



February 27, 2013

Rep. Pete Higgins  
State Capitol Room 424  
Juneau AK, 99801

RE: HB 134, Medicaid Payment for Clinical Pharmacy Services Reimbursement

Dear Representative Higgins,

Thank you for your time this week regarding HB 134. I deeply appreciate it, given your busy schedule this time of the year. Based on our conversation and your questions, I thought it would be appropriate to give you a quick background on Clinical Pharmacy Services, which includes the "Mediset" program, and its cost-saving impact on Alaska's Medicaid spending. As well, this letter addresses some of your specific questions. Specifically this letter addresses the following:

1. Background on medication management in Alaska and its cost-saving impact on Medicaid spending
2. Specific issues related to Alaska's Medicaid population (i.e. significant mental disorder cases, etc.)
3. Impact of the reimbursement reductions on the medication management services in Alaska
4. Response to your specific questions

### **Background**

Approximately 30 years ago, Alaska made the fiscally-responsible decision to promote "home based" healthcare, as a significantly less expensive alternative to institutional care or hospitalization, for the care of its indigent population. Ironically, virtually every state as well as the Federal government is now directionally following this path, by discouraging policies that promote large, expensive institutional facilities and hospitalization, and in favor of policies that keep patients in the home setting. The services offered by companies like ours were developed in partnership with the state, in order to keep patients in their home setting, and out of hospitals and state-run institutional facilities.

"Medication Management" is one of the core tenets of this policy, allowing these patients to properly follow physician orders relative to their prescriptions, without the need for licensed professionals to dispense the medicine to them. It is an undisputed fact that without such services, many of these patients would end up in hospitals or institutional care, thereby costing the state significantly more money (since by law, Alaska would end up paying for their care). It is also an undisputed fact that pharmacy-related services make up a small portion (less than 3%) of the state's Medicaid budget, whereas hospitalization and facilities such as the Pioneer Homes make up the majority of the budget. Please note that even within the pharmacy budget, the "Mediset" related services only apply to approximately 2,000 patients in the entire state. As it turns out, however, these are some of the most complicated and most needy patients in all of Alaska.

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### **Alaska-Specific Problems**

Clinical Pharmacy Services, including Mediset medication compliance, allow patients or their family members to easily stay compliant with the medication regiments ordered by their physicians. For our company alone, over 60% of our patients are on one or more medications to manage serious mental disorders. Our services make it possible for these patients (often with the help of family members) to stay compliant. Simply put, this saves the state significant money by keeping these patients functional and out of hospitals or prisons. It is for this reason that Anchorage PD and other law enforcement agencies have specifically-trained officers who are familiar with the Mediset program (because they want to quickly assess whether the person in question is compliant with his or her mental medication).

Due to the huge percentage of our Medicaid patients who suffer from mental and other complicated disorders, the job of taking care of them is highly complicated. These patients often require medication changes, as their physicians struggle to find ways to keep them as functioning members of society and out of hospitals, jails or institutional settings.

### **Impact of Recent Reductions in Payments**

Over the past 3 years, the State of Alaska has dramatically cut what it pays for the medication supplied by pharmacists (which literally means that in many cases pharmacies pay more to buy the medicine than they get paid for it by the state), as well as the services that accompany it in order to take care of the patients described above. During this time, our company continued to provide the weekly medication management and clinical pharmacy services, often at the request of family members and care-takers.

When the regulations changed in 2011, the state suddenly went from paying a weekly "fill-fee" for services, to paying once every 28 days (along with a small "box" fee). However, we continued to fill the prescriptions according to the promises we had made to the state and to the caretakers and their patients. We have continued to make on-the-fly medication changes, communicate with physician offices, counsel patients, build weekly Mediset boxes, and deliver them to the door by licensed pharmacy technicians. Since 2011, we have been doing this, despite getting paid for only a fraction of the services.

In 2012, the DHSS proposed to further cut what it would pay for these services, and to literally eliminate any references to "Mediset" in the regulations. We respectfully opposed this proposed regulation change. We notified the Commissioner that the proposed rule-changes would literally force us to change what we do. The reaction from the community, including the many care-takers who have the daily responsibility of ensuring the safety of these patients spoke for itself. After witnessing the passion and the sheer scale of the constituent opposition to the proosed 2012 regulation changes, the Commissioner of the DHSS decided to put things on hold pending further review.



### **Specific Questions**

According to my notes, you had two specific questions regarding Medicaid codes and our services in Fairbanks:

Please note that our services are not provided under any specific billing codes the way a medical procedure would be. We simply provide our services pursuant to the DHSS regulations. These regulations, as updated from time to time, determine the payment rates for the medication and the accompanying services. It is noteworthy that for many years, the regulations have literally included the definition of Mediset in reference to the need for difficult compliance cases. This is due to the fact that the state has correctly recognized for many years that under certain circumstances, prescribing physicians need help in ensuring strict compliance with the prescribed medication. The DHSS regulations have historically recognized the importance of this fact, and created a reimbursement schedule on a weekly basis (prior to 2011 change).

Regarding the existence of these services in Fairbanks, Geneva Woods Pharmacy is not currently supplying clinical pharmacy services to home-care patients in the Fairbanks area, though we have in the past. The post 2011 price restrictions on the medication and the accompanying services have made it essentially impossible to do so, without losing significant amounts of money. However, you have my personal commitment that we will build the necessary infrastructure and potentially establish a presence in Fairbanks, to provide such services to patients in need of these services, if this legislation is passed.

Representative Higgins, I agree 100% with your core beliefs in lower government spending and higher private sector solutions. However two issues remain factual: a) the State of Alaska has a mandate to partially pay for the care of Medicaid patients, including the indigent and mentally/physically disabled; and b) medication management and other services that help keep many of these patients in home-settings, save the state literally hundreds of millions of dollars. Given these two facts, legislation that promotes such services makes fiscal and common sense, and will result in very significant long-term benefits to the state and its citizens.

I look forward to speaking with you again soon. Please do not hesitate to contact me with any questions or further clarification on any of the issues raised in this letter.

Sincerely,



Tom Gimple, CEO

✓ Cc: Rep. Mia Costello, State Capitol Room 412, Juneau AK, 99801  
Charles Guinchard

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