ACHIEVE *Issue Brief*

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STATE OF CONNECTICUT OFFICE OF HEALTH CARE ACCESS

The rising cost of prescription medication has become an important issue in health care financing. Managing the steady increase in prescription drug costs continues to pose a challenge to policy makers, Medicaid officials, state employee plan administrators, and state budget officers.

This publication is the second in a series of ACHIEVE policy briefs designed to provide information on rising pharmacy costs. Several factors, including an increased use of brand-name drugs, heightened consumer awareness of new drug therapies, and FDA changes allowing for direct-to-consumer drug advertising, are contributing to the growing demand for prescription medications. This brief provides an overview of state- specific prescription drug benefit programs administered by one of the state's largest purchasers, the Connecticut Department of Social Services (DSS). It also provides a brief description of one approach to control costs being considered by other states – bulk purchasing.

Prescription Drug Benefits Administered by DSS

ConnPACE

The Connecticut Pharmaceutical Assistance Contract to the Elderly, or ConnPACE program, offers assistance to low-income elderly and the disabled for the purchase of prescription drugs, insulin, insulin syringes and needles. Participants must:

- meet specific criteria, including income limits and residency requirements; and
- pay an annual enrollment fee of $25 and a $12 co-pay for each prescription filled.

With expenditures of nearly $39 million, ConnPACE expects to serve approximately 32,000 enrollees this year.

ConnPACE "Part B"

An initiative to develop a plan to add a ConnPACE "Part B" program as a supplement to the regular ConnPACE program was passed during the 2000 legislative session. ConnPACE "Part B" will serve those elderly and disabled individuals who cannot afford prescription drugs but exceed income standards set by ConnPACE. The plan must include a fiscal impact analysis that considers projected revenues (e.g., anticipated manufacturer rebates and application fees) in addition to any administrative costs associated with the program in determining cost-neutrality. The ConnPACE Part B plan will be submitted to the legislative committees on Human Services, Public Health and Appropriations for final review by January 1, 2001 and may be implemented on or before July 1, 2001.

SAGA

Since July 1, 1998, Connecticut's State-Administered General Assistance program, also known as SAGA, has provided medical benefits on a fee-for-service basis (in addition to cash assistance) to eligible individuals who do not qualify for other state or federal assistance programs.

- Applicants must meet specific financial eligibility criteria and cannot exceed a $1,000 liquid asset limit to qualify.
- Working individuals may also qualify for State Medical Assistance under "work extension" coverage where a previously eligible individual loses coverage due to an increase in earnings.

Over 20,000 individuals are currently enrolled in the SAGA program. Expenditures for pharmacy benefits are expected to be more than $20 million for fiscal year 2000.

Both ConnPACE and Medicaid fee-for-service under SAGA have open drug formularies [1], in which the State pays for all medications.

HUSKY A & B

Signed into law in October 1997, the HUSKY Plan provides comprehensive health care benefits to eligible Connecticut children lacking health insurance coverage.

- 230,739 children and eligible adult women were enrolled in HUSKY A and 6,445 children were enrolled in HUSKY B as of August 1, 2000.
- HUSKY A serves children under the traditional Medicaid program and HUSKY B serves children of families having higher income levels.
- Children with special physical or behavioral health needs are served by HUSKY Plus.

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Families enrolled in HUSKY A managed care plans are not obligated to pay co-pays for prescription medications. Families in HUSKY B managed care plans make co-payments of $3 for generic drugs and $6 for brand name drugs. These programs use restricted formularies that may exclude certain medications.

CADAP

The Connecticut AIDS Drug Assistance Program pays the costs of specific drugs, prescribed by a physician, for the treatment or prevention of AIDS, AIDS related complex or HIV infection. CADAP also covers expenses for nutritional supplements vital to the prevention or treatment of opportunistic infections associated with AIDS and HIV and ancillary supplies required for the administration of these medications. To be eligible for CADAP, an individual:

- cannot be receiving Medicaid; and
- cannot be covered under another form of medical insurance that pays the full cost of necessary prescription drugs.

The CADAP program currently serves an estimated 1,000 individuals with a budget of nearly $8 million.

Bulk Purchasing Initiatives In Other States

A variety of options are currently being considered by states to address the challenge of rising drug costs. The bulk purchasing approach, where cost savings are realized by combining and leveraging purchasing power, is being considered by several states as a viable option to manage rising prescription drug costs. Maine and Massachusetts have recently passed legislation allowing for this type of purchasing.

The Massachusetts SFY 2000 budget includes the development of a plan and report regarding a state pharmacy bulk-purchasing program that would benefit enrollees in the state's senior pharmacy assistance program, Medicare and Medicaid, state employees and retirees, the uninsured and other individuals whose prescription drug benefits are subsidized by the state.

In addition, three New England states – Vermont, Maine and New Hampshire – are moving forward with a plan to create a regional drug-buying cooperative to bulk purchase prescription drugs.

According to the request for proposals (RFP) released in October, the states are seeking to hire a pharmacy benefit management firm to help negotiate lower prices and rebates and improve the efficiency of pharmacy claims processing.

Prescription Drug Policy	*Legislation Introduced by:*	*Passed by:*
State aggregate and bulk purchasing initiatives	CA, FL, GA, MA, ME,NY,OR, RI	MA, ME
Prescription drug price controls	AZ, CA, CT, ME, MI, NJ, OH, PA, VT	ME
Medicare / disabled eligible for discounts based on Medicaid Rates	AZ, CA, CT, CO, FL, MA, MD, ME, MN, MO, OH, RI, VT, WA, WI	CA, FL, ME, VT

There is no simple prescription for states to follow to succeed in controlling rising drug costs and maintaining access. For example, a federal judge recently blocked Maine's law designed to cut the cost of prescriptions with the threat of price controls, saying it would probably be ruled unconstitutional. The preliminary injunction prevents the state from enforcing the law pending the outcome of a lawsuit by the Pharmaceutical Research and Manufacturers of America (PhRMA), which represents drug companies. PhRMA contends that the Maine Rx Program is unconstitutional because it would regulate transactions outside the state and conflicts with federal law. The law, which was to have taken effect Jan. 1, 2001, would cover anyone without insurance coverage for prescription drugs, an estimated 325,000 Maine residents. The state would seek rebates from drug companies that participate in publicly supported prescription programs, including Medicaid. Price controls could be imposed in three years unless there were significant price reductions.

The October ruling blocking Maine's law further illustrates the complexity of issues states face as they continue to test and explore different strategies to control costs and ensure access to prescription drug coverage for their citizens.

The ACHIEVE project is a purchasing initiative developed within the Office of Health Care Access to improve State of Connecticut health care quality, cost and access. Bulk purchasing is only one of several options being considered by various states to leverage their purchasing power. Future briefs will continue to present information related to this issue in an effort to augment this policy discussion with Connecticut-specific information.

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[1] A drug formulary is a list of prescription medications that are preferred for use by a health plan and that may be dispensed to covered persons through participating pharmacies. Ideally, a drug formulary is a continually updated list of medications that represent the current clinical regimens of physicians and other experts in the diagnosis and treatment of disease and the preservation of health.