April 30, 2025

Ms. Lynne Keilman-Cruz
Interim Director, Health Care Services
Alaska Department of Health
Division of Health Care Services
4601 Business Park Blvd., Bldg. K
Anchorage, AK 99503

RE: Amendment to the Alaska Medicaid State Plan – Pharmacy Dispensing Fees

The National Community Pharmacists Association (NCPA) is writing to express our concern regarding the proposed Medicaid pharmacy state plan amendment (SPA) that would seek to reduce pharmacy dispensing fees and change various definitions of pharmacies. The state released the proposed SPA on April 7, 2025.

NCPA represents America's community pharmacists, including 18,900 independent community pharmacies, including almost 20 percent of retail pharmacies in Alaska[1]. Almost half of all community pharmacies provide long-term care services and play a critical role in ensuring patients have immediate access to medications in both community and long-term care (LTC) settings. Together, our members employ 205,000 individuals and provide an expanding set of healthcare services to millions of patients and providers. NCPA submits these comments on behalf of both community and LTC independent pharmacies. We believe that the proposed amendments would significantly reduce Medicaid beneficiaries' access to community pharmacies.

NCPA asks that the Alaska Department of Health take the following action relating to this SPA:

1. **Withdraw the proposed SPA**, as the rates being proposed to pay independent pharmacies are well below their documented costs of dispensing. The recent cost of dispensing study, commissioned by the state of Alaska, found that independent pharmacies cost of dispensing are $21.18, while the Department is proposing to pay $11.80 for on the road pharmacies and $22.17 for off the road pharmacies. We request that the Department take into account the financial realities facing Alaska's pharmacy providers. Ensuring fair and sustainable reimbursement is critical to maintaining access to essential pharmacy services for all Alaskans.
2. As required by law (See 42 CFR 447.518), and consistent with how the Centers for Medicare and Medicaid Services (CMS) must review this SPA, the **state must consider the adequacy of the totality of reimbursement paid to pharmacies for both components – the acquisition cost of the drug and the dispensing fee**. The state cannot propose a change in one component without examining the adequacy of the other component. While NADAC is used as a benchmark for acquisition cost in almost all states, including Alaska, the unique geographical challenges of this state increases the acquisition costs of prescription medicines beyond the NADAC. Alaska needs to assure that pharmacies are adequately reimbursed for their higher cost of goods.
3. **Consider implementing a tiered dispensing fee: a chain pharmacy dispensing fee, and an independent pharmacy dispensing fee.** This is the only approach that will be consistent to pay pharmacies consistent with their cost of dispensing based on the state's own study. Additionally,

the Department could consider creating tiered dispensing fees based on prescription volume stratified by on-road and off-road status.

4. **Create equitable freight cost policies between in-state and out-of-state pharmacies.** Alaska pharmacies absorb high freight costs with no reimbursement, while out-of-state pharmacies can bill up to $16 to offset shipping under 7 AAC 145.400(b). This inequity favors out-of-state providers and further destabilizes Alaska's local pharmacy infrastructure.

Background and Discussion

The recent Amendment to the Medicaid State Plan – Pharmacy Dispensing Fees notice included pharmacy professional dispensing fees that are far below previous rates and predicated on a cost of dispensing survey that does not accurately reflect the true costs of retail pharmacy dispensing. NCPA is deeply concerned that a decrease in professional dispensing fees will have serious consequences for pharmacies in Alaska and the patients they serve. Across the country, pharmacies have closed at an unprecedented rate over the decade, and Alaska is no exception. Between 2010 and 2021, 29 percent of pharmacies closed across the country, with Alaska pharmacies closing at a rate of 25 percent.[2] Low reimbursement is an often-cited cause of pharmacy closures, which will increase with lower professional dispensing fees across the state.

The recently released Alaska Cost of Dispensing Survey raises serious concerns about its compliance with federal requirements for pharmacy reimbursement changes. Under regulation §447.518 *State plan requirements, findings, and assurances*, states must provide adequate, cost-based data—such as a reliable survey of pharmacy providers—to justify any modifications to ingredient cost reimbursement or professional dispensing fees. In addition, states must take into account the totality of reimbursement to the pharmacies – acquisition cost and dispensing fee – when making a change to one component. Alaska has failed to do this. For that reason, CMS cannot approve this SPA.

The NCPA Digest cites a national cost of dispensing in 2023 for independent pharmacies at $13.67, which is an increase from the NCPA Digest 2022 cost of dispensing of $12.49.[1] The Amendment to the Medicaid State Plan intended for submission by the Alaska Department of Health includes the following professional dispensing fees:

	2024	2025
On the Road, Non-Tribal Pharmacy	$13.36	$11.80
Off the Road, Non-Tribal Pharmacy	$21.28	$22.17
Tribal Health Pharmacy		$26.81
Out-of-state Pharmacy	$10.76	$10.76
Mediset Pharmacy	$16.58	$16.58

Given the unique geographic constraints present in Alaska, there are likely higher overall costs than the national average. Specifically, labor costs have continued to rise nationally over the past several years as well. However, in the Alaska Medicaid Cost of Dispensing Survey, these costs are capped at 5 percent of the pharmacy revenue. According to the NCPA Digest, labor costs make up 10.6% of all reported revenue. It is possible that, due to their locations, these pharmacies have higher labor costs that directly factor into

their cost of dispensing. It appears arbitrary and discriminatory to reduce the contribution of legitimate operating costs to the average cost of dispensing. We request further explanation of this 5 percent cap. According to the Survey report, 10 pharmacies were impacted by this cap. According to the NCPA Digest, there are only 15 independent pharmacies in Alaska, 11 chain pharmacies, 24 supermarket pharmacies, and 27 mass merchant-based pharmacies[1], thus these 10 excluded pharmacies are significant.

On average, Medicaid prescriptions account for 20% of the total prescription volume at independent pharmacies nationwide.[1] This is a significant portion of a pharmacy prescription volume and revenue and is critical to sustaining pharmacy operations. According to 2020 research from the USC-NCPA Pharmacy Access Initiative, 53% of neighborhoods in Alaska would meet criteria to be pharmacy shortage areas.[3] Since 2021, 34% of Alaska's independent pharmacies have closed their doors.[1,4] Should the trend of pharmacy closures continue, patients – especially in rural and underserved areas - will lose access to essential services provided by pharmacies such as vaccines, medication counseling, and chronic disease management.

We request that the Department reconsider how the ingredient cost component of the total reimbursement is calculated. While NADAC is used as a benchmark in several states, Alaska has geographical challenges that drive up the acquisition costs of prescription medicines. We urge Alaska to undertake its own AAC survey.

The National Average Drug Acquisition Cost (NADAC) is intended to reflect the average price pharmacies pay to acquire medications nationwide; however, it fails to account for unique geographic and economic challenges faced by pharmacies in Alaska. Of the 54,436 retail pharmacies[1] currently operating in the United States, only 4,000 are randomly selected to participate in the monthly sample. According to the same data source, there are just 77 retail pharmacies in Alaska[1]. The chance of an Alaska pharmacy being selected is low, and even if one is included, the impact of any additional costs specific to Alaska is minimal. This is because NADAC is based on a simple average, which incorporates a large number of data points that dilute the effect of any single outlier. **NCPA asks the Department to consider performing a state-specific Average Acquisition Cost (AAC) to better estimate ingredient cost.**

Unlike other states, Alaska contends with significantly higher shipping costs, limited distribution access, and a smaller volume of wholesale purchasing power—factors that lead to consistently higher acquisition costs for medications. Alaska pharmacies must pay substantial shipping fees to bring medications into the state — costs that are not recognized in the current reimbursement model. Meanwhile, out-of-state pharmacies are allowed to bill up to $16 under 7 AAC 145.400(b) to ship to Alaska patients. While in-state pharmacies can charge the same fee for intrastate shipments, it does not cover the inbound freight cost, which can be excessive. This creates an unfair and damaging imbalance that threatens patient care at local pharmacies. As a result, using NADAC as a benchmark in Alaska inaccurately represents the true cost of drug acquisition for local pharmacies and places an undue financial burden on providers who are already operating under tight margins in remote and underserved communities.

We request that the Department consider implementing dispensing fees on a tiered basis: a chain pharmacy dispensing fee, and an independent pharmacy dispensing fee or creating tiered dispensing fees based on prescription volume stratified by on-road and off-road status.

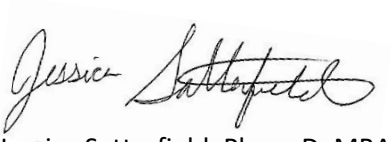
The current Alaska Medicaid retail pharmacy dispensing fee is currently based on an on-the-road system and off-the-road system. Several states have implemented tiered dispensing fees based on pharmacy volume

and practice type. Considering the unique distribution costs in Alaska, we are proposing that the Department consider an independent pharmacy dispensing fee and a separate chain pharmacy dispensing fee, which could be stratified by the existing on-the-road system and off-the-road sytstem. According to the Survey of the Average Cost of Dispensing a Medicaid Prescription in the State of Alaska report by Myers and Stauffer, the weighted median cost per prescription for independent pharmacies is $21.18, while chains have a weighted median cost per prescription of $11.35. The difference between these two amounts is too stark to have a single dispensing fee for both. Alaska has a compelling interest for its entire population maintaining a healthy robust competition among pharmacies, and maintain a broad network of pharmacy types. Independent pharmacies tend to establish their practices in locations where chain operated pharmacies may simply not establish locations.

As reflected in the Cost of Dispensing report, independent pharmacies often operate with tighter margins and face higher relative operational costs compared to large chain pharmacies, which benefit from economies of scale, bulk purchasing power, and centralized administration. By offering higher dispensing fees to independent pharmacies, the state can help ensure their financial sustainability, particularly in rural or underserved areas where these pharmacies may be the only accessible provider. This policy would recognize the critical role independent pharmacies play in community health.

NCPA urges the state to consider the true unique features of the state of Alaska when determining its total Medicaid pharmacy reimbursement, both ingredient costs and professional dispensing fee. We thank the Department for the opportunity to provide feedback, and we stand ready to work with the Department to offer possible solutions and ideas. Please let us know how we can assist further, and should you have any questions or concerns, please contact us at jessica.satterfield@ncpa.org or 703-838-2669.

Sincerely,



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1. *NCPA Digest, 2024*.
2. Guadamuz JS, Alexander GC, Qato DM, et al. More US Pharmacies Closed Than Opened In 2018-21; Independent Pharmacies, Those In Black, Latinx Communities Most At Risk. Health Aff (Millwood). 2024 Dec;43(12):1703-1711. doi: 10.1377/hlthaff.2024.00192.
3. USC-NCPA Pharmacy Access Initiative, Pharmacy Shortage Areas Mapping Tool
4. NCPA Digest, 2021