COMMON PHARMACY TERMS

**Brand-name Drug**: a drug sold by a drug company under a specific name or trademark that is protected by a patent and is typically more expensive than the generic version.

**Generic Drug**: a drug that has the same active-ingredient formula as a brand-name drug that usually costs less.

**Compounding**: the creation of a particular pharmaceutical product to fit the unique needs of the patient.

**Formulary**: a list of specific medications that are approved to be prescribed under a particular insurance policy.

**MTM**: medication therapy management; a service rendered by a pharmacist that provides a comprehensive and in-depth examination of a patient's medication regimen that helps to ensure proper medication utilization.

**Reimbursement**: compensation for a pharmacy service (example: medication therapy management).

TYPES OF PHARMACIES

**Ambulatory Care Pharmacy**: a pharmacy where a pharmacist provides direct patient care for a specific disease state or group of diseases.

**Central Fill Pharmacy**: one large pharmacy that packages medications and delivers them to smaller pharmacies for distribution to patients.

**Chain Drug Stores**: a group of pharmacies owned by a corporate entity all under the same name.

**Clinical Pharmacy**: term is used to describe any pharmacies that are located within a hospital; typically do not offer outpatient services.

**Community Pharmacy**: health care facility that provides pharmacy services to people in a local area or community. This term is also used to group independent pharmacies and chain drug stores together.

**Compounding Pharmacy**: pharmacies that take medications and reformulate them to meet specific patient needs.

**Independent Pharmacy**: a community (retail) pharmacy that is not directly affiliated with any chain of pharmacies and is not owned by a publicly-traded company.

**Mail-order Pharmacy**: a type of pharmacy service that will deliver a patient's medication to their home.

**Nuclear Pharmacy**: a specialty pharmacy dedicated to the compounding and dispensing of radioactive material for use in nuclear medicine procedures.

**Outsourcing Facility**: a pharmacy that performs the compounding of medications for other pharmacies and health care institutions.

**Specialty Pharmacy**: focuses on providing services to patients with often rare conditions, who require high-cost, complex medications, frequently only available from a limited panel of specialty pharmacies.

PHARMACY LEGISLATION TERMS

**5 Percent Rule**: the rule that limits a pharmacy from selling more than 5 percent of either its total annual sales or total dosages in a 12-month period as “For Office Use.”

**Any Willing Pharmacy**: a set of laws that require managed care organizations to grant network participation to all pharmacies willing to join and meet network quality requirements.

**Collaborative Practice Agreement**: a formal agreement in which a licensed provider makes a diagnosis, supervises patient care, and refers patients to a pharmacist under a protocol that allows the pharmacist to perform specific patient care functions (example: flu shots, dose alterations, etc.)

**Delegation**: the transfer of a specific act, task or function, by a licensee who holds a license other than a health profession subfield license, to a licensed or unlicensed individual who is otherwise qualified by education, training or experience to perform the act, task or function (example: a physician delegates the act of administering a flu shot to the pharmacist under a collaborative practice agreement).

**For Office Use Prescription**: a noncontrolled medication that is sold by a pharmacy to a practitioner for office use.

**Provider Status**: the certification of a medical professional group that gives them permission to participate in Medicare Part B, which generally allows them to receive compensation for their services from federal, state and private health care plans.

**Scope of Practice**: a term used by all licensing boards that defines the procedures, actions and processes that are permitted for the licensed individual under law.
COMMON INSURANCE TERMS

Audit: a planned and documented activity performed by qualified personnel to determine by investigation of objective evidence the adequacy of procedures and the effectiveness of their implementation.

Closed Network: an insurance plan that only allows patients to visit specific providers to receive coverage for medications.

Coinsurance: a percentage that the insurer pays after the policy’s deductible is exceeded up to the policy’s stop loss.

Co-pay: a fixed cost defined in the insurance policy that is paid by the insured person each time a medical service is rendered.

Maximum Out-of-Pocket Costs: the equivalent to the insurance stop loss number from the patient (example: after the patient pays their deductible, and the insurance company then reaches their stop loss number, the excess costs are now paid by the insured person until this amount reaches the stop loss number [maximum out-of-pocket costs]; the insurer is then responsible for 100 percent of the costs thereafter).

Medical Benefit: generally, a defined package of medical services developed by an insurance provider that lists what is covered.

Open Network: an insurance plan that allows a patient to visit providers of their choosing without an increase in copayment.

Pharmacy Benefit: a defined list developed by an insurance provider that states which medications are covered and how much they are covered.

Preferred Network: an insurance drug plan that allows patients to choose their pharmacy, but preferred pharmacies offer lower copayments.

Third Party: the party to a medical benefits contract that may collect premiums, assume financial risk, pay claims and provide other administrative services.

COMMON REIMBURSEMENT TERMS

AMP: Average Manufacturer Price; a quarterly, calculated average dictated by the Centers for Medicare and Medicaid Services of what wholesalers pay drug makers. AMP is also the basis for prescription drug payments to pharmacies under Medicaid.

AWP: Average Wholesale Price; it is used by pharmacy benefit managers and health insurance companies to calculate drug product reimbursement rates.

AWP Minus: the negotiated price that an insurer will pay for each prescription (example: AWP minus 8 percent).

FUL: Federal Upper Limit; a calculation performed by the Centers for Medicare and Medicaid Services that multiplies a product’s AMP by 175 percent, which is the maximum that a pharmacy is allowed to charge for a product.

MAC: Maximum Allowable Cost; the upper limit or maximum amount dictated by a payer or pharmacy benefit manager that they will pay for a certain medication.

NADAC: National Average Drug Acquisition Cost; a pricing list compiled by the Centers for Medicare and Medicaid Services that is derived from the invoices of 500 volunteer pharmacies.

UCR: Usual, Customary and Reasonable; the amount paid for a medical service or medication in a geographic area based on what providers in that area charge for the same service or medication.

TYPES OF INSURERS AND REIMBURSEMENT ENTITIES

CMS: Centers for Medicare & Medicaid Services; federal agency within the United States Department of Health and Human Services that administers the Medicare program and works in partnership with state governments to administer Medicaid, the State Children’s Health Insurance Program, and health insurance portability standards.

Health Savings Account: tax-advantaged savings account for medical expenses for patients enrolled in health insurance with a high deductible.

Healthy Michigan: Michigan Department of Community Health program that helps to provide health coverage to those who cannot provide it for themselves and who are not qualified for or enrolled in federal Medicare and Medicaid assistance.

Medicaid: U.S. government program financed by federal, state and local funds, which covers hospitalization and medical insurance for persons of all ages within certain income limits.


Medicare Part B: covers certain physicians’ services, outpatient care, medical supplies and preventive services.

Medicare Part C: not a separate benefit, but rather the part of Medicare policy that allows private health insurance companies to provide Medicare benefits.

Medicare Part D: provided only through private insurance companies with government contracts; mainly provides outpatient prescription drug coverage.

PBM: pharmacy benefit manager; primarily responsible for processing and paying prescription drug claims, and are most often (but not in Michigan) a third-party administrator.

TPA: third-party administrator; an organization that administers and processes insurance claims.