



Oregon

Theodore R. Kulongoski, Governor

Office for
Oregon Health Policy & Research
1225 Ferry Street SE, 1st Floor
Salem, Oregon 97301
(503) 373-1779
Fax (503) 378-5511

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TO: The Honorable Mitch Greenlick, Chair
House Health Committee

FROM: Jeanene Smith, MD, MPH
Administrator, Office for Oregon Health Policy and Research
Oregon Department of Human Services

SUBJECT: SB 735A – Oregon Prescription Drug Program

Chair Greenlick and members of the committee; I am Jeanene Smith, Administrator of the Office for Oregon Health Policy and Research. I wanted to review some of the details of SB 735 and its amendments. My Office houses the Oregon Prescription Drug Program and we assisted in discussions between Chair Greenlick, Senator Morrisette, and Representative Jim Thompson regarding this bill as it was developed and passed by the Senate and now under consideration here today.

As you have heard during past testimony from myself and the OPDP program administrator, the Oregon Prescription Drug Program has steadily grown its purchasing pool, offering both public and private groups a means of offering lower priced prescription drug benefits to its enrollees, as well as serving over a 100,000 uninsured Oregonians a means of getting access to medications through discounted prices.

The aim of the SB 735A is to maximize the effectiveness of the program to:

1. *Allow the program to use a pharmacy benefit manager or any other service provider to manage the pharmacy network and other activities of the program*
2. *Maximize the ability to work with other state purchasers to unify purchasing power, by removing barriers and open doors to increase opportunities for better value.*

This bill is in keeping with the direction the Oregon Health Fund Board and the work of its Delivery Committee recommendations. They focused on next best steps towards system transformation of our healthcare delivery system, with unifying state purchasing power and cost containment an important component of their recommendations.

Regarding the use of a pharmacy benefit manager (PBM):

- The program has been limited to use a vendor only for claims processing, but has had to hold its own contracts with the pharmacies. There are over 600 participating Oregon pharmacies and about 26,000, mostly through national chains but including 100 independent pharmacies, who have joined to support participating groups' retirees in other states.



- Using a PBM is what is done in the Washington's state program we partner with through the NW Consortium. It allows for individual pharmacies to directly negotiate yet still allow for an overall effective rate for the program, and would be less likely to create new and future administrative costs to the current OPDP state program. It would accommodate a growing program and pharmacy network that will occur over time, considering the current growth of the program.
- While it doesn't guarantee a higher rate to any particular pharmacy, it makes the process of contracting with pharmacies to be more similar to that of other commercial plans, yet can be structured to be as transparent as possible as is done with our NW Consortium partners in Washington state.
- With enabling legislation, this could be implemented smoothly. It doesn't incur a significant new cost to the state or the contracted partners as the PBM could begin to negotiate rates across the network to adjust for rate variances among pharmacies.

Regarding maximizing the ability to work with state purchasers to unify purchasing power:

- SB 735 intent is to strive to remove further barriers in order to maximize the ability to work with other state purchasers of pharmacy benefits to determine if there are further opportunities to gain better value. Some partnerships may provide enhanced cost savings for certain groups, and some may not, but the language has been intended to expand the number of doors that can be opened to be explored.
- The OHFB recommends unifying state purchasing power as much as possible, unless a group can demonstrate greater savings through alternative arrangements. By banding together to increase the size of the group, participants carry more negotiating clout. Coupling negotiating power with evidence-based benefit design is key to containing costs in the healthcare system.
- One of the doors OPDP may want to pursue and this language allows, is to look at strategic or group purchasing opportunities. This would allow the program to work with retail, private sector pharmacies to deliver discounted drugs to those groups eligible under a federal act, the Non-Profit Institutions Act to participate in these group purchasing arrangements.
- By bringing manufacturers' discounts to eligible groups this new strategic initiative will ease the burden of discounting drugs off the backs of the pharmacies which was the vision proposed by Senator Morrisette and Representative Greenlick in the program's inception.

We don't believe that SB 735A will have a fiscal impact on the program, but ideally will bring enhanced savings in purchasing pharmacy benefits by groups, both private and public who participate, as well as streamline current administrative processes to handle further growth of the program.

Thank you for the opportunity to present testimony to you today. I would be happy to answer any further questions.