensing fees, and utilization rates for noninnovator multiple source drugs. CMS will compare each States' rates for the 50 most widely prescribed drugs to the Retail Survey Price and rank each State.

#### Part II: Retail Price Survey

Section 1902(a)(30)(A) of the Act requires, in part, that States have methods and procedures to assure that payment for Medicaid care and services is consistent with efficiency, economy, and quality of care.

Section 1927(f) provides, in part, that CMS may contract with a vendor to conduct monthly surveys of retail prices for covered outpatient drugs.

### 2. Information Users

#### Part I: Annual Report

The State Medicaid agencies will complete a preprint template. CMS will review the information to determine if the State has met all of the requirements of this DRA provision. CMS will have their contracted vendor perform the necessary calculations to develop the rankings.

#### Part II: Retail Price Survey

CMS will have their contracted vendor perform the necessary calculations to determine the NADAC reimbursement rates.

### 3. Use of Information Technology

#### Part I: Annual Report

The preprint template will be available in electronic format. CMS anticipates that all States will use the electronic format. The document is user friendly. The States will be required to perform a data query for their prescription drug volume and dollar expenditures utilization for each Federal fiscal year.

#### Part II: Retail Price Survey

The NADAC survey response is available in both hard copy and electronic format. Pharmacies can submit one month's of invoices by fax, mail, or by electronic submission (scanning and e-mailing).

### 4. Duplication of Similar Information

This information collection does not duplicate any other effort and the information cannot be obtained from any other source.

### 5. Small Businesses

#### Part I: Annual Report

This collection does not impact small businesses.

#### Part II: Retail Price Survey

All participating pharmacies will be included in the voluntary pharmacy survey, to include small business pharmacies.

There are approximately 18,269 small business pharmacies out of the total 62,650 participating pharmacies (29.2%).

This monthly survey randomly draws from 2,500 pharmacies a month. This would result in an estimated average of 730 small business pharmacies that would be included in this voluntary monthly survey.

### 6. Less Frequent Collection

Data must be collected annually to meet the requirements of the law.

#### 7. Special Circumstances

There are no special circumstances or impediments. The preprint template is available in electronic format.

#### 8. Federal Register Notice/Outside Consultation

The 60-day Federal Register notice published on September 30, 2011 (76 FR 60845). Comments were received and our response is included as part of this package.

#### 9. Payment/Gift To Respondent

There are no payments of gifts associated with this collection.

#### 10. Confidentiality

There is no personal identifying information collected in the documents.

#### 11. Sensitive Questions

There are no questions of a sensitive nature associated with these forms.

#### 12. Burden Estimate (Total Hours and Wages)

##### Part I: Annual Report

We estimate that it will take no more than 15 hours (3 hr to complete the template and 12 hr to test the data) for a State to complete and submit the preprint template and perform the utilization data query. All 51 Medicaid programs will be required to respond.

To complete the preprint template: 3 hours at approx. \$50/ hr totals \$150 per year.

To program and test the extract of utilization data from Medicaid Management Information Systems drug history files: 12 hours at approx. \$100/hr by predominantly States' private contractors ( 35 of 51 Medicaid programs use private contractors) totals \$1,200. This will be a one time cost.

A total of \$1,350 (150 + 1,200)/ State extended to 51 programs will total approximately \$68,850.

##### Part II: Retail Price Survey

We estimate that it will take no more than 30 minutes for a non-pharmacist staff to voluntarily complete and submit the NADAC survey data query. The surveys will be sent out monthly to 2,500 random pharmacies. The same pharmacy is not expected to receive the survey more than once every two years.

To complete the NADAC Survey Request for Information: 30 minutes at approx. \$10/ hr totals \$5 per completion.

A total of 30,000 (2,500 x 12) pharmacies will receive the survey annually at 15,000 annual hr (30,000 pharmacies x 30 min). Total annual cost will be approximately \$150,000.

### 13. Capital Costs (Maintenance of Capital Costs)

There are no capital costs.

### 14. Cost to the Federal Government

The template development and processing of submitted State information along with the preparation of the report to Congress are costs incorporated from the overall Statement of Work for the contract "Survey of Retail Prices; Payment and Utilization Rates; and Performance Rankings".

### 15. Program or Burden Changes

This package is being revised to include a second survey tool to survey the pharmacies. This second survey is entitled "Survey of Retail Community Pharmacy Invoice Prices."

CMS will also develop a National Average Drug Acquisition Cost (NADAC) for States to consider when developing reimbursement methodology. The NADAC is a new pricing benchmark that will be based on the national average costs that pharmacies pay to acquire Medicaid covered outpatient drugs. This pricing benchmark will be based on drug acquisition costs collected directly from pharmacies through a nationwide survey process. This survey will be conducted on a monthly basis to ensure that the NADAC reference file remains current and up-to-date.

### 16. Publication and Tabulation Dates

#### Part I: Annual Report

Per 1927(f)(3)(B), the Secretary must annually compare, for the 50 most widely prescribed drugs, the States' data for completion of the Retail Price Survey. The Secretary shall submit to Congress and the States full information regarding the annual rankings made up by this subsection.

The Retail Price Survey will be performed for 18 months after the contractual start date, and will continually renew annually thereafter.

#### Part II: Retail Price Survey

The Retail Price Survey will be performed for 12 months after the contractual start date, and will continually renew annually thereafter.

### 17. Expiration Date

CMS is requesting an exception to the display of an expiration date since this is an on-going annual survey.

### 18. Certification Statement

There are no exceptions to the certification statements.

## B. Collection of Information Employing Statistical Methods

The use of statistical methods for collection does not apply.