



COMMUNITY PHARMACY FOUNDATION
COMPLETED GRANT SYNOPSIS

**IMPACT OF MEDICARE PART D ON INDEPENDENT COMMUNITY PHARMACIES
IN TEXAS**

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Objectives

- 1) Provide a descriptive analysis of Medicare Part D prescription drug utilization claims by Part D plan sponsor for the first nine months of the program.
- 2) Determine the average time between claim adjudication and payment by Part D plans.
- 3) Examine drug utilization and payment patterns before and after Part D implementation among dual eligibles.
- 4) Examine the differences in drug utilization and payment patterns among payers (e.g., Medicare plans, Medicaid, other third party plans, cash patients) from January 2005 through September 2006.

Methods

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| Design | <ul style="list-style-type: none"> • Non-experimental design • Retrospective data analysis |
| Study endpoints | <p>Multiple endpoints including:</p> <ul style="list-style-type: none"> • Number and proportion of claims • Gross margins • Number of days between adjudication and payment by third party plan |

Results

- Independent pharmacies wait an average of 18 days for payment from Part D plans. Almost two-thirds of Medicare claims were paid 15 or more days after adjudication. (Results are based on a very small amount of data and are not generalizable.)
- The number of claims dispensed by Texas independent pharmacies increased after Part D implementation. Between the last quarter of 2005 and the third quarter of 2006, the number of claims for dual eligibles increased by nearly 27 percent. Overall, independents dispensed nearly 46 percent more prescriptions in the third quarter of 2006 than they did in the third quarter of 2005.
- Gross margin percentages declined after Part D implementation. Independent pharmacies' mean gross margin percent for dual eligible claims was 7.7 percent in the last quarter of 2005 (Medicaid claims), but dropped to 4.5 percent in the third quarter of 2006 (Medicare claims). For all claims, percent margin was 6.4 percent in the last quarter of 2006, falling from 7.8 percent in the same quarter of the previous year.
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Conclusion

Between January and September 2006, independent pharmacies in Texas were yielding lower margins from prescription drug sales compared to 2005. Though they experienced an increase in prescription volume, this was not benefiting their bottom line. Many independent pharmacies could collapse under the weight of Medicare Part D "slow and low" payments and decreasing margins.