Arkansas Insurance Department

# PBM Retail Pharmacy Network Adequacy Computations

# Arkansas Insurance Department (AID)…

- Computes Network Adequacy coverage for each Pharmacy Network and categorizes deficiencies per Arkansas Code § 23-92-509(b)(2)(B) into two types:
  - **Objections:** When the area does not meet statutory coverage requirements and improvement is possible.
  - **Monitoring Requirements:** When the area does not meet statutory coverage requirements, but further improvement may not be possible due to lack of pharmacies (based on aggregated retail pharmacy information).
- Provides above deficiencies to the insurer/PBM for action using an Excel template.
- Provides an interactive Tableau visualization for the insurer/PBM to make geographical sense of the deficiencies in the Excel template against a backdrop of Out-Of-Network (OON) pharmacy locations.

# Arkansas Code § 23-92-509(b)(2)(B)

**(B)** The rules described in subdivision (b)(2)(A) of this section shall require that an individual covered by a health benefit plan have access to a community pharmacy at a standard no less strict than the federal standards established under Tricare or Medicare Part D, 42 U.S.C. §§ 1395w-101- 1395w-154, as it existed on January 1, 2021, if that standard requires, on average:

**(i)** At least ninety percent (90%) of individuals covered by a health benefit plan in an urban area served by the health benefit plan to live within two (2) miles of a network pharmacy that is a retail community pharmacy;

**(ii)** At least ninety percent (90%) of individuals covered by a health benefit plan in suburban areas served by the health benefit plan to live within five (5) miles of a network pharmacy that is a retail community pharmacy; and

**(iii)** At least seventy percent (70%) of individuals covered by a health benefit plan in a rural area served by the health benefit plan to live within fifteen (15) miles of a network pharmacy that is a retail community pharmacy.

# What is the input data for PBM Pharmacy Network Adequacy computations?

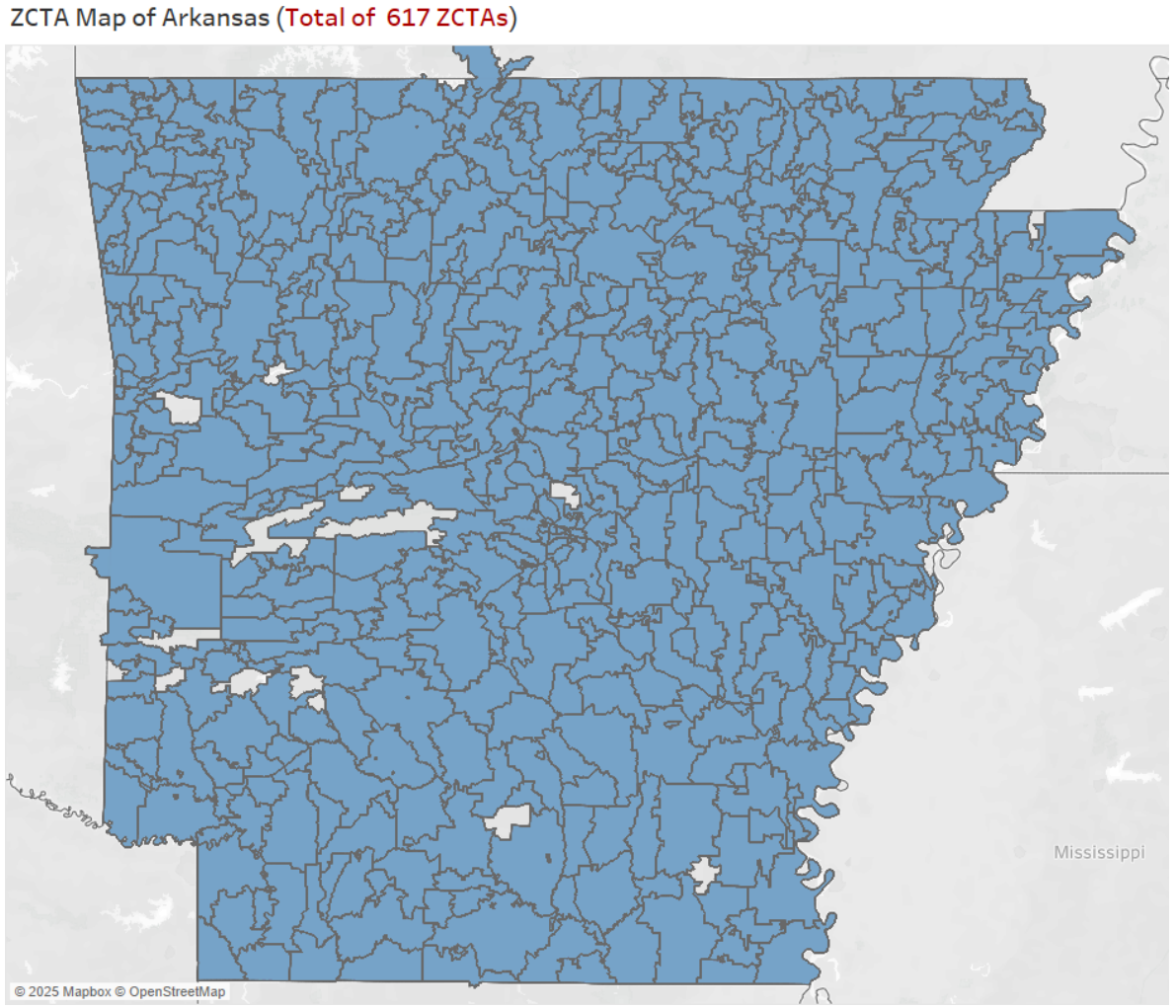
1) Arkansas ZCTA data from US Census.
2) Pharmacy network details such as Pharmacy locations, service area etc.
    1) Data required annually from Insurers using PBM are specified at the PBM regulation web-page https://rhld.insurance.arkansas.gov/PBMRegulation addressing the interrogatives: What? How delivered? When delivered? Retention?
3) Retail Pharmacy classifications maintained separately used to filter the network pharmacies reported in 2). All other pharmacies would be excluded from network adequacy computations. For the calendar year 2025, the NCPDP retail pharmacy classifications would be used (either primary, secondary or tertiary), but from calendar year 2026 onwards, the Retail Pharmacy Classifications in the *"Current Finalized Provider Type-NPI Pool"* maintained collaboratively by insurers and located in https://rhld.insurance.arkansas.gov/Default/NetworkAdequacy would be used.
4) The network access is measured against the QHP Sample Population file (approx. 23K locations) maintained by CMS-CCIIO at https://www.qhpcertification.cms.gov/s/Network%20Adequacy

# Why ZCTAs?

- Arkansas Code § 23-92-509(b)(2)(B) has requirements for “areas” without definition, but requires standards no less strict than Medicare Part D.
- Medicare Part D uses ZCTAs, not county in Network Adequacy calculations.
- Area classifications are codified in 42 CFR § 423.100 as:
  - Urban: a five-digit **ZIP code** in which the population density is greater than 3,000 individuals per square mile
  - Suburban: a five-digit **ZIP code** in which the population density is between 1,000 and 3,000 individuals per square mile
  - Rural: a five-digit **ZIP code** in which the population density is less than 1,000 individuals per square mile

# What is a ZCTA?

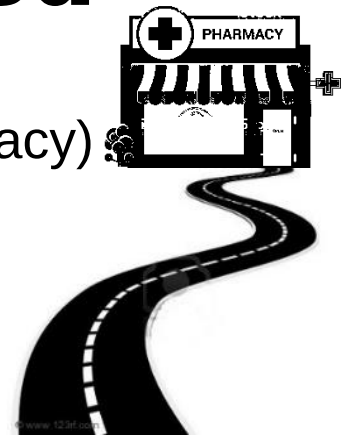
- ZCTAs or "ZIP code tabulation areas" were created by the US Census Bureau to allow tabulation of data for ZIP code areas. In other words, they do not (necessarily) directly correspond to a ZIP code but allow for an accurate representation of populated areas within a ZIP code.
- One ZCTA can be contained within a county or spread over several counties.
- Arkansas has 617 ZCTAs.



# PBM Network Requirements Illustrated

Arkansas Code § 23-92-509(b)(2)(B) metrics:

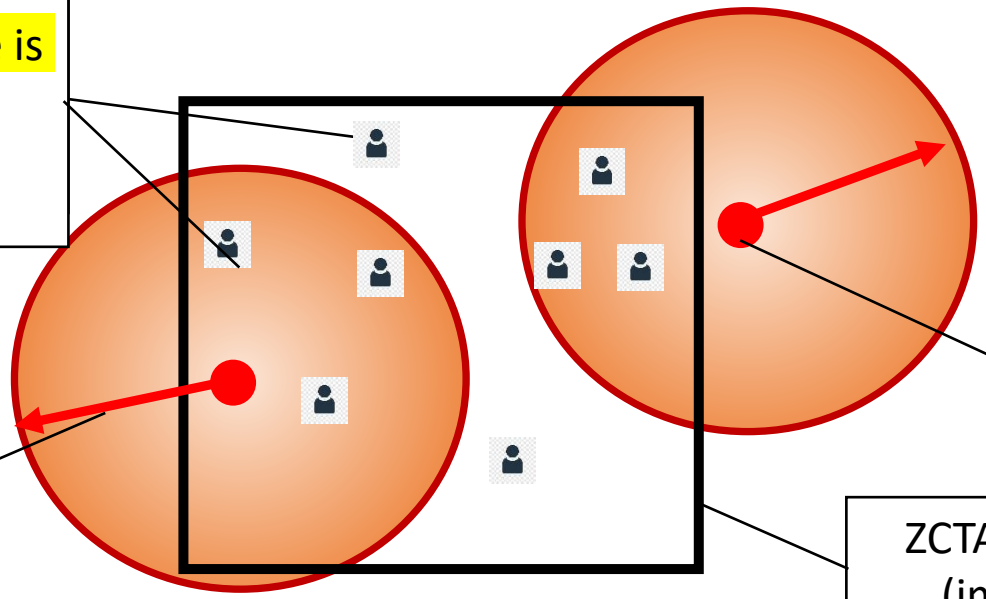
- Urban areas : At least 90% consumers within 2 miles (of a retail pharmacy)
- Suburban areas : At least 90% consumers within 5 miles
- Rural areas : At least 70% consumers within 15 miles




**Arkansas Code § 23-92-509(b)(2)(B) metrics: A Simplified Visual illustration of Percent Covered**

Consumer Locations

With 6 of the 8 such locations covered in the ZCTA the coverage is 6/8= 75%. Would have met requirements only if this was a rural ZCTA.

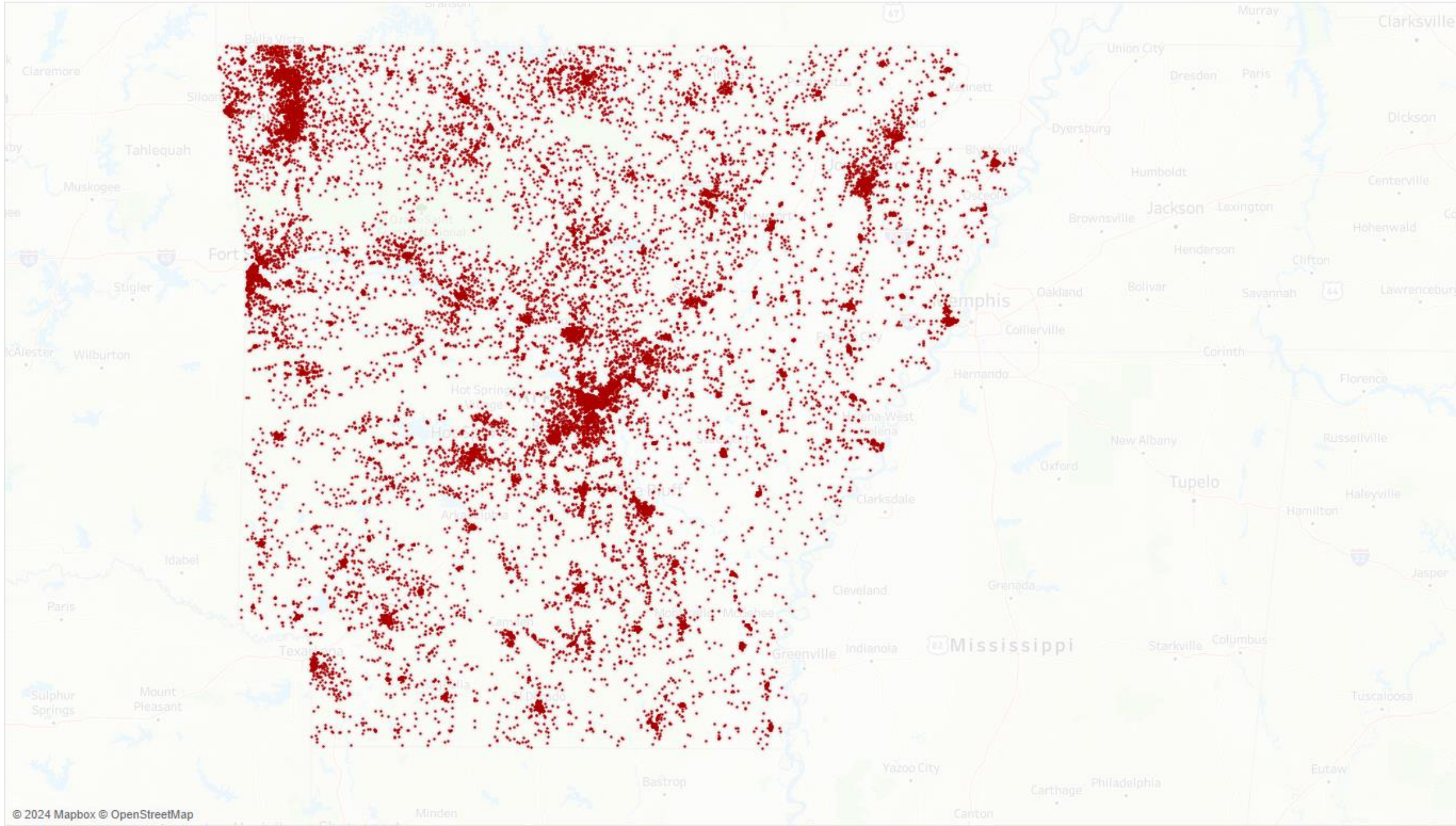


Radius of 2,5 or 15 miles depending on area designation

Pharmacy location

ZCTA boundary (imaginary)

PY2024 QHP Sample Population Locations (Size:22,794)



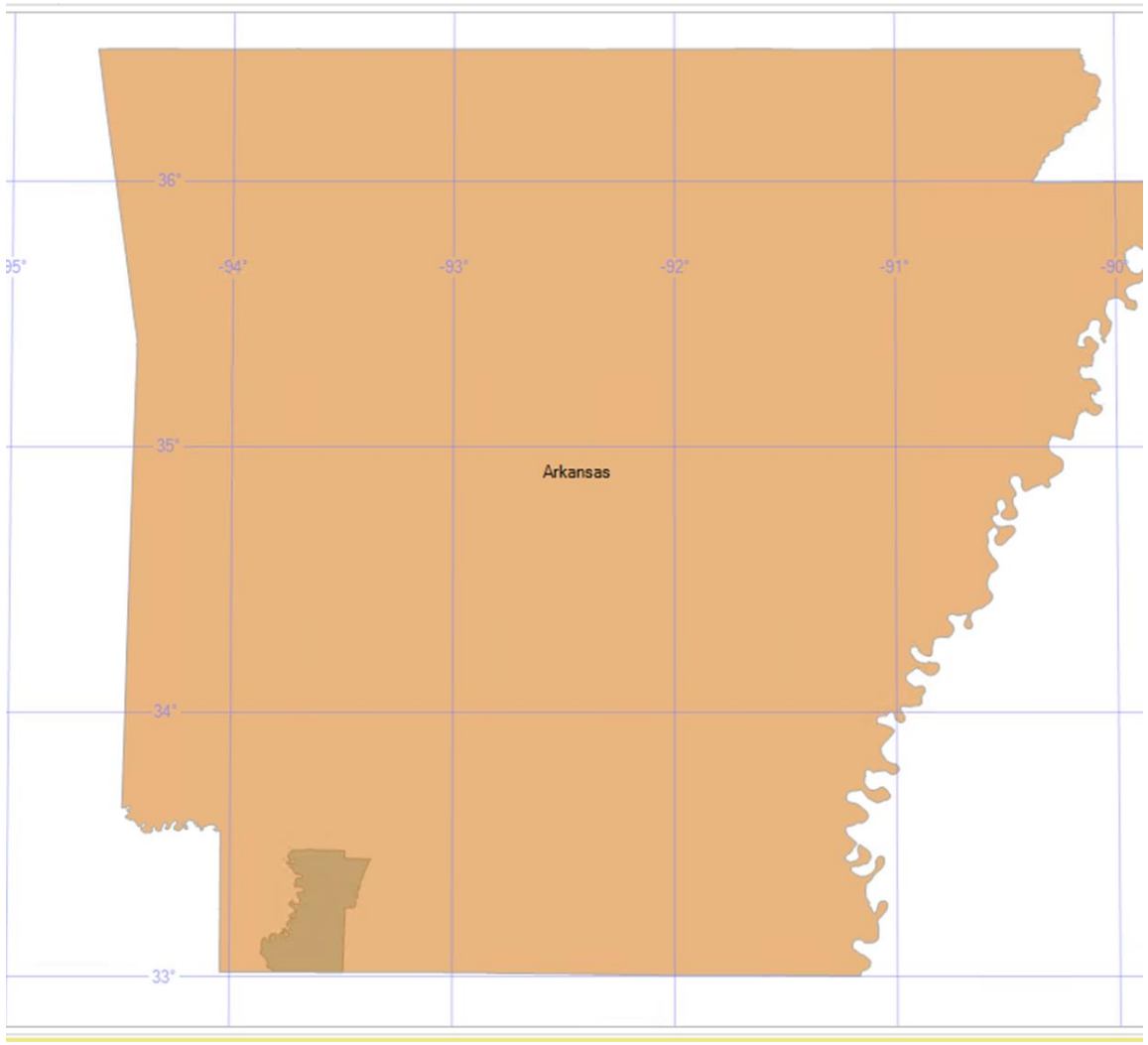
# Using actual ZCTAs to Calculate Compliance

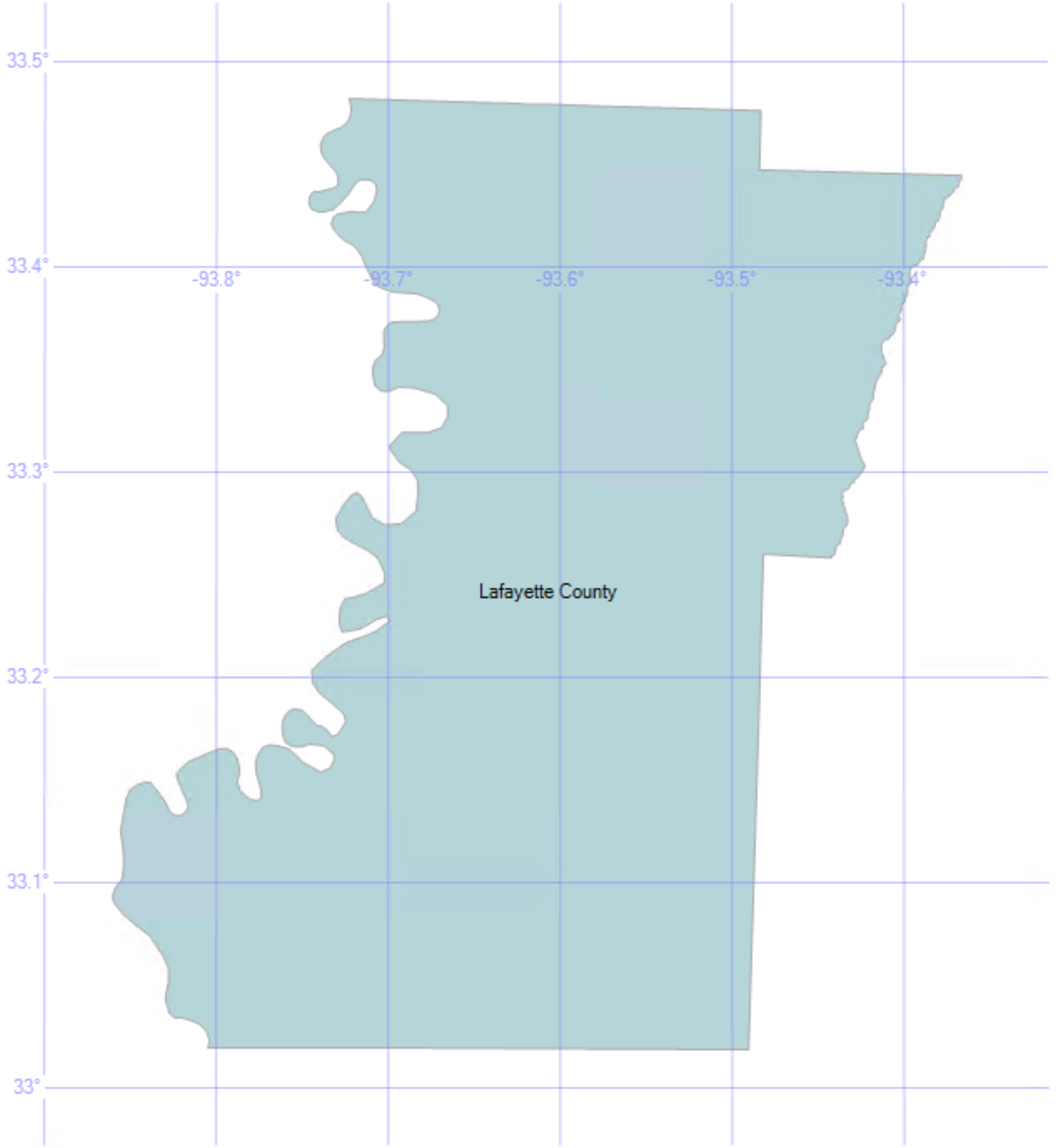
A step-by-step illustration

# Example of Analysis

For our example, we start out as broadly as possible: with the entire state of Arkansas.

Then, we select a county, and then from within that county we specify a ZCTA (which may closely mirror the ZIP code but is tied more closely to the populated areas within that ZIP code).

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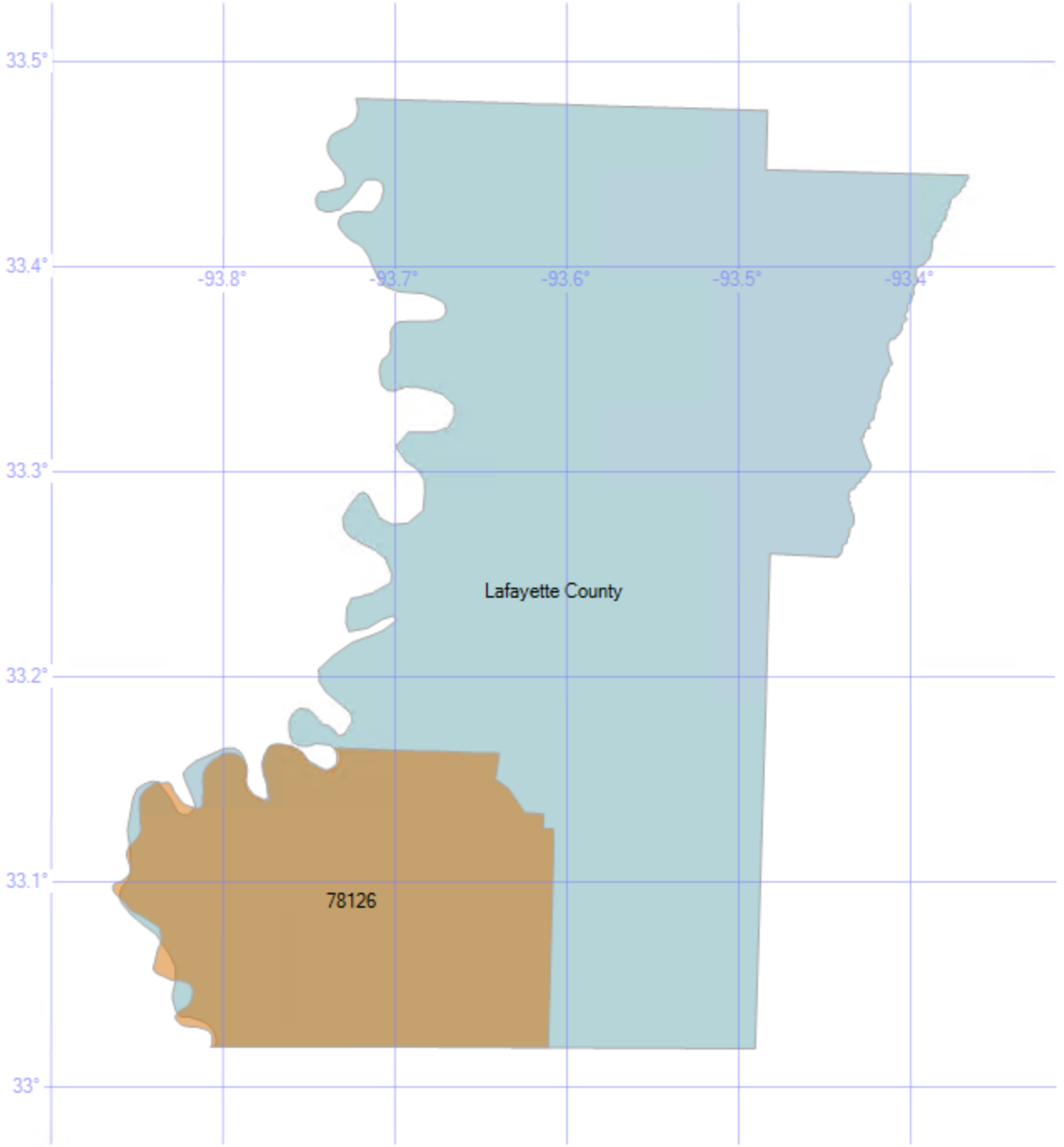
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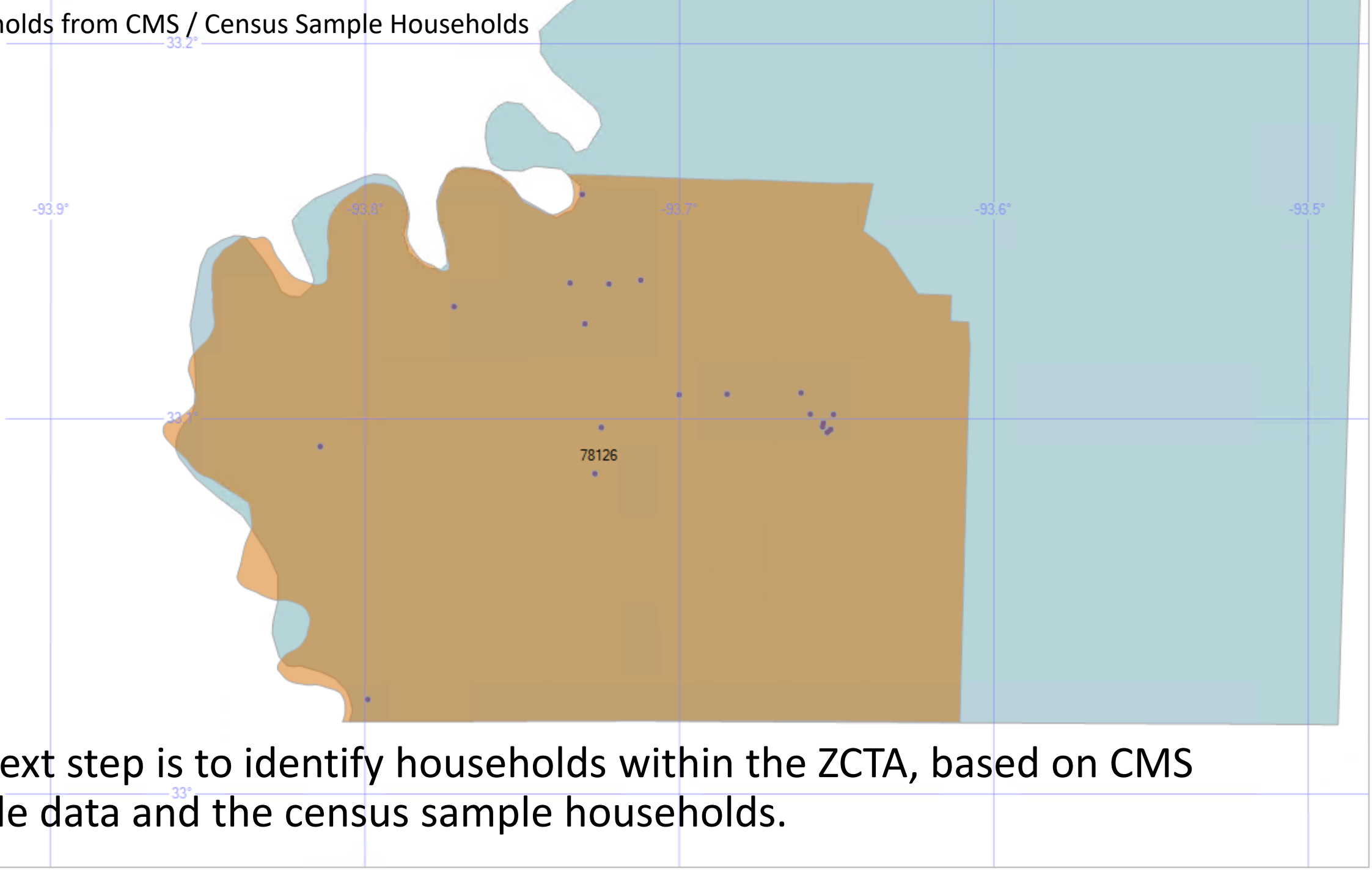
# Identify households from CMS / Census Sample Households

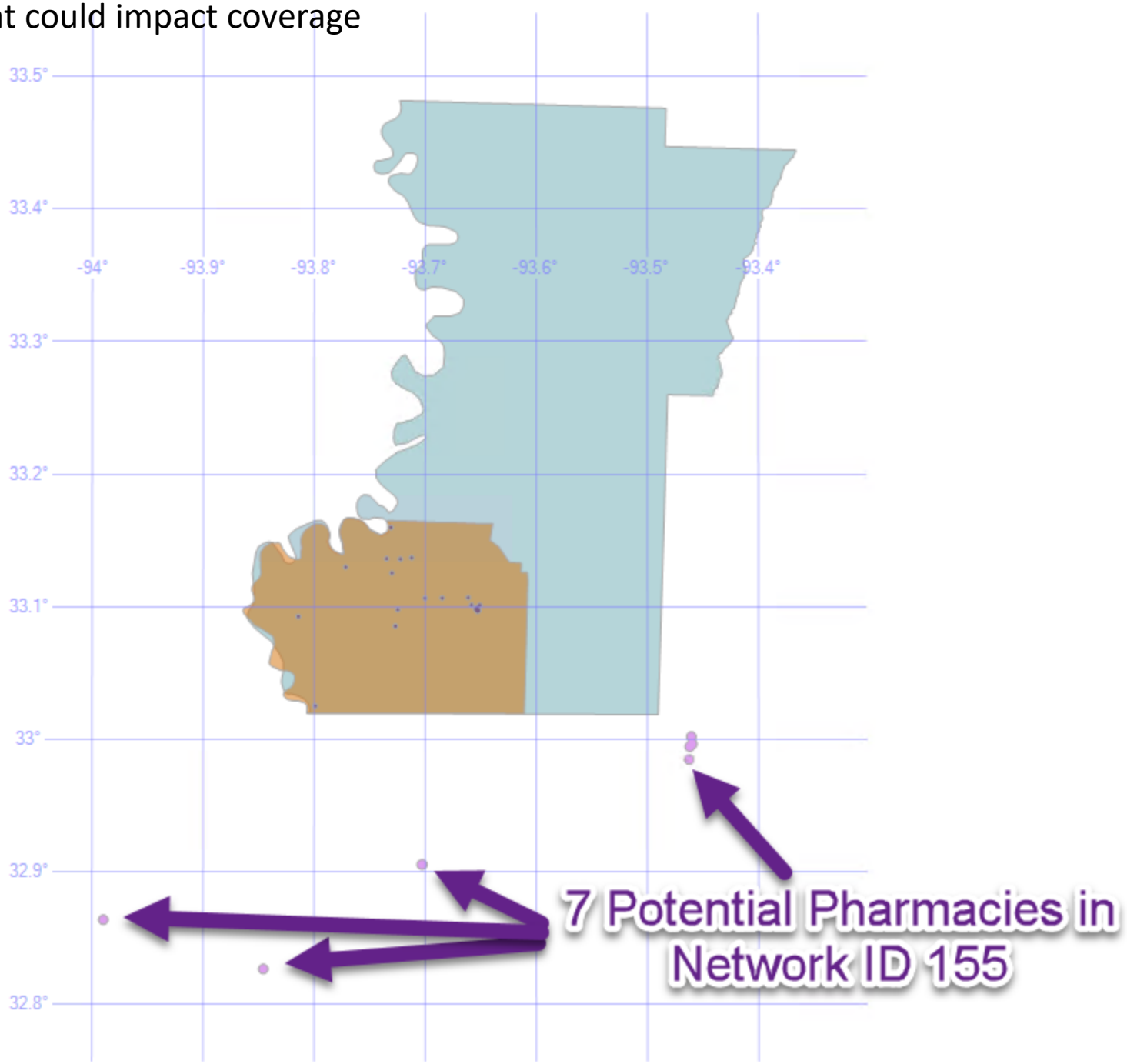



The next step is to identify households within the ZCTA, based on CMS sample data and the census sample households.

# Example of Analysis

Next, we identify the in-network pharmacies in the area that could impact coverage.

Identify pharmacies in network that could impact coverage



# Example of Analysis

Finally, we calculate coverage based on the appropriate ZCTA calculation for the population density.

Calculate coverage based on ZCTA designation based on population density

Identify covered vs. non-covered sample households and compute