DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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CENTERS for MEDICARE & MEDICAID SERVICES

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DATE: December 22, 2010

TO: All Part D Sponsors (excluding PACE Organizations)

FROM: Cynthia Tudor, Ph.D., Director, Medicare Drug Benefit and C & D Data Group

SUBJECT: Convenient Access to Retail Pharmacies and Adequate Access to Home Infusion Pharmacies Update for CY 2012 Application Submissions and CY 2011 Reporting Requirements

The purpose of this memorandum is to provide updated information concerning the sufficiency of retail and home infusion pharmacy networks to help Part D sponsors prepare applications and Reporting Requirements submissions.

1. Convenient Access to Network Retail Pharmacies

Part D Sponsors and applicants to the Part D program must ensure that their retail pharmacy networks meet the criteria established under 42 CFR §423.120. Sponsors and applicants must ensure that their networks have a sufficient number of pharmacies able to dispense drugs directly to patients (other than by mail order) to ensure convenient access to Part D drugs. CMS rules require that sponsors establish retail pharmacy networks in which:

- At least 90 percent of Medicare beneficiaries in the sponsor's **urban** service area, on average, live within 2 miles of a retail pharmacy participating in the Sponsor's network;
- At least 90 percent of Medicare beneficiaries in the sponsor's **suburban** service area, on average, live within 5 miles of a retail pharmacy participating in the Sponsor's network; and
- At least 70 percent of Medicare beneficiaries in the sponsor's **rural** service area, on average, live within 15 miles of a retail pharmacy participating in the Sponsor's network.
- Sponsors may count Indian Tribe/Tribal Organization/Urban Indian Organization (I/T/U) pharmacies and pharmacies operated by Federally Qualified Health Centers and Rural Health Centers towards the standards of convenient access to retail pharmacy networks.

2012 Part D Applications

For the first time, CMS will be conducting all retail access analyses itself, rather than relying on applicant-submitted retail access reports. Part D Applicants will simply upload retail pharmacy network lists as part of the 2012 Part D application submission. CMS will use commercial access analysis software, in conjunction with each applicant's service area listed in HPMS, to analyze whether the network meets the access requirements stated above.

Specifically, CMS will "geocode" and analyze retail networks based on the sponsor's service area as reported in HPMS on the due date for the 2012 application. Geocoding is the process by which non-spatial data (address files) are linked to geographic coordinates and converted to map data (points on a map showing address locations). The information gathered from the pharmacy lists will be used by CMS to geocode the specific street-level locations of the pharmacies to precisely determine retail pharmacy access. In those relatively infrequent instances where the software is unable to precisely geocode a street-level address, CMS will utilize the ZIP code-level address information to geocode the approximate pharmacy location.

In previous years, CMS allowed Part D applicants to use one of several geocoding methodologies: representative ZIP code geocoding, or the more precise, address-based geocoding method (e.g. ZIP+4 Centroid Method, ZIP+@ Centroid Method). As a result, some organizations may previously have coded all pharmacy addresses at the ZIP code level as opposed to the more precise street-level coding, which CMS has now adopted. CMS strongly encourages applicants to conduct a closer and more precise inspection of their retail pharmacy locations and network access prior to submitting their pharmacy lists, as networks that may have appeared to meet CMS access standards when using the less precise ZIP-code method may no longer be deemed adequate using the address-based method. CMS will strictly enforce network access requirements using this more precise methodology. As such, organizations should determine the need for the inclusion of additional pharmacies, and complete the contracting process, prior to submitting their applications.

As a reminder, applicants may use their contracted PBM's existing 2011 Part D networks to demonstrate compliance with retail pharmacy access standards. However, if an applicant is creating a new Part D network as part of a 2012 application, the submission must be based on executed contracts for Year 2012. Additionally, retail pharmacy lists that applicants upload into HPMS may contain contracted pharmacies that are outside of the applicant's service area for organizations with a national pharmacy network. However, CMS will only evaluate retail pharmacy access for each contract's proposed service area.

2. Adequate Access to Home Infusion Pharmacies

This section of the memorandum is provided by CMS to articulate how adequate access to home infusion pharmacies is determined for organizations entering the Part D market and for existing Part D sponsors.

The regulations at 42 CFR § 423.120(a)(4) provide that Part D sponsors must ensure adequate access to home infusion pharmacies. At a minimum, Part D sponsors must deliver home infusion drugs to enrollees within 24 hours of discharge from an acute care setting, unless the next required dose as prescribed, is required to be administered later than 24 hours after discharge.

The methodology used by CMS for determining adequate access to home infusion pharmacies is articulated in the HPMS memo dated January 26, 2010 and in the Prescription Drug Benefit Manual, Chapter 5: Benefits and Beneficiary Protections, Section 50.4 – Home Infusion Pharmacy Access.

2012 Part D Applications

As part of its application, an applicant will provide CMS with a list of its network home infusion pharmacies. Based on the proposed service area in HPMS and our previously published methodology, CMS will assess the adequacy of access to home infusion pharmacies.

To enable applicants to assess for themselves the adequacy of access to home infusion pharmacies in their networks, CMS provides the minimum number of home infusion pharmacies needed per state (Attachment A). The number of required pharmacies was determined based on current beneficiary counts and the maximum number of beneficiaries we allow to be served by a single pharmacy in that state. The counts in Attachment A represent updated figures for the 2012 Part D applications. For detailed instructions on how to apply the information in Attachment A to a service area less than an entire state, please refer to the memo and/or manual cited above.

2011 Reporting Requirements

CMS will additionally use the minimum required number of Home Infusion pharmacies listed in Attachment A to evaluate adequate access among existing Part D sponsors, as to be reported through the 2011 Reporting Requirements.

For questions concerning retail access standards and analysis, please contact Charles Baffi at Charles.Baffi@cms.hhs.gov or 410-786-1372. For questions concerning adequate access to home infusion pharmacies, please contact Linda Anders at Linda.Anders@cms.hhs.gov or 410-786-0459.

ATTACHMENT A

Adequate Access to Network Home Infusion Pharmacies by State/Territory and Contract Type for 2011 Reporting Requirements and 2012 Part D Applications

State	MA-PD		PDP & RPPO	
	Number of HI Pharmacies Needed to Meet Adequate Access for Full-State Service Areas*	Eligible Beneficiaries to HI Pharmacy (Beneficiaries: HI Pharmacy)	Number of HI Pharmacies Needed to Meet Adequate Access*	Eligible Beneficiaries to HI Pharmacy (Beneficiaries: HI Pharmacy)
AK	2	59,500:1	2	59,500:1
AL	13	67,500:1	13	67,500:1
AR	7	84,500:1	7	84,500:1
AZ	10	96,000:1	8	108,000:1
CA	60	80,000:1	49	97,500:1
CO	9	72,000:1	9	72,000:1
CT	7	91,500:1	7	91,500:1
DC	2	75.000:1	2	75,000:1
DE	2	140,000:1	2	140,000:1
FL	24	139,000:1	25	133,500:1
GA	14	88,500:1	13	95,500:1
HI	2	193,500:1	2	193,500:1
IA	8	72,500:1	6	101,000:1
ID	3	106,500:1	3	106,500:1
IL	17	111,000:1	15	126,500:1
IN	12	87,500:1	12	87,500:1
KS	8	59,500:1	8	59,500:1
KY	18	43,000:1	18	43,000:1
LA	5	163,500:1	6	131,000:1
MA	12	92,500:1	11	102,000:1
MD	9	93,000:1	9	93,000:1
ME	3	126,500:1	3	126,500:1
MI	27	63,000:1	27	63,000:1
MN	10	83,000:1	9	93,500:1
MO	11	96,500:1	11	96,500:1
MS	4	159,000:1	4	159,000:1
MT	6	32,000:1	6	32,000:1
NC	21	73,500:1	19	80,000:1
ND	2	106,500:1	2	106,500:1
NE	9	34,000:1	8	39,000:1
NH	2	204,500:1	2	204,500:1
NJ	8	183,000:1	8	183,000:1
NM	5	73,500:1	5	73,500:1
NV	10	36,500:1	10	36,500:1
NY	25	120,500:1	25	120,500:1
OH	18	108,000:1	18	108,000:1
OK	7	96,000:1	7	96,000:1
OR	5	145,500:1	5	145,500:1
PA	27	85,500:1	27	85,500:1

State	MA-PD		PDP & RPPO	
	Number of HI Pharmacies Needed to Meet Adequate Access for Full-State Service Areas*	Eligible Beneficiaries to HI Pharmacy (Beneficiaries: HI Pharmacy)	Number of HI Pharmacies Needed to Meet Adequate Access*	Eligible Beneficiaries to HI Pharmacy (Beneficiaries: HI Pharmacy)
RI	4	59,500:1	4	59,500:1
SC	9	89,500:1	7	119,500:1
SD	2	131,500:1	2	131,500:1
TN	21	52,500:1	19	57,000:1
TX	40	75,500:1	34	90,000:1
UT	3	131,500:1	3	131,500:1
VA	14	83,000:1	13	89,500:1
VT	2	104,500:1	2	104,500:1
WA	12	82,000:1	12	82,000:1
WI	7	145,500:1	7	145,500:1
WV	6	74,500:1	4	124,500:1
WY	3	38,000:1	2	76,000:1

Territory	MA-PD		PDP & RPPO	
	Number of HI Pharmacies Needed to Meet Adequate Access for Full-Territory Service Areas*	Eligible Beneficiaries to HI Pharmacy (Beneficiaries: HI Pharmacy)	Number of HI Pharmacies Needed to Meet Adequate Access*	Eligible Beneficiaries to HI Pharmacy (Beneficiaries: HI Pharmacy)
AS			1	3500:1
GU			1	11,500:1
MP			No defined minimum	
PR	3	315,500:1	2	630,500:1
VI	1	15,000:1	1	15,000:1

*** Number of pharmacies listed above is based on the Beneficiary Data Count File (to be released with the 2012 Part D Applications in early January 2011) used for the CY2011 Reporting Requirements & CY2012 Part D Applications. The number of pharmacies needed to meet adequate access may change annually based on beneficiary counts.**