

Medicare D puts pharmacies in cash crunch

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By Jenni Grubbs

Tuesday, August 01, 2006 - STERLING - As many seniors started to see the financial benefits of Medicare Part D, some pharmacies are feeling a financial pinch.

One of the unforeseen problems that the new prescription drug benefit caused was a cash-flow problem for small, noncorporate pharmacies that depend on Medicare patients' drug purchases. The problem was caused by a change in how the pharmacies are paid.

Before Medicare Part D, the patient paid for much of their drug purchases immediately with cash or credit cards. Now, with the new program, pharmacies have a considerable lag between dispensing medicine and receiving payment from one of several insurance companies.

While this is not much different from how it always works with pharmacies' patients who have non-Medicare insurance, what made this such a big issue was the drastic change in income over several months. Pharmacies had to adapt quickly to the changing level of cash-on-hand and still pay their wholesalers for the medicines they needed to bring into the pharmacy.

"The wholesaler reps say there's a lot of small pharmacies behind on their payments," said Dorothy Wisdom, Medicare billing representative at Barnes Pharmacy in Sterling. "It's trickling back up to the wholesalers."

At Walker Pharmacy in Sterling, cash-flow was an especially big problem for several months, until the payments started flowing in from the insurance companies' payment benefits managers, or PBMs, which pay out processed claims.

"Almost two months' worth of medicines went out without payment," Walker pharmacist Amy Everhart said. "There was a money shortage, but when you have \$20,000 worth of medicine going out, but no money coming in ... When you're an independent business, not getting paid for two months is not good at all."

Wisdom said Barnes also faced cash-flow problems because Medicare Part D patients make up about a third of Barnes' business, but that her employer is doing OK now.

"The big problem was the delay in payment," Wisdom said. "They're paying their co-pays, but the other money is delayed."

She said she had heard stories about small pharmacies around the country that had to take out loans to cover new drug purchases while waiting for Medicare Part D insurers' payments to flow in, but she didn't have any specifics. That wasn't the case at Barnes, though, she said.

Currently, the cash-flow situation has leveled out for most pharmacies, including Barnes and Walker, as they started receiving the payments that were due, just several months later than usual.

"Now that time has gone by, we're getting payments in a timely manner," Everhart said.

The initial payment problems were caused by a mixture of the normal way insurance companies work and startup glitches in Medicare Part D.

With insurance companies, there is usually a lag of 30 to 90 days between a prescription claim and payment, as the insurer processes the claim and then forwards the decision to a PBM to pay out to the pharmacy.

The Medicare Part D-specific problems came from patients who were enrolled in the wrong program or who didn't understand their benefits or from the system not being up to date all of the time.

The problems affected mostly smaller, independently owned pharmacies that depend on daily cash-flow and consistent incoming money, Everhart said. She said larger pharmacy chains may have felt a poke, but not a stab due to larger corporate resources.

When asked, a spokesman for Wal-Mart declined to discuss Medicare Part D's effects on the Sterling Wal-Mart pharmacy. He said the company does not disclose financial information.

The pharmacy at Sterling Regional MedCenter was not affected by Medicare Part D because it does not operate as a retail pharmacy and only dispenses prescriptions in-house for patients, according to hospital spokeswoman Kayedeane Samber.

Jenni Grubbs can be reached by e-mail at jgrubbs@journal-advocate.com or by phone at 522-1990, Ext. 234.