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Igiugig	Ninilchik
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Knik	Tyonek
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Tribal Authority
Cook Inlet Region, Inc.

April 30, 2025

Christal Hays
Medicaid State Plan Coordinator
Alaska Department of Health
3601 C Street, Suite 902
Anchorage, AK 99503

RE: Tribal Consultation – Pharmacy Dispensing Fee SPA

Dear Ms. Hays,

Thank you for the opportunity to provide comments in response to the proposed Medicaid State Plan Amendment (SPA) related to pharmacy dispensing fees. As previously communicated to the Department of Health (DOH) throughout the analysis of the 2024 Cost of Dispensing (COD) Survey and development of this SPA, the rates proposed in the SPA may not reflect the actual cost of dispensing and will likely have significant negative impacts on the availability of services at Tribal pharmacies.

Southcentral Foundation (SCF) subject matter experts agree that any procedural delays in implementing a new SPA and associated regulatory package that would result in reverting to the pre-pandemic dispensing fee rate should be avoided. Additionally, the updated dispensing fee should be set using an objective, data-driven approach. However, the methodology used to establish this new proposed rate may fall short of that desired approach. To that end, the recommendation is that DOH submit an updated SPA that reflects proposed rates using cost data that does not include what has been deemed a “reasonableness” adjustment for indirect costs. Alternatively, DOH could pursue adoption of the current interim dispensing fee rates on a permanent basis. If neither of these solutions can be accomplished in a timely manner, the state should request an extension of the interim rate until a new SPA can be developed and implemented that reflects a more accurate cost of dispensing.

DOH’s use of a 5% “reasonableness” cap on indirect cost data means the data used to develop the proposed rates does not reflect the true cost of dispensing as reported by Tribal pharmacies. Tribal pharmacies serve enormous geographic areas that are often extremely isolated. Oversight, regulatory compliance, quality improvement, security, billing/ financial, patient safety, controlled substance management, and related services are delivered by Tribal pharmacies at hundreds of sites across the state every day. Tribal pharmacies serve a diversity of clinical needs including outpatient, inpatient, emergency room, urgent care, community health clinics, oncology and infusion centers, outpatient surgery centers, immunization services, and direct pharmacist-delivered primary care.

These unique circumstances justify the continued Tribal-specific pharmacy dispensing fee. Previous discussion and communication with DOH suggest that the 5% “reasonableness” cap imposed on the statewide data used to develop the proposed rates was intended to manage outliers and “anomalous indirect pharmacy cost data.” However, capping indirect costs at the median reported value from Tribal pharmacies seems arbitrary.

Nothing in the COD survey responses or DOH’s discussion of this matter suggests that a Tribal pharmacy that reported a 6% indirect cost, for example, is anomalous or an outlier. However, the methodology being used in this proposal would exclude that reported data as an unreasonable outlier. Specifically, by setting a “reasonableness” cap, DOH seems to have decided that any reported indirect costs above that amount were inherently not “reasonable.” And because the cap is at the median, the result is that the reported indirect cost data from half of the Tribal pharmacies were discarded for purposes of setting the pharmacy dispensing fee.

To the extent that DOH is required to make any adjustments to the reported cost data to satisfy concerns from CMS regarding outliers, the department should consider using an established statistical method for identifying outliers. Setting the reasonableness cap in this manner could result in a more equitable calculation that would be easier to justify to CMS because it is based on a standard statistical method for identifying outliers.

Maintaining patient access to medications is critical to safeguarding public health. Tribal pharmacies are the de facto pharmacies for vast areas of Alaska that are roadless or where health care may be otherwise difficult to access. If pharmacy dispensing fees are not sufficiently reimbursed, health care providers have no alternative but to compensate for these costs in other areas of operation, which could limit services and reduce access to health care for Medicaid beneficiaries. SCF strongly urges DOH to submit proposed dispensing fees that reflect a realistic cost of dispensing without median-based “reasonableness” caps or, alternatively, maintain the current interim rates on a permanent basis. And if DOH cannot do so in a manner that avoids the threat of a reversion to inadequate pre-pandemic rates, the department should propose extending the interim rates until a solution can be reached.

Thank you for your consideration of these comments. If you have any questions, please contact SCF’s Vice President of Specialty Services Dr. Matt Hirschfeld at mhirschfeld@southcentralfoundation.com.

Sincerely,
SOUTHCENTRAL FOUNDATION

Gregory P. Emelchuk, Acting

April Kyle, MBA
President and CEO