

Prescription drug payment times by Medicare Part D plans: Results of a national study

Marvin D. Shepherd, Kristin M. Richards, and Angela L. Winegar

Abstract

Objective: To determine the average payment time from Medicare Part D plans to community pharmacies for prescription drugs dispensed to Medicare beneficiaries.

Design: Nonexperimental time series.

Setting: United States in January to December 2006.

Participants: 145 independent pharmacies and 17 regional chain pharmacy firms.

Intervention: Review of 2,944,526 Medicare Part D prescription drug claims adjudicated in 2006.

Main outcome measures: Median payment time and the number and proportion of claims paid, controlling for month of claim adjudication, pharmacy type, and Part D plan.

Results: The median payment time for 2006 claims filed by all pharmacies in this study was 29.0 days (mean 39.1). The median payment time was greater for independent pharmacies (median 31.0, mean 49.1) than chain pharmacies (median 29.0, mean 36.5). Payment was slower during the first few months of the Medicare Part D benefit than later in the year. By December, approximately 40% of the claims were not paid within 30 days. Within the 12 plans identified as having the greatest number of claims in the sample, the median payment time ranged from 23.0 days to 36.0 days.

Conclusion: Payment times improved during 2006, but a sizable proportion of claims were not paid within 30 days. Chain pharmacies received payments sooner than independent pharmacies. Additionally, a wide variation in median payment times was observed for Part D plans. The results of this study, based on actual claims data, are not in agreement with findings from a survey of Part D plans reported by the Centers for Medicare & Medicaid Services.

Keywords: Medicare Part D, prescription drug plans, payment systems.

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The Medicare Part D prescription drug program continues to provide tremendous assistance to many elderly and disabled patients in the United States. It has supplied needed medications to this population group with lower-than-anticipated premium costs.^{1,2} However, shortcomings have been noted by beneficiaries and pharmaceutical providers. This article focuses on one shortcoming: payment times to community pharmacies by Medicare Part D plans.

Prompt reimbursements for prescription drugs are crucial to community pharmacies because most are required to pay drug wholesalers every 14 days. Some pharmacies pay on a weekly or daily basis or prepay for medications. During the first months of the Part D program, pharmacies across the nation, especially those owned independently, began to report cash-flow problems, as they were struggling to pay their wholesalers

while waiting 4 to 6 weeks or more for payments from Medicare Part D plans. Articles or exposés focusing on the troubles community pharmacists were having with the Part D program were frequently seen in the pharmacy press, national newspapers, or regional/local news media. Many pharmacies had to take out loans or lines of credit to cover their debts to wholesalers, while other pharmacies closed their doors permanently.

On the other hand, the Centers for Medicare & Medicaid Services (CMS) and trade organizations refuted community pharmacists' assertions of slow payments. In May 2006, CMS reported that as many as 18 of the top 20 Part D plans, covering 90% of Medicare beneficiaries, were paying pharmacies for claims twice monthly, generally resulting in receipt of payment by the pharmacy within 21 to 25 days of claim adjudication.^{3,4} However, many community pharmacies maintain a different position, reporting that they do not receive timely payments for all Part D claims. Because of a lack of evidence on this topic, we decided to conduct an empirical study of the amount of time between submission of drug claims by pharmacies and receipt of payment from Medicare Part D prescription drug plans.

At a Glance

Synopsis: An overall median payment time for Medicare Part D claims of 29.0 days (mean \pm SD: 39.1 \pm 38.1) was observed in this times-series study of 145 independent pharmacies and 17 regional chain pharmacy firms throughout the United States during January to December 2006. Pharmacies received payments for 46.8% of Medicare Part D claims less than 29 days after adjudication, 48.5% of claims in more than 29 days, and 4.7% of claims at 29 days. Fewer than 1% of claims were paid within 15 days after adjudication, while 55.2% and 44.1% were reimbursed 15 to 30 days and more than 30 days after adjudication, respectively. Approximately 7% of claims were paid in 61 to 180 days, and 2.2% had durations exceeding 180 days. Of note, all claims in this study were paid via electronic fund transfer; therefore, these payment times are presumably faster than for reimbursements made via mailed check.

Analysis: *The findings of this study differ from those of the Centers for Medicare & Medicaid Services, which reported in May 2006 that generally, payments were being received within 21 to 25 days of claim adjudication. Most community pharmacies are required to pay drug wholesalers every 14 days, with some paying on a weekly or daily basis or prepaying for medications, making the prompt receipt of Medicare Part D payments critical for financial viability. Independent pharmacies have been heavily affected by lags in receipt of payments, particularly during the initial few months of Part D; a number of pharmacies took out loans to cover their debts, while others were forced to close permanently. Although payment times improved as 2006 progressed, by December, a high proportion (approximately 40%) of the claims were not paid within 30 days.*

Objective

The objective of this paper is to determine the length of time between submission of drug claims by pharmacies and receipt of payment from Medicare Part D prescription drug plans.

Methods

Data Rx Management, Inc., a drug claims processor located in Texas, assisted us by working with other claims processors to compile the dataset for this study. With their help, we obtained a dataset that contained 2,944,526 Medicare Part D prescription drug claims adjudicated in 2006 with payment reconciliation data through June 2007. Claims were submitted by 145 independent pharmacies and 17 chain pharmacy firms (mostly regional) located throughout the United States. The 17 chain pharmacies varied in size from 10 to more than 1,000 units. No mass-merchandising or grocery store pharmacies were included in the dataset. The University of Texas Institutional Review Board approved this study.

A total of 304 Medicare Part D plans were represented in the dataset. The variables included plan name, claim adjudication date, and date the community pharmacy received payment from the plan. Adjudication date is the date the prescription was approved by the plan; for the vast majority of cases, this is also the date of dispensing. Only paid claims were available. Thus, claims that were adjudicated in 2006 but not paid for by June 2007 were not included in the dataset.

Payment time was defined as the time between drug claim adjudication and when the payment was received by the community pharmacy. All claims in this dataset were paid via electronic funds transfer (EFT). Of note, Part D plan payments made by EFT arrive more quickly than those made by check and mailed to community pharmacies. To calculate length of payment time,

the date the prescription was adjudicated was subtracted from the date the EFT payment was made to the community pharmacy. Thus, payment time is expressed in days.

Median payment times are highlighted in this report rather than mean times because we believe they represent the central tendency of the data better than arithmetic averages (means), although we have also included means in the tables. The median represents the value of the 50th percentile case; that is, an equal number of cases falls above and below the median. Although means are depicted in the tables, we advise interpreting means with caution given that extremely high or low values can influence the mean while having little to no effect on the median. If the distribution of case values is symmetrical, then the median value will equal the mean.

In our dataset, the mean payment time is consistently higher than the median value, indicating that some claims had long payment times, resulting in a higher average compared with the median. In our judgment, mean values do not accurately characterize these data; the median value is a better representation of the data's central tendency.

Results

All pharmacies

Table 1 depicts the median and mean payment times (time between claim adjudication and receipt of payment by the pharmacy), controlling for the month claims were adjudicated. The number and proportion of claims paid in fewer than 15 days, 15 to 30 days, 31 to 60 days, and more than 60 days are also depicted. As can be seen, the number of claims adjudicated per month increased considerably in June 2006, most likely as a result of a large number of people enrolling in the Medicare Part D program just before or on the enrollment deadline of May 15, 2006.

The results show an overall median payment time of 29.0

days (mean ± SD, 39.1 ± 38.1 days). To provide additional information, we further segmented the data using time periods for comparison. In this analysis, pharmacies received payments for 46.8% of Medicare Part D claims (n = 1,377,042) fewer than 29 days after adjudication, 48.5% of claims (n = 1,428,705) in more than 29 days, and 4.7% of claims (n = 138,779) at 29 days. Fewer than 1% of claims were reimbursed within 15 days, while 55.2% and 44.1% of claims were paid 15 to 30 days and more than 30 days after adjudication, respectively. Although not depicted in Table 1, the results showed that in 2006, 7.4% of the claims (n = 217,689) were paid in 61 to 180 days and payment times exceeded 180 days for 2.2% of the claims (n = 64,127).

For claims adjudicated in January 2006, the first month of the Part D program, the median payment time was 54.0 days (mean ± SD: 112.2 ± 106.9). Pharmacies waited longer than 30 days for payment for more than 75% of these claims. In fact, for claims adjudicated in January, it took longer than 180 days to pay for 31% of the claims. For claims adjudicated 12 months later (December 2006), the median payment time decreased to 29.0 days (mean ± SD, 31.0 ± 13.8). Even though payment times improved during 2006, almost 41% of claims submitted by independent and chain pharmacies in December, 12 months after the program began, were paid more than 30 days after claim adjudication.

Independent pharmacies

Table 2 depicts the median and mean payment times by month for independent pharmacies in 2006. The overall median time between claim adjudication and reimbursement for independent pharmacies in 2006 was 31.0 days (mean ± SD, 49.1 ± 53.2 days). Independent pharmacies received payments for 50.0% of claims (n = 300,428) less than 31 days after adjudication, 46.2% of claims (n = 277,697) in more than 31 days, and 3.8% of claims (n = 22,880) at 31 days. A total of 1.3% and

Table 1. Payment times for prescription drugs under Medicare Part D by month for all pharmacies, 2006

| Months | No. claims (%) | Median no. days to payment after adjudication (mean ± SD) | No. claims by time to payment after adjudication (row %) ^a | | | |
|--------------|-------------------|---|---|------------------|------------------|-----------------------|
| | | | <15 days | 15–30 days | 31–60 days | >60 days ^b |
| January | 27,075 (0.9) | 54.0 (112.2 ± 106.9) | 80 (0.3) | 6,520 (24.1) | 7,703 (28.5) | 12,772 (47.2) |
| February | 37,047 (1.3) | 45.0 (90.1 ± 86.9) | 180 (0.5) | 11,633 (31.4) | 11,507 (31.1) | 13,727 (37.1) |
| March | 50,300 (1.7) | 33.0 (70.8 ± 78.8) | 491 (1.0) | 20,354 (40.5) | 15,476 (30.8) | 13,979 (27.8) |
| April | 47,545 (1.6) | 32.0 (62.9 ± 68.4) | 528 (1.1) | 20,663 (43.5) | 13,486 (28.4) | 12,868 (27.1) |
| May | 60,669 (2.1) | 31.0 (46.6 ± 49.7) | 1,130 (1.9) | 28,795 (47.5) | 20,919 (34.5) | 9,825 (16.2) |
| June | 229,761 (7.8) | 32.0 (45.5 ± 39.2) | 733 (0.3) | 103,411 (45.0) | 89,326 (38.9) | 36,291 (15.8) |
| July | 258,777 (8.8) | 33.0 (54.6 ± 53.4) | 2,100 (0.8) | 99,560 (38.5) | 102,598 (39.6) | 54,519 (21.1) |
| August | 254,495 (8.6) | 27.0 (38.0 ± 40.9) | 2,580 (1.0) | 153,688 (60.4) | 80,289 (31.5) | 17,938 (7.0) |
| September | 293,379 (10.0) | 29.0 (41.3 ± 38.0) | 2,967 (1.0) | 165,107 (56.3) | 83,032 (28.3) | 42,273 (14.4) |
| October | 342,816 (11.6) | 27.0 (34.2 ± 28.5) | 2,624 (0.8) | 212,746 (62.1) | 103,986 (30.3) | 23,460 (6.8) |
| November | 661,716 (22.5) | 28.0 (30.5 ± 15.1) | 3,150 (0.5) | 404,457 (61.1) | 235,804 (35.6) | 18,305 (2.8) |
| December | 680,946 (23.1) | 29.0 (31.0 ± 13.8) | 5,457 (0.8) | 397,312 (58.3) | 252,318 (37.1) | 25,859 (3.8) |
| 2006 summary | 2,944,526 (100.0) | 29.0 (39.1 ± 38.1) | 22,020 (0.7) | 1,624,246 (55.2) | 1,016,444 (34.5) | 281,816 (9.6) |

^aPercentages may not total 100 due to rounding.

^bTotals do not include any 2006 claims not paid by June 2007.

Table 2. Payment times for prescription drugs under Medicare Part D by month for independent pharmacies, 2006

| Months | No. claims (%) | Median no. days to payment after adjudication (mean ± SD) | No. claims by time to payment after adjudication (row %) ^a | | | |
|--------------|-----------------|---|---|----------------|----------------|-----------------------|
| | | | <15 days | 15–30 days | 31–60 days | >60 days ^b |
| January | 17,472 (2.9) | 106.0 (139.2 ± 99.6) | 28 (0.2) | 2,504 (14.3) | 3,585 (20.5) | 11,355 (65.0) |
| February | 22,606 (3.8) | 93.0 (122.5 ± 91.7) | 76 (0.3) | 4,104 (18.2) | 5,859 (25.9) | 12,567 (55.6) |
| March | 27,019 (4.5) | 54.0 (98.1 ± 83.5) | 228 (0.8) | 5,603 (20.7) | 8,636 (32.0) | 12,552 (46.5) |
| April | 23,821 (4.0) | 54.0 (90.8 ± 77.4) | 274 (1.2) | 5,978 (25.1) | 6,028 (25.3) | 11,541 (48.4) |
| May | 33,090 (5.5) | 32.0 (54.5 ± 55.3) | 287 (0.9) | 14,239 (43.0) | 11,572 (35.0) | 6,992 (21.1) |
| June | 30,884 (5.1) | 30.0 (44.3 ± 46.9) | 309 (1.0) | 15,673 (50.7) | 11,426 (37.0) | 3,476 (11.3) |
| July | 51,240 (8.5) | 33.0 (50.1 ± 47.8) | 1,855 (3.6) | 18,940 (37.0) | 19,053 (37.2) | 11,392 (22.2) |
| August | 56,679 (9.4) | 29.0 (38.0 ± 35.5) | 908 (1.6) | 31,797 (56.1) | 18,503 (32.6) | 5,471 (9.7) |
| September | 71,928 (12.0) | 28.0 (36.1 ± 34.6) | 1,038 (1.4) | 42,867 (59.6) | 23,290 (32.4) | 4,733 (6.6) |
| October | 73,276 (12.2) | 26.0 (32.6 ± 24.8) | 1,312 (1.8) | 47,162 (64.4) | 19,915 (27.2) | 4,887 (6.7) |
| November | 93,739 (15.6) | 28.0 (31.9 ± 16.9) | 637 (0.7) | 54,519 (58.2) | 33,171 (35.4) | 5,412 (5.8) |
| December | 99,251 (16.5) | 30.0 (36.4 ± 18.8) | 663 (0.7) | 49,427 (49.8) | 36,519 (36.8) | 12,642 (12.7) |
| 2006 summary | 601,005 (100.0) | 31.0 (49.1 ± 53.2) | 7,615 (1.3) | 292,813 (48.7) | 197,557 (32.9) | 103,020 (17.1) |

^aPercentages may not total 100.0 due to rounding.

^bTotals do not include any 2006 claims not paid by June 2007.

48.7% of claims were paid in fewer than 15 days and 15 to 30 days of adjudication, respectively. It took longer than 30 days to receive payment for the remaining 50.0% of claims. In fact, for 11.9% (n = 71,506) of claims, payment times were between 61 and 180 days, and for 5.2% of claims (n = 31,514), payment times exceeded 180 days.

The results show that median Part D plan payment times for the first 4 months of 2006 were more than 50 days. For claims adjudicated in January 2006, independent pharmacies had a median payment time of 106.0 days (mean ± SD, 139.2 ± 99.6). Only 14.5% of the claims (n = 2,532) adjudicated in January were paid within 30 days. The results showed an improvement in payment times over the next few months. For February claims, the median payment time decreased to 93.0 days and, in March and April, decreased to 54.0 days. The median payment time for May claims was 32.0 days. However, compared with May claims, only marginal improvement in length of payment times occurred during the rest of 2006. For example, payment times were more than 30 days for 56.1% of May 2006 claims and 49.5% of December 2006 claims.

Chain pharmacies

Table 3 depicts the median and mean payment times by month for chain pharmacies in 2006. The overall median time between claim adjudication and reimbursement in 2006 for chain pharmacies was 29.0 days (mean ± SD, 36.5 ± 32.7). Payment time was less than 29 days for 48.1% of claims (n = 1,126,339), more than 29 days for 47.1% of claims (n = 1,104,961), and equal to 29 days for 4.8% of claims (n = 112,221). Payments were received for 0.6% of claims within 15 days of claim adjudication. A total of 56.8% of claims were reimbursed 15 to 30 days after adjudication, while 42.6% of claims were paid after 30 days. A total of 6.2% of claims (n = 146,183) were reimbursed between 61 and 180 days of adjudication, while 1.4% (n = 32,613) had payment times in excess of 180 days.

For approximately one-half of the claims adjudicated in January 2006, chain pharmacies waited more than 32 days for payment (median, 32.0; mean ± SD, 63.1 ± 102.0). More than 57% of claims were paid more than 30 days after adjudication. For claims adjudicated 12 months later (December 2006), the median payment time decreased to 29.0 days (mean ± SD, 30.0 ± 12.5). Nearly 40% of these claims had payment times in excess of 30 days.

Chain pharmacies did not show as dramatic a decrease in median payment times compared with independent pharmacies. In fact, the difference in median payment times for chain stores between January and December was only 3 days, compared with a difference of 76 days for independent pharmacies. As stated above, Part D plans took more than 30 days to pay chain pharmacies for 39.4% of December claims, which was a slight improvement from May, when approximately 44% of the claims were unpaid after 30 days.

Comparison of independent and chain pharmacies

Figure 1 directly compares the difference in median payment times between independent and chain pharmacies, controlling for pharmacy type and month. For the first 2 months after Part D implementation, payment times for independent pharmacies were more than triple those of chain pharmacies. They were more than double those of chain pharmacies for March and April claims. By May 2006, payment times between chain and independent pharmacies were similar. Figure 1 also shows that median payment times fluctuated less for chain pharmacies than independent pharmacies.

To further examine this disparity, we calculated the differences between independent and chain pharmacies' monthly median payment times (Figure 2). For claims submitted in January and February, the median payment time for independent pharmacies exceeded that of chain pharmacies by more than 60 days. For March and April claims, independent phar-

Table 3. Payment times for prescription drugs under Medicare Part D by month for chain pharmacies, 2006

| Months | No. claims (%) ^a | Median no. days to payment after adjudication (mean ± SD) | No. claims by time to payment after adjudication (row %) ^a | | | |
|--------------|-----------------------------|---|---|------------------|----------------|-----------------------|
| | | | <15 days | 15–30 days | 31–60 days | >60 days ^b |
| January | 9,603 (0.4) | 32.0 (63.1 ± 102.0) | 52 (0.5) | 4,016 (41.8) | 4,118 (42.9) | 1,417 (14.8) |
| February | 14,441 (0.6) | 30.0 (39.2 ± 44.7) | 104 (0.7) | 7,529 (52.1) | 5,648 (39.1) | 1,160 (8.0) |
| March | 23,281 (1.0) | 26.0 (39.2 ± 58.8) | 263 (1.1) | 14,751 (63.4) | 6,840 (29.4) | 1,427 (6.1) |
| April | 23,724 (1.0) | 26.0 (34.8 ± 42.3) | 254 (1.1) | 14,685 (61.9) | 7,458 (31.4) | 1,327 (5.6) |
| May | 27,579 (1.2) | 29.0 (37.2 ± 39.9) | 843 (3.1) | 14,556 (52.8) | 9,347 (33.9) | 2,833 (10.3) |
| June | 198,877 (8.5) | 32.0 (45.7 ± 37.9) | 424 (0.2) | 87,738 (44.1) | 77,900 (39.2) | 32,815 (16.5) |
| July | 207,537 (8.9) | 33.0 (55.7 ± 54.7) | 245 (0.1) | 80,620 (38.8) | 83,545 (40.3) | 43,127 (20.8) |
| August | 197,816 (8.4) | 26.0 (38.0 ± 42.4) | 1,672 (0.8) | 121,891 (61.6) | 61,786 (31.2) | 12,467 (6.3) |
| September | 221,451 (9.4) | 29.0 (43.0 ± 39.0) | 1,929 (0.9) | 122,240 (55.2) | 59,742 (27.0) | 37,540 (17.0) |
| October | 269,540 (11.5) | 27.0 (34.7 ± 29.4) | 1,312 (0.5) | 165,584 (61.4) | 84,071 (31.2) | 18,573 (6.9) |
| November | 567,977 (24.2) | 28.0 (30.3 ± 14.8) | 2,513 (0.4) | 349,938 (61.6) | 202,633 (35.7) | 12,893 (2.3) |
| December | 581,695 (24.8) | 29.0 (30.0 ± 12.5) | 4,794 (0.8) | 347,885 (59.8) | 215,799 (37.1) | 13,217 (2.3) |
| 2006 summary | 2,343,521 (100.0) | 29.0 (36.5 ± 32.7) | 14,405 (0.6) | 1,331,433 (56.8) | 818,887 (34.9) | 178,796 (7.6) |

^aPercentages may not total 100 due to rounding.^bTotals do not include any 2006 claims not paid by July 2007.

macies' median payment time was 28 days longer than chains' payment time. After April, median payment times between the two pharmacy types were similar, continuing through the end of the study period.

Comparisons by Medicare Part D plan

Additional analyses were conducted, controlling for Part D plan. Twelve of the 304 plans in the dataset had most of the claims (65.1%). These 12 Part D plans were offered by (in alphabetical order) AARP (formerly the American Association of Retired Persons), CarePlus, Cignature, Humana (two plans), Medco, Member Health, Missouri Seniorx, Prescription Pathway, Prescriptions Solutions, United HealthCare, and WellCare. Table 4 displays the number of claims and median and mean

payment times by plan. Plans in the table are coded with a letter of the alphabet, and the order does not correspond to the alphabetized order. The table shows the plans ranked in ascending order of their median payment times for 2006 claims.

The results show wide variation in payment times by Part D plan. Median payment times ranged from 23.0 to 36.0 days among the top 12 plans. However, more notable differences were observed in the proportions of claims paid within 30 days. For example, plan A paid 87.9% of their claims in 30 days or less, whereas plan G paid 25.1% of their claims in 30 days or less. Seven of the 12 plans (F through L) paid more than 50% of their claims in 31 days or more, while four plans (A through D) paid more than 80% of their claims within 30 days.

Seven of the top 12 plans had a large proportion of both

Table 4. Payment times for prescription drugs under Medicare Part D by prescription drug plan for all pharmacies, 2006

| Part D plans | No. claims (%) ^a | Median no. days to payment after adjudication (mean ± SD) | No. claims by time to payment after adjudication (row %) ^a | | | |
|--------------|-----------------------------|---|---|------------------|------------------|-----------------------|
| | | | <15 days | 15–30 days | 31–60 days | >60 days ^c |
| Plan A | 369,846 (12.6) | 23.0 (25.9 ± 19.9) | 2,709 (0.7) | 322,649 (87.2) | 39,510 (10.7) | 4,978 (1.3) |
| Plan B | 66,497 (2.3) | 24.0 (26.7 ± 15.9) | 6 (0) | 57,410 (86.3) | 7,589 (11.4) | 1,492 (2.2) |
| Plan C | 97,069 (3.3) | 25.0 (27.3 ± 17.0) | 19 (0) | 80,054 (82.5) | 15,746 (16.2) | 1,250 (1.3) |
| Plan D | 62,215 (2.1) | 25.0 (27.4 ± 18.0) | 97 (0.2) | 51,724 (83.1) | 9,432 (15.2) | 962 (1.6) |
| Plan E | 133,673 (4.5) | 30.0 (33.1 ± 20.9) | 12 (0) | 71,327 (53.4) | 58,106 (43.5) | 4,228 (3.2) |
| Plan F | 203,477 (6.9) | 31.0 (33.1 ± 18.5) | 236 (0.1) | 90,768 (44.6) | 108,468 (53.3) | 4,005 (2.0) |
| Plan G | 98,664 (3.4) | 33.0 (36.4 ± 20.2) | 188 (0.2) | 24,532 (24.9) | 70,721 (71.7) | 3,223 (3.3) |
| Plan H | 125,053 (4.2) | 33.0 (38.6 ± 20.0) | 15 (0) | 43,403 (34.7) | 71,558 (57.2) | 10,077 (8.1) |
| Plan I | 550,733 (18.7) | 33.0 (48.5 ± 42.5) | 1,065 (0.2) | 215,964 (39.2) | 231,407 (42.0) | 102,297 (18.6) |
| Plan J | 67,099 (2.3) | 34.0 (57.5 ± 43.7) | 181 (0.3) | 21,753 (32.4) | 25,786 (38.4) | 19,379 (28.9) |
| Plan K | 40,062 (1.4) | 35.0 (45.0 ± 30.6) | 208 (0.5) | 12,152 (30.3) | 23,593 (58.9) | 4,109 (10.3) |
| Plan L | 99,025 (3.4) | 36.0 (89.3 ± 82.2) | 0 | 37,426 (37.8) | 22,542 (22.8) | 39,057 (39.4) |
| Other plans | 1,031,113 (35.0) | 30.0 (40.9 ± 32.9) ^b | 17,284 (1.7) | 595,084 (57.7) | 331,986 (32.2) | 86,759 (8.4) |
| Overall | 2,944,526 (100.0) | 30.0 (40.9 ± 32.4) ^b | 22,020 (0.7) | 1,624,246 (55.2) | 1,016,444 (34.5) | 281,816 (9.6) |

^aPercentages may not total 100.0 due to rounding.^bMedian and mean weighted by number of claims per Part D plan.^cTotals do not include any 2006 claims not paid by June 2007.

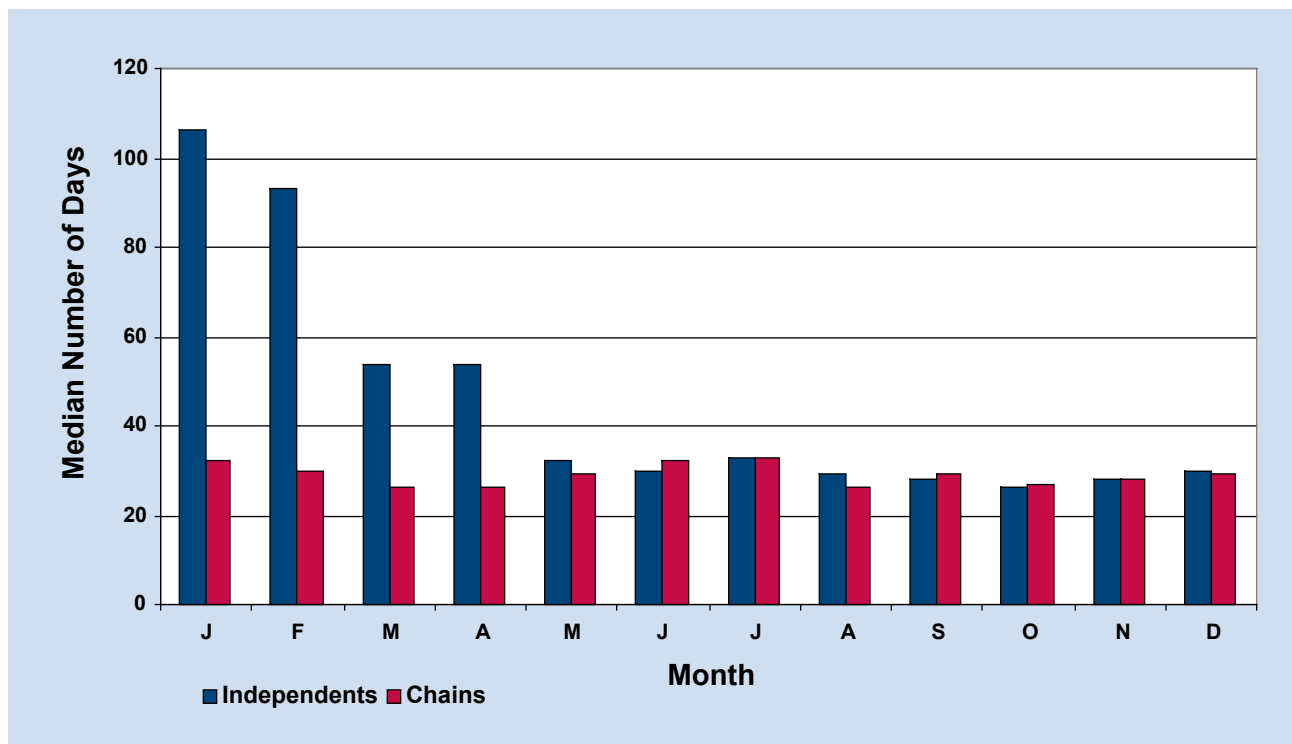


Figure 1. Trend in median payment times for independent and chain pharmacies by month, 2006

independent and chain pharmacy claims. For each of these seven plans, we compared the median payment times for both pharmacy types and found that payment times were similar for most of these plans. Two plans, however, showed differences in median payment times for independent versus chain pharmacies. One plan had a median payment time of 32.0 days for chain pharmacies and 36.0 days for independent pharmacies. A second plan showed the reverse, with a lower median payment time for independent pharmacies (26.0 days) than chain pharmacies (33.0 days).

We also examined median payment times for the top 39 plans; these accounted for 88.7% of all claims in the dataset. Median payment times for these plans ranged from 18.0 to 53.0 days. Approximately one-half of these 39 plans ($n = 20$) had median payment times of more than 30 days, while 3 had median payment times of less than 20 days. Overall, 51% of the 304 Part D plans had median payment times of more than 30 days, while less than 9% had median payment times of less than 20 days.

When claims for the first 5 months of the Medicare Part D program were removed from the analysis to account for a post-implementation adjustment period, the results were similar to those for all of 2006. Because more than 90% of the claims in our sample were adjudicated after May 2006, this was not unexpected. Claims adjudicated from January to May 2006 had a wide median payment time range of 18.0 to 274.0 days from the top 39 Part D plans. During the adjustment period, 14 of the 39

plans had median payment times of 30 days or less. Two plans, however, had median payment times of less than 20 days.

Discussion

This is the first known study of national data measuring the time between drug claim adjudication and Medicare Part D plan payment to pharmacies. Contrasting the reports that nearly all claims are paid by plans within 30 days, independent and regional chain pharmacies in this study received payments for only 55.9% of claims submitted in 2006 within 30 days. For almost one-half of the claims adjudicated in January 2006 (47.2%), these pharmacies waited 61 days or more for payment. Payment times improved in February and especially in the following months. Despite the improvements, nearly 41% of December 2006 claims were not paid within 30 days.

Independent pharmacies were especially hard-hit during the first few months of the Medicare Part D program. For those claims submitted by independent pharmacies in January, 85.5% remained unpaid after 30 days. Nearly one-half of all January claims (49.7%) were not paid within 106 days (more than 15 weeks). For February claims, 81.5% were not paid with 30 days, and 50.0% were not paid within 93 days (more than 13 weeks). Delayed payments often result in a decrease in cash flow for pharmacies because payments to wholesalers are required regardless of payments from Part D plans. Based on the results of this study, a pharmacy that pays its wholesaler every 2 weeks

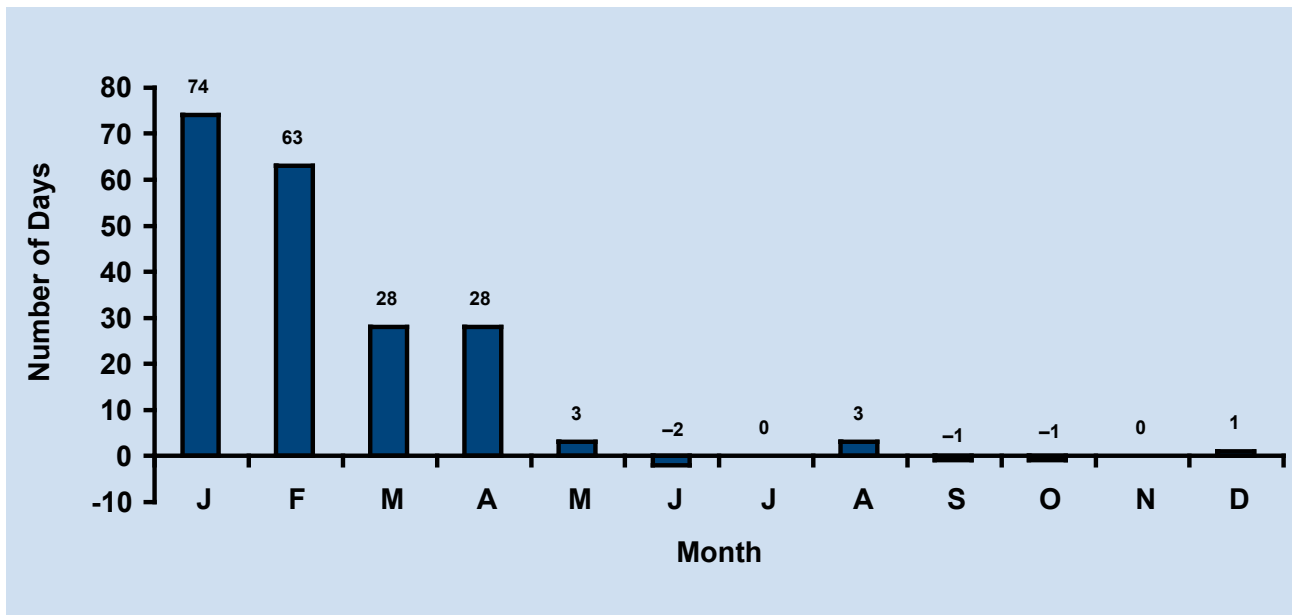


Figure 2. Difference in median payment times (days) between independent and chain pharmacies by month, 2006

would have had to make seven wholesaler payments in the time it took to receive payment for half of its January Medicare Part D claims.

Though payment times to independent pharmacies improved and nearly equaled those of the regional chains by May 2006, an overall median payment time of 29 days clearly demonstrates that pharmacies in this study, regardless of type, were not receiving payments for all claims within a month of claim adjudication. As mentioned above, pharmacies received payments for only about 56% of claims adjudicated in 2006 within 30 days.

This study showed that all Medicare Part D plans are not equal regarding payment times to pharmacies. A handful of plans had median payment times of less than 20 days, whereas the majority had median payment times of more than 30 days. Plans with the most claims also varied. Within 30 days, some plans paid for more than 80% of their claims, whereas others paid for less than 30% of their claims.

Limitations

Although the drug claims in our sample came from pharmacies across the nation, the results of this study cannot be generalized to every independent and regional chain pharmacy or to every Medicare Part D prescription drug plan. Also, our dataset contained only prescription drug claims adjudicated in 2006 and paid by June 2007. We do not know if these pharmacies had any 2006 claims that were paid after June 2007 or that are still unpaid. If that is the case, then the payment times in this

report would be lower than payment times when all claims are considered. Finally, and of notable importance, all of the claims in this study were paid via EFT. Based on an informal survey of pharmacists, pharmacy groups, and managed care firms, we have determined that most independent community pharmacies receive payments by check from Part D plans. Thus, the time to receive payment depends on postal delivery times and on how quickly the Part D plan processes the check for mailing. Therefore, the payment times for the claims in this report are lower than those for Part D plan payments made via mailed check.

Conclusion

Though payment times continue to be a point of contention between community pharmacies and Medicare Part D plans, the results of this empirical study support and quantify community pharmacists' reports of "slow" payments for a large proportion of Medicare Part D prescription drug claims in 2006.

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