

340B Pharmacy Update

August 21, 2019

During the July Board meeting, a few questions arose relative to the opening of the pharmacy and its current status. Given the significance of this project, Dr. Boll asked that we provide an update prior to this month's meeting.

As of this writing, we have not received approval of our Medicaid enrollment application from the Department of Human Services (DHS). We have been actively working with DHS in conjunction with the PA Association of Community Health Centers (PACHC). The status of our application has been changed from denied to pending. DHS continues to struggle with our application because of general concerns they have with FQHC-owned pharmacies, despite having already approved six FQHC pharmacies in the Commonwealth to date. They are focused on the concept of self-referral, whereby they contend these FQHCs would place undue pressure on patients to use their pharmacy. Their second concern is focused on how FQHCs would account for expenses associated with the pharmacy pursuant to the allowances under the Medicaid cost report. This issue is a very complicated accounting issue but could best be described as a potential for double dipping.

Our argument, with the assistance of legal counsel, is that DHS does not have the authority to deny our application based on these two concerns. Rather, it is our responsibility to take appropriate precautions to remain in compliance. In other words, they do not have the standing to deny the application based on what might or might not happen. I am confident that our application will be approved soon based on the opinion of legal counsel.

In the meantime, we opened the pharmacy on a limited basis on July 2nd in order to facilitate the multitude of other credentialing requirements associated with commercial insurances. We had learned that all aspects of the pharmacy needed to be active in order to undergo onsite inspections, which is a critical step in the credentialing process. Given the length of time (3-6 months) required for credentialing, we did not want further delays. We were also able to negotiate a cost sharing arrangement with Cardinal Health to minimize our outlay of cash.

Our July pharmacy costs were \$23,693, including inventory and staffing. Cardinal Health agreed to waive their \$15,000 management fee while still providing considerable management assistance with set-up and the credentialing process. Ongoing expense will essentially be limited to staffing and inventory replacement costs until we are able to bill Medicaid MCOs.

Revenue will continue to grow slowly until Medicaid comes onboard; however, we have received approval for most commercial insurance programs, all of which use a pharmacy benefit manager (PBM). Specifically, we have received approval for the big 3 PBMs: Express Scripts, OptumRx, and CVS Health (just approved mid-August). On August 19th we received approval of Geisinger commercial insurance and are just waiting on the coding to occur on the payer's end so that we can begin submitting claims.