

LEWIS DRUG 340B Pharmacy Agreement



Objective

Determine if Lewis is compliant with the requirements of Agreement 11-4078 with respect to eligibility status, duplicate discounts, diversion, insurance coverage, and other requirements.

Background

In 1992, Congress passed Section 340B of the Public Health Service Act, which requires pharmaceutical manufacturers to enter into an agreement with the Health and Human Services Secretary in exchange for having their drugs covered by Medicaid and Medicare Part B. Under this agreement, manufacturers agree to provide discounts on covered outpatient drugs purchased by certain hospitals and recipients of federal grants, called covered entities, that serve the most vulnerable patients. Under this program, covered entities and their patients can realize substantial savings through price discounts, ranging from \$5 to over \$600 per prescription, depending on the medication.

On February 3rd, 2011, Falls Community Health (FCH) entered into an agreement with Lewis Drug Stores (Lewis) to provide pharmacy services to eligible patients with respect to 340B outpatient drugs. FCH providers write prescriptions for eligible patients and Lewis dispenses the cheaper 340B drugs to those patients.

What We Found

Finding 1: Lewis doesn't implement any inventory optimization processes, such as product minimum/maximum levels, which makes it hard to ensure sufficient inventory levels.

Finding 2: Lewis does not utilize a 'tracking system' to retrospectively review dispensing reports and verify patient eligibility, which is a requirement of the agreement.

Finding 3: 20% of prescriptions tested did not have a designation that the patient was eligible for 340B drugs. It is a requirement of the agreement that Lewis only dispenses 340B drugs when the prescription form designates the patient as 340B-eligible.

Finding 4: Lewis is not currently providing all of the required quarterly reports listed in the agreement.

What We Recommend

Recommendation 1: We recommend FCH work with Lewis and utilize PioneerRX, a pharmacy software Lewis currently uses, to establish a more efficient inventory optimization process. We also recommend FCH to develop a process for setting and monitoring product minimum/maximum levels and physically reviewing Lewis's 340B inventory annually.

Recommendation 2: We recommend FCH and Lewis work together to develop a reconciling 'tracking system' Lewis will utilize to prevent the diversion of 340B drugs to patients who are not eligible. We also recommend FCH to make periodic checks to verify the 'tracking system' is in place and working properly.

Recommendation 3: We recommend FCH utilize eClinicalWorks, their EHR software, to add functionality that allows providers to identify 340B drugs on their prescription forms. We also recommend FCH update their annual provider training to include prescription form requirements for 340B drugs.

Recommendation 4: We recommend Lewis start providing FCH with the following quarterly reports:

- Quarterly financial statements.
- Detailed status report of collections.
- Summary of receiving and dispensing records.

Opportunities for Improvement

- We recommend FCH update their ePrescription form to list "Falls Community Health." Section six of the agreement requires Lewis to only dispense 340B drugs upon presentation of a prescription form listing the health center's name. Currently, only the address is included on the ePrescription form.
- We recommend FCH review the agreement and update any sections to reflect actual processes and requirements. The agreement was written in 2011 and the only updates made relate to the addition and removal of a second pharmacy location.