

CONTRACT EVALUATION BEST PRACTICES

Tools, Resources, and Education

February 10, 2026

Whether your PSAO has a contract with a particular PBM/payer or a particular network, or your pharmacy does all its own third-party contracting, there's a steadily increasing number of contracts being offered by PBMs/payers directly to pharmacies. Pharmacies need to carefully consider and understand each contract offering in order to make an individual and informed business decision whether to participate in those contracts.

To assist pharmacies with their contract review, NCPA has compiled a list of best practices that includes evaluation tools, resources and education. While not comprehensive, it does include information on many pertinent and important topics that are commonly found in today's contracts along with links to numerous outside resources that may be of assistance to you.

Financial Evaluation Tools:

Contracts or addendums/exhibits will have pharmacy reimbursement terms stated using some benchmark. Below are resources/info that can assist with your evaluation of common terms:

1. [WAC \(Wholesale Acquisition Cost\) / AWP \(Average Wholesale Price\) conversion tool for Brands](#)
2. [NADAC \(National Average Drug Acquisition Cost\) Equivalency Values](#)
 - A. Check with your PSAO (if applicable) or pharmacy management system (PMS) vendor for equivalency comparison tools they may have to assist.
3. [MFP \(Maximum Fair Price\) / IRA's Medicare Drug Price Negotiation program \(MDPN\) Equivalency Values](#)
 - A. Beginning January 1, 2026, negotiated "Maximum Fair Prices" for 10 drugs covered under Medicare Part D will go into effect, and [15 additional drugs](#) have been selected for 2027 and [15 more](#) for 2028.
 - B. Check with your PSAO (if applicable) or pharmacy management system (PMS) vendor for equivalency comparison tools and manufacturer refund payment reconciling tools they may have to assist.
 - C. [Medicare Transaction Facilitator \(MTF\)](#) – in order to participate in any Part D program, a pharmacy must:
 - i. View and update your NCPDP pharmacy profile
 - ii. [Sign in and enroll in the MTF program](#)
 - a. Execute a MTF Data Module (MTF DM) agreement
 - b. Execute a MTF Payment Module (MTF PM) agreement
 - D. [MTF pharmacy resources](#)
 - i. [MTF Helpdesk](#)
 - E. [Beacon MFP resources](#)
 - i. [Sign in and enroll in Beacon MFP](#)
 - F. NCPA Resources (<http://ncpa.org/ira>) include recorded webinars, fact sheets and advocacy outreach.
4. PAC (Predictive Acquisition Cost) Equivalency Values
 - A. Check with your PSAO (if applicable) or pharmacy management system (PMS) vendor for equivalency comparison tools they may have to assist.
5. COD (Cost Of Dispensing)
 - A. [Abt Associates Cost of Dispensing Study](#) – published 2020 (utilizing CY 2018 data)
 - i. Mean overall COD components (**\$12.40 total**) - nationally
 - a. Pharmacy payroll costs per prescription (\$7.22)

- b. Pharmacy other costs per prescription (\$1.06)
 - c. Facility costs per prescription (\$0.51)
 - d. Other costs per prescription (\$2.64)
 - e. Corporate costs per prescription (\$0.98)
- B. Individual states have their own surveys. Check the state(s) your pharmacy services for their latest COD survey results.
6. Others
- A. Reference pricing tools
 - i. [Prescriptive](#) (AI driven cash pricing)
 - ii. RedSail Technologies – [RxCash+](#) (AI driven cash pricing)

Other Contract Financial Evaluation Resources:

1. PSAOs (Pharmacy Services Administrative Organizations) – PSAOs can assist with contract related services ranging from contracting / contract review, to claims reconciliation, audit assistance, and compliance. Check with your PSAO (if applicable) as needed for contract assistance.
 - A. [AlignRx](#)
 - B. [Cardinal Health](#)
 - C. [Elevate Provider Network](#)
 - D. [EPIC Pharmacy Network](#)
 - E. [Health Mart Atlas](#)
 - F. For LTC:
 - i. [GeriMed](#)
 - ii. [Innovatix](#)
 - iii. [Managed Health Care Associates \(MHA\)](#)
2. Consultants and other industry sources of contractual assistance
 - A. [Alliance for Pharmacy Compounding \(APC\)](#)
 - B. CPESN Direct Contracting Supports & consultants / [Apex Pharmacy Consulting](#)
 - C. [Independent Rx Consulting](#)
 - D. [PAAS National](#) (audits and training/compliance)
 - E. [Pharmacists Mutual](#) – (insurance requirements)
 - F. [PRS Pharmacy Services](#) (training/compliance)
 - G. [Secure340b LLC](#)
 - H. [Stratos Insights](#)
 - I. [Sykes & Company](#) (accounting)
3. Wholesale Purchasing (to evaluate your pharmacy’s buy side ability to sign a contract)
 - A. Retail buying group resources – Check with your buying group (if applicable) to confirm your pharmacy’s acquisition costs in order to compare with a contract’s proposed reimbursement.
 - i. [American Associated Pharmacies \(AAP\)](#)
 - ii. [American Pharmacies \(AP\)](#)
 - iii. [American Pharmacy Cooperative Inc \(APCI\)](#)
 - iv. [Assoc. of Affiliated Pharmacies and Apothecaries \(AAPA\)](#)
 - v. [Care Pharmacies Cooperative \(Care\)](#)
 - vi. [Compliant Pharmacy Alliance Cooperative \(CPA\)](#)
 - vii. [Currus](#)
 - viii. [EPIC Pharmacies](#)
 - ix. [Georgia Pharmacy Assoc. / AIP Georgia](#)
 - x. [Independent Pharmacy Alliance \(IPA\)](#)
 - xi. [Independent Pharmacy Cooperative \(IPC\)](#)
 - xii. [Keystone Pharmacy Purchasing Alliance \(Keystone\)](#)

- xiii. [Legacy Pharmacy Group](#)
 - xiv. [Louisiana Independent Pharmacies Association \(LIPA\)](#)
 - xv. [Montana Family Pharmacies](#)
 - xvi. [Northeast Pharmacy Service Corp. \(NPSC\)](#)
 - xvii. [Pace Alliance](#)
 - xviii. [PBA Health / TrueCare Pharmacies \(PBA\)](#)
 - xix. [Pharmacy Owners Alliance \(POA\)](#)
 - xx. [Power Rx Network \(AMPLE\)](#)
 - xxi. [PPSC](#)
 - xxii. [Rx Plus Pharmacies](#)
 - xxiii. [Sav-Mor](#)
 - xxiv. [Texas Pharmacy Assoc. / Independent Pharmacy Academy \(TPA/IPA\)](#)
 - xxv. [WSPC \(Well-Served Pharmacy Community\)](#)
- B. LTC buying group resources
- i. [GeriMed](#)
 - ii. [Innovatix](#)
 - iii. [Managed Health Care Associates \(MHA\)](#)
- C. Compounding
- i. [Medisca](#)
 - ii. [PCCA](#)

Education:

1. Educate Yourself: Read every contract, agreement, addendum or exhibit before you sign or agree to it.
 - A. Individual contracting and PSAOs - Setting expectations
 - i. Having a clear understanding of the current marketplace environment will assist you in setting expectations. Most, if not all, network agreements are offered as take-it-or-leave-it. Limited negotiations are available from some PBMs for things like rural contracts. Know where your pharmacy stands and where you want to focus your efforts before going into a negotiation.
 - ii. PSAO functions / constraints and limitations: PSAOs provide a number of functions in service to pharmacies including contract review, contracting, and often, data analysis, claims reconciliation, central payment, audit assistance, training and compliance assistance. Like individual pharmacies, PSAOs are most often, if not always, offered agreements that are take-it-or-leave-it. They have limited bargaining power, so the additional services they offer should be considered as well.
 - B. Claims Reconciliation – claims reconciliation of payments is vitally important to pharmacies. If considering a direct contract, strongly consider if your pharmacy has the time and technology to properly monitor compliance by the payer under the contract with items like Effective Rates that are prevalent. If your pharmacy dispenses drugs selected for the Medicare Drug Price Negotiation Program (aka MFP drugs), strongly consider the reporting and technology needed to thoroughly reconcile PBM and manufacturer refund payments for each fill (See MFP, MTF and Beacon under previous **Financial Evaluation Tools** section).
 - C. PSAO Contracting - When PSAOs accept a contract on behalf of their participating pharmacies, then participants are bound to that contract. However, if a PSAO turns down a contract that it does not feel is in the best interests of the PSAO network pharmacies, under current antitrust laws the PSAO cannot tell its participating pharmacies not to sign that contract if the payer/PBM offers it directly to the pharmacy. Consideration should be given as to why your PSAO turned down the contract and whether the terms you are being offered are better or worse than what your PSAO was offered.

2. Major/pertinent contract terms and conditions to consider

A. General contract terms

- i. Opt-in / Opt-out contracting – identify if the contract document is an opt-in or an opt-out
 - a. Identify and be aware of the language about timeframes to respond or actions required.
 - b. Contract offers often come via fax with contracting expectations on the cover page
 - ii. Scope of network – determine group/patient coverage and number of impacted patients.
 - iii. Scope of pharmacy deliverables – determine if it is products only or also services covered by the proposal.
 - iv. Indemnification & Liability
 - a. Indemnification – be aware of one-sided language that only covers the payer and/or limits pharmacy coverage.
 - b. Liability – Make sure your pharmacy meets or can meet any liability insurance requirements. Some payers may require liability insurance via a pharmacy surety bond.
 - v. Multi-year agreements
 - a. Be aware of any recent or projected market events that could further drive down reimbursements during the contract effective dates.
 - b. Be aware of language that includes an escalation in discount for future year(s) reimbursement rates (i.e. year by year automatic reduction in reimbursement rates).
 - vi. Addendums/Exhibits
 - a. Be aware that most contract Addenda or Exhibits do not require a signature. If you submit a claim, you are often deemed to have accepted whatever exhibit or addendum they have put out (even ones sent by fax).
 - b. Know that execution of specific Addendums and Exhibits may not guarantee participation for all plan sponsors within that network.
 - c. Often ‘silent’ updates are made to provider manuals, meaning they are done without notice by the payer/PBM.
 - vii. Payment terms
 - a. At risk payments – many payer contracts include terms that the pharmacy does not get paid until payer gets paid. Consider the impact on your business if a specific plan/network/PBM does not pay.
 - b. Identify the payment cycle on which you will be paid and determine if that payment cycle works for your business.
 - viii. U&C definition
 - a. Understand how each PBM defines this term so you can stay in compliance.
 - b. Is the contract reimbursement contingent on loyalty and discount programs? What is the impact based on your offering or participation in those?
 - ix. Dispute resolution terms
 - a. Identify potential costs and onerous processes
 - Does it require arbitration and/or preclude legal or class actions? What/where is the venue?
 - Is it practical from a financial and staffing standpoint to challenge as an individual pharmacy?
 - x. Restrictions on contact/communication with members, plan sponsors, media, etc. Does the contract prevent or restrict what you can say or contact you can have with any of these?
- ### B. Term, termination and renewal
- i. Term – how long is your pharmacy committed. Is the term consistent with your business plans?

- ii. Termination – process and notice provisions/time frame
 - a. Be aware of one-sided termination language only for the payer.
 - b. Determine if you are required to continue to provide service for some period of time even after termination.
 - c. Look for specific termination language for Exhibits/Addendums/Protocols
 - d. Be aware of language that requires termination of entire PBM/payer relationship vs just one network or addendum.
 - e. Does the contract have “tail requirements” or measurement periods that apply for some period after termination?
 - f. What kind/form of notice is required to initiate termination and in what time frame must it be given?
 - iii. Renewal
 - a. Does the contract auto-renew?
 - Is the pharmacy committed to a minimum time frame (year/more) before you are able to terminate?
 - b. What kind/form of notice is needed for renewal if any? Fax, email, etc.
- C. Amendment provisions
- i. What is the process/form and time frame?
- D. Breach provisions
- i. What is the process/form and time frame?
 - ii. Be aware of one-sided breach provisions that only protect the payer/PBM.
- E. Audits
- i. What is the process?
 - ii. What are your post audit appeal options?
 - iii. How will any recoupments be processed by the payer?
 - iv. Are onsite audits allowed?
 - v. How are “Aberrant” drug lists provided to you and how are they maintained by the payer?
 - vi. How can audits be initiated, requested and how often?
 - vii. Make sure you are aware of your state audit laws.
- F. Credentialing / re-credentialing
- i. Make sure all your pharmacy & contact information is correct and up to date at NCPDP.
 - ii. Determine how often credentialing/re-credentialing is required.
 - a. What are the fees?
 - iii. What is the pharmacy’s duty to comply with all credentialing and attestation requirements?
 - a. What are the payer timelines & are there risks of fines and termination for non-compliance?
- G. Other Financial Evaluation considerations:
- i. Perform AWP / WAC / NADAC / PAC /Other reimbursement conversions to factor the impact of reimbursement compared to purchasing.
 - ii. Reconciliations
 - a. If with a PSAO but direct contracting for a specific PBM/plan, determine what functions/services will be provided by your PSAO vs what your pharmacy will need to perform to comply with the contract.
 - b. Effective rates (Brand Effective Rate - BER, Generic Effective Rate - GER, Dispensing Fee Effective Rate - DFER) and other adjustments
 - Evaluate potential impact of various effective rates.
 - Be aware that some payers use effective rates between directly contracted pharmacies with no reconciliation or true up.

- Are vaccine services included or excluded from the Effective Rates or paid based on different rates?
 - c. Does the contract include “bonus pool” fees?
 - What is the potential impact and reconciliation process?
 - Do they comply with federal law? For example, if a Part D network has a bonus pool, does it show you the price concession that funds the bonus pool at the point of sale?
 - d. Is pharmacy able to perform the necessary business functions for reconciliation?
 - e. MAC appeals
 - Does the contract allow for pharmacy to appeal MACs and what is the process and ability to do so within contract and state guidelines/MAC laws? How is a successful MAC appeal reconciled?
- iii. Transaction fees (often state specific)
 - a. Identify and factor into your financial analysis all transaction fees
- iv. Discount escalators
 - a. Does the contract include an automatic reimbursement discount escalator annually / upon renewal?
- v. Performance programs
 - a. How are any performance programs measured?
 - Are they measured against all other directly contracted independents? Other?
 - What is the measurement period?
 - What is the reconciliation process?
- vi. Does the contract include ‘up to’ reimbursement structure language? Some new contracts state they will pay “up to” a certain reimbursement amount not “at” that specific amount.
 - a. Determine whether this is the pricing structure as it provides little direction or expectation of what true reimbursement will be.
 - b. Does pharmacy have the ability to track/measure?
- vii. Network bundling tie-ins
 - a. Are there contract provisions that tie or connect participation or terms of this contract to those of other contracts with the payer?
 - b. Does the contract allow for the payer to route claims further (i.e. to a third-party discount card program)?
 - c. Does the contract or PBM’s provider manual also require the pharmacy’s participation in the [IRA’s Medicare Drug Price Negotiation program \(MDPN\)](#) (which starts (1/1/26) in order to participate in the proposed contract under review? If so, that additional impact should be considered if the pharmacy is not already participating in the MDPN program.
- viii. If a benchmark pricing (ex. NADAC) is used, does the applicable dispensing fee follow the pharmacy’s state Medicaid fee for service dispensing fee or otherwise reasonably reflect the pharmacy’s cost of dispensing?
 - a. Does the benchmark pricing plus dispensing fee include profit for the pharmacy?
- ix. Lower of Logic
 - a. Be aware of all “Lower Of” reimbursement language provisions so that you can determine and consider your lowest possible reimbursement.
 - b. Be aware of any “Most Favored Nations” or MFN provisions that might be used to determine your lowest possible reimbursement.
- x. Determine if there are automatic 90-day rate replacement of a 30-day rate for certain maintenance meds.

- a. Some payers may have a list of maintenance meds they expect to be filled for 90-days vs 30-days, and if a pharmacy doesn't comply, they will reimburse the 30-day supply at the 90-day rate.
 - xi. Be aware of the specific rates available through PSAO and individual/direct contracts so that you can compare the cost or benefit to your reimbursements.
 - xii. Specialty reimbursement
 - a. Does the contract include a specialty drug list or is there a specialty drug definition? Does your state have a specialty drug definition that may be pertinent?
 - b. Are specialty drugs reimbursed at different rates than other drugs?
 - c. Are specialty drugs included in overall contract Effective Rate(s)?
 - xiii. Direct To Consumer (DTC) – Be aware of any restrictions, limitations or requirements of a PBM contract that may be tied to your pharmacy's participation in any DTC programs.
- H. Payer and pharmacy notification provisions
- i. What methods does the contract allow payers to send important notifications through (fax, email, other)? Be aware that notifications will likely include, but not be limited to:
 - a. State regulation changes
 - b. Changes to payer business practices
 - Contacts
 - Addresses
 - Payment information
 - c. Changes to processing information
 - d. Updates to PBM / Plan Sponsor relationships
 - e. Network participation
 - Both opt-in and opt-out
 - f. MAC changes (retroactive)
- I. Logistical considerations of direct contracts with payers include MAC appeals, audits, payments, reconciliation etc.
- i. Will your pharmacy have access to a consistent point of contact at the payer to address day-to-day issues such as:
 - a. Rejections
 - b. Audits
 - c. Claim level reimbursement inquiries
 - d. Credentialing
 - e. MAC appeals
 - f. Change of ownership
 - g. Banking/payment information/remittance data
 - h. Compliance with state regulations
- J. Provider manual tie-ins
- i. Be aware that payer provider manuals and their terms and conditions are an extension of the payer contract and are most often available on the payer's web portal and can be updated at any time and at the sole discretion of the payer.
- K. Training and Compliance
- i. Take note of all contract training, regulatory and other compliance requirements and their related implementation and maintenance costs.
 - a. Resources include:
 - Your PSAO if applicable
 - [PAAS National](#)
 - [PRS Pharmacy Services](#)