Task Force on the Development of an
Interstate Prescription Drug Purchasing Cooperative

Final Report to the Governor and General Assembly

January 10, 2003

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Chair

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ACKNOWLEDGEMENTS

The Task Force on the Development of an Interstate Prescription Drug Purchasing Cooperative ["task force"] thanks the individuals and organizations who have provided their knowledge and expertise during the fall of 2002. We also thank the Iowa Department of Public Health for coordinating the meetings and the process that resulted in the publishing of this report, and we thank all presenters of vital information to task force members. We are pleased to make this report to the Governor and the General Assembly.http://www.idph.state.ia.us/

The Prescription Drug Task Force Final Report will be posted electronically at http://www.idph.state.ia.us/ in the "Resources, Publications, Data" section of the IDPH web site. For more information or copies of the presentations provided during this process, contact the Department of Public Health at (515) 282.6493.

The following is a list of organizations, both public and private, that provided expert knowledge to the Prescription Drug task force:

State Government Agencies

- Iowa Department of Public Health
- Iowa Department of Elder Affairs
- Iowa Department of Human Services
- Iowa Department of Inspection and Appeals
- Iowa Department of Management
- Iowa Department of Personnel
- Office of the Governor

Non-Profit Organizations, and Other Government Agencies

- Board of Medical Examiners
- Board of Pharmacy Examiners
- Iowa Medical Society
- Iowa Pharmacy Association
- Representatives from Illinois, Minnesota, Missouri, Nebraska, North Dakota South Dakota, and Wisconsin.

Other Organizations

- Pharmaceutical Manufacturers Association

TASK FORCE MEMBERS

Voting Members

Steve C. Gleason, D. O.
Chair, Director of the Iowa Department of Public Health

Senator Maggie Tinsman
Iowa Senate

Senator Matt McCoy
Iowa Senate

Representative Betty Grundberg
Iowa House

Representative Mark Smith
Iowa House

Cathy Anderson
Iowa Department of Human Services

Jane Colacecchi
Iowa Department of Public Health

Cindy Eisenhauer
Iowa Department of Management

Mark Haverland
Iowa Department of Elder Affairs

Ed Holland
Iowa Department of Personnel

Advisory Members

Lloyd Jessen
Board of Pharmacy Examiners

Carl Hultman
Pharmaceutical Manufacturers' Representative

Ann Mowery
Board of Medical Examiners

Tom Temple
Iowa Pharmacy Association

Karla Fultz McHenry
Iowa Medical Society

Task Force Staff

Jane Colacecchi
Iowa Department of Public Health

Ed Conlow
House Legislative Staff

Steve Conway
Senate Legislative Staff

Eileen Creager
Iowa Department of Human Services

Patty Funaro
Legislative Service Bureau

Anne Kinzel
Iowa Department of Public Health

Lynh Patterson
Iowa Department of Public Health

Megan Secord
Iowa Department of Public Health

TASK FORCE CHARGE

Iowa House File 2192 (79th General Assembly), signed into law by Governor Thomas J. Vilsack on May 11, 2002, called for the formation of a task force to determine the feasibility of establishing an interstate [Midwestern] prescription drug purchasing cooperative.[1]

The legislation specified the task force goal as:

- Pursuing the development of an interstate prescription drug purchasing cooperative through a minimum of the following means:
  - Utilizing regional and national entities such as the council of state governments, the national conference of state legislatures, and others in establishing contact with the governors and legislative leaders of other Midwestern states.
  - Contacting the governors and legislative leaders of other states with existing interstate cooperatives, including the states participating in the southern states coalition purchasing pool, and other interstate cooperatives.
  - Contacting industry trade associations whose members are involved in the delivery and reimbursement of state-funded pharmaceutical care.

Task force membership was specified as follows:

Voting Membership

- The director of the department of public health, or the director's designee.
- The director of the department of human services, or the director's designee.
- The director of the department of elder affairs, or the director's designee.
- The director of the department of management, or the director's designee.
- The director of the department of personnel, or the director's designee.
- Four members of the general assembly.

Advisory Membership

- The chairperson of the board of pharmacy examiners, or the chairperson's designee.
- The chairperson of the board of medical examiners, or the chairperson's designee.
- A representative of pharmaceutical manufacturers, selected by the pharmaceutical research and manufacturers of America.
- A representative of the Iowa pharmacy association, selected by the Iowa pharmacy association.

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[1] The complete text of house file 2192 can be found at http://www.legis.state.ia.us/cgi-bin/legislation/file_only.pl?file=/usr/ns-home/docs/ga/79ga/legislation/hf/02100/hf02192/020415.html

- A representative of the Iowa medical society, selected by the Iowa medical society.

In addition, the task force was directed to submit a final report to the Governor and General Assembly.

OPENING STATEMENT

The task force has explored the potential for the development of a Midwestern prescription drug purchasing cooperative. After consulting with officials in Illinois, Minnesota, Missouri, Nebraska, North Dakota South Dakota, and Wisconsin, the task force has concluded that the development of such a cooperative would be difficult at this time. However, the task force, did develop, as part of its deliberative process, the following specific policy recommendation.

The task force did begin a brief investigation into the policy option of establishing a Midwestern **Drug Selection Commission**, whose purpose would be to establish a reference list of standard drugs used by Medicaid participants. The list would include those prescription medications identified to provide not only the best financial value, but also the most efficacious form of treatment. Prescription drug therapies would be provided to Medicaid recipients from the drugs on this reference list.

Background.

The task force met on three separate occasions, October 1, November 26, and December 18, 2002, to receive information and conduct the business of developing recommendations as charged by the General Assembly in House File 2192. Public notice of meetings was posted in accordance with Iowa Code Section 21.4.[2]

Task force membership was specified in House File 2192. Representation on the task force was designed to give voice to a broad range of perspectives on the issue of prescription drug purchasing policies. Task force voting members include legislators, and leaders of the governmental agencies most closely involved in the purchase of prescription drugs for the State of Iowa. Non-voting members include representatives pharmacy and physician associations as well the representatives from state pharmaceutical and medical regulatory boards.

At the first task force meeting on October 1, 2002, Dr. Steven Gleason, the Director of the Iowa Department of Public Health, was elected task force chair. Dr. Gleason introduced a set of proposed task force bylaws (see Appendix) detailing how the task force would conduct its business. Task force members approved the proposed bylaws, including the Procedural Matters for Conducting Business. During this initial meeting, task force members were provided a comprehensive briefing book prepared by the Department of Public Health. (See Exhibit)

The members agreed that the task force's objective, as specified in House File 2192, is to determine the feasibility of establishing an interstate prescription drug-purchasing cooperative with other Midwest states. Members were advised that Minnesota, Wisconsin, Illinois, Nebraska, North Dakota, South Dakota, and Missouri, among the 'Midwestern' states, have tentatively showed interest in cooperating with this objective in some way. Members agreed that their inquiries would focus on issues involving Medicaid and Medicaid-eligible populations, as well as prescription drug purchasing for Medicare beneficiaries and state employees.

[2] Notice of the first meeting on October 1, 2002 was posted prior to the meeting, but was not posted twenty-four hours prior. Subsequent meetings were posted in accordance with IC 21.4.

The second task force meeting on November 26, 2002, consisted of a teleconference between the task force and representatives from the states of Illinois, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin. The task force attempted to contact a representative from the state of Kansas, but was unable to do so. The information derived from these conversations is provided below.

- **Illinois**. [Steve Bradley]

  - Preferred drug list and auditing are the two initiatives Illinois is pursuing.
  - Illinois currently engages in aggressive drug utilization review auditing – and is implementing new set of audits to look for drugs and duplicate therapy. States $450,000 saved in two weeks on enhanced duplicate therapy audits.
  - As to a cooperative purchasing option among Midwestern states, Bradley indicated Medicaid purchasing is too difficult (no resources to distribute drugs that co-op purchased), and also thinks it would be difficult to purchase anti-psychotics.
  - Regional preferred drug list concept has flaws because of agreeing on the drugs.
  - Defined distribution groups could possibly do something co-operatively.
  - Wasted drugs in nursing homes. (Minnesota requires that drugs in unit dose packaging be returned to pharmacies for credit, it is working).
  - Negotiate with single supplier to work with every state's nursing homes.

Minnesota. [Cody Wyberg, Pharmacy Program Manager]

- Currently uses a state MAC list with 150 drugs on the list. [Note: Arkansas has 800 drugs on MAC]
- Recently expanded their prior authorization program and linked it to a supplemental rebate program. They will use these two tools in conjunction with each other to develop a preferred drug list. (They are doing this internally with four pharmacists). They are 'moving' on preferred drug list formulary committee and looking at supplemental rebates. The first category of drugs on their preferred drug list is already saving taxpayers approximately $3.5 million per year.
- Proton inhibitor and one other drug prior authorization saves $5 million.
- Possibility of looking into contracting with someone because there is so much material to go over. Looking at Oregon and other states
- Interstate drug preferred drug list is an interesting concept since other states in same situation. Not concerned with lawsuits because they are doing prior authorization and that is legal.

- Minnesota is willing to consider a pharmaceutical purchasing coop. Whether or not Minnesota would actually participate would, of course, depend on the details. If several states grouped and said a certain drug was on the Regional preferred drug list that might generate greater refunds. They have discussed a cooperative approach to purchasing a bit, but didn't seem to think there was too much interest. They do applaud the task force's interest.

- Minnesota asked about the scope of the co-op – would it just be Medicaid or state employees, prisons, etc.) Wyberg thought Medicaid already get best price, besides the VA. Doesn't know if cooperative purchasing would actually save money as you might not be able to tie in Medicaid; wouldn't be too beneficial anyway. You have to give manufacturers a reason to give an even bigger discount and what would that reason be? One reason could be the regional preferred drug list. Wyberg was concerned that pharmacies would have no incentive to provide rebates to the coop.

- Regional preferred drug list would be possibly worth looking into, but there would have to be statutory changes first.

Missouri. [George A. Strike]

- 800 drugs on MAC list, saved $46 million in last 18 months.

- Developing step therapy with clinical audits. Trying to select specific drug in each grouping. They also use a prior authorization committee, and have a provider tax (net $30 million revenue stream)

- They are setting up a disease management program. The first four diseases are: depression, asthma, diabetes, and heart disease. Teaming patients up with pharmacists to set up care plans and guidelines.

- Missouri concurs with Minnesota on doing a regional preferred drug list and prior authorization. Only approach to possibly lower Medicaid costs. A little skeptical that states would be able to agree on preferred drug list, but view this as the only way to influence pharmacists. They will only respond to a shift in market; otherwise they have no reason to participate.

- Would like to do regional DUR. Acknowledge need to get providers involved.

- Suggest developing a web-clearing house on some of the ideas generated throughout the Midwest and by the task force.

Nebraska.

- Nebraska has a state MAC program. Views MAC and prior authorization as the most effective cost containment tools.

- They are examining a "preferred drug list" as a new initiative. If doctor wants brand name they have to sign another form.

- Nebraska is interested in exploring a multi-state pharmaceutical purchasing cooperative. Concerned about coordination between cooperative purchasing and Medicaid.

- Nebraska suggested developing a working group to create a list of recommendations on how to handle some categories of drugs.

North Dakota. [Brendan Joyce, Pharmacy Administrator]

- North Dakota has already tightened up on audits and utilization. Currently they use an 80% utilization figure for early refills and quantity limitations for certain products. These would be the two most efficient tools being used at the moment.
- They have a small MAC list. They are purchasing the MAC list from a pharmacy benefits manager because they don't have staff to do it themselves.
- They do not use a prior authorization program. Perhaps a prior authorization program initiative will come up during the legislative session or it may be discussed in the governor's budget.
- North Dakota agrees only way to get discount is regional preferred drug list, but skeptical all states will be able to agree but willing to try.

South Dakota. [Mark Pederson, Pharmacy Consultant]

- Currently use a "pharmacy intervention program" where pharmacists receive a $10 fee to perform cost saving interventions when dispensing prescriptions to Medicaid recipients. This was started as a cost saving initiative.
- Seeing some savings after contracted with a new company. This initiative is new. [6/1/02]
- In November 2002 they initiated a SNAC program. They are working with some pharmacy benefits manager as North Dakota.
- Future cost saving endeavors would be a Prior Authorization Program possibly including supplemental rebates.
- Drug purchasing pool – South Dakota very excited to join in on anything with regional preferred drug list and supplemental rebate program.
- South Dakota would also be interested in pursuing a regional preferred drug list with supplemental manufacturer rebates, but agrees with the other states that this would be very difficult to accomplish.

Wisconsin. [Russ Peterson]

- Wisconsin has had a MAC list with over 1,000 drugs in existence for twenty years. Fifty percent of the drugs are generic. Physician must indicate if brand name has to be used, or else the generic can be used.
- Wisconsin wants to expand prior authorization program and establish a preferred drug list. The new Governor wants to increase efficiency in drug purchasing.

- Wisconsin is interested in regional preferred drug list. They do not want to combine public programs (700,000 lives) Medicaid with state employees.

- Would be interested in co-op for state employees group looking to work with pharmacy benefits manager for better price and management for pharmacy.

The third task force meeting, held on December 17, 2002, focused on discussion of these suggestions. It was noted that Iowa already has a prior authorization program under Medicaid.

As part of the discussion, the task force unanimously agreed to have the governor establish regional preferred drug list commission. Dr. Gleason noted that it would be important to seek counsel on the legality of such a commission, especially with regard to the extent of its power to act. The task force agreed that it would be important to have legal advice regarding the formation and operation of a regional preferred drug list commission. A specific question to be explored would include: Under what auspices can Iowa enter into multi state preferred drug list commission?

The task force recommended that Midwestern governors discuss this potential regional effort together, and appoint a commissioner from each state. Senator Tinsman recommended that the "Oregon plan" be looked into. Dr. Gleason noted the multi state commission would look at existing state preferred drug lists. Cathy Anderson (DHS) noted that Iowa is looking into potential expansion of its prior authorization program, at retrospective drug review, preferred drug lists, and supplemental rebates.

The Deliberative Process Used in Developing a Recommendation

Task force members initially agreed to a structured, consensus based process to develop recommendations representing a reasoned and deliberative approach to the task force charge, while mindful of the short time frame for the task force to complete its report. At the conclusion of the third task force meeting on December XX, 2002, the members agreed that it would be difficult to establish a Midwestern drug purchasing cooperative at this time. In the alternative, the task force made the following recommendation.

Specific Recommendation

While creating a Midwestern drug purchasing agreement appears difficult at the present time, there are other options that have been investigated by the task force. The most promising option appears to be promoting the establishment of a **Drug Selection Commission**, whose goal would be to establish a reference list of standard drugs used by Medicaid participants. This list would include those prescription medications identified to provide not only the best value, but also the best form of treatment. Prescriptions would be provided to Medicaid recipients from the drugs on this reference list. In selecting for the best value, the opportunity for savings of as much as 25% on drugs listed could be realized. It would be the responsibility of the commission to develop a strategy for achieving lower costs and reducing the number of drugs paid for by Medicaid. If the drug is not on the list, individuals can obtain these drugs through a “prior authorization” mechanism.

The task force envisions that the governor of each participating state would appoint a representative to participate on the commission. Interstate agreements would be drawn up as necessary to facilitate the commission’s business.

CLOSING

The task force is pleased to submit this recommendation to the Iowa General Assembly and to Governor Thomas J. Vilsack, and Lt. Governor Sally J. Pederson. Throughout the process of developing this recommendation, the task force has maintained a commitment to address the current and future needs for broad and affordable access to prescription drugs. The task force thanks the General Assembly and Governor Vilsack for the opportunity to address this important issue.

Task Force By-Laws and Operating Procedures

Article I. Members.

Section 1. Membership.

A. Membership is exclusive to:

i. The Director of Public Health or the Director's designee

ii. The Director of Human Services or the Director's designee

iii. The Director of the Department of Elder Affairs or the Director's designee

iv. The Director of Management or the Director's Designee

v. The Director of the Department of Personnel or the Director's designee, and

vi. Four members of the General Assembly

Section B. Legislative members of task force shall be appointed by the majority leader of the Senate, after consultation with the President of the Senate and the Minority Leader of the Senate, and by the Speaker of the House of Representatives, after consultation with the Majority Leader and the Minority Leader of the House of Representatives. The Legislative appointments shall comply with Sections 69.16 and 69.16a [House File 2192].

Section 2. Rights of Members.

A. Each member is entitled to one vote on each issue submitted to a vote of the membership.

Article II. Officers.

Section 1. Officers and Duties of the Task Force.

A. The task force shall elect a Chairperson.

B. All of the following shall be Advisors to the task force:

i. The Chairperson of the Board of Pharmacy Examiners, or the Chairperson's designee

ii. The Chairperson of the Board of Medical Examiners, or the Chairperson's designee

iii. One person who is representative of Pharmaceutical manufacturers, selected by the Pharmaceutical Research and Manufactures of America

iv. One person who is a representative of the Iowa Pharmacy Association, selected by the Iowa Pharmacy Association, and

v. One person who is a representative of the Iowa Medical Society, selected by the Iowa Medical Society.

Section 2. Meetings and Reports of the Task Force.

A. The task force shall submit bimonthly progress reports of its findings and recommendations regarding the establishment of an interstate prescription drug purchasing cooperative to the oversight committee of the legislative council. The task force shall also submit a final report of its findings and recommendations to the Governor and the General Assembly no later than December 15, 2002 (House File 2192)

    i. The task force shall agree upon meeting dates. This can be done through e-mail.

Section 3. Vacancies.

A. Vacancies on the task force shall be filled by the original appointing authority and in the manner of the original appointments.

Article III. Procedural Matters For Conducting Business.

Section 1. General Considerations.

A. A majority of the members of the task force shall constitute a Quorum.

B. A majority vote of those members present shall be required for any action of the task force.

C. The Iowa Department of Public Health and the Department of Human Services shall cooperate in providing staffing for the task force.