

**HOUSE COMMITTEE ON AUDITS**

**March 10, 2005 Hearing Room D**

**8:30 A.M. Tapes 39 – 40**

**MEMBERS PRESENT:           Rep. Jerry Krummel, Chair**

**Rep. Tom Butler, Vice-Chair**

**Rep. Diane Rosenbaum, Vice-Chair**

**Rep. Alan Brown**

**Rep. Jackie Dingfelder**

**STAFF PRESENT:           Jim Keller, Committee Administrator**

**Kellie Whiting, Committee Assistant**

**MEASURES/ISSUES HEARD:**

**Pharmaceutical Purchasing Audit – Informational Meeting**

**These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.**

<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
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**TAPE 39, A**

002	Chair Krummel	
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Calls the meeting to order at 8:40 a.m. and opens the informational meeting on the Pharmaceutical Purchasing Audit.

**PHARMACEUTICAL PURCHASING AUDIT – INFORMATIONAL MEETING**

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|-----|----------------|--|
| 014 | Cathy Pollino  | State Auditor, Secretary of State Audits Division. Refers to the Audit Report titled: The Department of Human Services: Medicaid Fee-For-Service Prescription Drug Costs Savings Analysis ( <b>EXHIBIT A</b> ). Explains that the audit's purpose was to determine whether opportunities exist to reduce the cost of Oregon's Medicaid fee-for-service prescription drugs.   |
| 069 | Sandra Hilton  | Audit Manager, Secretary of State Audits Division. Refers to page one and provides a background of the healthcare services and the budgeted costs. Explains how the services are provided. States the audit was focused on the fee-for-service program. Speaks about the preferred drug list. States the costs for the drug lists and notes that mental health drugs were not included. Notes there were two analyses conducted in regards to mental health drugs. Comments on the pre-authorization requirements and cost effectiveness. Provides the savings in Michigan and Washington from the use of pre-authorization requirements for the drug lists. |
| 171 | Hilton         | Refers to page four and presents the chart showing the average plan drug list and original therapeutic classes.  |
| 189 | Rep. Butler    | Inquires about the passing of legislation to deal with other classes of drugs.   |
| 200 | Hilton         | Responds the previous legislation excluded mental health drugs in the drug list. Responds the list is the utilization of drugs after the department implemented the authorization requirement.   |
| 214 | Allison Knight | Medical Assistance Program. Responds there was a soft prior authorization stating that the drugs not on the list could be prescribed and resulted in the utilization pattern.  |
| 226 | Rep. Butler    | Inquires about the utilization pattern.  |
| 238 | Hilton         | Responds the chart does not include mental health drugs. Explains the chart on page four.  |
| 240 | Chair Krummel  |  |

Inquires why the department chose, without legislative approval, to create a prior authorization.

- 259 Knight Responds the department saw some flexibility in the legislation to allow some mechanism for increasing the utilization of the drug list.
- 239 Chair Krummel Inquires if the department was ignoring the legislative intent.
- 274 Knight Responds it was made clear and the department found the intent was to have a high utilization of the plan with high education. Comments they are trying to increase education for providers.
- 293 Chair Krummel Comments on the time spent prior to being able to prescribe medicine.
- 310 Rep. Brown Inquires about the 85% level decreasing due to the prior authorization being removed by prior legislation.
- 319 Hilton Responds that it was a factor in driving the figure down.
- 324 Rep. Brown Comments it also increased the cost.
- 326 Hilton Concurs. Explains the findings for client access to all available mental health drugs and the safeguards to protect mental health clients. Explains the results of the review.
- 403 Chair Krummel Inquires about the rate of utilization.
- 409 Hilton Responds how they concluded the utilization rate.

**TAPE 40, A**

- 005 Chair Krummel Inquires if the utilization is unknown, how can the amount of savings be stated.
- 018 Hilton Clarifies they do have the utilization rate and refers to the chart on page eight.
- 026 Chair Krummel Inquires about the projection of costs.

039	Pollino	Refers to page five and responds about the costs. Refers to page nine and demonstrates the expense and effectiveness of preferred drugs.
054	Chair Krummel	Inquires about the number of prescriptions for preferred listed drugs.
060	Hilton	Refers to page eight and demonstrates the difference between the preferred drugs and non-preferred drugs in costs. Comments on West Virginia's approach for the utilization rates.
089	Chair Krummel	Inquires if the cost is the same in Oregon as it is in West Virginia.
109	Hilton	Responds she does not have the information.
117	Hilton	Responds it was proprietary issue. Comments they were able to obtain the total of savings from Washington and Michigan from supplemental rebates. Continues to present the costs of anti-depressant drugs and the possible reduction of costs if the utilization was met. Refers to page nine and explains the summary of the three drug classes.
168	Chair Krummel	Inquires how they calculate the average cost per claim.
172	Hilton	Responds it is a weighted average.
193	Chair Krummel	Inquires about the purchasing pool.
195	Knight	Responds the department is interested in joining the drug purchasing pool, but without the prior authorization there lacks the incentive.
206	Rep. Brown	Inquires about the idea of purchasing prescriptions from Canada.
210	Chair Krummel	Responds that Canada will not be the drug store to the United States.
222	Rep. Butler	Inquires about buying in bulk.
229	Hilton	States it was not in their analysis.
231	Rep. Butler	Comments that it is not about preferred or non-preferred, it is about price.

241	Hilton	Responds the negotiation of price is a better incentive.
251	Chair Krummel	Comments on the incentive of negotiation.
254	Pollino	Comments on the supplemental rebates.
261	Rep. Butler	Comments on the studies previously conducted and asks if the audit was driven by previously prepared data.
274	Pollino	Responds about the studies conducted in terms of theories, but states they wanted the actual cost. Notes the issue was to decide whether to have a mandatory drug list and a non-preferred drug list.
288	Rep. Butler	Comments on the different scopes in regards to advisory and authority.
304	Pollino	Responds about the fiscal accountability in regards to the utilization of funds, duties and efficiency.
344	Chair Krummel	Inquires if the Secretary of State Audits Division made a recommendation.
347	Pollino	Responds the recommendation is that the committee consider the information in light of the policy decision.
352	Chair Krummel	Clarifies the listed recommendations are policy recommendations. Inquires if the Audits Division found the Department was acting legally when they instituted a prior authorization requirement without legislative approval.
373	Hilton	Responds they did not see anything prohibiting the prior authorization until the passage of the HB 2436.
385	Chair Krummel	Inquires if the policy permitted the prior authorization.
386	Hilton	Responds no.
387	Chair Krummel	Inquires if they reviewed legislative intent and is legislative intent a component in their reviews.

391 Hilton Responds the scope of the audit was about cost savings.

**TAPE 39, B**

002 Rep. Rosenbaum Inquires if there are other prescription drugs excluded.

007 Hilton Responds there are other exclusions.

009 Rep. Rosenbaum Inquires if the programs are parallel with private sector plans.

012 Hilton Responds the pre-authorization requirement is commonly done.

019 Rep. Rosenbaum Inquires if the exclusions are parallel to private plans.

022 Knight Responds they have not looked at what private insurance companies offer for preferred drug lists.

030 Barney Speight Responds about the private sector's drug list.

042 Chair Krummel Inquires about the focus for fee-for-service and drug costs.

063 Knight Responds there are mental health care drugs not covered through the managed care plans, but rather provided by the fee-for-service.

073 Chair Krummel Inquires about prior testimony stating mental health drug costs not being covered under fee-for-service.

081 Knight Responds that the mental health care costs are disproportionately represented.

088 Chair Krummel Inquires why the mental health drugs are not paid out of managed care.

093 Speight Responds that mental health drug costs are not included, they are included on the fee-for-service side. Responds about the statutory preclusions in regards to mental health drugs being paid for by managed health plans.

110 Chair Krummel Inquires about the statute.

114	Speight	Responds about the contractual issues and will verify the statute.
121	Chair Krummel	Inquires if the Audits Division looked to see if the drug utilization was driving up costs.
131	Hilton	Responds it was not in the scope of the audit.
136	Knight	Responds about the evidence based review process for effectiveness.
152	Chair Krummel	Inquires if Ms. Knight is stating that utilizing various drug therapies do not tend to drive costs down.
158	Knight	Clarifies she was talking about substitutes within the class.
169	Speight	Responds about the costs and offsetting costs.
198	Chair Krummel	Clarifies we do not know if there would be the same outcome if there was a non- preferred or preferred drugs.
209	Speight	Responds about the impact of preventative drugs, competing prices for drugs and generic brands.
232	Chair Krummel	Inquires if the Audits Division looked at the basis for increased drug costs.
240	Hilton	Asks for clarification on the question.
244	Chair Krummel	Comments about the costs rising, and asks if increased costs were a component behind the audit.
256	Hilton	Responds they wanted to know how to get prescription costs down.
268	Speight	Responds about the costs for Medicaid Programs and Manage Care Contracts.
297	Chair Krummel	Makes reference to Kaiser Permanente.
312	Speight	Responds about the management of Kaiser's drug list.

320	Chair Krummel	Comments on the evidence based medicine.
326	Speight	Responds about evidence based medicine.
341	Krummel	Inquires about the comment made with respect to pharmacies dispensing medication on page three.
355	Hilton	Responds if it is a non-preferred drug, a 72-hour supply must be administered.
372	Chair Krummel	Inquires what prescriptions the pharmacies fill if they do not have the authorization.
381	Knight	Responds it would be the drug the prescribed.
389	Chair Krummel	Inquires about the level of confidence.
398	Hilton	Responds about the audit requirements, level completion and the resources available.
418	Chair Krummel	Inquires the cost of the audit.

**TAPE 40, B**

002	Pollino	Responds the costs are not available, but will provide the amount to the committee.
007	Krummel	Inquires about the number if states they spoke with.
011	Hilton	Responds they do not have the exact number, but recalls 15-16 states.
024	Speight	Responds about the states that use a preferred drug list, and submits the list of State Medicaid Programs using preferred drug lists <b>(EXHIBIT B)</b> .
038	Rep. Butler	Comments about the selection of recommendations from the Secretary of State Audits Division.

074	Knight	Responds they are working on a recommended proposal in regards to safeguards, prior authorization and savings.
087	Chair Krummel	Closes the informational meeting on the Pharmaceutical Purchasing Audit and adjourns the meeting at 10:15 a.m.

### **EXHIBIT SUMMARY**

- A. Secretary of State Audits Division, Audit Report, Cathy Pollino, 10 pp**
- B. Secretary of State Audit Division, list of preferred drug list, Barney Speight, 1 p**