



# Expanding Long-Term Care Pharmacy in Home and Community-Based Settings: Understanding and Addressing the Barriers

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## About this brief:

In partnership with the Senior Care Pharmacy Coalition (SCPC), ATI Advisory assessed operational and policy barriers to bringing long-term care (LTC) pharmacy services into home and community-based settings. Previous research demonstrates that approximately 75% of Medicare beneficiaries with LTC needs, roughly 3 million individuals, live at home or in the community.<sup>1</sup>

<sup>1</sup> Note: all statistics included in this brief that refer to community-dwelling beneficiaries with LTC needs are from <https://atiadvisory.com/understanding-the-long-term-care-needs-of-the-medicare-population-and-the-role-of-long-term-care-pharmacies-in-addressing-this-need/>

# Lack of access to LTC pharmacy services in the home and community

LTC pharmacies offer enhanced services for a population that requires intensive management of pharmacy, medical, and non-medical needs, including:

- ✓ Care coordination
- ✓ Medication therapy management
- ✓ Geriatric consultant services
- ✓ Patient and caregiver education
- ✓ Medication delivery and 24/7 support

Despite similar needs between community-dwelling Medicare beneficiaries with LTC needs and facility residents, **operational and policy barriers limit access to LTC pharmacy services** outside LTC facilities.

## Brief Summary

**75%**

of Medicare beneficiaries with LTC needs live at home and in the community (“community-dwelling”)

**65%**

of community-dwelling Medicare beneficiaries with LTC needs take 10+ prescriptions per year

**59%**

of community-dwelling Medicare beneficiaries with LTC needs have cognitive impairment

**1**

### Operational Barriers

Most Medicare Part D plans (PDP) and pharmacy benefit managers (PBMs) have not incorporated home-based billing options into their contracts with LTC pharmacies. This limits access for community-dwelling enrollees because community reimbursement rarely is sufficient for high-touch LTC pharmacy services.

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### Policy Barriers

Conflicting and unclear LTC pharmacy policy causes PDPs/PBMs not to reimburse for LTC pharmacy services in the home. These policy barriers include: the lack of a statutory LTC pharmacy definition, CMS not explicitly naming home or community as LTC pharmacy settings, network adequacy standards that focus only on institutional settings, and the lack of a consistent process to determine LTC level of need in community-dwelling enrollees.

**3**

### Solutions

Policymakers can improve community access to LTC pharmacy. This requires defining LTC pharmacy in statute, clarifying policy to recognize LTC pharmacy services for community-dwelling beneficiaries, identifying a process to determine LTC needs outside of Medicaid eligibility, and encouraging innovative partnerships that allow for more appropriate reimbursement of services.

## Operational Barriers Limit LTC Pharmacy From Expanding to Non-Congregate Settings

The value and role of LTC pharmacy outside facility settings is not well understood, and this has limited access to LTC pharmacy services among community-dwelling beneficiaries.

### LTC Pharmacy is More than Medication Delivery

LTC pharmacy in home and community settings is confused with other pharmacy providers offering home delivery. LTC pharmacy is fundamentally different from other home-delivery pharmacies, but the confusion prevents LTC pharmacies from receiving appropriate dispensing fees commensurate with the services they provide.

#### Unlike other pharmacies with home delivery, LTC pharmacy services and costs include:

- ✓ Care coordination across medical, non-medical, and pharmacy services
- ✓ Geriatric consultant services and “bedside chart reviews” to reduce polypharmacy and prevent adverse drug reactions
- ✓ Education services to patients, family caregivers, and other natural/ informal supports
- ✓ Medication delivery based on the needs of the individual, up to 7 days each week, 3x each day, as well as in between regularly scheduled deliveries, including 24/7 emergency delivery

Community-dwelling beneficiaries with LTC needs average

**14 prescriptions per year,**

compared with 8 prescriptions per year among Medicare beneficiaries without LTC needs.

### PDPs and PBMs Do Not Reimburse LTC Pharmacy Services Billed with In-home Service Codes

Existing claims processing infrastructure allows for billing LTC pharmacy services outside facility settings.

However, PDPs/PBMs typically will not reimburse for LTC pharmacy dispensing fees unless a claim reflects *residence* and *level of service* equal to nursing facility. This practice prevents LTC pharmacies from receiving appropriate dispensing fees to support specialized services for community-dwelling beneficiaries.

#### Home-based LTC pharmacy services are reimbursable if the following codes are entered on a claim:

- Residence code: 1 – Home
- Pharmacy service type: 5 – LTC Pharmacy
- Level of service: 7 – Medical at Home

## Existing Policy is Biased Toward Institutional Care

Operational barriers are exacerbated by existing policy that does not explicitly recognize community-dwelling Medicare beneficiaries with LTC needs. This includes unclear or even absent definitions, and a focus on an individual's residence rather than their needs.

### LTC pharmacy is not defined in statute.

This results in conflicting regulatory requirements that create confusing obligations and risk for patients. It also masks the value LTC pharmacies offer in meeting the unique needs of vulnerable individuals.

### LTC pharmacies in eligible pharmacy settings receive higher dispensing fees for the additional services they provide, but CMS does not define "pharmacy setting."<sup>2</sup>

Community-dwelling individuals who need LTC may receive LTC pharmacy services under Part D, but PDPs/PBMs are reluctant to pay for those services because pharmacy setting is not defined.



### LTC level of need information is not readily available for beneficiaries.<sup>3</sup>

This results in LTC pharmacies and PBMs not consistently knowing whether an enrollee meets LTC level of care criteria. CMS provides a daily Transaction Reply Report (TRR) to PDPs, indicating whether a community-dwelling Part D enrollee with Medicaid has an LTC level of care need. Additionally, Medicare Advantage Institutional-equivalent Special Needs Plans (IE-SNPs) determine LTC level of care using state assessment tools. However, no information or process exists for Part D enrollees without Medicaid coverage.

### Part D network adequacy standards for LTC pharmacy focus on facilities.<sup>2</sup>

PDPs must have a network of contracted LTC pharmacies to provide convenient access to "enrollees who reside in LTC facilities" but no mention is made of community-dwelling enrollees with LTC needs. This limits network access to individuals residing in a statutorily-defined LTC facility rather than based on individuals' needs.

<sup>2</sup> [https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovContra/Downloads/MemoPDBManualChapter5\\_093011.pdf](https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovContra/Downloads/MemoPDBManualChapter5_093011.pdf)  
<sup>3</sup> Medicare Managed Care Manual Chapter 16b

## Policy Solutions Could Overcome Operational Barriers that Inhibit LTC Pharmacy Access in the Community

Policymakers could address current barriers to LTC pharmacy services in home and community settings with the approaches below. To maximize **equitable access**, these solutions should be considered collectively.

### Statutory Recognition of LTC Pharmacy

**Congress should define LTC pharmacy in statute.** LTC pharmacy has no current definition in statutory law resulting in confusing and conflicting obligations on LTC pharmacies. The LTC Pharmacy Definition Act of 2021 seeks to memorialize a definition in statute.

### CMS Guidance on Claim Codes and Dispensing Fees

**CMS should issue guidance to PDPs/PBMs clarifying that patient resident code "1" with level of service "7" reflects services eligible for LTC pharmacy dispensing fees** in alignment with services provided in institutional or residential settings. Few PDPs /PBMs reimburse for LTC pharmacy services in the home despite claim codes reflecting LTC pharmacy services in this setting.

### Pharmacy Settings and Network Adequacy

**CMS should update guidance clarifying the home is an allowable and covered setting and that enrollees outside facility settings require access to LTC pharmacy services.** CMS guidance does not clearly acknowledge the home and community as LTC pharmacy settings, deterring PDPs and PBMs from building LTC pharmacy networks and paying appropriate dispensing fees outside of facilities.

### Standardized Processes for Determining LTC Needs

**CMS should require PDPs, PBMs, and LTC pharmacies to deploy the level of care assessment method used by IE-SNPs** to qualify Medicare-only beneficiaries for LTC pharmacy services. PBMs have LTC level of care information for dual eligibles but do not assess level of care for Medicare-only enrollees.

### Appropriate Reimbursement of Service Costs in the Home

**CMS should test innovative payment models** to include LTC pharmacies in the care experience of Medicare beneficiaries. Additionally, states and CMS should encourage risk-bearing entities to include LTC pharmacy in value-based models. Current reimbursement does not reflect the cost of delivering services in the home, impeding access to LTC pharmacy.

# The Senior Care Pharmacy Coalition (SCPC) and ATI Advisory are partnering to produce a series of briefs on the LTC population and the role of LTC pharmacies in addressing the needs of these individuals.

## Our Organizations



**ATI Advisory** is an advisory services and research consulting firm focused on transforming the healthcare delivery and financing systems for frail, older adults. ATI Advisory applies quantitative and qualitative research methods to identify opportunities to improve Medicare, Medicaid, and long-term care, and it stands by research and data as the foundation of quality.



**The Senior Care Pharmacy Coalition (SCPC)** is the voice in Washington, D.C. for the LTC pharmacy community, which provides crucial patient care services to one of our nation's most vulnerable populations. LTC pharmacies serve a unique and essential role in our health care system, working alongside other providers to deliver high-quality, cost-effective, coordinated care to patients in various long-term care settings.

## Study Methods

ATI Advisory conducted an environmental scan to identify key barriers to long-term care pharmacy delivery in home and community-based settings. This included a grey literature review of existing Medicare policy and guidance, as well as interviews with legal experts, long-term care pharmacy operators, and pharmacy services administrative organizations (PSAOs). Interviewees were selected based on their experience expanding or seeking to expand LTC pharmacy services to the home and community settings.