



Frequently asked Questions of the PAC

Am I expected to pay the invoice the state sent me for my provider tax?

The invoice the state sends to you for provider tax is for your records. By being a member of the Pharmacy Agent Corporation (PAC), the PAC acts as your agent and pays your provider tax to the state on your behalf. Each remittance that you receive from the PAC states the dollar amount withheld from your check that cycle which will be paid as tax to the state on your behalf. That dollar amount should equal half of the amount the state says you owe per month.

What are “Pooled Funds”?

Under the old provider tax system the state set your tax rate based on the number of Medicaid prescription that made up your total sales. This method was used to ensure that you would not pay significantly more than you would receive in enhanced dispensing fees. Under the new system all pharmacies in Missouri are charged a flat rate of tax on all gross receipts for out-patient prescription drugs. The state pays you an enhanced dispensing fee from the proceeds of that. Since pharmacies have a variable rate of Medicaid prescriptions all enhanced fees are pooled to more equally distribute the funds. In a similar fashion to what the old state banded system produced, and from these pooled funds each PAC member’s taxes are paid to the state. The remaining funds in the pool are then distributed back out to the providers on a per claim basis. Typically this amount works out to approximately .0964 cents per Medicaid claim or 2% of your tax liability which is very close to the return you received under the old program. The new provider tax system and the old provider tax system are very comparable; in fact you should be slightly more ahead with the new system.

Why do we have the provider tax?

The main function of the provider tax is to generate funds to be used as if they were state general revenue dollars (look alike). These general revenue look alike dollars are used to purchase

Medicaid services and are then matched by the federal government to produce more buying power. This additional state buying power is used to purchase products and services in the Medicaid pharmacy program such as enhanced dispensing fees, increase in original dispensing fee amount, and support for your product reimbursement. If the provider tax were to sunset the average price per Medicaid prescription would decrease by \$3.50 to \$7.00. The provider tax is the best way we have to receive the dispensing fees and product reimbursements at reasonable levels, in fact the provider tax law specifically states that should the pharmacies reimbursement be reduced by the state the provider tax would sunset, thus protecting your investment in the provider tax program.

What is the advantage for a pharmacy to be a member of the PAC?

The PAC helps reduce the potential for a pharmacy to be unable to recover benefits from their tax equal to or greater than their tax. The PAC pays the pharmacies tax for them thus reducing the cash flow requirements for the pharmacy. The PAC balances the overall tax liability over all the providers, while reducing potential for loses, and provides a limited return to the pharmacies for participating in the program.

In summary:

All Missouri pharmacy providers benefit from being a member of the PAC, and the continuation of the provider tax. The provider tax is not a direct cost to the pharmacy and guarantees that the pharmacy will continue to receive reasonable dispensing fees and product reimbursement. The PAC and the MPA are working together with the state to support reasonable reimbursements and recognize pharmacies and pharmacist for their valuable contribution and support for Missouri's most vulnerable citizens. If you have other questions please contact Drew Oestreich at 573-636-7522 ext. 230 or e-mail drew@morx.com.

The best partnerships are built on all parties understanding how these programs work.