

Prescription Drug Bulk Purchasing: recent history and state actions

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N A A G

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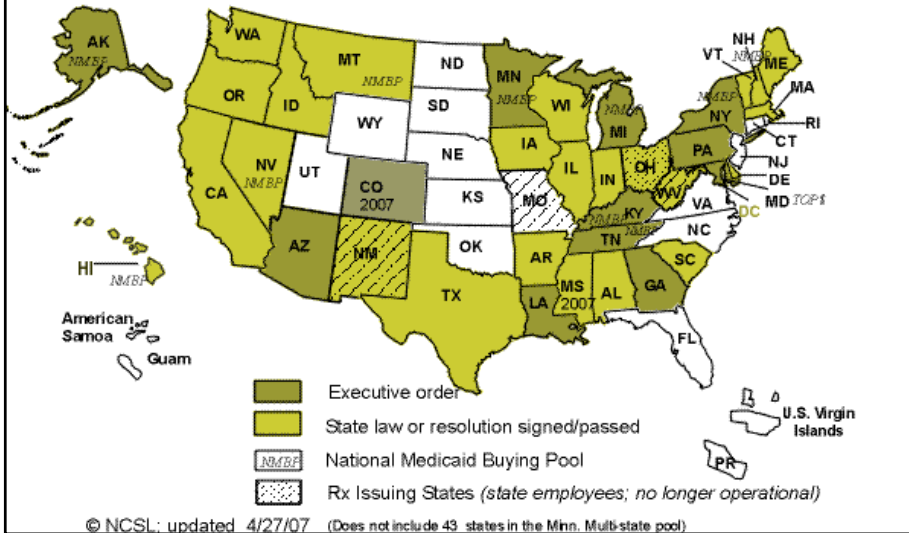
Bulk Pharmaceutical overview

- Bulk buying is a logical, traditional step for many high volume commodities.
- But pharmaceutical marketplace has special factors beyond just volume.
 - Strong role of "single source" drugs.
 - Exclusive or preferred status highly sought by Rx manufacturers in private market.
 - Medicaid emphasizes "all medically necessary products" should be available. (federal law OBRA '90)
- Can states save real money? Do they already?

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State bulk purchasing plans [up to 36 states]

Pharmaceutical Bulk Purchasing Laws and Initiatives, 1999-2007



Medicaid: “The National Multi-state Pooling Initiative”

- 1st operational Rx buying pool- started by Michigan & Vermont.
- Contract with First Health Services for Medicaid drugs.
 - 10 states have CMS approval- **Alaska, Hawaii, Kentucky, Michigan, Minnesota, Montana, Nevada, New Hampshire, New York, Tennessee.**
- Uses common Preferred Drug List initially based on the Michigan PDL (some variations among states).
- Strategy: negotiate supplemental rebates for Medicaid.

<u>Est. Savings</u>	MI = \$8 mil.	NV = \$1.9 mil.
	AK = \$1 mil	NH = \$250 k.

"TOP \$" -- 2nd Medicaid Pharmaceutical Purchasing Pool

- **Louisiana, Maryland & West Virginia** formed a buying pool in Dec. '04; CMS approved May '05. **Delaware, Idaho, Pennsylvania & Wisconsin** joined more recently
- Administered by Provider Synergies, using "overlapping" PDLs, PA & supplemental rebates. Each state has clinical oversight. WV claims 92% volume shift to preferred products.

Est. Savings <i>(w/ bulk + PDL + rebates)*</i>	LA = \$27 mil. In 2006	MD = \$19 mil. In 2006	WV = \$16 mil. In 2006 *CMS Release 5/05
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Sovereign States Drug Consortium

- SSDC was announced October 2005, led by Maine and Vermont.
- Formed by MedMetrics, a non-profit PBM, started by U. Massachusetts Medical School.
- Medicaid Pool operational as of March 2006; includes **Iowa, Maine** and **Vermont**.
- CMS plan approval letters dated July 20, 2006
"We believe this amendment is consistent with the objectives of the Medicaid program and is designed to increase the efficiency and economy of the Medicaid program and benefit Medicaid beneficiaries".
- <https://www.rxssdc.org/>

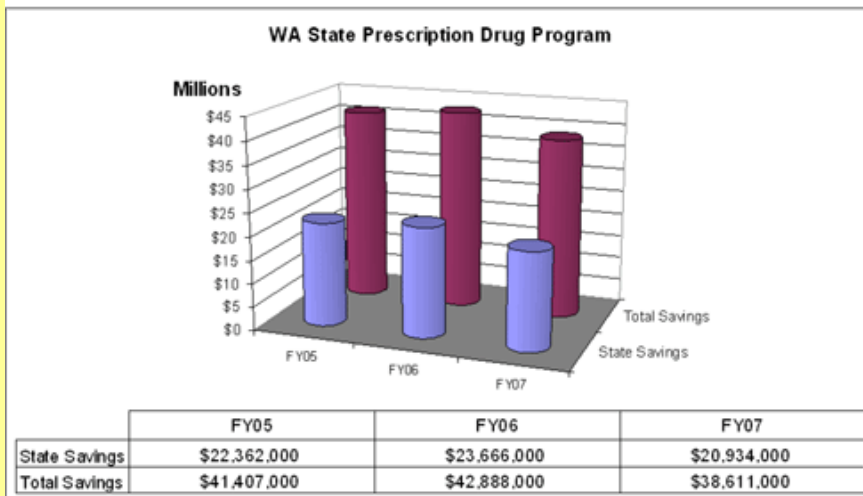
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Northwest Prescription Drug Consortium

- Will bring together the **Oregon** prescription-drug plan, for low-income people 55 and older to access below-market price drugs, with a similar plan in **Washington**.
- Not yet operational - Announced July 2006; expected to begin joint purchasing within the year.
- "More than 5 million people are eligible for the programs" -Gov. Kulongoski 7/26/06
- OR & WA do not use restricted Preferred Drug Lists or prior authorization.

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Figure 2. Washington State Prescription Drug Program Savings, State Fiscal Years 2005–07



Savings Projected for 2006 through 2007 (including Medicare Part D impact)

Source: Washington State Prescription Drug Program, presentation by Duane Thurman and Ray Hanley to the Washington State House Appropriations Committee Work Session on Evidence-Based Medicine, January 19, 2006. Reproduced with permission of authors.

Minnesota Multi-State



Minnesota Multi-State Contracting
Alliance for Pharmacy

- MMCAP is “a voluntary group purchasing organization operated by the State of Minnesota serving government-based healthcare facilities. The goal of MMCAP is to provide member organizations the combined purchasing power to receive the best prices available for” Rx.
 - Started in 1985; now made up of 43 states
 - Primary users: state correctional facilities, state mental health facilities, state public health facilities, etc.
 - contracts with over 150 pharmaceutical manufacturers (2004).
 - member facilities purchase over \$800 million per year.

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MN Multi-State: operating details

- MMCAP's niche: “provide, through volume contracting and careful contract management, the best value in pharmaceuticals and related products to eligible governmental health care facilities.”
- Does not use formulary or PDL; members “encouraged” to exclusively use MMCAP contract pricing.
- Generally does not serve Medicaid programs. (except for some inpatients of public facilities.)
- Savings: about 23.7% below AWP for Brand name; AWP - 65% for generics. (Exact formula is WAC -2.57% brands; WAC -44% generics)
+ “administrative savings”: lower inventories, fewer small orders.
- Restricted to “own use” - States cannot “lessen competition”; Rx cannot be resold to walk-in patients.
- federal law: Robinson-Patman Act (15 USC 13a)

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Georgia inter-agency including Medicaid (Established Oct. 2000)

Georgia contracted with Express Scripts, Inc. a PBM, to administer the pharmacy benefits and claims for Medicaid, SCHIP, Public Employees and the College Board of Regents Plan. Costs are controlled through the implementation of several initiatives, including: an aggressive maximum allowable cost (MAC) program,

- the most-favored-nations program with improved enforcement,
 - a three-tiered co-payment strategy applied to a preferred drug list,
 - PDLs for each plan, and
 - an expanded prior authorization program,
 - a policy of cost avoidance for members with other health insurance
 - a supplemental drug rebate program
 - a host of other clinical programs; a point-of-sale system,
- Georgia's Medicaid program spent \$1,136,007,007 on prescription drugs in FY 2004 - a 900 percent increase over the last decade.

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Other Examples of Single-state Rx bulk purchasing laws

- **TX:** All-agency Bulk Purchasing Commission (Law enacted 2001; no purchases yet)
- **MA:** "aggregate purchasing" law intended to combine Medicaid, state agencies + uninsured (Passed 1999, 2001, 2003, 2005; still not implemented)
- **CA:** 2002 law established "central purchasing agency" for Rx;
 - 2005 enacted law to "expand state role as purchasing agent" with formularies. Vetoed by Gov. on Oct 7 '05.
- **IL:** 2003 law authorized. Governor's inter-agency plan announced in mid-2004.

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States using the "340B Federal Drug Pricing" Program

- Established 1990; allows "grantees" of federal agencies to buy for patients at deep discounts. (Ave. Wholesale Price -51%).
- Expanding rapidly, now 12,200 locations.
 - | Consolidated Health Centers (FQHCs).
 - | Disproportionate share hospitals (DSHs).
 - | AIDS, STDs, Family Planning clinics.
- Some states encourage wider use.
 - | NM requires use of 340B for all facilities using state \$.
 - | MA integrated with Medicaid, saves \$15+ mil/yr if 25% eligible use it; 148,000 goal (135,000 Medicaid; 10,000 Dept. Public Health; 2,300 Dept Corrections)

www.hrsa.gov/opa

www.ncsl.org/programs/health/drug340b.htm

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Strong opposition to "restrictive" features included in bulk plans.

- Prior authorization restrictions are opposed by patient groups and industry
- CO Gov. Owens' veto of SB 1, 2006:
 - | "would have the effect of establishing a prescription drug formulary for our Medicaid recipients and place the state in the pharmacy business"
 - | "restricting Medicaid recipients' access to needed prescription drugs and interfering with the doctor/patient relationship would have a highly negative impact on patients' health."

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Colorado Cares Rx

Signed law, Feb. 2007

"Cut-rate generic drugs on way"

State to negotiate discounts to help many Coloradans

-Headline, Rocky Mt. News, 4/9/07

"Dennis Roe and his wife, Jeanie, take more than 20 prescription drugs between them. They expect to save about \$150 a month under the Colorado Cares Rx Program. That is a substantial benefit for the couple, who live on a fixed income."



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State Studies of bulk Rx

■ TEXAS - 2006

- Report by Health & Human Service Commission
- Focus on TOP\$ Program, as current PDL contractor.
- Estimates savings of \$2-3 mil/yr.; could use same PDL so no disruption; federal approval should be simple.
- But, no savings until 2008; total pool w/ Texas of 2.8 million in '06, which is same as Texas est. of 2.7 mil. in 2007.
- Conclusion: Decide after Nov. '06, w/ new analysis.

■ VIRGINIA - 2003

- Report by Heinz Philanthropies and Mercer Consulting
- Conclusion: coordinated contracting for 4 agencies: potential savings of \$36.2-\$49.7 million out of \$387 million budget (2003)

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Beyond "bulk": Combining Collective Purchasing and Program Management

- Management of utilization through benefit design and clinical management strategies;
- Health care provider and patient behavior modification;
- Health care provider and patient education;
- Maximizing and managing the use of new management and treatment technologies;
- Aggregate data reporting and analysis in order to identify population-based health care management opportunities; and
- Coordination of enrollment and funding streams

See Heinz Foundation http://www.hfp.heinz.org/programs/hope_ri.html

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State Legislative Medicaid Cost containment strategies

State Supplemental Rebates

- Extra rebate as a way to achieve a lower price. Upheld by federal courts, but requires CMS federal "state plan amendment."
- "The Bush administration has currently approved around 30 state plans to negotiate extra, or supplemental rebates with manufacturers. States generally achieve negotiated discounts greater than those established by law for Medicaid by relying on a private pharmacy benefit manager to negotiate discounts based on a list of preferred drugs established by the state for their Medicaid beneficiaries." - *HHS News release 5/27/05*
- Most states followed Florida or Michigan laws; many use PBM or PBA to negotiate.

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Summary / conclusions

- Multi-state Bulk Rx plans are popular idea.
- Implementation limited to 18 states.
 - 19 operational Medicaid plans
 - 2 state-only discount programs
- Bulk savings alone are limited but real: 2-5% of spend.
- Every operational Medicaid plan uses PDLs, prior auth., supplemental rebates.
 - Ongoing opposition to restrictive features.
 - Newest program, for OR, WA does not use PDLs.

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NCSL Rx Resources

Reports (updated May '07)

Prescription Drug Bulk Purchasing Laws:

www.ncsl.org/programs/health/bulkrx.htm

Rx Overview: lists 40+ NCSL reports and presentations

www.ncsl.org/programs/health/pharm.htm

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