



Department of Corrections Centralized Pharmacy

ISSUE

This **Issue Review** provides information regarding the implementation of the centralized pharmacy within the Department of Corrections (DOC).

AFFECTED AGENCIES

Departments of Corrections and Public Health

CODE AUTHORITY

Chapter 904

BACKGROUND

Medical costs are the second largest operational expenditure, after personnel, in the Iowa Prison System and medical costs are the fastest growing component of all operating costs. State expenditures for medical costs were \$33.3 million in FY 2010, an increase of \$12.6 million (60.8%) compared to FY 2005. The average annual increase was 6.8% since FY 2005. In contrast, the average annual increase for personnel costs was 2.5% over the same reporting period.

Medical costs include psychiatric care, nursing, medical and surgical, pharmacy, dental, radiology, and laboratory. This **Issue Review** focuses on the implementation of the centralized pharmacy. **Table 1** indicates pharmacy costs were the second largest cost component at \$9.2 million in FY 2010, or 27.6% of all medical costs. These costs have increased by 72.4% since FY 2005. However, the costs have decreased each of the last two years, with a decrease of \$868,786 (8.6%) from FY 2009 to FY 2010. For more information regarding the prisons, please refer to the **Issue Review**, [State Prison System Budget](#) issued by the LSA.

Table 1
Medical Costs of the State Prison System

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2010 vs FY 2005	Percent Increase
Nursing	\$ 8,080,564	\$ 8,686,799	\$ 9,376,509	\$ 13,411,069	\$ 14,194,267	\$ 14,411,724	\$ 6,331,160	78.4%
Pharmacy	5,331,198	7,525,163	9,463,803	10,095,622	10,059,625	9,190,839	3,859,641	72.4%
Medical & Surgical	5,093,725	3,838,265	4,129,287	5,042,576	6,202,808	5,701,587	607,862	11.9%
Dental	1,361,881	1,453,626	1,572,789	1,777,401	1,776,812	1,692,920	331,039	24.3%
Psychiatric Care	428,773	1,112,346	1,325,317	1,690,758	1,504,533	1,499,063	1,070,290	249.6%
Laboratory	356,610	458,112	497,573	593,732	602,028	603,813	247,203	69.3%
Radiology	39,249	154,696	834,654	197,750	180,241	169,987	130,738	333.1%
Total Expenditures	\$ 20,692,000	\$ 23,229,007	\$ 27,199,932	\$ 32,808,908	\$ 34,520,314	\$ 33,269,933	\$ 12,577,933	60.8%

Pharmacy costs are comprised of personnel services and drugs and biologicals. The majority of pharmacy costs are drugs and biologicals. **Table 2** provides the costs for drugs and biologicals for the last six years. This line item includes both prescription and over-the-counter medications. The costs have increased 67.1% from FY 2005 to FY 2010. The average daily population in the State prison system decreased by 163 offenders over this reporting period. Five Institutions had the Iowa Corrections Offender Network in place during the reporting period FY 2005 through FY 2010. Based on statistics from these five Institutions, the average cost of medications per offender in FY 2005 was \$36.67; it was \$58.21 in FY 2010, for an increase of 58.7%. The cost increase is primarily due to increased costs of medications, rather than increased use by offenders.

Costs have decreased in FY 2009 and FY 2010 primarily due to creating and adhering to a formulary (list of medication choices available to physicians). **Table 2** does include the separate General Fund appropriation that the DOC receives for Hepatitis C treatment. The DOC receives credits for expired medicines, and those reductions are also included in **Table 2**.

Table 2
Drug and Biologicals Costs of the State Prison System

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2010 vs FY 2005	Percent Increase
Drugs and Biologicals	\$ 4,621,395	\$ 6,752,216	\$ 8,606,402	\$ 8,994,297	\$ 8,881,142	\$ 7,722,294	\$ 3,100,899	67.1%

The DOC's experience with pharmacy costs is comparable to national trends. According to the Centers for Medicare and Medicaid Services (CMMS), costs for prescription drugs have been trending upward until recently. Now, depending on the type of drug, costs have either increased at a less-than-expected rate or have leveled off. The CMMS attributed the slower growth in costs to increased competition and more generics are available.

Prior to FY 2008, each prison had its own budget for pharmacy. The 2007 General Assembly transferred \$6.9 million from eight of the prisons to the Iowa Medical Classification Center (IMCC) at Oakdale to create a centralized pharmacy. According to the DOC, other states have centralized pharmacy operations as a cost containment effort.

The DOC hired a Pharmacy Director in FY 2009 to work with the Iowa Board of Pharmacy, DOC doctors and pharmacists, and the Iowa Pharmacy Foundation to create a centralized pharmacy, and train staff. Administrative rules were amended, adherence to the formulary was improved, and increased use of generic or low-cost alternatives occurred. Total pharmacy costs decreased by \$36,000 from FY 2008 to FY 2009. The cost of drugs and biologicals decreased approximately \$113,000 from FY 2008 to FY 2009.

The DOC hired a Health Services Director in FY 2010 to focus on improving medical therapy while reducing costs. The Health Services Director worked with the Pharmacy Director, mental health and medical staff to improve medical, mental health, nursing, and pharmacy services. Total pharmacy costs decreased by \$869,000 from FY 2009 to FY 2010. The cost of drugs and biologicals decreased approximately \$1.2 million from FY 2009 to FY 2010.

The Attorney General's Office contracted with the Iowa Pharmacy Foundation to evaluate the DOC pharmacy. The [Pharmacy Evaluation Project](#) final report was issued in June 2010 and provided options to optimize medication-related therapies while reducing medication-related costs.

Senate File 2088 (Government Reorganization and Efficiencies Act of 2010) required the Departments of Human Services, Public Health, Corrections, Management, and any other appropriate agency to identify strategies to improve efficiencies in purchasing and dispensing pharmaceuticals, including changes to State law or approval from the federal government. The Department of Public Health makes purchases under federal guidelines and has certain federal restrictions that hamper shared operations with other State agencies. The Department of Human Services (DHS) implemented several new policies in the Medicaid Program and is in the process of reviewing others. The DOC is pursuing efficiencies with its central pharmacy.

CURRENT SITUATION

Locations and Staffing

The DOC has on-site pharmacy operations at three facilities (Clarinda, Mount Pleasant, and Oakdale) while three locations (Fort Madison, Newton, and Anamosa) used an out of state pharmacy (Diamond contract). The pharmacy staff at Clarinda and Mount Pleasant is shared with the DHS. The Mitchellville prison is now served by the central pharmacy. The prisons at Fort Dodge and Rockwell City have pharmacy licenses because stock medications are kept on site, but there is no dispensing pharmacy.

The DOC hired additional central pharmacy staff in May and June 2010. Space for the centralized pharmacy at the Iowa Building (former Mercy Capitol building) was renovated, and the DOC staff moved into the building in August 2010. The central pharmacy started processing orders for Rockwell City in August, Fort Dodge in September and Mitchellville in October. It is anticipated Oakdale will maintain its own pharmacy due to the medical focus of that prison.

The DOC is currently using the Diamond contract on a short-term basis to provide services to Fort Madison, Anamosa, and Newton. The DOC is developing a plan to serve these three prisons to address workload, prescription volume, packaging, and delivery concerns. The plan includes positioning the Oakdale pharmacy to serve as a back up to the central pharmacy in case of staff turnover or illness, or machinery malfunctions. Once Fort Madison, Anamosa, and Newton are served by the central pharmacy, the Diamond contract will end. Those expenditures will be converted to salary and drug expenses. That contract cost was \$3.9 million in FY 2010.

Table 3 shows pharmacy staff by location and job class. Oakdale's staff count includes six positions that are assigned to the central pharmacy and work in Des Moines. The six positions are two pharmacists, three pharmacy technicians, and one pharmacy assistant. Both the DOC and the DHS may use contract pharmacists on a temporary as-needed basis.

**Table 3
Pharmacy Staff Budgeted by Location**

Institution	Job Class (1)	Number of Staff (2)	Budget (3)
Oakdale	Pharmacy Assistant	1.00	\$ 43,949
	Pharmacist	4.00	332,990
	Pharmacy Technician	6.00	272,507
	Pharmacy Director	1.00	80,748
	Subtotal	12.00	\$ 730,194
Clarinda	Pharmacist	1.00	120,060
	Pharmacy Supervisor	1.00	119,513
	Pharmacy Technician	1.00	53,086
	Subtotal	3.00	292,659
Fort Dodge	Pharmacy Assistant	1.00	\$ 49,903
Mount Pleasant	Pharmacists	2.00	\$ 238,046
Total			\$ 1,310,802

Notes:

- Staff for the central pharmacy are budgeted at Oakdale and work in Des Moines. These include 2.0 Pharmacists, 3.0 Pharmacy Technicians, and 1.0 Pharmacy Assistant. 1.0 Pharmacy Technician is vacant.
- Costs at Clarinda are shared between the DHS - (35.0%) and the DOC (65.0%)
- Costs for the two Pharmacists at Mount Pleasant are shared with the DHS. 1.60 of the FTE positions are paid by the DOC and .40 FTE position is paid by the DHS.

Central Pharmacy Implementation

The DOC uses the Iowa Corrections Offender Network (ICON) for pharmacy administration. This includes tracking medication by offender as well as Drug Utilization Review that monitors patient profile information and formulary and nonformulary usage. The ICON system provides extensive reporting capabilities to manage inventory, comply with pharmacy regulations, and respond quickly to events such as recalls.

The DOC is using several Group Purchasing Organizations (GPOs) in its operations, including Novation and Minnesota Multi-state Contracting Alliance for Pharmacy (MMCAP). The wholesaler is Amerisource Bergen. The central pharmacy in Des Moines uses MMCAP (for governments only) and provides improved bulk purchasing discounts. Oakdale uses Novation, a GPO that permits both public and private purchasers. This GPO provides a wider selection of unit dosages for specialized medical needs.

Future Plans

It is anticipated that the use of contracted pharmacists will decrease as the DOC gains experience with the central pharmacy. The amount of expired drugs should decrease with improved monitoring and control from the central pharmacy. The DOC may use one GPO in the future, depending on price points and specialized needs of offenders.

The DOC is working with the Iowa Prescription Drug Corporation (IPDC) to receive medicines within two weeks of the expiration date to be used for offenders reentering the community on parole or work release.

ALTERNATIVES

The DOC may further contain costs by:

- Utilizing one GPO as the main buying group. Increased use of one GPO may further reduce unit costs.
- Creating a consortium of all nine prisons, county jails, DHS institutions, and the Veteran's Home to purchase pharmacy supplies, drugs, and medical supplies at wholesale or discount prices. While the DHS and Veteran's Home have a different patient base and funding stream, and therefore, a different formulary, there are opportunities for cost reductions related to bulk purchasing and adherence to formulary.
- Providing services to the Mount Pleasant and Clarinda Correctional Facilities. This would require one pharmacist and up to two pharmacy technicians being located in the central pharmacy. The staffing need could be met by transferring existing staff at the prisons and filling the vacant technician position at Oakdale. This would result in an overall savings of positions on the DOC table of organization. The impact on the DHS operations would need to be considered before implementing this alternative.
- Providing pharmacy services to the DHS facilities and populations. This alternative could create efficiencies by enhancing purchasing power and reducing staff needs. This is a long-range option because staffing needs, federal restrictions, and operational differences would need to be studied.
- Implementing Pharmacy Telemedicine for remote supervision of pharmacy staff, e.g., pharmacy employee at Fort Dodge, and dispensing of medications. This option requires an update to the Iowa Board of Pharmacy administrative rules.
- Implementing a clinical pharmacy to ensure the proper use of medicine and perform in-depth population level analyses.
- Providing services to Community-Based Corrections (CBC) populations. Currently, offenders on parole, probation, work release, and pretrial release are responsible for paying for and administering their own medications. Cost and monitoring are barriers for these offenders. Those that remain on their medications may have a lower recidivism rate. The central pharmacy could serve this population by reducing the offenders' out-of-pocket costs. Administration of the medicine could be monitored by telemedicine or CBC staff.
- Continuing to review options for inclusion in the federal 340B program that would allow purchasing drugs at a lower rate. This could be applied to both the prison and CBC populations.
- Releasing elderly, chronically ill, or terminally ill offenders. The majority of the states permit some type of release for ill or elderly offenders by statute. Releasing these offenders to community-based care could contain medical and pharmacy costs for the prison system. The costs may be shifted to Medicaid, Medicare, veteran's benefits, or other public or private assistance. This option could leverage other funding streams and reduce costs for the State General Fund.

Iowa has no specific statute for early release of these offenders. The Iowa Board of Parole does grant parole to offenders with a limited risk to reoffend due to age or illness. Under current law, only those serving nonmandatory minimum terms or those that have served the mandatory minimum sentence portion, are eligible for this type of release. Most elderly or ill offenders are serving mandatory minimum terms and are not eligible to be considered for

early release. Under current law, these offenders are eligible to be released through the commutation of sentence process, although the process is quite lengthy and seldom used.

BUDGET IMPACT

If the cost of drugs and biologicals continues to increase at the current rate, annual costs will total approximately \$27.0 million in 10 years. If the DOC and other governmental agencies cooperate, this projected increased cost could be reduced or contained through bulk purchasing, technology, administrative efficiencies, and statutory changes.

Currently, the pharmacy budget is included in the General Fund appropriation to the Iowa Medical Classification Center at Oakdale plus a separate appropriation for Hepatitis C treatment is made to Central Office. Creating a separate appropriation for the central pharmacy by combining the appropriations in Central Office and Oakdale would improve legislative and expenditure oversight and reduce the per diem costs at Oakdale. This prison's average annual cost per inmate was \$60,860 in FY 2010. The costs for this facility are significantly higher compared to the other eight institutions due to the unique services it provides (concentration of medical costs, centralized intake and assessment). Including the central pharmacy within the Oakdale budget overstates its costs because the central pharmacy does not serve the Oakdale population.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.state.ia.us