

Arkansas Insurance Department

**Using ZCTAs to
Calculate Compliance**



Why ZCTAs?

- Act 665 of 2021 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



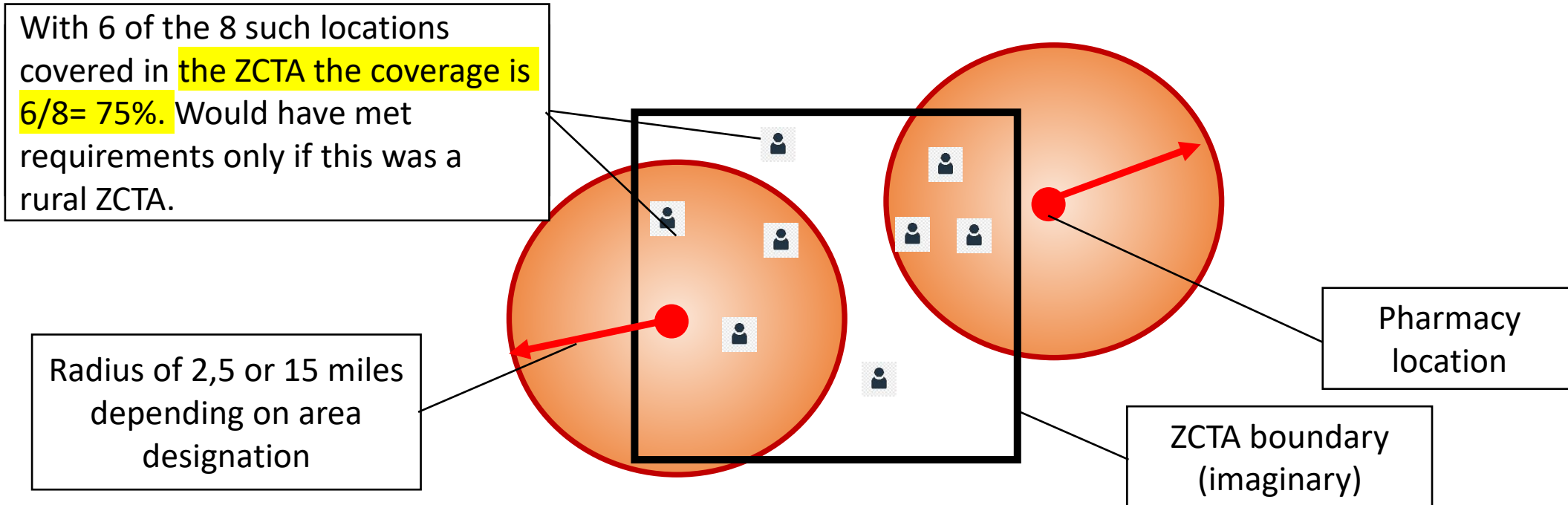
PBM Requirements

- Act 665 of 2021 (Tricare or Medicare Part D standards)
 - Urban areas : At least 90% consumers within 2 miles (of a pharmacy)
 - Suburban areas : At least 90% consumers within 5 miles
 - Rural areas : At least 70% consumers within 15 miles



Consumer Locations

Act 665 Metric: A Visual illustration of Percent Covered



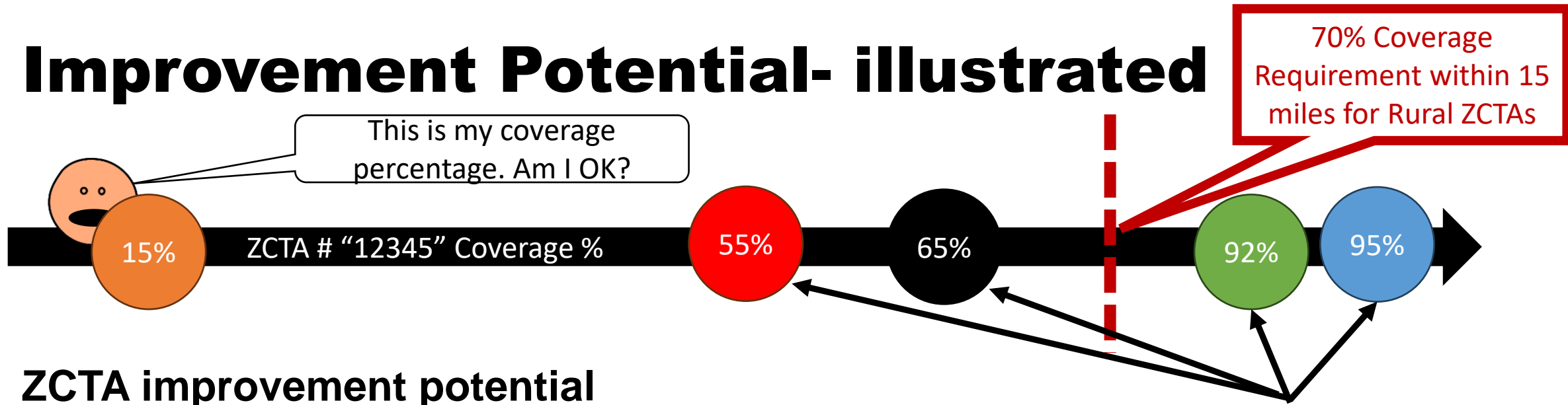
Improvement Potential

The percentage coverage calculated for ZCTA within a network, it is classified into “Improvement Potentials”

- a) **Significant:** Insurer does not meet required threshold, but competition does.
- b) **Limited:** Insurer does not meet required threshold but neither does any competitor. However, there is scope to improve even though meeting the threshold will not be possible.
- c) **None known:** ZCTA where this insurer does not meet required threshold but neither does any competitor and no known pharmacy location exists that may help improve coverage if contracted with.
- d) **None Required:** ZCTA where the insurer meets the required threshold.

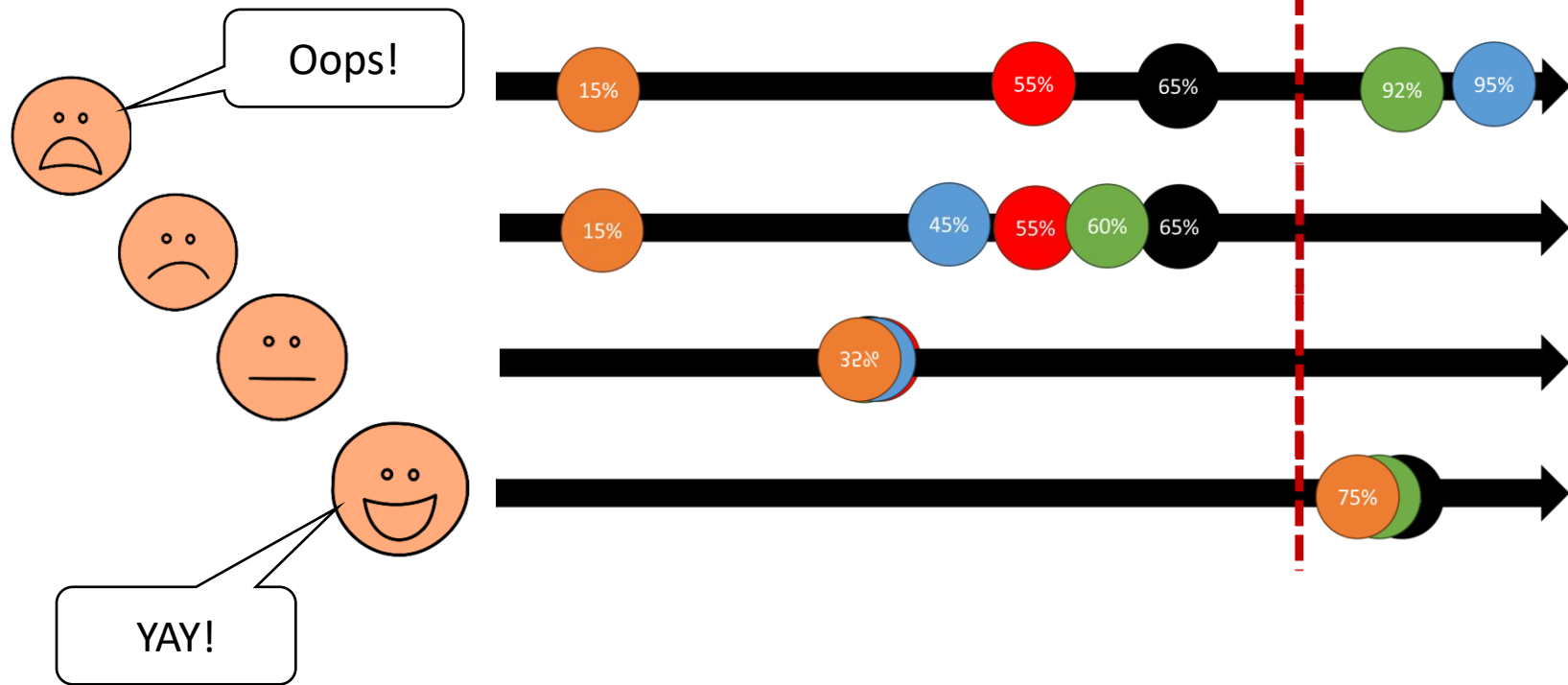


Improvement Potential- illustrated



ZCTA improvement potential

- Significant
- Limited
- None known
- Not required



What is the input data?

- 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?

Two categories of data requested **annually** from issuers

- a) Drug denial and pharmacy contract terminations due to financial issues.
 - b) Pharmacy network details such as Pharmacy locations, service area etc.
- 2) QHP Sample Population file (with around 22K locations) maintained by CMS-CCIIO at <https://www.qhpcertification.cms.gov/s/Network%20Adequacy>



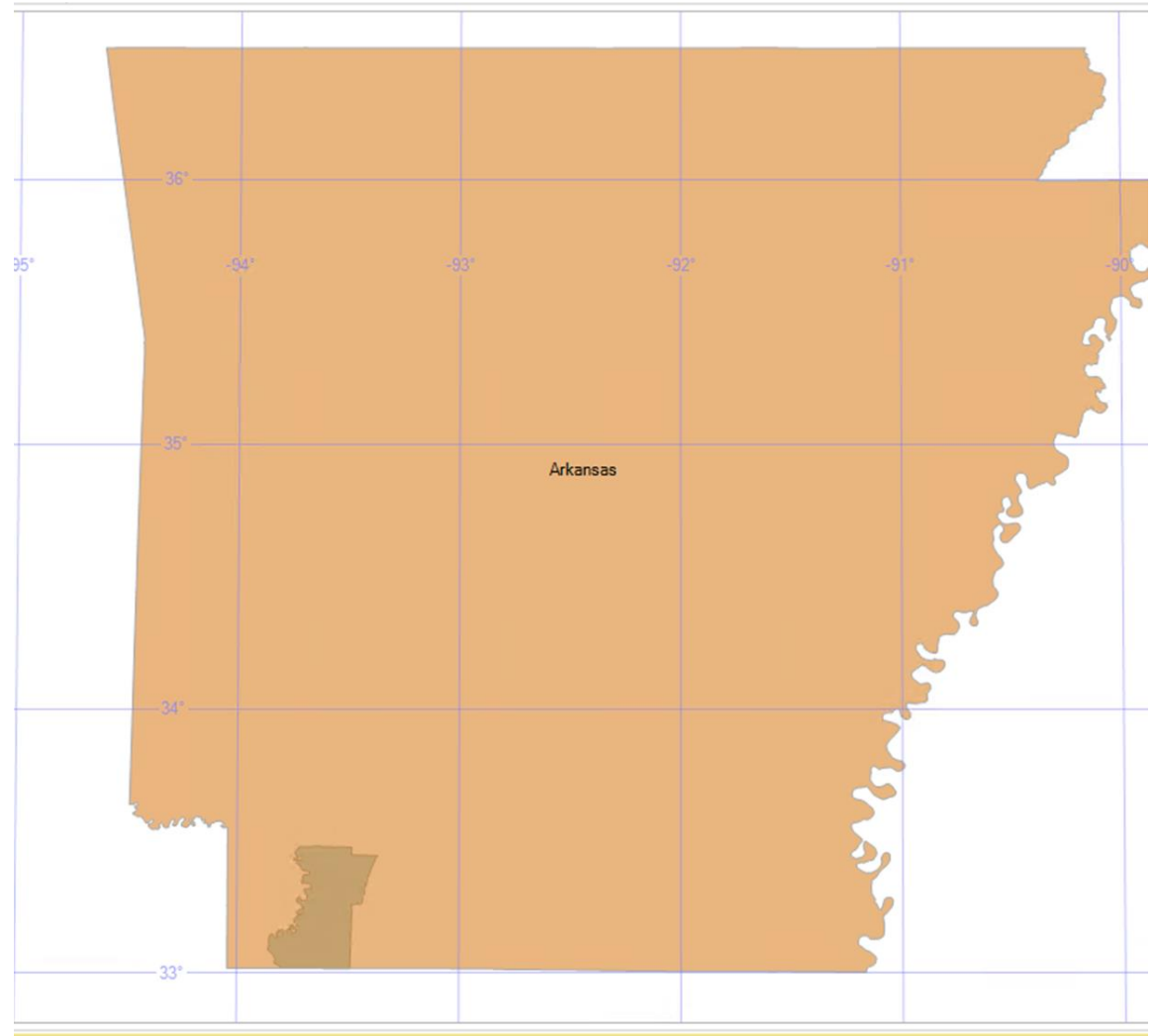
Using actual ZCTAs to Calculate Compliance

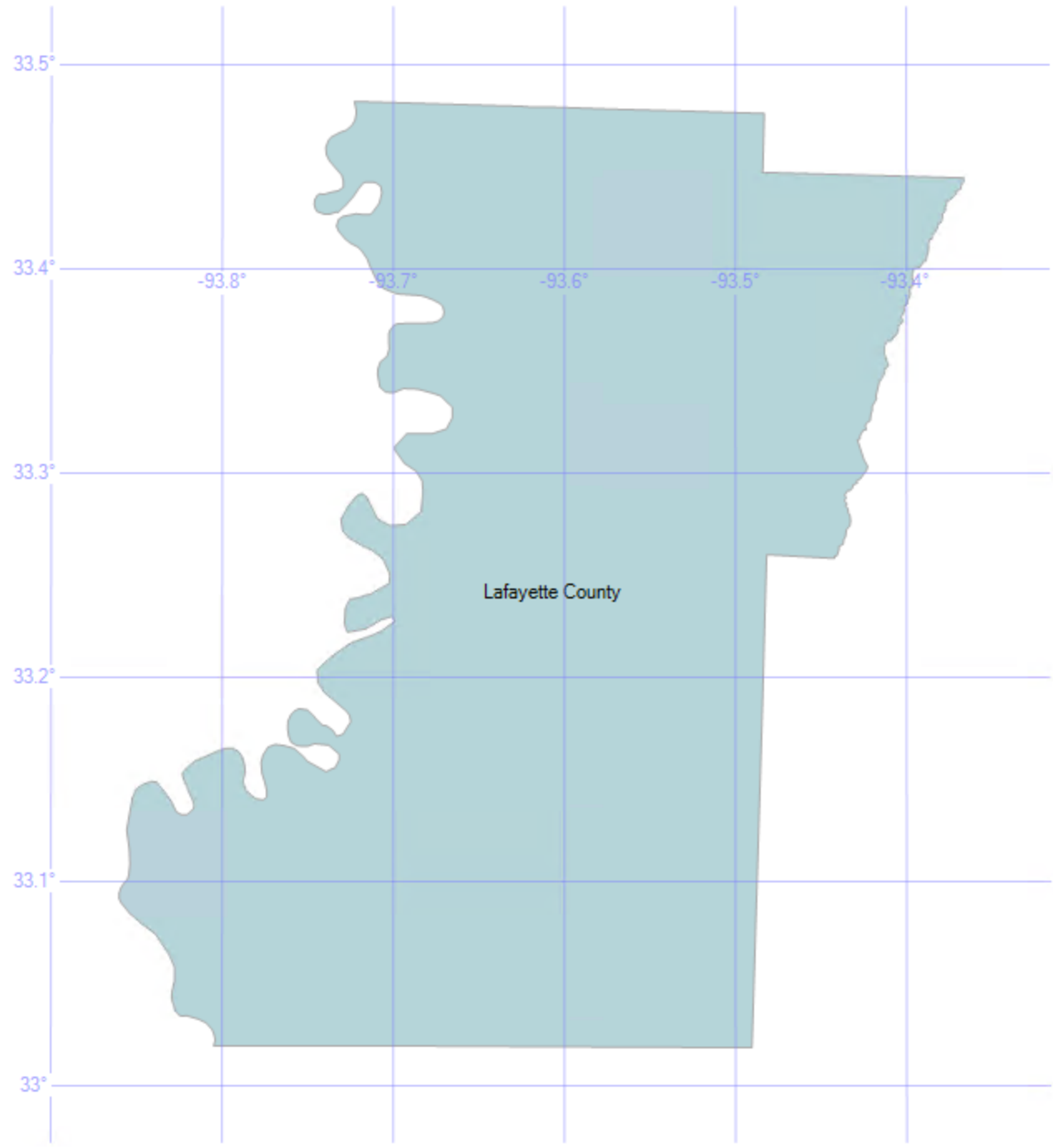
A step-by-step illustration

Example of Analysis

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

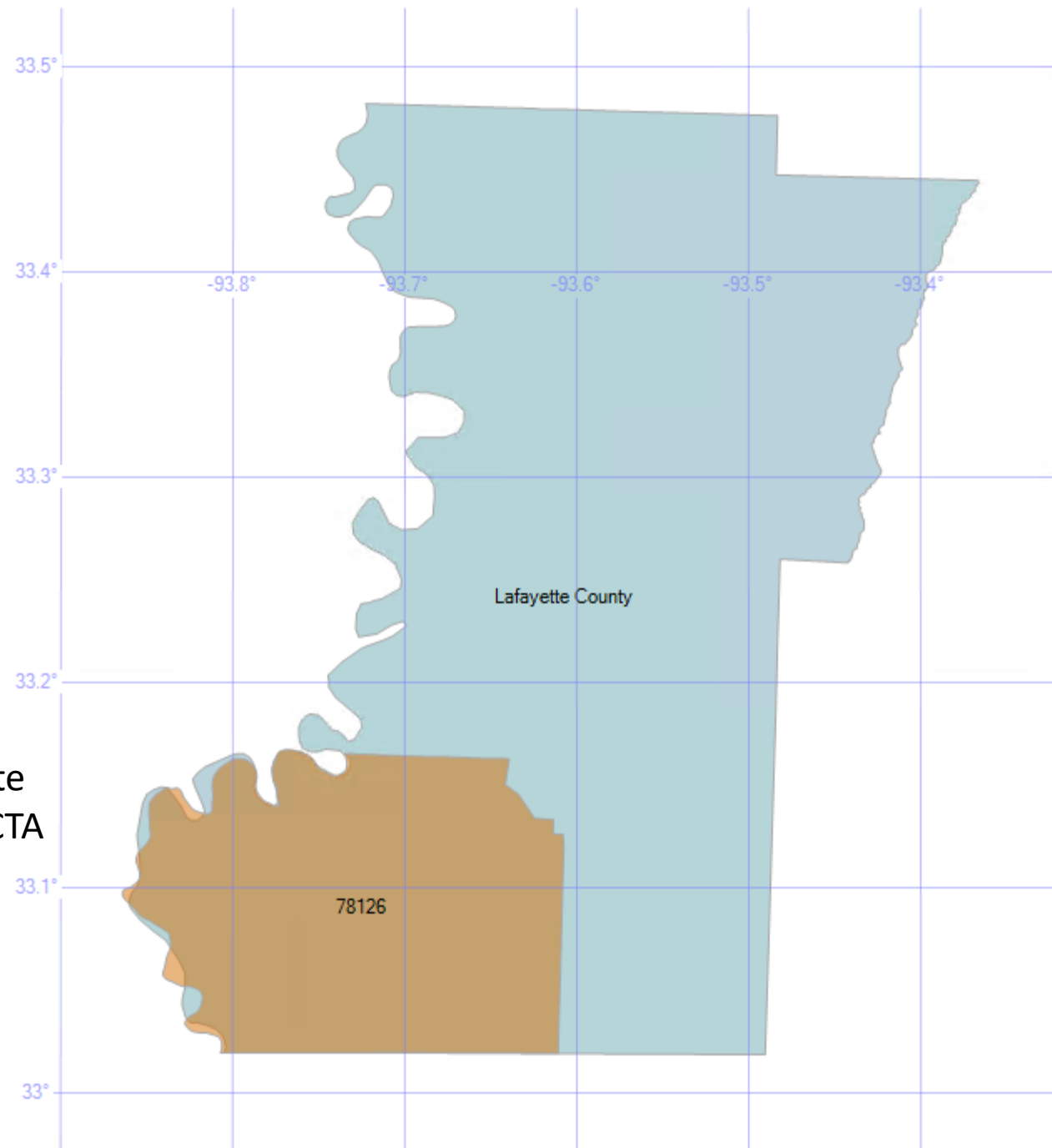
Then, we select a county, and then from within that county we specify a ZCTA. A ZCTA is representative of geographic locations of populated areas. In most cases, the ZCTA will be the same as the ZIP code, but in some cases it may be different.



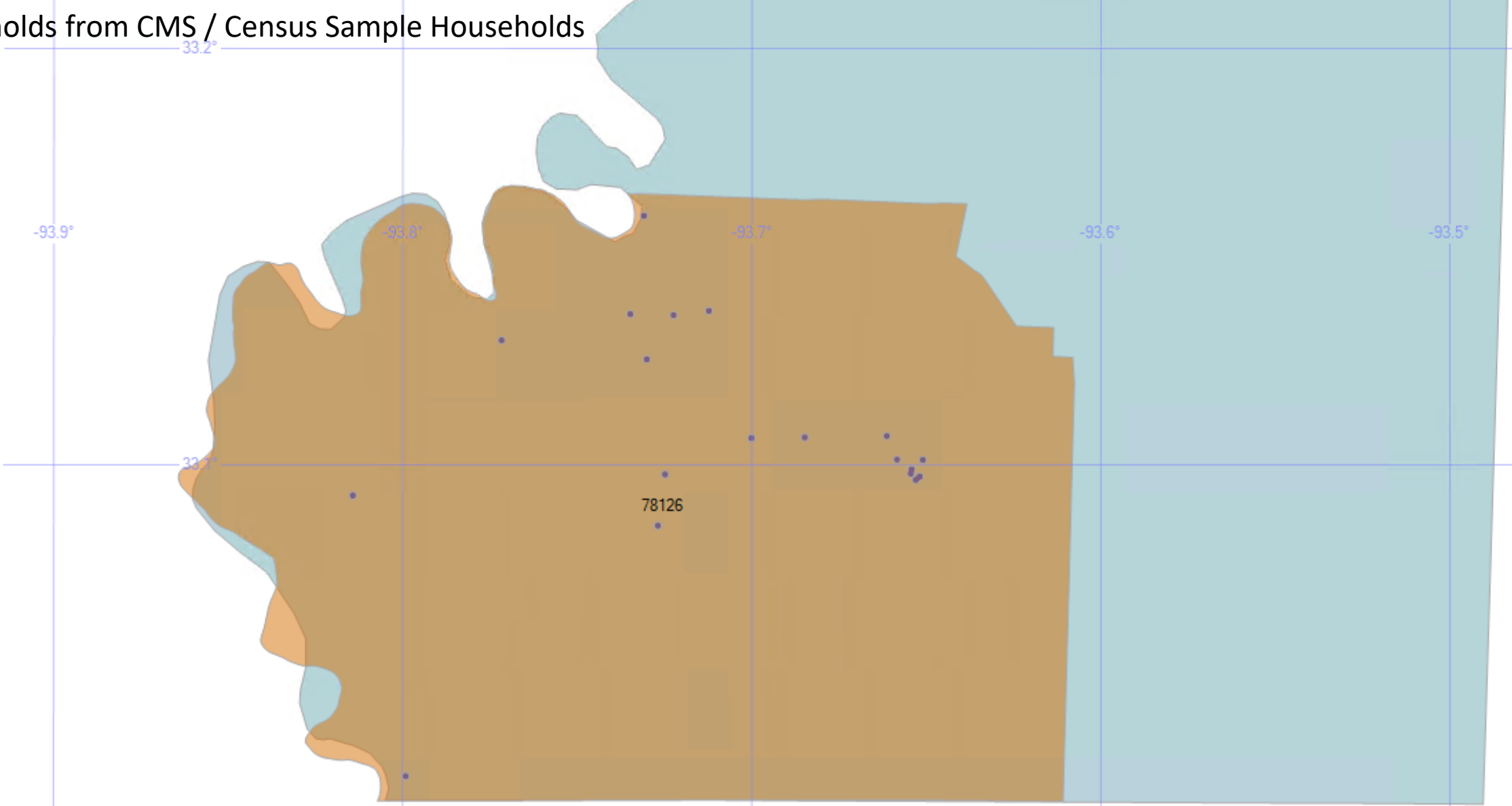


Lafayette County is selected.

From within Lafayette County, we select ZCTA 78126.



Identify households from CMS / Census Sample Households



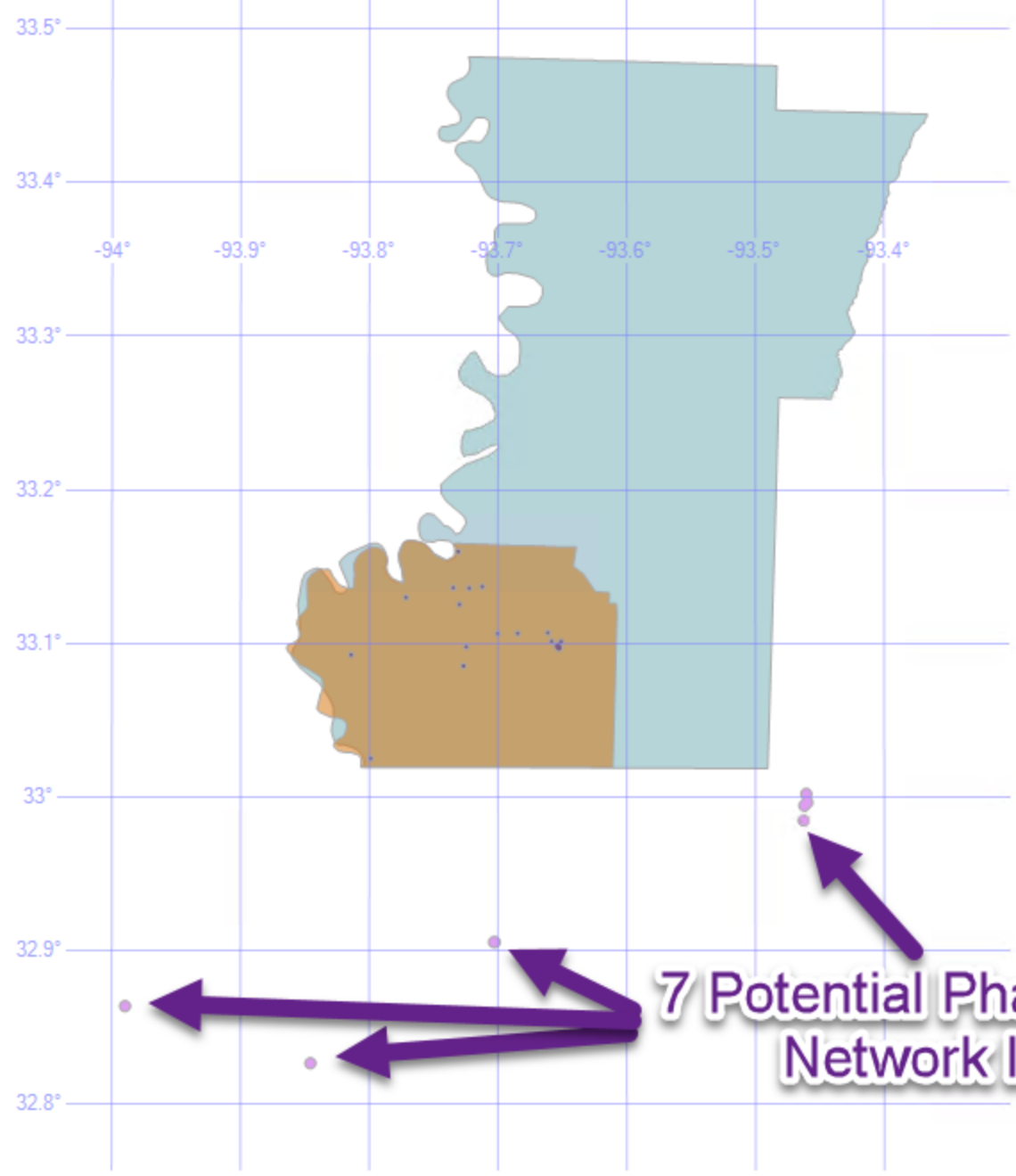
The next step is to identify households within the ZCTA, based on CMS sample data and the census sample households.

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



**7 Potential Pharmacies in
Network ID 155**

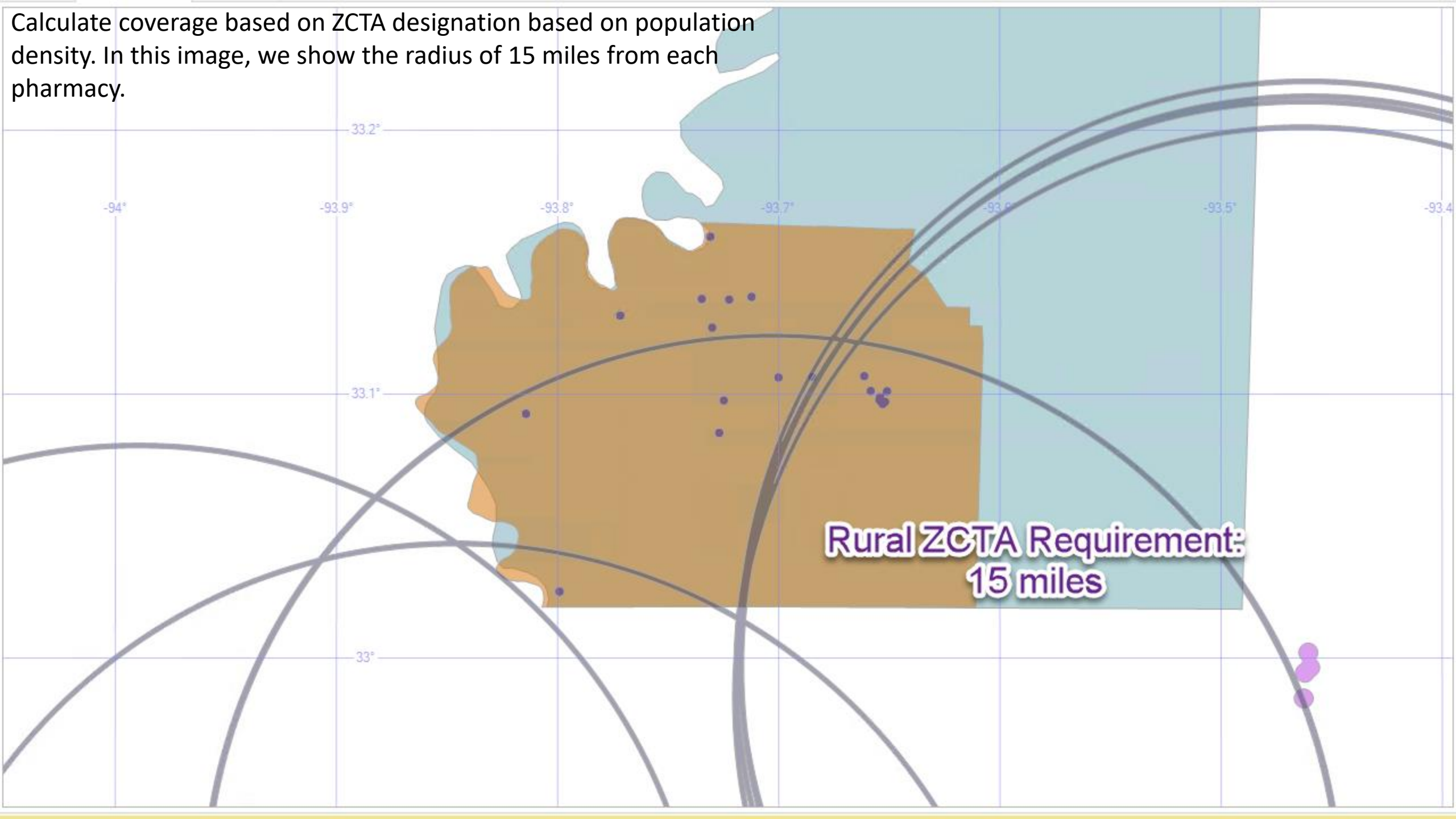
Example of Analysis

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

70% of the households within the ZCTA must be within 15 miles of a pharmacy.



Calculate coverage based on ZCTA designation based on population density. In this image, we show the radius of 15 miles from each pharmacy.



Identify covered vs. non-covered sample households and compute. Of the households within the ZCTA, only 13 are within 15 miles of a pharmacy.

