

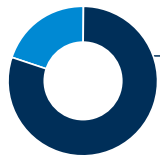
# HOW MEDICARE PART D DIRECT AND INDIRECT REMUNERATION (DIR) WORKS

Performance-based Pharmacy Reimbursement Saves Beneficiaries and Taxpayers



1

Pharmacy enters into contract with Pharmacy Benefit Manager (PBM), which include performance standards.



**80%**

of independent pharmacies use third-party negotiators, called PSAs, to negotiate contracts with PBMs on behalf of thousands of pharmacies.



2

Pharmacist dispenses medication to beneficiary. PBM pays pharmacy at point of service the contractual amount for the ingredient costs and dispensing fee.



3

Per the PBM-pharmacy contract, post-point of service pharmacy price concessions are retrospectively reconciled based on agreed-upon value-based benchmarks.

*Payment can be increased or decreased per an individual pharmacy's performance.*



4

All payments that meet CMS's specific definition of DIR must be reported to the agency by June of the following year. CMS uses the DIR reporting process to assure funds are used to lower beneficiary costs in subsequent years. DIR is also used by CMS to calculate final Medicare payments to Part D plans — helping to reduce beneficiary premiums and some government costs.



## What DIR is NOT:

- ✗ DIR is **NOT** exclusive to pharmacy price concessions. Manufacturer price concessions constitute a large majority of total DIR.
- ✗ DIR is **NOT** a retrospective "fee" assessed to pharmacies.
- ✗ DIR is **NOT** a clawback of payments to pharmacies.
- ✗ DIR does **NOT** impact beneficiary cost sharing. In fact, Medicare requires beneficiaries always be charged the lesser of the cash price or plan copayment.

In addition to payment terms, these pharmacy contracts typically include performance standards with payment adjustments based on:

- ✓ Generic dispensing rate
- ✓ Patient adherence rate
- ✓ Prescription refill rate
- ✓ Counselling services / MTM
- ✓ Dispensing volume
- ✓ Opioid dispensing oversight
- ✓ Increase efficiency and value
- ✓ Other value-based patient outcomes measures