

## **Pharmacy Holdback Document for Pharmacies**

### **Overview**

Alberta Health and the Alberta Pharmacists' Association (RxA) have worked together to develop a Pharmacy Holdback strategy to contain Government's expenditures on the Pharmacy Compensation Budget. The intent of this strategy is to promote collaborative efforts within the pharmacy sector to manage expenditures in order to achieve budget targets. These expenditures are for Alberta Government sponsored drug programs and services only.

The Pharmacy Compensation Budget are the funds allocated by Alberta Health to compensate pharmacies for claims for dispensing fees, allowable upcharges and pharmacy services fees under the Compensation Plan for Pharmacy Services. For clarity, the Pharmacy Compensation Budget does not include the cost of drugs or other products.

Beginning April 1, 2019, a new Holdback policy will be in effect for pharmacies submitting drug claims and claims for pharmacy services for beneficiaries of government-sponsored drug programs and services for the 2019-2020 fiscal year. This document is intended as an overview of the Holdback policy; in the case of any discrepancies between this document and the final Holdback policy, the final Holdback policy document will take precedence.

Under the Holdback policy, a set percentage will be applied to each fee (dispensing fees, allowable upcharges) or service payable (pharmacy services fees) to a pharmacy in relation to an approved claim (the "Holdback"). This Holdback will then be deducted by Alberta Blue Cross from the claim amount payable to pharmacies at the time of Electronic Funds Transfer and held in a separate reserve fund to ensure that the Pharmacy Compensation Budget is not exceeded.

Alberta Blue Cross will retain the Holdback until quarterly and year-end budget reconciliation processes have been completed to determine if and how much of the Holdback can be disbursed back to pharmacy.

### **Holdback and Holdback Percentage**

The Holdback will be managed in two pools:

- Pool 1 - expenditures for dispensing fees and allowable upcharges
- Pool 2 - expenditures for pharmacy services fees under the Compensation Plan for Pharmacy Services and Publicly Funded Vaccines

The percent deduction that the Holdback is set at is determined at the discretion of the Minister of Health and shall be no less than 10 per cent unless otherwise determined by the Holdback policy. The Holdback percentage may be adjusted upwards in any given pool if trends indicate the Holdback amount will not be sufficient to balance the expenditures with the Pharmacy Compensation Budget.

The Holdback will be calculated by Alberta Blue Cross and this Holdback will then be deducted by Alberta Blue Cross from the claim amount payable to pharmacies at the time of Electronic Funds Transfer.

## **Reconciliation Processes**

The Holdback shall be administered so as to be reconciled on a quarterly basis and at year end.

### **Quarterly Reconciliation:**

The Holdback shall be administered so that at the end of each quarter during the fiscal year (from April 1 to March 31), reconciliations will compare Holdback Amounts, actual expenditures, and Projected Pharmacy Compensation Expenditure in each pool. RxA, Alberta Blue Cross and Alberta Health will be given an opportunity to review and provide comments in regards to the terms of calculations. Each pool will be assessed independently for Holdback purposes.

- If expenditures exceed the Pharmacy Compensation Budget for a given Pool, then the amount of the Holdback required to balance the Budget for that quarter will be retained from that Pool.
- If expenditures meet or are below the Pharmacy Compensation Budget for a given Pool, then the full amount of the Holdback from that quarter for that Pool will be returned to pharmacies based on their original Holdback contributions.

The Quarterly reconciliations are intended to be a rolling reconciliation, looking at the holdback amounts compared to year to date expenditures versus the year to date budget. If a holdback is held during a certain quarter, it is possible a portion or all can be repaid in a subsequent quarter if rolling expenditures come in below the Pharmacy Compensation Budget (rolling).

### **Year-End Reconciliation:**

At fiscal year-end, after completing the 4<sup>th</sup> Quarter reconciliation, Alberta Blue Cross will complete a final reconciliation of total expenditures to the total Pharmacy Compensation Budget.

- If expenditures in one Pool are below the portion of the Pharmacy Compensation Budget allocated to that Pool, the variance may be used to offset deficits in another Pool.
- If the sum of the expenditures for Pool 1 and Pool 2 are below the total Pharmacy Compensation Budget, then any funds held will be distributed back to pharmacies.
- This allows for the Holdback dollars to be maximized for distribution back to pharmacies.

If expenditures are less than the projected Pharmacy Compensation Budget, then, in addition to the disbursement to pharmacies of the Holdback, Alberta Health will contribute at least 50 per cent of the difference between the pharmacy compensation expenditure and the Pharmacy Compensation Budget for programs that benefit of the practice of pharmacy.

