

HOUSE COMMITTEE ON
AUDIT & HUMAN SERVICES BUDGET REFORM

April 10, 2003 Hearing Room 50
3:15 PM Tapes 92 - 93

MEMBERS PRESENT: Rep. Ben Westlund, Chair
Rep. Steve March, Vice-Chair
Rep. Jeff Kruse
Rep. Jeff Merkley
Rep. Alan Bates

MEMBERS EXCUSED: Rep. Randy Miller
Rep. Susan Morgan, Vice-Chair

GUEST MEMBERS: Rep. Laurie Monnes Anderson

STAFF PRESENT: Rick Berkobien, Committee Administrator
Kelly Fuller, Committee Assistant

ISSUES HEARD: Invited Testimony

Informational Meeting

Pharmacy Benefit Management: RegenceRx

David Clark, The Regence Group

Patty Church, The Regence Group

Pharmacy Benefit Administration and Multi-State Purchasing Pool

Scott Allocco, First Health Services Corporation

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.

TAPE/#	Speaker	Comments
TAPE 92, A		
003	Chair Westlund	Calls the meeting to order, introduces David Clark and Patty Church our guests here for invited testimony and opens the informational meeting.
<u>INFORMATIONAL MEETING</u>		
015	David Clark	Introduces himself and presents his testimony (EXHIBIT A) and begins presentation.
132	Rep. March	Asks what kind of weight do you give un published studies, like the one you are referring to.
138	Clark	Elaborates how un published studies benefit them and continues presentation.
164	Chair Westlund	Comments that he assumes the pharmaceutical companies welcome that.
169	Clark	Comments that yes they welcome that to an extent, elaborates, and continues.
278	Chair Westlund	What percent do those usually run.
280	Clark	Responds that it is up to twenty five percent of the total dollars available from the manufacturer.

282	Chair Westlund	Asks if that discount is from savings and rebates etc.
285	Clark	Responds yes and continues.
292	Rep. Merkley	Asks is the reason that Regence can contract directly with their manufactures because of your size.
198	Clark	Responds that there is two major factors that drive discounts from pharmaceutical manufactures and elaborates.
308	Rep. Merkley	Comments that this is why bulk purchasing is a feasible strategy for the State of Oregon.
310	Chair Westlund	Comments that they don't have access to the Medicaid drugs that we do and asks how many lives they represent.
315	Clark	They cover 3 million lives.
326	Rep. Bates	Asks what it their usual discounts or rebates compared to AWP.
328	Clark	Makes comments about reimbursement to pharmacies.
336	Rep. Bates	Asks do you run any Medicaid programs.
342	Clark	Current no, they do not run any Medicaid programs and makes additional comments.
358	Rep. Bates	In order to get the brand name discount do you have to hit a certain market share or certain number of prescriptions or do you have a formulary or preferred drug list you use.
367	Clark	Yes, they do have a preferred drug list and elaborates.
376	Rep. Bates	Those on SSI, other than Prozac which is generic would the physician look at a choice of drugs there or a single drug that was preferred first.
382	Clark	Comment that he thinks he is referring to SSRI's which are Select Serotonin Reuptake Inhibitors and elaborates.
TAPE 93, A		
001	Rep. Bates	On the brand names on those anti-depressants how do you make the selection of one to the other of which ones are on the formularies and the ones that are off.
005	Clark	Comments that this is one of the challenges currently and elaborates.
015	Rep. Monnes Anderson	Would like at the slide on key strategies (EXHIBIT A) on restrain costs and promote quality and asks who is paying for this.
024	Clark	Clarifies by re-asking her question as who pays for doing all of this review and comments that the reviews are funded by the Regence group and elaborates.
030	Rep. Monnes Anderson	Asks and is this a significant piece of your budget or a small percentage.
037	Clark	Comment that the largest percentage of the budget is doing customer service work, elaborates and continues presentation.
070	Chair Westlund	Asks how that compared to the rest of the population.
074	Clark	Comments that it is about the same or a little bit lower.
076	Chair Westlund	So these trend grew at lower than the commercial population.
080	Clark	Comments at that time yes, and comments what they would like to see with the new Oregon Health Plan recommendations.
087	Chair Westlund	Asks how they manage their own pharmacy network.
089	Clark	Explains how they manage their own pharmacy network.
095	Chair Westlund	Asks if they have utilization throughout the entire state.
097	Clark	Responds that they have about ninety five percent of the pharmacies.
100	Chair Westlund	Makes comments and asks them to keep doing what they are doing.
116	Clark	Makes closing comments and states what they believe in.

123	Rep. March	Asks when the states lists have come out, how did ours look.
128	Clark	Responds that as far as preferred medications and preferred drugs, there are a lot of similarities and elaborates.
144	Chair Westlund	Thanks the witness for their testimony and introduces Scott Allocco from First Health Services Corporation.
168	Scott Allocco	Introduces himself, presents his testimony and begins his presentation.
263	Rep. Bates	On the rebate that you get on the Medicaid fee for service, is it not true that sixty percent of that goes back to the Federal Government and forty percent comes to the State.
267	Allocco	Responds yes, that is correct and elaborates.
272	Rep. Bates	Comment that with the fee for service the real discount to the State if only eight percent.
275	Allocco	Responds that you need to compare apples to apples and elaborates.
286	Chair Westlund	That is why we were asking if this was a gross number so sixty percent of this fee for service has to go back to the Federal Government.
290	Allocco	Responds yes, that is correct.
294	Rep. Bates	Comments that is point is the real discount to the state in not the twenty four percent it is the forty percent.
296	Allocco	Responds and elaborates.
305	Chair Westlund	Comments that sixty percent you have to pay back to the Federal Government.
308	Allocco	Comment that that is correct and the net difference is fourteen percent of which for every hundred million dollars forty percent of that is State and sixty percent is Federal.
321	Chair Westlund	Makes comments to help clarify the discussion and comments that we are just looking at net numbers.
328	Allocco	Elaborates to help the members understand the process with the key issues.
345	Chair Westlund	Comments that the important thing here is the net to the State and not net rebates, we care about adding populations, providing more services and adding benefits and elaborates.
354	Allocco	Appreciates the difference and the importance in the members having to come up with the state money to fund these programs and elaborates.
373	Chair Westlund	Comments that he is talking about these larger numbers of rebates and supplemental rebates and that is accurate, but for our purposes it distorts reality, because we are not getting those kind of rebates nor are we entitled to them and elaborates.
390	Allocco	Comments that one of the issues that he wanted to address today was one of the bullet points in the Oregon Health Plan recommendations about auditing First Health Services and elaborates.
TAPE 92, B		
104	Rep. Bates	Asks what percent of the market in Michigan and Ohio is generic drugs.
115	Allocco	Responds that the last page of his handout will give an explanation of generic drugs. (EXHIBIT B)
125	Rep. Bates	Asks in the generic market with the supplemental savings are the costs of the brand names getting pretty close to the generic cost or is there still a significant difference.
130	Allocco	Comments about one issue that has been debated is when a brand

140	Rep. Bates	name drug goes to generic and answers in more detail. Using an example of Clariton, you said it is common that twenty percent of the drug cost is being deposited right back in as a rebate to the state of Oregon, asks if Oregon is going to have to split that with the Federal Government.
146	Allocco	Responds yes, that is correct and elaborates.
149	Rep. Bates	Asks, so the twenty percent that goes back to the State has to be split with the Federal Government.
151	Allocco	Explains the process.
158	Rep. Bates	The process of getting the list of what the state bought, you send them the invoice and then they cut the check based off of that, it seems that this is a place for an audit it is a very complex situation.
169	Allocco	Responds that the Federal OIG is investigating the manufactures prices that the rebates are based on and elaborates.
218	Chair Westlund	Comments that he feels Pharmacy Benefit Managers are doing a great job and as far as the auditing we are talking about, good prudence would say, we audit people that handle that kind of money and elaborates.
221	Allocco	Again, lets talk about how we can do that.
241	Rep. Bates	Comments that he is basically saying he can given the tools you believe you can recover for us the supplemental rebates.
252	Allocco	Respond yes, if the legislature were to give OMAP the authority. Give his general recommendation of what pooling that each state individually can do before looking at multi-state pooling.
320	Chair Westlund	Disagrees with his comment about giving the state the tools and makes comments about how he feels.
362	Rep. Bates	Share the same concern, but is still intrigued and asks have you approach in any of your market, where you have these tools a generic market that seventy five or eighty percent, have you ever reached that level anywhere as an agency working for the entire state.
371	Allocco	Responds and elaborates.
386	Rep. Bates	Reiterates what he just heard him was that even if we gave you the tools the Federal Government is not going to allow you to have the kind of formulary and MCO would and that's a tool that is pretty important if you want to get that generic level up.
393	Allocco	Responds by saying he feel the state is planning on implementing an enhanced process to require physician to provide justification when wanting to supply a generic name drug instead of a brand name and elaborates.
TAPE 93, B		
009	Chair Westlund	Asks what level of generic usage have you guys achieved.
015	Clark	Comments that they are almost at just under fifty percent for generic utilization and asks Rep. Bates for clarification on his question because it would make a difference in his answer.
019	Rep. Bates	Comment that he will go back and find out if his figures are correct.
023	Chair Westlund	Comment that, that floats between sixty and one is actually up to eighty.
026	Allocco	Respond yes, there is actually a difference and elaborates with detail.
033	Rep. Bates	In reality, my question would be have you been able to achieve that, do you have any place you have the tools to do that and if

036	Allocco	you do have you ever achieved anything above fifty percent. Talks about what was just said by Regence and elaborates his comments on the issue.
041	Rep. Bates	All he cares about is which drugs are being dispensed as generic verses brand names and as I understand it is fifty one percent in Michigan.
044	Allocco	Comments that the Medicaid fee for services programs because they have stronger mandatory generic substitution laws generally have slightly higher generic drug utilization than non-Medicaid programs.
051	Chair Westlund	Asks Tom Holt, Oregon Pharmaceutical Association from the audience if this is substitution or total utilization.
054	Tom Holt	Responds from the audience.
060	Chair Westlund	Comments and asks if they both are talking about total psychotropic and seven eleven drugs and comments that that was Tom Holt from the audience and he indicated that some of the carve out drugs Cancer, AIDS and seven eleven drugs would bring the total utilization down.
062	Berkobien	Could you explain how the State of Michigan does with their Mental Health drugs.
065	Allocco	Comments that the Mental Health drugs seem to be the most costly and gives more detail about what the State of Michigan is doing.
103	Berkobien	Asks about different litigation around drug programs happening in the states and asks if Michigan and Florida were involved in those.
108	Allocco	Responds to the different litigations in the country.
177	Chair Westlund	Thanks the witnesses for the testimony and calls the meeting to a close and adjourns 4:57 PM

EXHIBIT SUMMARY

A – Informational, prepared testimony, David Clark, 5 pp

B – Informational, prepared testimony, Scott Allocco, 21 pp