

Multiple Agency Fiscal Note Summary

Bill Number: 5026SB

Title: Prescription discount prgrm

Estimated Cash Receipts

Agency Name	2001-03		2003-05		2005-07	
	GF-State	Total	GF-State	Total	GF-State	Total
Washington State Health Care Authority	Indeterminate					
Department of Veterans Affairs	Indeterminate					
Total:	\$0	\$0	\$0	\$0	\$0	\$0

Local Gov. Courts*						
Local Gov. Other**						
Local Gov. Total						

Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Community, Trade, and Economic Development	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	Indeterminate								
Department of Labor and Industries	.0	0	879,624	.0	0	507,248	.0	0	507,248
Department of Social and Health Services	Fiscal note not available								
Department of Health	Indeterminate								
Department of Veterans Affairs	Indeterminate								
Department of Corrections	Indeterminate								
Superintendent of Public Instruction	Indeterminate								
Total:	.0	\$0	\$879,624	.0	\$0	\$507,248	.0	\$0	\$507,248

Local Gov. Courts*									
Local Gov. Other**									
Local Gov. Total									

Prepared by: Gina Terry, OFM

Phone:
360-902-0579

Date Published:
Preliminary 2/5/2001

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

IndividualStateAgencyFiscalNote

BillNumber: 5026SB	Title: Prescriptiondiscountprgrm	Agency: 103-Community,Trade&EconomicDevelop
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PartI:Estimates

☒ NoFiscalImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☐ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 01/19/2001
AgencyPreparation: NancyHanna	Phone: 360-725-2856	Date: 01/08/2001
AgencyApproval: MinaApacible	Phone: 360-725-2910	Date: 01/08/2001
OFMReview: RobinCampbell	Phone: 360-902-0575	Date: 01/09/2001

Part II: Narrative Explanation

II.A- Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

SB 5026 would create a purchasing prescription drug discount program and has no fiscal impact on the Department of Community, Trade and Economic Development.

II.B- Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumption translates into estimates. Distinguish between one-time and ongoing functions.

II.C- Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumption translates into cost estimates. Distinguish between one-time and ongoing functions.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

IndividualStateAgencyFiscalNote

BillNumber: 5026SB	Title: Prescriptiondiscountprgrm	Agency: 107-WashStateHealth CareAuthority
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PartI:Estimates

☐ NoFiscalImpact

EstimatedCashReceiptsto:

IndeterminateImpact

EstimatedExpendituresfrom:

IndeterminateImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☒ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☒ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 01/19/2001
AgencyPreparation: LeslieLynam	Phone: 923-2748	Date: 01/05/2001
AgencyApproval: BeauBergeron	Phone: (360)923-2827	Date: 01/24/2001
OFMReview: GinaTerry	Phone: 360-902-0579	Date: 02/05/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

Seeattached

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropriatedetailoftherevenuesources.Brieflydescribethefactualbasisoftheassumptionsandthemethodbywhichthe cashreceiptsimpactisderived.Explainhowworkloadassumptionstranslateintoestimates.Distinguishbetweenonetimeandongoingfunctions.

Seeattached

II.C-Expenditures

Brieflydescribetheagencyexpendituresnecessarytoimplementthislegislation(orsavingsresultingfromthislegislation),identifyingbysection numbertheprovisionsofthelegislationthatresultintheexpenditures(orsavings).Brieflydescribethefactualbasisoftheassumptionsandthe methodbywhichtheexpenditureimpactisderived.Explainhowworkloadassumptionstranslateintocostestimates.Distinguishbetweenonetime andongoingfunctions.

Seeattached

PartIII:ExpenditureDetail

PartIV:CapitalBudgetImpact

PartV:NewRuleMakingRequired

Identifyprovisionsofthemeasurethatrequiretheagencytoadoptnewadministrativerulesorrepeal/reviseseexistingrules.

Seeattached

HCA Fiscal Note

Bill Number: SB 5026

HCA Request #:01-03

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

The bill requires HCA to implement a program by July 1, 2002 that will:

- Aggregate the purchase of prescription drugs for all prescription drug programs in the state. After July 2, 2002 state agency prescription drug programs are prohibited from purchasing or providing reimbursement for prescription drugs from a supplier that doesn't have a discount agreement with the HCA aggregate purchasing program created by this bill.
- Negotiate price discounts on prescription drugs.
- Make the price discounts available to any person who is: a Washington resident; 55 years old or older, or 19-54 who is eligible for Medicare; and does not qualify for other prescription drug benefits.

II. B – Cash Receipts Impact

Indeterminate (see below under key assumptions, impact to PEBB and BH managed care plans).

II. C - Expenditures

Summary of impact

HCA will create a Drug Purchasing program to perform the aggregate purchasing and discount administration required by this bill. This program will consist of six staff and a contracted pharmacy benefits manager (PBM). There will be a study of how state agencies currently purchase prescription drugs prior to contracting with the PBM. AG services are built in the first year to get the PBM contract in place. A Pharmacy and Therapeutics Advisory Committee will be established to review the program's formulary and purchasing practices.

The overall impact of this bill to the HCA is indeterminate, because the impact to expenditures and cash receipts for BH and PEBB managed care plans is indeterminate. Other impacts that can be estimated are provided in this fiscal note.

Key Assumptions & Caveats

- Various state programs have individually worked to reduce their prescription drug expenditures by obtaining price discounts for bulk purchases and negotiating for rebates from pharmaceutical manufacturers. Some state agencies benefit from federally negotiated rebates or contracts with pharmaceutical manufacturers. While this bill is intended to reduce prescription drug spending for Washington state agencies overall, it may not result in a net cost savings for each individual agency participating in the program.
- For purposes of this fiscal note, it is assumed that individual agencies that currently purchase prescription drugs will continue to maintain separate budgets for the purchase of prescription drugs under the aggregate program. If HCA were to be responsible for all prescription drug expenditures, there could be unintended consequences including the potential loss of Federal Medicaid funds.

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- For purposes of this fiscal note, it is assumed that additional HCA expenditures include administrative costs for purchasing drugs on behalf of other agencies. These costs are shown to the General Fund State account.
- Implementation of this bill will require separating the pharmacy benefit from the medical benefits included in the PEBB and BH managed care plans. Plans may incur additional costs to coordinate medical care with prescription drug use outside the plan. Plan staff have indicated this may make the plans less willing to continue their current scope of contracts with HCA, resulting in either reduced service area coverage or complete withdrawal. A change in plan mix and coverage will likely change total and state share of PEBB and BH benefit costs, but it is not possible to accurately predict this impact. Therefore, the cost impact to the PEBB and BH managed care plans is indeterminate.

Background

The cost of prescription drugs is a large cost driver for state health care programs. For people not covered by state or federal programs, or other insurance, high drug costs may limit their access to medications.

The state, as a major purchaser of prescription drugs, is also realizing higher costs due to the increasing rate of growth in prescription drug expenses. In fiscal year (FY) 1999, Washington State agencies spent approximately \$520 million on prescription drugs. Purchases made through Department of Social and Health Services (DSHS) Medical Assistance Administration (MAA) and the Health Care Authority (HCA) represent over 90% of state agency spending on prescription drugs. Several Washington state agencies experienced increases in prescription drug expenditures well above the national average of 15%. HCA's Uniform Medical Plan (UMP) experienced a 26% increase in prescription drug expenditure over 1998 and MAA experienced an increase of approximately 23% in FY 1999. A 2000 study by William Mercer Inc found that nationally, the portion of total medical plan cost attributable to prescription drugs is climbing. In 1995, prescription drug benefit cost represented 9 percent of PPO and HMO plan costs. In 1999 those figures rose to 13 percent and 15 percent respectively.

What State Agencies Currently Do to purchase prescription drugs

State agencies currently purchase and acquire prescription drugs using two discrete methods:

- 1) Bulk purchasing - agencies purchase prescription drugs directly from pharmaceutical manufacturers or wholesalers. Agencies then distribute the prescription drugs to their program members via in-house pharmacies, clinics, or other health care providers. Agencies that purchase in bulk also incur administrative costs associated with the following services: formulary development and maintenance; negotiation of price discounts with pharmaceutical manufacturers or wholesalers; storage and handling of the prescription drugs; distribution of the prescription drugs to program enrollees; and maintenance of proper documentation required by state and federal law.

The following agencies use bulk purchasing to acquire prescription drugs; Department of Corrections; Department of Social Health Services, Juvenile Rehabilitation Administration, Developmentally Disabled, and Mental Health Division; Department of Veterans Affairs; Department of Health Immunization program; and State Medical Centers.

- 2) Reimbursement Method - The agency does not directly purchase or acquire prescription drugs from pharmaceutical manufacturers or wholesalers. Prescription drugs are distributed to program enrollees via a retail or mail service pharmacy. The agency then reimburses the

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pharmacy for prescriptions dispensed to program members pursuant to plan design and the actual prescription drug dispensed. It is up to the individual pharmacy (mail and retail) to purchase and acquire prescription drugs at the best price they can negotiate from manufacturers or wholesalers.

There are several methods by which state agencies purchase prescription drugs using the reimbursement method, these include the negotiation of fee-for-service agreements with individual pharmacies; the use of an independent pharmacy benefit manager (PBM), or through contracted health plans which provide medical and pharmacy benefits. The following agencies purchase prescription drugs using at least one form of the reimbursement method: Department of Health AIDS Prescription Drug Program; Labor & Industries worker's and victim's compensation programs; Health Care Authority, Uniform Medical Plan, Basic Health Plan, and PEBB Managed Care Contracts; and the Department of Social and Health Services, Medical Assistance Administration.

Agencies that use a fee-for-service model include DSHS and L&I. The agencies adjudicate and process prescription drug claims through state-owned and operated processing systems or contracted claims processing systems. Retail pharmacies are directly reimbursed by the agency for covered prescription drugs dispensed to program enrollees. The fee for service model generally does not include a mail service pharmacy option. Individual pharmacies are responsible for negotiating purchase prices from manufacturers and wholesalers. Agencies that use a fee-for-service method of prescription drug purchasing typically provide the following services in house although some services may be contracted out: formulary management, drug utilization management, first level appeals, first level prior authorization, formation and management of network pharmacies, and negotiation of rebates with pharmaceutical manufacturers.

Agencies that use a PBM to purchase prescription drugs include the HCA Uniform Medical Plan and the DOH AIDS Prescription Drug Program. Typically these agencies pay a per claim administration fee for services including but not limited to processing and adjudication of prescription drug claims, formulary management, drug utilization management, first level appeals, first level prior authorization, formation and management of network pharmacies including a mail service option, and negotiation of rebates with pharmaceutical manufacturers. The PBM reimburses the pharmacy on behalf of the agency for prescription drugs dispensed to program enrollees then the PBM bills the agency for that sum. The burden of negotiating the purchase price of prescription drugs is still up to the retail and mail services pharmacies.

Agencies that have contracted health plans generally pay a predetermined fixed sum to the health plan to provide medical and pharmacy benefits. Health plans use a variety of purchasing approaches including volume discounts and/or contracts with manufacturers. Many health plans also contract with a PBM to provide the services listed above and to administer the pharmacy benefit to program enrollees at no additional cost to the agency.

HCA queried several state agencies about their current prescription drug purchasing programs' estimated expenditures for the 01-03 biennium, and how implementation of this legislation might affect their programs and costs. Their responses are attached to this fiscal note in two matrices, one file with cost data entitled "Agency Matrix: Selected State Agency Drug Expenditures" and another file with narrative data entitled "SB 5026 Narrative Matrix". The matrices are a brief explanation of current prescription drug purchasing methods and projected future expenditures. These documents are not a thorough evaluation of the purchasing methodology of the agencies and a complete projection of future expenditures.

HCA's Current Programs

HCA programs for purchasing prescription drugs and benefit management with prescription drug expenditures include managed care plans under risk bearing contracts to the Basic Health Plan and the Public Employees Benefits Board (PEBB) to provide medical and pharmacy benefits; and the Uniform Medical Plan, which is the PEBB self funded preferred provider organization.

In the contracted managed care plans (MCPs), the pharmacy benefit is administered by the health plan. Estimated expenditures for benefit expenses for prescription drugs are displayed in the attached matrix with quantitative data entitled, "Agency Matrix-Selected State Agency Drug Expenditures". These estimates are based on plan data for 1999 prescription drugs experience and are inflated for expected 01-03 biennium trend.

UMP uses a Pharmacy Benefit Manager (PBM) for purchasing prescription drugs for its members. The services provided by the PBM to UMP include but are not limited to:

- Formation and management of a pharmacy network including approximately 1100 pharmacies in Washington state in addition to a national pharmacy network and a mail service pharmacy
- Negotiation of reimbursement rates for the pharmacy network. Retail pharmacies receive the lesser of usual and customary (U&C), average wholesale price (AWP) minus 13%, or maximum allowable cost, plus an average dispensing fee of \$2.50 for generic drugs and the lesser of U&C or AWP minus 13%, plus an average dispensing fee of \$2.00 for brand name drugs. The mail service pharmacy receives AWP minus 50% for generic drugs and AWP minus 21% for brand name drugs.
- claims processing, adjudication and payment
- prior authorization for use of restricted medication
- formulary management
- negotiation of rebates with pharmaceutical manufacturers
- drug utilization review (prospective and retrospective)
- 1st level member appeals; and
- delivery of mail service prescriptions

Examples of other State Agency Programs

Medicaid: Medicaid currently contracts with a claims administrator to process and adjudicate prescription drug claims. The contractor also provides programming to support the Medicaid point of sale system of claims adjudication and expedited prior authorization systems. Medicaid provides in house staff for other services such as claims payment, prior authorizations, pharmacy network management, rebate collections, and client services. Medicaid also contracts the services of a Drug Utilization and Education Council as required by federal law to perform drug utilization review and establish criteria for drugs that require prior authorization.

Labor & Industries: L&I recently purchased a system to do in-house processing and adjudication of prescription drug claims. L&I also provides in house staff for other services such as claims payment, prior authorizations, pharmacy network management, formulary management, benefit appeals, and client services.

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Potential Impact on Current State Programs

- The aggregation of prescription drug purchasing and distribution for state agencies is a major undertaking for the HCA. The HCA would incur administrative costs if this bill were enacted.
- Carving the pharmacy benefit out of the managed care plans may result in increased costs to the HCA, as health plans may not lower their rates by an amount equal to the cost of the prescription drugs after the carve out. The implementation of a carved out pharmacy benefit could potentially terminate current relations and jeopardize future relations with these health plans. The health plans have previously expressed reluctance in carving out the prescription drug benefits. Many plans are already very aggressive purchasers and successfully negotiate volume discounts. In the past there have been instances where HCA was not successful in exceeding the success exhibited by some plans. Contracting for the Basic Health pharmacy carve out with Express (1993-1994) demonstrated that some health plans like Group Health and Kaiser have been able to deliver the pharmacy coverage for less than HCA's separate program. However, if SB 5026 were to result in greater bargaining power and leverage for the state agencies with the PBM or drug manufacturers, state agencies may be in a better position to negotiate for savings.
- DSHS Medical Assistance may lose federally negotiated drug rebates and federal Medicaid matching funds on prescription drug expenditures unless a waiver from the Health Care Financing Administration is granted
- Other agencies may lose federal funding for their programs or rebates and price discounts negotiated with current suppliers, which may not be completely recaptured by the HCA negotiated discounts. Without evaluating the current purchasing practices of each agency and the regulations that govern agency programs, the magnitude of this impact is indeterminate.

What It Will Take For HCA to Act as Purchaser For State Agencies

The legislation sets July 1, 2002 as the deadline for the new program to be operational and prohibits state agencies from purchasing prescription drugs from suppliers that have not offered discounts to the aggregate program after July 2, 2002. Assuming the new law was to become effective by July 1, 2001, it may take more than a year for HCA to accomplish the large number of complex activities specified in this legislation. Implementation tasks and estimated timeframes include the following (some tasks can occur at the same time):

1. Writing and adopting WACs implementing the new program (approximately 12 months)
2. Evaluate current purchasing methods of state agencies to determine requirements to include in the RFP (minimum 3 months)
3. Procure an independent contractor (6 months)
4. Developing and managing a Washington state preferred drug list
5. Negotiating discounts and rebates with pharmaceutical manufacturers or wholesalers to begin July 2, 2002
6. A need for federal waivers from HCFA for state Medicaid agencies
7. A need for changes in the state RCW governing mandatory use contracts administered by General Administration that currently impact approximately 153 authorized users, many of whom are state agencies
8. Implementation of the program including coordination between independent contractors, state agencies, and suppliers; troubleshooting system failures; testing the system; and bringing all agencies online will take time (6 months) and there is the possibility that ,

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due to unique circumstances, some agencies would not be online by July 2, 2002, but would be phased in as the problems are resolved.

9. Development of the extended discount program to eligible Washington residents

HCA Financial Impacts

The HCA will oversee the consolidation of a bulk-purchasing contract for agencies that purchase prescription drugs in bulk. The HCA will also coordinate either in-house or through an independent contractor, centralization of claims processing for other agencies. This would include but not be limited to: creating and managing a pharmacy network, establishing and maintaining a preferred drug list, negotiating reimbursement rates with network pharmacies, and negotiating rebates with manufacturers.

For purposes of this fiscal note we estimated the cost of the PBM based on the cost of the HCA's current PBM for the Uniform Medical Plan (UMP). Because this bill would require the PBM to do more than the PBM for the UMP is currently doing, we increased the administration cost per claim by forty percent.

For the ongoing management of the aggregate prescription drug purchasing program and the extended program, the HCA anticipates an additional 6 FTEs are required to perform the duties described below.

Director of Pharmacy Services	1 FTE
Pharmacy Research Specialist	2 FTE
Contract Specialist	1 FTE
Pharmacy Technician	1 FTE
Administrative Assistant	1 FTE
Total	6 FTE

In addition, AG services would be needed the first year to negotiate the contract with the pharmacy benefits manager.

1. Clinical Functions
 - a. Development and maintenance of a preferred drug list
 - b. Provide administrative support to the pharmacy and therapeutics committee
 - c. Development of clinical guidelines and disease management programs for Washington state agencies
 - d. Perform drug utilization review
 - e. Promote the proper use of cost effective drug therapy in medical staff presentations, physician and pharmacy newsletters, and other promotional media
 - f. Propose and initiate specific projects to promote appropriate utilization of prescription drugs
2. Administrative Functions
 - a. Completing a study of current purchasing methods of state agencies to determine requirements for an outside contractor to include in the RFP (minimum 3 months). The study will determine the optimal configuration of an aggregate prescription drug purchasing program, its impact on the Medicaid contract drug program, the feasibility of aggregating prescription drug purchasing and distribution, the extent to which the program could be implemented in accordance with existing Federal law, and the

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- extent to which the program would not reduce the scope of benefits, or access to medically necessary medications for program participants.
- b. Recruiting members to serve on the pharmacy and therapeutics committee
 - c. Pharmacy network development
 - d. Negotiation of discounts and or rebates from pharmaceutical manufacturers or wholesalers
 - e. Coordination of agencies participating in the program
 - f. Maintain appropriate communications with bidder/contractor (for administrative functions the state contracts out), answer questions and resolve problems. Review the overall financial performance of contracted pharmacy services to determine cost effectiveness.
 - g. Provide commentary as to implications for pharmacy benefit policy or action among state agencies
3. Other Functions
- a. Propose and initiate specific projects to enhance understanding of pharmaceutical costs and benefits
 - b. Develop special management projects and committees as needed
4. Development of a program to extend prescription drug discounts to eligible Washington residents.
- a. This program would be an extension of the existing AWARDS program
 - b. All services would be contracted out to an independent entity for a nominal enrollment fee born by the member
 - c. Negotiated discounts from manufacturers could be passed on to the retail pharmacy

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

See above.

HCA Fiscal Note

Bill SB 5026	Title: Aggregate Purchasing of Prescription Drugs	HCA Request: 01-03
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DETERMINE COSTS ONLY

Cash Receipts			FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
001	GF-State	1						
001	GF-Federal	2						
001	GF-Local	7						
721	Other Appropriated	1						
721	Non Appropriated	6						
172	Basic Health Trust	6						
761	Basic Health Subscription	6						
438	UDP Benefits Administration	6						
439	UMP Benefits Administration	6						
New	Drug Purchasing	6						
Total			-	-	-	-	-	-

Expenditures			FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
721	PEBB Benefits Fund	6						
001	General Fund State	1	1,990,298	9,021,364	9,021,364	9,021,364	9,021,364	9,021,364
001	General Fund Federal	2						
760	Health Services Account	1						
172	Basic Health Trust	6						
761	Basic Health Subscription	6						
438	UDP Benefits Administration	6						
439	UMP Benefits Administration	6						
New	Drug Purchasing	6						
Total			1,990,298	9,021,364	9,021,364	9,021,364	9,021,364	9,021,364

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Bill SB 5026		Title: Aggregate Purchasing of Prescription Drugs				HCA Request: 01-03	
Objects		FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
A	Salaries & Wages	380,163	388,538	388,538	388,538	388,538	388,538
B	Employee Benefits	94,166	96,241	96,241	96,241	96,241	96,241
C	Personal Serv Contr	487,500					
E	Goods and Services	70,319	50,378	50,378	50,378	50,378	50,378
G	Travel	10,000	10,000	10,000	10,000	10,000	10,000
J	Capital Outlays	49,200	-	-			
M	Inter Agency Fund Transfers						
N	Grants, Benefits Services	898,950	8,476,207	8,476,207	8,476,207	8,476,207	8,476,207
P	Debt Service						
S	Interagency Reimbursement						
T	Intra-Agency Reimbursement						
Total		1,990,298	9,021,364	9,021,364	9,021,364	9,021,364	9,021,364
FTE	Job title	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
1.0	Pharmacy Director	1.0	1.0	1.0	1.0	1.0	1.0
2.0	Pharmcy Research Spec.	2.0	2.0	2.0	2.0	2.0	2.0
1.0	Admin.Asst. 3	1.0	1.0	1.0	1.0	1.0	1.0
1.0	Pharmacy Tech.	1.0	1.0	1.0	1.0	1.0	1.0
1.0	Med.Prog.Spec.2	1.0	1.0	1.0	1.0	1.0	1.0
Total		6.0	6.0	6.0	6.0	6.0	6.0

Programs		FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
010	Program Support						
020	Basic Health						
030	Community Health Services						
040	PEBB						
050	UMP						
060	Health Care Planning						
070	BH Benefits						
080	WSHIP						
New	Drug Purchasing	1,990,298	9,021,364	9,021,364	9,021,364	9,021,364	9,021,364
Total		1,990,298	9,021,364	9,021,364	9,021,364	9,021,364	9,021,364

HCA Fiscal Note

Bill SB 5026	Table 4, Summary of impacts	HCA Request: 01-03
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	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Program administration	1,091,348	545,157	545,157	545,157	545,157	545,157
PBM Contract	876,000	8,430,307	8,430,307	8,430,307	8,430,307	8,430,307
Pharmacy and Therapeutics Committee	22,950	45,900	45,900	45,900	45,900	45,900
RFQ Study	487,500					
Total	2,477,798	9,021,364	9,021,364	9,021,364	9,021,364	9,021,364

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Bill SB 5026	Title: Aggregate Purchasing of Prescription Drugs	HCA Request: 01-03
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SIX YEAR EXPENDITURE ESTIMATE FOR: Title: Aggregate Purchasing of Prescription Drugs										Six
Bill SB 5026										Year
HCA Request: 01-03	FY02	FY03	1st Biennium	FY04	FY05	2nd Biennium	FY06	FY07	3rd Biennium	Total
FTE	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Salaries	380,163	388,538	768,701	388,538	388,538	777,076	388,538	388,538	777,076	2,322,854
Benefits	94,166	96,241	190,407	96,241	96,241	192,482	96,241	96,241	192,482	575,371
Personal Service Contracts - Actuarial Svcs/Ins System Upgrade	487,500	0	487,500	0	0	0	0	0	0	487,500
Goods and Services	70,319	50,378	120,697	50,378	50,378	100,756	50,378	50,378	100,756	322,209
1. Supplies	3,282	3,282	6,564	3,282	3,282	6,564	3,282	3,282	6,564	19,692
2. Telephone	2,370	2,370	4,740	2,370	2,370	4,740	2,370	2,370	4,740	14,220
3. Facilities Mgmt. (EC, ED, & EK)	23,958	23,958	47,916	23,958	23,958	47,916	23,958	23,958	47,916	143,748
4. Printing / Copies	1,146	1,146	2,292	1,146	1,146	2,292	1,146	1,146	2,292	6,876
5. Employee Training	1,980	1,980	3,960	1,980	1,980	3,960	1,980	1,980	3,960	11,880
6. Personnel Service Charge	2,661	2,720	5,381	2,720	2,720	5,440	2,720	2,720	5,440	16,261
7. Data Processing Charges "EL"	14,922	14,922	29,844	14,922	14,922	29,844	14,922	14,922	29,844	89,532
8. Attorney General Revolving Fund "EM"	20,000	0	20,000	0	0	0	0	0	0	20,000
9. "Special " Data Processing	0	0	0	0	0	0	0	0	0	0
10. Misc Goods & Services "EZ"	0	0	0	0	0	0	0	0	0	0
11. Pharmacy & Therapeutics Committee	0	0	0	0	0	0	0	0	0	0
12. Education & Outreach costs	0	0	0	0	0	0	0	0	0	0
13. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
14. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
Travel	10,000	10,000	20,000	10,000	10,000	20,000	10,000	10,000	20,000	60,000
Equipment	49,200	0	49,200	0	0	0	0	0	0	49,200
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Total	1,091,348	545,157	1,636,505	545,157	545,157	1,090,314	545,157	545,157	1,090,314	3,817,134

100% 001-1 General Fund - State	1,091,348	545,157	1,636,505	545,157	545,157	1,090,314	545,157	545,157	1,090,314	3,817,133
418-1 St Health Care Authority Admin Acct	0	0	0	0	0	0	0	0	0	1
760-1 Health Services Acct	0	0	0	0	0	0	0	0	0	0
Total Funds	1,091,348	545,157	1,636,505	545,157	545,157	1,090,314	545,157	545,157	1,090,314	3,817,134

	FY02	FY03	1st Bien.	FY04	FY05	2nd Bien.	FY06	FY07	3rd Bien.	6 Year Total
Non-appropriated			0			0			0	0
Non-appropriated			0			0			0	0
Total Non-appropriated funds	0	0	0	0	0	0	0	0	0	0

HCA Fiscal Note

PBM Contract

Start-Up Costs (8)

Ongoing Administration (2)

Annual Mailing (HCA subscribers only)

Total

FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
626,000					
	8,180,307	8,180,307	8,180,307	8,180,307	8,180,307
<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
876,000	8,430,307	8,430,307	8,430,307	8,430,307	8,430,307

Notes:

(1) Estimated drug expenditures: As reported on matrix (attached) for FY 02; excludes bulk purchases

(2) For this estimated drug expenditures are divided by UMP estimated drug expenditure per claim to approximate total claims for matrix agencies.

Claims are multiplied by UMP current admin rate of \$0.45 per claim (\$.32 current cost plus an estimated 40% or higher for negotiating rebates). The \$.45 per claim typically covers services such as claims processing adjudication, formulary mgmt, customer service, drug utilization review, prior authorization, and pharmacy network mgmt (ie. negotiating reimbursement)

(3) Estimated UMP Claims (FY number is assumed to approximate CY claims; claim amt of 900,000 for CY 99 is inflated 20% per year for FY 02 and 03)

(4) UMP current estimated drug expenditures.

(5) Estimated claims per year for agencies (ie. agencies' estimated drug expenditure/UMP estimated drug expenditure/claim):

6) Since agencies already pay the drug costs, the incremental cost is the admin fees and these would be netted against what the agencies would no longer incur as admin costs.

(7) Drug costs for PEBB MCOs and BH are essentially an estimate for what is built into the premium paid to plans. Carving that drug piece out of the MCO plans and assigning it to the proposed aggregated drug program does not necessarily mean the MCOs would reduce medical premiums. The PEBB MCOs have been reluctant to agree to a drug "carve out" in the past; one argument they make is that their overall Health Care costs may increase if they lose control of managing the pharmacy utilization. If there is a "drug carve out" it should not be assumed that MCOs would necessarily stay in the PEBB program or, if they did stay, that the premiums they charge would be less because the drug piece was shifted to another state contractor, the pharmacy benefit manager. Many plans are very aggressive purchasers and successfully negotiate volume discounts. Previous experience contracting for Basic Health pharmacy carve out with Express Scripts (in 1993-1994) demonstrated that some health plans like Group Health and Kaiser were able to deliver the pharmacy coverage for less than

8) Estimates based on L&I experience

9) Annual mailing cost for HCA \$1 per subscriber for an estimated 150,000 BH subscribers and 100,000 PEBB subscribers.

729,325,954	840,208,377	840,208,377	840,208,377	840,208,377	840,208,377
1,296,000	1,555,200	1,555,200	1,555,200	1,555,200	1,555,200
46.22	46.22	46.22	46.22	46.22	46.22
	18,178,459	18,178,459	18,178,459	18,178,459	18,178,459
250,000	250,000	250,000	250,000	250,000	250,000

1/22/01 LL HCA FN SB 5026

HCA Fiscal Note

Pharmacy and Therapeutics Committee

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Consultant Fees (1)	16,200	32,400	32,400	32,400	32,400	32,400
Mileage, lodging and dinner (2)	6,750	13,500	13,500	13,500	13,500	13,500
Total	22,950	45,900	45,900	45,900	45,900	45,900

Notes:

- (1) \$150 per hour for 9 members for 6 meeting per year for 4 hours
- (2) Mileage, lodging, and dinner at \$250 per member per meeting
- (3) Assume first year costs are 1/2 of average annual in future years.

draft 1/20/01 LL

IndividualStateAgencyFiscalNote

BillNumber: 5026SB	Title: Prescriptiondiscountprgrm	Agency: 235-DepartmentofLabor andIndustries
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PartI:Estimates

☐ NoFiscalImpact

EstimatedCashReceiptsto:

Fund					
Total					

EstimatedExpendituresfrom:

	FY2002	FY2003	2001-03	2003-05	2005-07
Fund					
PublicSafetyandEducation Account-State 02V-1	54,400	21,904	76,304	43,808	43,808
MedicalAidAccount-State 609-1	571,600	231,720	803,320	463,440	463,440
Total	\$626,000	\$253,624	\$879,624	\$507,248	\$507,248

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☒ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☒ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 01/19/2001
AgencyPreparation: TomDavis	Phone: 360-902-6687	Date: 01/05/2001
AgencyApproval: DougConnell	Phone: 360-902-4209	Date: 01/17/2001
OFMReview: LesMyhre	Phone: 360-902-0614	Date: 01/18/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

Section4ofSB5026givestheHealthCareAuthority(HCA)authoritytocontracttoimplementtheaggregateprescriptiondrug discountprogram.AssumingtheHCAwouldcontinuetcontractwithitscurrentpharmacybenefitmanager(PBM)tomanagethe program,thedepartmentwouldhavetoestablishacontractwiththesamePBMtocomplywiththeprovisionsofthesection.

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropriatehethedetailoftherevenuesources.Brieflydescribethefactualbasisoftheassumptionsandthemethodbywhichthe cashreceiptsimpactisderived.Explainhowworkloadassumptionstranslateintoestimates.Distinguishbetweenonetimeandongoingfunctions.

II.C-Expenditures

Brieflydescribetheagencyexpendituresnecessarytoimplementthislegislation(orsavingsresultingfromthislegislation),identifyingbysection numbertheprovisionsofthelegislationthathresultintheexpenditures(orsavings).Brieflydescribethefactualbasisoftheassumptionsandthe methodbywhichtheexpenditureimpactisderived.Explainhowworkloadassumptionstranslateintocostestimates.Distinguishbetweenonetime andongoingfunctions.

Weassumethatpharmaciesareconsideredwholesalersforthepurposesofthisbillandthatwewouldcontractwiththesamepharmacy benefitsmanagerthatusedbytheHealthCareAuthority.

Todevelopandimplementacontractedpharmacysystemwithapharmacybenefitsmanager(basedoncontractdatagatheredto conductthepharmacypoint-of-servicesystemfeasibilitystudy),thecostareasfollows:

One-timeCosts(infirstyearonly):

Externalcontractordevelopment-\$380,000-basedon1997-1998OregonandOhiosystemscontractsplus2%inflation
ContractedMedicalInformationProviderSystem(MIPS)computerprogramming1060hours@\$85/hour-\$90,100
ContractedMIPS/LaborandIndustriesIndustrialInsuranceSystem(LINIIS)interfacecomputerprogramming1,100hours@\$85/hour -93,500
PublishingCosts-ProviderBulletin-\$8,000
TotalOne-timeCosts-\$571,600

AnnualOngoingCosts(FY2003-2007):

Annualmaintenancecostsofcontractedpharmacysystem(basedonHealthCareAuthority'sexistingcontract)
ContractedPrescriptionprocessing-426,000annualprescriptions@\$.32=\$136,320(basedonFY2000prescriptiondata)
ContractedDrugUtilizationReviewProgramcosts-\$75,000
InternalInformationServicescomputersupport-(Interfaceupdateandmaintenanceduetochangingrequirementsandadditionaldrug databasedoncontractorestimate)\$20,400
TotalAnnualOngoingCosts-\$231,720

CrimeVictimsCompensationProgram

One-timeCosts(infirstyearonly):

ContractedMedicalInformationProviderSystem,CrimeVictims(MIPSC)computerprogramming320hours@\$85/hour=\$27,200
ContractedMIPSC/LaborandIndustriesIndustrialInsuranceSystem(LINIIS)interfacecomputerprogramming320hours@\$85/hour- \$27,200
TotalOne-timeCosts-\$54,400

OngoingCosts(FY2003-2007):

ContractedPrescriptionprocessing-4,700annualprescriptions@\$.32=\$1,504(basedonFY2000prescriptiondata)
InternalInformationServicescomputersupportMIPSC-(Interfaceupdateandmaintenanceduetochangingrequirementsand additionaldrugdatabasedoncontractorestimate)\$20,400
TotalAnnualOngoingCosts-\$21,904

PartIII:ExpenditureDetail

III.A-ExpendituresByObjectOrPurpose

	FY2002	FY2003	2001-03	2003-05	2005-07
FTEStaffYears					
A-Salaries&Wages					
B-EmployeeBenefits					
C-PersonalServContr					
E-GoodsandServices	626,000	253,624	879,624	507,248	507,248
G-Travel					
J-CapitalOutlays					
M-InterAgencyFundTransfers					
N-Grants,BenefitsServices					
P-DebtService					
S-InteragencyReimburesement					
T-Intra-AgencyReimbursement					
Total:	\$626,000	\$253,624	\$879,624	\$507,248	\$507,248

III.C-ExpendituresByProgram(optional)

Program					
Total					

PartIV:CapitalBudgetImpact

PartV:NewRuleMakingRequired

Identifyprovisionsofthemeasurethatrequiretheagencytoadoptnewadministrativerulesorrepeal/reviseexistingrules.

AnewdrugpurchasingprogramthatpaysanyoneotherthanpharmacieswouldrequireachangetotheWACsthatexplainhowthe departmentistobebilledforprescriptiondrugs.

IndividualStateAgencyFiscalNote

BillNumber: 5026SB	Title: Prescriptiondiscountprgrm	Agency: 303-DepartmentofHealth
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PartI:Estimates

☐ NoFiscalImpact

EstimatedCashReceiptsto:

Fund					
Total					

EstimatedExpendituresfrom:

IndeterminateImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☒ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 01/19/2001
AgencyPreparation: DannyHoward	Phone: (360)236-4625	Date: 01/19/2001
AgencyApproval: FayeOlson	Phone: (360)236-4530	Date: 01/19/2001
OFMReview: GinaTerry	Phone: 360-902-0579	Date: 01/22/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

ByJuly1,2002theHealthCareAuthority(HCA)mustimplementaprogramtoaggregatethepurchaseofprescriptiondrugsforstate programsthatpurchaseorreimburseforprescriptiondrugs.ThebillauthorizesHCAtocontractwithanoutsidemanagertoadminister theprogram.HCAormanagemustnegotiatepricediscountsonprescriptiondrugswithsuppliers.AfterJuly2,2002stateagencies maynotpurchaseorprovidereimbursementforasupplierthathasnotsignedanagreementwiththeprogram.Thisbillalsomakesthe negotiatedpricediscountavailabletoWashingtonresidentswhoareineligibleforMedicaidprescriptionbenefits,areineligibleforor notreceivingaprescriptiondrugbenefitunderaMedicaresupplementalpolicyoranyotherthird-partypayerbenefit,oris55yearsold, oranindividualwhoiseligibleforfederalold-agesurvivorsanddisabilityinsurancebenefitsandisbetweentheagesof19and54.

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropriate,thedetailoftherevenuesources.Brieflydescribethefactualbasisoftheassumptionsandthemethodbywhichthe cashreceiptsimpactisderived.Explainhowworkloadassumptionstranslateintoestimates.Distinguishbetweenonetimeandongoingfunctions.

II.C-Expenditures

Brieflydescribetheagencyexpendituresnecessarytoimplementthislegislation(orsavingsresultingfromthislegislation),identifyingbysection numbertheprovisionsofthelegislationthatresultintheexpenditures(orsavings).Brieflydescribethefactualbasisoftheassumptionsandthe methodbywhichtheexpenditureimpactisderived.Explainhowworkloadassumptionstranslateintocostestimates.Distinguishbetweenonetime andongoingfunctions.

TheDepartmentofHealthcannotdeterminethefiscalimpactofthislegislationduetothe following:

- (1)TheAIDSPrescriptionDrugProgram(APDP)currentlyreimbursesretailpharmaciesatalowerratethanMedicaidandatprices comparabletoUMP'sMerck-Medcopharmacybenefitsplan.Itisnotpossibletoestimatehowthenegotiateddiscountsunderthisbill wouldcomparewiththeAPDP'scurrentreimbursementlevels.Ifthenegotiatedpricesunderthisnewprogramwerelowerthanwhat wecurrentlypay,thentheAPDPprogramwouldexperiencecostsavings.Conversely,ifthenewprogram'snegotiatedpriceswere higherthanourcurrentprices,pharmaciesmightnothonorAPDP'scurrentprices.APDPcouldexperienceacostincrease,orthe programcouldexperience nochangeif thepharmacieshonorthelowercosts.
- (2)APDPalsocurrentlyreceivesdrugrebates.APDPispartofaveryfavorablenationalAIDSdrugrebatecontractnegotiatedbythe federalgovernmentwiththemanufacturersofAIDSmedications.Manufacturersandsupplierscouldmaketheirparticipationinthis newprogramconditionalonWashingtonstatewithdrawingfromthenationalAIDSdrugrebateprogram.Itisnotpossibletoestimate howthenegotiatedrebatesunderthisbillwouldcomparewiththeAPDP'scurrentrebatelevels.Iftherebatesunderthisnewprogram werelowerthanwhatwecurrentlyreceive,thentheAPDPprogramwouldexperiencecostsavings.Conversely,ifthenewprogram's rebateswerehigherthanthe currentrebatelevels,APDPcouldexperienceacostincrease;ortheprogramcouldexperience nochangeif therebatesremainatthesamelevel.
- (3)APDPreimbursesretailpharmacistsforfixedcopaysafterthepharmacistasbilledtheclient'sprimaryinsurancecarrier.Itisnot clearwhatimpacts thisbillmayhaveonourreimbursementwhenwepaycopaysassecondarypayertoprimariesinsurancecoverage.
- (4)Theadministrativeexpensetonegotiateddiscountsareanegligiblepartofoverallenrollment,outreachandreportingcosts. ChangingthecontractingagencyresponsibleforpriceandrebatesasrequiredinthisbillwillhavenosavingsforAPDPsince the departmentwouldbeusingthesameinternalprocessforworkingwithHCAaswecurrentlydowithmanufacturers.

AlsoattachedisamatrixthatdisplaysmoredetailinformationaboutthecurrentpracticesinAPDPfortheareasdiscussedabove.

PartIII:ExpenditureDetail

PartIV:CapitalBudgetImpact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

SB 5026 Prescription Drug Purchasing By State Agencies

Contact Person: Raleigh Watts

Phone: (360) 236-3477

Agency: Department of Health

Program name & description	01-03 Biennium Cost (Governor's budget, Total funds)						Comments:
	FY 02			FY 03			
	FTE's	Admin Expenditures	Benefits Expenditures	FTEs	Admin Expenditures	Benefits Expenditures	
Department of Health AIDS Prescription Drug Program. APDP is a reimbursement program that pays pharmacy and health care costs for persons with HIV not on Medicaid. Approximately 75% of APDP's expenses are supported by federal funds from the Ryan White CARE Act.		FTE and admin expenses negotiating discounts are a negligible part of overall enrollment, outreach, and reporting costs.	Gross expenses: \$6,458,736 Less anticipated rebates: \$645,900		FTE and admin expenses negotiating discounts are a negligible part of overall enrollment, outreach, and reporting costs	Gross expenses: \$6,960,132 Less anticipated rebates: \$696,000	<p>APDP currently relies on a variety of cost containment strategies.:</p> <p>Price discounts: APDP already reimburses retail pharmacies at a significant discount (12.5% discount from average wholesale price). Our discounts for public distribution sites are 30% It is not clear how SB 5026 would impact the existing price discounts APDP has negotiated with distributors.</p> <p>Rebates: Currently, APDP is part of a very favorable national AIDS drug rebate contract negotiated by the federal government with the manufacturers of AIDS medications. Rebates with some manufacturers exceed 20%. It is not clear how SB 5026 would impact APDP's rebate revenue.</p> <p>Insurance: For the majority of its 2,000 clients, APDP reimburses copays and deductibles for clients who have private health insurance. This cost-saving measure helps clients maintain comprehensive health coverage through WSHIP or other insurance. It is not clear how SB 5026 would impact our pharmacy reimbursement costs when we are only paying a portion of the cost of a client's drugs.</p> <p>Retail pharmacy distribution: APDP clients pick up medications at retail pharmacies. Pharmacists play an important role in helping APDP clients understand and adhere to complex medications. It is not clear how SB 5026 would impact the retail pharmacy businesses in Washington and their role in assuring high quality HIV care.</p> <p>Changing the contracting agency responsible for price and rebates as outlined in SB 5026 will have no FTE savings for DOH since the department would be using the same internal process for working with HCA as we currently do with manufacturers.</p>

IndividualStateAgencyFiscalNote

BillNumber: 5026SB	Title: Prescriptiondiscountprgrm	Agency: 305-Departmentof VeteransAffairs
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PartI:Estimates

☐ NoFiscalImpact

EstimatedCashReceiptsto:

IndeterminateImpact

EstimatedExpendituresfrom:

IndeterminateImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☒ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 01/19/2001
AgencyPreparation: KennethMalmin	Phone: 360-725-2165	Date: 01/26/2001
AgencyApproval: KennethMalmin	Phone: 360-725-2165	Date: 01/29/2001
OFMReview: TomLineham	Phone: 360-902-0543	Date: 01/30/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

ThismeasurewillhaveadirecteffectontheHealthServicesubprogramsadministeredinProgram035(Institutions)attheveterans homesoperatedbytheDepartmentofVeteransAffairs(WDVA).Themeasurewillendaprescriptiondrugpurchasesharingagreement withtheFederalVAwhichhasprovideddrugsatcostslowerthanstatemandatorycontracts,andmayendangerMedicaidDrug (pharmacy)expenditurereimbursementsreceivedfromtheFederalDepartmentofHealthandHumanServices(HHS)byWDVA throughtheDepartmentofSocialandHealthServices/MedicalAssistanceAdministration(DSHS/MAA)program.

ThemeasureaddressesWDVAdirectlyinSection2paragraph(2)andalsoaccuratelyportraysthemedicalandhealthcareproducts purchasedandreimbursedbyWDVAwithbothstateandfederalfundsthroughaprescriptiondrugprogramexactlyasdetailedin Section2,paragraph(14).

The directe ffect on program 035 would begin on or after July 2, 2002 because Section 4 paragraph (1) states that after 7-2-02 neither the Aggregate Purchasing Prescription Drug Discount Program (APPDDP) or any prescription drug program in this state shall purchase or provide reimbursement for prescription drugs from a supplier that has not reached a discount agreement with the APPDDP. The Federal VA does not enter into drug purchasing sharing agreements with non-VA entities.

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropria ted detail of therevenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumption translate into estimates. Distinguish between one time and ongoing functions.

The legislation does not assume any cash receipts impact on any agency other than the lead agency, the Health Care Authority (HCA). It does not assume that any agencies may qualify for federal discount drug purchasing programs not available to other public agencies and it does not assume knowledge of drug rebates and Medicaid matching money processed by DSHS/MAA from the U.S. Department of Health and Human Services (HHS). By omitting these elements, the legislation puts into jeopardy drug rebates and Medicaid matching funds received by WDV A through DSHS/MAA.

Section 4 paragraph (1) states that after 7-2-02 neither the Aggregate Purchasing Prescription Drug Discount Program (APPDDP) or any prescription drug program in this state shall purchase or provide reimbursement for prescription drugs from a supplier that has not reached a discount agreement with the APPDDP.

DSHS/MAA is the single agency in Washington State that processes payments from HHS. Payments processed by WDV A program 035 Institutions through DSHS/MAA totaled \$689,560.00 in FY99-00 and are estimated to total \$573,621.00 in FY00-01. The revenue models submitted in the Governor's Recast Budget include revenue/cash receipts of \$981,287.00 from HHS for FY01-03. If SB5026 affects the process, WDV A cash receipts would be affected. The dollar level effect on agency revenues cannot be accurately determined based on the information provided, but could range as high as \$490,643.00 in fiscal year 02-03 if all reimbursements are lost.

The legislation does not identify any substitute revenue sources for WDV A to replace the lost dollars.

II.C-Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumption translate into cost estimates. Distinguish between one time and ongoing functions.

Section 4 paragraph (1) states that after 7-2-02 neither the Aggregate Purchasing Prescription Drug Discount Program (APPDDP) or any prescription drug program in this state shall purchase or provide reimbursement for prescription drugs from a supplier that has not reached a discount agreement with the APPDDP.

WDV A entered into a pharmaceutical purchasing sharing agreement with the Federal VA on September 1, 2000 because the prices they offered were less than those billed under the mandatory use contract. SB5026 requires mandatory participation by WDV A beginning 7-2-02 and would end the ability of WDV A to make purchases through this Federal VA Supply Schedule System.

In 1999 WDV A studied prescription drug costs incurred by the Washington Soldiers home in the years 1998 and 1999. It focused on

thetop25prescriptiondrug(types)dispensedtoresidents,onacost-per-unitbasis.Thestudyconcludedthatthepriceschargedfor thosetop25drugsurchasedthroughtheMinnesotaMultistateContractingAllianceforPharmacy(MMCAP)(theBindleyWestern DrugCo.mandatorycontract)wouldbe38%higherthanthepriceschargedbytheprevious(priorto5/1/99)mandatorycontractholder. Asummaryoftheworksheetstudyisincludedasanattachment.

Afterresearchandnegotiation,WDVAlocatedavendorwhocouldprovidethosetop25drugsatacost-per-unitthatwaslessthanthe BindleyWesterncontract.WithapprovalWDVAenteredanagreementtopurchasedrugsthroughtheFederalVASupplySchedule SystemandAmeriSourceCo.inthelatterpartofSeptember2000.Dataisstillbeingcollectedregardingtheresultsofthechange-over. WebelievethatourabilitytodiversifyyourdrugpurchasesoffersthebestopportunityforWDVAtolimitthe38%pricehikerevealed byourstudy.

SB5026requiresmandatoryparticipationbyWDVAandwouldendourabilitytomakepurchasessthroughtheFederalVASupply ScheduleSystem.ItisimpossibletopredictwhatdrugpricesmaybenegotiatedbyHCA.Webelieve,throughourresearch,thatthose priceswouldbehigheerthanpriceswehavesecuredthroughourFederalVAagreement.Thesehigherpriceswouldresultinhigher expenditures.SinceitisunknownwhatpricescouldbenegotiatedbyHCA,theexactamountofelevatedexpenditurescannotbe determinedatthistime.

PartIII:ExpenditureDetail

PartIV:CapitalBudgetImpact

PartV:NewRuleMakingRequired

Identifyprovisionsofthemeasurethatrequiretheagencytoadoptnewadministrativerulesorrepeal/reviseexistingrules.

Rank	Item	Cost/Year	Dispensed		Contract Effective 5/1/91	Cost Difference	% Change	Estimated Cost Based on Past Year Volume
			Units in Past Year	Cost/Unit				
					New Cost/Unit			
1	OMEPRAZOLE 20MG	\$19,155.00	10081	\$1.90	\$3.20	\$1.30	68%	\$32,259.20
2	BLOOD SUGAR DIAG	\$18,921.00	28668	\$0.66	\$0.68	\$0.02	3%	\$19,494.24
3	SERTRALINE 50MG	\$9,398.00	7429	\$1.27	\$1.80	\$0.53	42%	\$13,372.20
4	TICLOPIDINE 250MG	\$8,267.00	3337	\$2.48	\$1.57	-\$0.91	-37%	\$5,239.09
5	CIPROFLOXACIN 500MG	\$7,877.00	2557	\$3.08	\$3.33	\$0.25	8%	\$8,514.81
6	PAROXETINE 20MG	\$6,858.00	5621	\$1.22	\$1.84	\$0.62	51%	\$10,342.64
7	CEFTRIAZONE 1 G	\$6,587.00	302	\$21.81	\$34.36	\$12.55	58%	\$10,376.72
8	FAMOTIDINE 20MG	\$6,229.00	10047	\$0.62	\$1.42	\$0.80	129%	\$14,266.74
9	IPRATROPIUM NEB SOLN	\$5,878.00	347	\$16.94	\$16.44	-\$0.50	-3%	\$5,704.68
10	MUPIROCI 30G	\$5,489.00	298	\$18.42	\$27.25	\$8.83	48%	\$8,120.50
11	LANSOPRAZOLE 30MG	\$5,297.00	1796	\$2.95	\$2.97	\$0.02	1%	\$5,334.12
12	DICLOFENAC/MISOPROS 50*	\$4,254.00	5908	\$0.72	\$1.12	\$0.40	56%	\$6,616.96
13	AMLODIPINE 10MG	\$4,032.00	3476	\$1.16	\$1.55	\$0.39	34%	\$5,387.80
14	DIVALPROEX 250MG	\$3,497.00	5551	\$0.63	\$0.64	\$0.01	2%	\$3,552.64
15	CLOTIMAZOLE/BETAMETHASONE CF	\$3,499.00	168	\$20.83	\$40.30	\$19.47	93%	\$6,770.40
16	BECLMETHASONE INHALER	\$3,539.00	128	\$27.65	\$35.54	\$7.89	29%	\$4,549.12
17	AMOXICILLIN/CLAV ACID 500/125	\$3,325.00	1900	\$1.75	\$2.72	\$0.97	55%	\$5,168.00
18	ALBUTEROL NEB SOLN	\$3,048.00	445	\$6.85	\$6.64	-\$0.21	-3%	\$2,954.80
19	SIMVASTATIN 20MG	\$2,819.00	1740	\$1.62	\$2.92	\$1.30	80%	\$5,080.80
20	CEFUROXIME 500MG	\$2,777.00	578	\$4.80	\$5.62	\$0.82	17%	\$3,248.36
21	FLUOXETINE 20MG	\$2,480.00	1879	\$1.32	\$2.04	\$0.72	55%	\$3,833.16
22	TRIAMCINALONE INHALER	\$2,464.00	187	\$13.18	\$42.62	\$29.44	223%	\$7,969.94
23	PHENYTOIN ER 100MG	\$2,431.00	11000	\$0.22	\$0.15	-\$0.07	-32%	\$1,650.00
24	BUSPIRONE 10MG	\$2,248.00	3512	\$0.64	\$1.04	\$0.40	62%	\$3,652.48
25	INSULIN NPH	\$1,815.00	333	\$5.45	\$9.85	\$4.40	81%	\$3,280.05
TOTAL		\$142,184.00						\$196,739.45
								% Change
								38%

IndividualStateAgencyFiscalNote

BillNumber: 5026SB	Title: Prescriptiondiscountprgrm	Agency: 310-Departmentof Corrections
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PartI:Estimates

☐ NoFiscalImpact

EstimatedCashReceiptsto:

Fund					
Total					

EstimatedExpendituresfrom:

IndeterminateImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☐ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☒ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 01/19/2001
AgencyPreparation: KathySmith	Phone: 360-753-5256	Date: 01/05/2001
AgencyApproval: DonArlow	Phone: 360-586-6024	Date: 01/09/2001
OFMReview: RandiWarick	Phone: 360-902-0570	Date: 01/11/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

Section4requirestheHealthCareAuthoritytoimplementaprogramtoaggregatethepurchaseofprescriptiondrugsinorderto negotiatepricediscountsfromsuppliers.UnderSection2,theDepartmentwouldberequiredtoparticipateinthisprogram.

RCW43.19.190requirestheDepartmenttopurchaseprescriptiondrugsthroughcontractsadministeredbytheDepartmentofGeneral Administration.Shouldthisbillbeenacted,RCW43.19.190wouldrequirerevisioninordertoallowtheDepartmenttopurchase prescriptiondrugsthroughcontractsadministeredbytheHealthCareAuthority.

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropriate,thedetailoftherevenuesources.Brieflydescribethefactualbasisoftheassumptionsandthemethodbywhichthe cashreceiptsimpactisderived.Explainhowworkloadassumptionstranslateintoestimates.Distinguishbetweenonetimeandongoingfunctions.

N/A

II.C-Expenditures

Brieflydescribetheagencyexpendituresnecessarytoimplementthislegislation(orsavingsresultingfromthislegislation),identifyingbysection numbertheprovisionsofthelegislationthatresultintheexpenditures(orsavings).Brieflydescribethefactualbasisoftheassumptionsandthe methodbywhichtheexpenditureimpactisderived.Explainhowworkloadassumptionstranslateintocostestimates.Distinguishbetweenonetime andongoingfunctions.

Currently,thestateofWashingtonparticipatesintheMinnesota-MultiStateContract,anaggregatepurchasingprescriptiondrug programadministeredbytheDepartmentofGeneralAdministration.Thiscontractcombines,theState'spurchasingpowerwiththatof otherstatetopurchase medicationinbulk.TheDepartmentalsopurchasesprepackageddrugsundercontractsadministeredbythe DepartmentofGeneralAdministration.RCW43.19.190requirestheDepartmenttoparticipateinthese programs.

Thecostsand/orbenefitsofparticipatinginadifferentaggregatepurchasingprescriptiondrugprogramwoulddependonthesuccessof obtainingacontractthatismorecosteffectivethanexistingcontracts.Thefiscalimpactcannotbedetermined.

PartIII:ExpenditureDetail

PartIV:CapitalBudgetImpact

PartV:NewRuleMakingRequired

Identifyprovisionsofthemeasurethatrequiretheagencytoadoptnewadministrativerulesorrepeal/reviseexistingrules.

N/A

IndividualStateAgencyFiscalNote

BillNumber: 5026SB	Title: Prescriptiondiscountprgrm	Agency: 350-SuptofPublic Instruction
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PartI:Estimates

☐ NoFiscalImpact

EstimatedCashReceiptsto:

Fund					
Total					

EstimatedExpendituresfrom:

IndeterminateImpact

Thecashreceiptsandexpenditureestimatesonthispagerepresentthemostlikelyfiscalimpact.Factorsimpactingtheprecisionoftheseestimates, andalternateranges(ifappropriate),areexplainedinPartII.

Checkapplicableboxesandfollowcorrespondinginstructions:

- ☒ Iffiscalimpactisgreaterthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completeentirefiscalnote formPartsI-V.
- ☐ Iffiscalimpactislessthan\$50,000perfiscalyearinthecurrentbienniumorinsubsequentbiennia,completethispageonly(PartI).
- ☐ Capitalbudgetimpact,completePartIV.
- ☐ Requiresnewrulemaking,completePartV.

LegislativeContact:	Phone:	Date: 01/19/2001
AgencyPreparation: TomCase	Phone: 360-586-8841	Date: 01/09/2001
AgencyApproval: JenniferPriddy	Phone: 360-586-2356	Date: 01/23/2001
OFMReview: JulieSalvi	Phone: 360-902-0542	Date: 01/25/2001

PartII:NarrativeExplanation

II.A-BriefDescriptionOfWhatTheMeasureDoesThatHasFiscalImpact

Brieflydescribe,bysectionnumber,thesignificantprovisionsofthebill,andanyrelatedworkloadorpolicyassumptions,thathaverevenueor expenditureimpactontherespondingagency.

Therequirementforanaggregatepurchasingprescriptiondrugdiscountprogramwillimpacttheemployershareofhealthinsurance providedtostateemployees.

AnyrequirementthatimpactstheemployershareofhealthinsurancecostsforstateemployeesimpactstheK-12systemintwoways. Thefirstistopublicschoolsandeducationalservicedistrictsbecauseofthepastpracticeofthestateprovidingfundingtoschool districtsbaseduponincreasesintheemployerfundingrateforstateagencies.Ifhealthcareinsurancecostsgoupforpublicemployees withhealthcareinsurancethroughtheHealthCareAuthority,itisassumedthatschooldistrictsandeducationalservicedistrictswould incurasimilar,ifnotthesame,increasedcostperemployeeforhealthinsurance.Healthinsuranceisacostfactorrecognizedinthe variousfundingformulaeforK-12education.Increasesordecreasestotheemployer’sshareforhealthinsurancecostsforstate employeesbecomesacorrespondingincreaseordecreasetothehealthinsurancecomponentintheschoolfundingformulaeregardless oftheactualimpacttoschooldistrictsandeducationalservicedistricts.

Thesecondimpactistheemployer’sshareforhealthinsuranceforemployeesoftheOfficeoftheSuperintendentofPublicInstruction. Thisimpactisverysmallcomparedtothepublicschools.Thisimpactisassumedtobeincludedinthecostimpactintheiscalnote preparedbytheHealthCareAuthority.

II.B-CashreceiptsImpact

Brieflydescribeandquantifythecashreceiptsimpactofthelegislationontherespondingagency,identifyingthecashreceiptsprovisionsbysection numberandwhenappropriatethedetailoftherevenuesources.Brieflydescribethefactualbasisoftheassumptionsandthemethodbywhichthe cashreceiptsimpactisderived.Explainhowworkloadassumptionstranslateintoestimates.Distinguishbetweenonetimeandongoingfunctions.

II.C-Expenditures

Brieflydescribetheagencyexpendituresnecessarytoimplementthislegislation(orsavingsresultingfromthislegislation),identifyingbysection numbertheprovisionsofthelegislationthatresultintheexpenditures(orsavings).Brieflydescribethefactualbasisoftheassumptionsandthe methodbywhichtheexpenditureimpactisderived.Explainhowworkloadassumptionstranslateintocostestimates.Distinguishbetweenonetime andongoingfunctions.

TheHealthCareAuthorityhasnotifiedtheSuperintendentofPublicInstructionthattheimpactofthisproposedlegislationonhealth insuranceforstateemployeesexceeds\$50,000peryearbut,theamountisindeterminate.Becauseamonthlyincreaseintheper subscriberrateisnecessarytocalculatetheimpacttotheK-12system,theimpactonfundingprovidedtoschooldistrictsand educationalservicedistrictscannotbecalulatedandisalsoindeterminate.

PartIII:ExpenditureDetail

PartIV:CapitalBudgetImpact

PartV:NewRuleMakingRequired

Identifyprovisionsofthemeasurethatrequiretheagencytoadoptnewadministrativerulesorrepeal/reviseseexistingrules.