

CSSB

255

HOUSE COMMITTEE REPORT

(11)

Date referred: 5/2/88

FURTHER REFERRALS:

DATE: 5/4/88

The Finance Committee has considered CSSB 255(Fin)

"An Act relating to pharmaceutical medical assistance for needy persons and authorizing payment for prescribed drugs for a period of one year; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

POURCHOT [Signature]

LARSON [Signature]

GOLL [Signature]

BOYER [Signature]

WALLIS [Signature]

BROWN [Signature]

ADAMS [Signature] - No Rec

SWACK [Signature] - Do not pass

RIEGER [Signature]

FRANK [Signature]

DAVIS [Signature] NEEDS AN AMENDMENT

[Signature]
Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CS SB 255 (FIN)
PUBLISH DATE: ~~4/29/88~~ 5/4/88

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to pharmaceutical
medical assistance for needy persons
Sponsor: _____
Requestor: _____

Agency Affected: Health/Social Services
BRU: MA Administration/Medical
Assistance
Components: Claims Processing/General
Relief Medical, Medicaid Non-Facility

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		17.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	17.0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		(1,362.1)				
FEDERAL FUNDS		1,379.6				
OTHER						
TOTAL		17.0				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

To correct CS SB 255 (Finance) Fiscal Note Dated 4/29/88
See Attached.

Prepared by: _____ Phone: _____
Division: _____ Date: 5/4/88

Approved by Commissioner: Mura M. Munson Date: 5/4/88
Agency: Department of Health & Social Services

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Division of Medical Assistance

Backup attached to the Senate fiscal note providing the Department with 8.5 SGFM and 8.5 federal funding for support services was correct. The funding totals on the face of the fiscal note were incorrectly presented.

	<u>Original</u>	<u>Change</u>	CSSB255 <u>(Finance)</u>
XIX Pharmacy	<u>3,654.8</u>	<u>Ø</u>	<u>3,654.8</u>
SGF Savings	(1,370.6)	Ø	(1,370.6)
Less Support	<u>58.8</u>	<u>(100.5)</u>	<u>(41.7)</u>
	<u>(1,311.8)</u>	<u>(100.5)</u>	<u>(1,412.3)</u>
Federal Receipts	1,370.6	Ø	1,370.6
Plus Support	<u>58.7</u>	<u>Ø</u>	<u>58.7</u>
	<u>1,429.3</u>	<u>Ø</u>	<u>1,429.3</u>

	<u>Original</u>	<u>Change</u>	<u>Corrected</u>
XIX Pharmacy	<u>3,654.8</u>	<u>Ø</u>	<u>3,654.8</u>
SGF Savings	(1,370.6)	Ø	(1,370.6)
Less Support	<u>58.8</u>	<u>(50.2)</u>	<u>8.5</u>
	<u>(1,311.8)</u>	<u>(50.2)</u>	<u>(1,362.1)</u>
Federal Receipts	1,370.6	Ø	1,370.6
Plus Support	<u>58.7</u>	<u>(50.2)</u>	<u>8.5</u>
	<u>1,429.3</u>	<u>(50.2)</u>	<u>1,379.6</u>

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 255 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to pharmaceutical medical assistance
7 for needy persons and authorizing payment for pre-
8 scribed drugs for a period of one year; and providing
9 for an effective date."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. PRESCRIBED DRUGS UNDER MEDICAID. (a) Notwithstanding
12 other provisions of law, the Department of Health and Social Services may
13 offer prescribed drugs as an optional service under AS 47.07.030(b).
14 (b) For purposes of AS 47.07.035, prescribed drugs shall be eliminat-
15 ed as an optional medical service after personal care services in a recip-
16 ient's home and before long-term care noninstitutional services.
17 (c) Payment for prescribed drugs under AS 47.07 shall be made in
18 accordance with 42 C.F.R. Part 447, Subpart D.
19 (d) In this section, "prescribed drugs" has the meaning given in 42
20 C.F.R. 440.120.
21 * Sec. 2. This Act is repealed July 1, 1989.
22 * Sec. 3. This Act takes effect July 1, 1988.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to pharmaceutical
medical assistance for needy persons
Sponsor: _____
Requestor: _____

Agency Affected: Health/Social Services
BRU: MA Administration/Medical
Assistance
Components: Claims Processing/General
Relief Medical Medicaid Non-Facility

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		17.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		17.0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		(1412.3)				
FEDERAL FUNDS		1429.3				
OTHER						
TOTAL		17.0				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached.

Prepared by: Rick Halford Phone: _____

Division: Senator Rick Halford, Co-Chairman Date: 4/29/88

Senate Finance Committee

Approved by Commissioner: _____ Date: _____

Agency: _____

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)



Alaska State Legislature

SENATE

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

LETTER OF INTENT ON SB 255

It is the intent of the Legislature that as regulations are developed to implement this legislation that the form of the current general relief medical pharmacy program be duplicated to the extent consistent with federal guidelines. The goal of the Department of Health and Social Services shall be to seek a reimbursement system consistent with the usual, customary and reasonable fees charged by pharmacies to the Alaskan general public. The regulations should avoid harsh economic impact on the pharmacy provider community to insure the participation of the largest number of pharmacy providers across the state to allow the maximum access to pharmacy services by the medicaid recipient community. Legislative Audit shall perform a review of the program and report to the Legislature by February 1, 1989.

Senate adopted 4/30/88.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 9, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

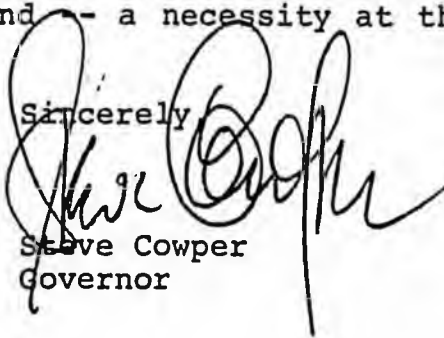
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will add coverage of prescribed drugs to the medicaid program. The effect of this is to transfer from the general relief medical assistance (GRM) program funding for pharmaceuticals for medicaid-eligible people. This transfer will make payment of these benefits eligible for 50 percent federal financial participation instead of being paid entirely from the state general fund.

Sections 1 -- 4 of the bill provide coverage of "prescribed drugs" in the medicaid statutes. Section 5 provides a July 1, 1988 effective date because FY88 is a year of transition between medical claims payment systems and a savings cannot be effected immediately.

Currently, prescribed drugs for eligible needy persons are provided under the state general relief medical assistance program (AS 47.25.120, et seq.) wholly from state money. Because federal financial participation for the cost of prescribed drugs is available to the state if it instead offers prescribed drugs through the state medicaid program, a substantial cost savings to the state will be realized by simply offering prescribed drugs through another assistance mechanism.

The benefit of this bill is the substantial cost savings to the state with no adverse effect on needy persons served. Your favorable action on this measure will significantly improve the financial handling of this service and relieve the burden on the general fund -- a necessity at this time of state fiscal crisis.

Sincerely,


Steve Cowper
Governor

"An Act relating to pharmaceutical medical assistance for needy persons; and providing for an effective date."

I. Purpose of SB 255:

The purpose of SB 255 is to allow the Department of Health and Social Services to increase federal revenue by funding prescribed drugs for Medicaid recipients under the Medicaid Program rather than under the 100% state general funded General Relief Medical Program (GRM).

II. Sectional Analysis:

Section 1 establishes prescribed drugs as a Medicaid service which allows the Department to claim 50 percent federal Medicaid funding. This alone will result in an estimated \$1,311.8 million savings of state general funds in FY89.

Section 2 adds prescribed drugs to AS 47.07.035 and provides the Department with legislative direction on the priority of prescribed drugs in the event of a funding shortfall.

Section 3 requires adoption of federal Medicaid procedures for purchasing prescribed drugs.

Section 4 gives "prescribed drugs" the same meaning as in federal Medicaid regulations.

Section 5 provides an effective date of July 1, 1988.

All states, except Alaska, that offer full prescription drug coverage for their Medicaid-eligible citizens, have chosen to fund this coverage through the federal Medicaid program. There is no indication that this has in any way harmed medical assistance recipients or resulted in withdrawal of pharmacies from participation as medical assistance providers.

III. Background

The governor first introduced legislation for the addition of coverage for prescription drugs under the Medicaid program in 1985. If this legislation had been adopted the state would have saved an estimated \$4.5 million that could have been claimed in federal funds for those years. Today, pharmacy remains the single service provided to Medicaid recipients for which the State of Alaska cannot claim federal matching dollars.

Basically, four arguments have been made against adding pharmacy services to the Medicaid program:

Argument: "The Medicaid rules concerning payment for drugs would cause Alaska pharmacies to lose money".

Response: The Medicaid rules concerning payment for drugs were amended last October. The new rules offer the state substantial flexibility including increased freedom from federal rules in setting payment rates for drugs. Under these rules there are two categories of drugs defined as follows:

1. Multiple Source Drugs

These drugs are commonly referred to as "generic" drugs. They are therapeutically equivalent drugs that can be purchased from three or more suppliers. The Health Care Financing Administration (HCFA) publishes a list of these drugs. There are approximately 134 drugs listed. For these drugs only the State cannot pay more in the aggregate than a dispensing fee plus an amount established by HCFA that is equal to 150 percent of the published price for the least costly therapeutic equivalent. According to Region X HCFA, the payment for these drugs in Alaska could be increased in recognition of the cost of shipping and handling. Further, if Alaska can show that the listed drugs are not available at these prices we can pay a higher price using the methodology established for the second category of drugs, "other drugs".

B. Other Drugs

These are all drugs that are not contained on HCFA's list. The State payment for these drugs cannot exceed, in the aggregate, more than the lower of the estimated acquisition cost plus a dispensing fee or the pharmacist's usual and customary charges to the general public. The estimated acquisition cost can be determined through a variety of methods. One method is to obtain a monthly microfiche of wholesale costs from the pharmaceutical distributors in the state.

The dispensing fee can also be established by several methods. One method would be to survey Alaska pharmacies to gather cost data for dispensing drugs. The dispensing fee may allow for geographical differentials and differentials in the volume of business conducted by the pharmacies.

The Department is proposing to either contract with or hire a pharmacist. The pharmacist's role would be to first work with the pharmacies throughout the state to design a program that would be

least disruptive to their businesses and that would ensure continued access for Medicaid and GRM recipients. The pharmacist would also:

- Ensure that Alaska's payments do not in the aggregate exceed the federal limits;
- Set prices above the federal limits for multiple source drugs that are documented as not available in Alaska at the federally listed prices;
- Establish codes and payments for FDA approved compounded drugs (drugs which are not contained in a national drug compendia);
- Work as liason with HCFA to ensure that any future federal changes in Medicaid payments for drugs allow sufficient flexibility for Alaska implementation;
- Work with pharmacies to ensure efficient and rapid processing of claims for payment.

Argument: "Many pharmacies would not participate in a drug program under Medicaid".

Response: In Washington State 1,156 pharmacies which comprise 95+% of the pharmacies in the state participate in the Medicaid drug program. Most states have little problem attracting pharmacies to participate in this program.

Argument: "Medicaid recipients will be forced to use generic drugs which will result in lower quality care".

Response: This legislation will have no impact on current practice regarding whether a generic drug is dispensed. Both Alaska and federal laws state that a generic drug should be dispensed when possible (i.e. available and therapeutically equivalent) but are clear that the ultimate choice always remains with the medical provider.

Argument: "A large number of Alaskan natives would cross over from using Indian Health Service (IHS) pharmacies to using non-IHS pharmacies, costing the state 50 percent where the previous financial participation had been zero".

Response: The shift of dental coverage from the 100% state funded General Relief Medical Program to the 50 percent federally funded Medicaid Program caused no noticeable increase in utilization by natives. In the Department's estimation the majority of natives who wish to purchase drugs at non-Indian health facilities are

already doing so through the General Relief Medical Assistance Program. The shift in funding sources from GRM to Medicaid is unlikely to have any effect on the utilization patterns of most Medicaid-eligible natives. In rural areas, the IHS facility or contractor will remain the pharmacy of choice because it is either the most convenient or the only available provider. In urban areas the cross over has already occurred largely because IHS does not stock many of the drugs commonly prescribed to a large group of these recipients, IHS rules and hours of operation have already made this an unavailable option, and any recipient who wishes to can avoid restriction by not declaring his or her ethnic heritage.

Conclusion:

The Department believes that a Medicaid drug program will continue to result in reasonable payments to pharmacies, will not discourage the participation of this provider group, will not effect the quality of service, and will not result in the state assuming costs formerly borne by the IHS. Most importantly, the Department can assure that the addition of this option will result in a significant annual cost savings to the state without compromising services to Alaskans.

IV. Recommendations

The Department recommends amending Section 5 to change the effective date from July 1 to October 1, 1988. The delay in implementation is necessary to allow the Department time to amend the Medicaid state plan, promulgate and adopt regulations, contract with or hire the pharmacist, and effect changes in the claims processing system.

The Department strongly recommends passage of SB 255 so that the state may begin to receive 50 percent federal financial participation for prescribed drugs through the Medicaid Program. The savings will begin to accrue to the State in October, 1988.

Recommended by:

Kim Busch

Kim Busch, Director
Division of Medical Assistance

Date:

2-2-88

Approved by:

Myra M. Munson

Myra M. Munson, Commissioner
Department of Health and
Social Services

Date:

2-2-88

health association of alaska

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790
REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

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Sitka

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Representative
Avis Hayden
Alaska Treatment Center
Anchorage

Executive Director
Harlan R. Knudson

April 6, 1988

HB 315/SB 255
Prescription Drugs

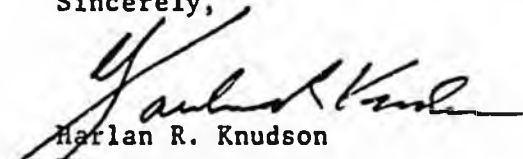
TO WHOM IT MAY CONCERN:

The Health Association of Alaska, representing acute care hospitals, long term and outpatient facilities supports HB 315 and SB 255, bringing prescription drugs into the Medicaid program.

Currently the prescription drug program is under the General Relief Medical Program.

This legislation will permit federal/state cost sharing under the Medicaid program, realizing a savings for the state. It should not lessen the availability of prescription drugs to individuals in the Medicaid program.

Sincerely,


Harlan R. Knudson
Executive Director

Older Alaskans Commission

Box C
Juneau, Alaska 99811-0209
907/465-3250

POSITION PAPER --APRIL 25, 1988

SB 255 (HESS)

"An Act relating to pharmaceutical medical assistance for needy persons; and providing for an effective date."

The Older Alaskans Commission supports passage of SB 255. This bill would allow the Department of Health and Social Services to charge pharmaceuticals to the federally funded Medicaid program for eligible recipients rather than charge them to the 100% state funded General Relief Medical Program. Passage of SB 255 would increase federal revenue and result in savings to the State of nearly \$10 million over the next five years.

SB 255 will not detract from pharmaceutical services currently available to Medicaid eligible senior citizens and will result in a cost-sharing and, therefore, cost savings to the State.

Since pharmacy benefits will not be reduced or otherwise compromised for senior citizens and since the State will save money under this bill, the Commission urges passage of SB 255.

APPROVED BY:

REVIEWED BY:

for Ruth Gulys, Acting Director
Dove M. Kull, Chair
Legislative Committee
Older Alaskans Commission

John M. Andrews
John M. Andrews, Commissioner
Department of Administration

DATE:

4/26/88

DATE:

4/26/88



DEPARTMENT OF HEALTH & HUMAN SERVICES
PUBLIC HEALTH SERVICE

February 2, 1988

*Re w/ Pharmacy
bill*

ALASKA AREA NATIVE HEALTH SERVICE
BOX 107741
ANCHORAGE, ALASKA 99510

Re: to: A-PCSB

Myra M. Munson
Commissioner
Department of Health & Social Services
P.O. Box H
Juneau, Alaska 99811-0601

Dear Ms. Munson:

The Alaska Area Native Health Service (AANHS) has followed with interest the proposal to include Pharmacy Service in the Medicaid program. I would like to take this opportunity to comment on the potential impact of this proposal on AANHS programs.

Although I favor this proposal, I do not believe there will be a significant impact on AANHS programs for the following reasons:

1. Over 85% of the beneficiary population served by AANHS is not Medicaid eligible and will be unaffected by Medicaid Benefit Package changes.
2. Large segments of the small Medicaid eligible AANHS beneficiary population reside in rural areas and will continue to utilize AANHS Pharmacy Services regardless of Medicaid eligibility simply because no other pharmacy services are readily available.
3. We have not seen medical utilization patterns change rapidly with legislation. This was demonstrated when Dental services were covered under Medicaid in Alaska. The AANHS Dental program noticed no ~~significant change in either its workload or utilization patterns.~~

I would like to point out that AANHS does not at this time have a mechanism to bill Medicaid for pharmacy services. If in the future a mechanism was developed and approved by the Health Care Finance Administration (HCFA) and the State of Alaska, there would be no cost to the State of Alaska. All costs incurred by the State of Alaska for services provided to AANHS beneficiaries by AANHS providers in AANHS facilities are 100% reimbursed by HCFA.

Myra M. Munson
February 2, 1988

Page 2

This proposal will provide a few AANHS beneficiaries a greater choice in where they obtain their Pharmaceutical Services and will remove artificial barriers now encountered by a few General Relief Medical AANHS beneficiaries already obtaining pharmaceutical services outside the AANHS system.

I will continue to follow this proposal with interest.

Sincerely,



G. H. Ivey
Director
Alaska Area Native Health Service

Alaska State Medical Association

2401 East 42nd Avenue, #104
Anchorage, Alaska 99508

March 9, 1988

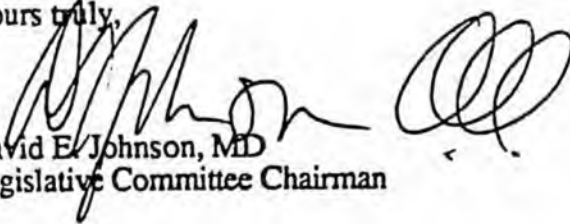
RE: House Bill 315

To Whom It May Concern:

After studying this proposed legislation to bring prescription drugs into the Medicaid program from the General Relief Medical Program, and after receiving assurances from Commissioner Munson that the change will not result in a smaller formulary of medications being available to our patients, the Alaska State Medical Association supports House Bill 315. We believe that the additional resources brought to the state through cost sharing in the Medicaid program and not available in the General Relief Medical Program will free up state funds for other necessary health services.

If anyone needs further information regarding our position on this issue, please feel free to contact me.

Yours truly,


David E. Johnson, MD
Legislative Committee Chairman

DEJ:ts

Municipality
of
Anchorage



P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
(907) 343-4674

TONY KNOWLES
MAYOR

MUNICIPAL HEALTH & HUMAN SERVICES COMMISSION

February 10, 1988

Representative Johnny Ellis, Co-Chair
Health, Education and Social Services Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Ellis:

During its 2-year examination of health and social problems in Anchorage, the Health and Human Services Commission's Basic Human Needs Subcommittee heard frequently about the hardships born by medicaid-eligible needy individuals unable to afford the costs of prescription medications. Moreover, a large and growing burden is being shouldered by Anchorage's informal network of private emergency service providers, including churches and nonprofit agencies who are increasing being asked for help in paying for prescription medications by needy individuals and families.

The Municipal Health and Human Services Commission has reviewed House Bill No. 315 "an act relating to pharmaceutical medical assistance for needy persons; and providing for an effective date". The commission is in support of this bill and wishes to lend its strong support. Our support of this bill inclusion of pharmaceutical medical assistance provided by the department should not be read as an endorsement of the existing "priority of services" in AS 47.07.035.

In the broader context, this issue, all those that relate specifically to reimbursement, should be carefully weighed against their potential contribution to persistent inflationary trends in the health sector.

Sincerely,

Gari B. Andreini
Chair

GAL/dPD20

cc: Anchorage Assembly
Mayor Fink
Ron Garzini, Municipal Manager
Bert Hall, Director, Municipal Department of Health and Human
Services
Myra Munson, Director, Alaska Department of Health and Social
Services





ALASKA PHARMACEUTICAL ASSOCIATION

Martha
A

Box 10-1185 Anchorage, Alaska 99510

April 25, 1988

The Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator,

This letter comes to you out of professional and personal concern about SB 255, "An act relating to pharmaceutical medical assistance for needy persons; and providing for an effective date." The Alaska Pharmaceutical Association has developed a position paper which addresses our opposition to this bill. Please see attachment No.1.

Pharmacists are charged by statute and by the ethics of our profession to be concerned with the welfare and safety of the public in these matters. Pharmacists are very aware of the fiscal realities present in today's healthcare reimbursement arena. Pharmacists are willing to cooperate with and to support a reimbursement program that is equitable to healthcare providers, benefits the State and the public, and which is well defined. SB 255 does not meet these criteria and so it is not possible for pharmacists to support this bill. A recent Dittman survey demonstrates the potential impact of SB 255 on delivery of healthcare and employment in the State of Alaska. Please see attachment No.2.

Alaska has the lowest percentage of all 50 states of the monies expended for pharmaceuticals in a GMR program. Only 3.2% of the funds spent for GMR go for reimbursement of pharmaceutical expenses. This is, in part, a positive effect of the legislation passed last year which provides for the use of generic drugs when possible.

Senator Arliss Sturgulewski has agreed to chair an interim committee which would examine alternatives and develop a plan which would be acceptable to both Health and Human Services Department and Alaskan pharmacists. This plan could then be presented to the next legislative session. We request your support in this effort. It is imperative that our actions on this matter be well thought out, rather than precipitous. The matter is far too important to the delivery of healthcare in Alaska to rush into a program which would do more harm than good to the residents of the State.

If you require additional information, please do not hesitate to contact me.

Thank you for your consideration in this matter.

Sincerely,

Chris Coursey

Chris Coursey
President,
Alaska Pharmaceutical Association
(907) 264-1138



ALASKA PHARMACEUTICAL ASSOCIATION

Box 10-1185 Anchorage, Alaska 99510

POSITION PAPER

SB 255

"An act relating to pharmaceutical medical assistance for needy persons; and providing for an effective date."

PURPOSE: To allow the Department of Health and Social Services to obtain federal revenue by funding prescribed drugs for Medicaid recipients under the Federal Medicaid program rather than under the state funded General Relief Medical Program.

BACKGROUND

ARGUMENT: "All states, except Alaska, have chosen to fund this coverage through the federal Medicaid program. There is no indication that this has in any way harmed medical assistance recipients or resulted in withdrawal of pharmacies from participation as medical assistance providers."

RESPONSE: Most states began participation in the Federal Medicaid program 15 to 20 years ago. Many independent, small pharmacies were unable to survive under the imposed fees and bureaucracy of the program. It is probably true that there is little withdrawal of pharmacies from the program today. However, this is only because the devastation was wrought in these states many years ago, when the programs were begun, leaving the large chain store operations and a few independent pharmacies who had enough non-Medicaid business to survive.

ARGUMENT: "The Department believes that a Medicaid drug program will continue to result in reasonable payments to pharmacies. The Medicaid rules concerning payment for drugs were amended last October. The new rules offer the state substantial flexibility....in setting payment rates for drugs."

RESPONSE: The Department is asking pharmacists to blindly accept and embrace participation in a program with no set guidelines of operation and no established rates, fees, or levels of reimbursement. To this date, the amended Medicaid rules have not resulted in any significant change in payment rates for any state. In response to the issue of reasonable payments to pharmacies, the Association references the previously submitted position paper of Ron Sedgwick, Registered Pharmacist. The Association agrees with and supports Mr. Sedgwick's

observations and arguments. The Department implies that the Medicaid rules and reimbursement would not necessarily cause Alaska pharmacies to lose money. There is no question that the operating margins of those pharmacies participating in this program would be significantly reduced. It is only a question of how much Medicaid business each individual pharmacy has and whether the new bottom line will sustain operations.

ARGUMENT: "The shift in funding sources from GRM to Medicaid is unlikely to have any effect on the utilization patterns of most Medicaid-eligible natives."

RESPONSE: The Association disagrees with this assessment. In addition, there will also be a percentage of the current GRM covered population who will not qualify for Medicaid participation under the more stringent Federal eligibility rules. Funding for this group will remain entirely with the state. The Department of Health and Social Services has not identified this financial responsibility.

ARGUMENT: "The Department can assure that the addition of this option will result in a significant annual cost savings to the state without compromising services to Alaskans."

RESPONSE: Can the Department assure that Alaskans will not lose their jobs or their businesses by the addition of this option to the Medicaid program? Can the Department assure that these Alaskans will maintain their standard of living for those fortunate enough to retain their jobs or businesses after the addition of this option?

How will the Department assure that service will not be compromised to Alaskans if a small pharmacy, serving a rural Alaskan area, fails because of reduced operating margins as a result of adding this option? Loss of a single source provider for a rural area will affect not only the Medicaid population, but the entire community and service area. How can this not compromise Alaskan health care?

CONCLUSIONS

The present state funded program well serves both the health care community and the medical assistance recipients.

Physicians are able to select drug therapy for the patient based on therapeutic effectiveness rather than be restricted to a drug formulary based on drug acquisition cost.

Pharmacists are able to serve the medical assistance patient in the same manner as the general public and is compensated fairly and on the same basis as they are for the general public.

Passage of SB 255 at this time would severely impact the financial picture of Alaskan pharmacies, ultimately resulting in some business failures. The net effect will be loss of jobs for Alaskans and compromised health care for those

residents of rural areas served by single pharmacies which do not remain financially viable.

Independent pharmacies are already subjected to a barrage of economic pressures such as mail order prescription programs and physician dispensing of drugs for profit. In Anchorage alone, five pharmacies have already closed over the past year due to the existing economic climate. How many more businesses will be condemned to failure and jobs lost by the addition of one more unfair economic burden?

Under current reimbursement rates used in the lower 48 states for Medicaid patients, the legislature and State of Alaska would be asking pharmacies, their employees and their non-Medicaid customers to further subsidize health care for this population.

The amount spent for pharmaceuticals at present is a very small percentage of the Medicaid budget. Are the above impacts and offsets to cost savings truly worth the 50% Federal funds the state stands to gain?

RECOMMENDATIONS

The Alaska Pharmaceutical Association strongly urges defeat of SB 255 at this time. We cannot endorse acceptance of an undefined program, which as administered in the lower 48 states, would be economically devastating to the members of our association.

The Department of Health and Social Services appears to believe that under amended Medicaid rules, it would be possible to design a program and establish acceptable payment rates for drugs. Their own position paper implies that previous Medicaid regulations and rules (most of which still exist) did not provide enough flexibility and freedom for the state in establishing this program.

The Association is willing to work closely with the Department of Health and Social Services in designing a Medicaid program and establishing a reimbursement system which is reasonable and fair to pharmacy providers and which allows the state to realize actual savings.

The Alaska Pharmaceutical Association recommends that the Senate direct the Department of Health and Social Services to work with the Association over the next year in designing such a program. If this cooperative effort produced a program which would be accepted in writing at the Federal level, the Association would be happy to support new legislation at the next session.

As an interim measure, the Alaska Pharmaceutical Association urges defeat of SB 255 this year, and asks that the General Relief Medical Program be funded to provide pharmaceutical medical assistance for FY 89.

CONTACT

Mr. Chris Coursey
President
ALASKA PHARMACEUTICAL ASSOCIATION
BOX 10-1185
ANCHORAGE, ALASKA 99510

Work phone: (907) 264-1138
Home phone: (907) 694-5488

PHARMACY OWNERS :

Senate Bill No 255 and House Bill No. 315 are two identical bills being considered by the Alaska State Legislature. They are in the Finance Committees of both houses.

These bills STRONGLY IMPACT pharmacy. They change the G.R. MED PROGRAM that is presently in place (usual and customary payment) to the FEDERAL TITLE XIX PROGRAM. Reimbursement under the Federal Program is made on the following basis: Average Wholesale Price (AWP) less, repeat, **LESS** a percentage of at least 11% (eleven percent) and then adding a negotiated FEE that in most states is from \$3.00 to \$3.70 per prescription. Other restrictions, such as limiting choice of drugs and mandated price for a list of 200 prescription drugs, also add to the pharmacy costs.

PROponents OF THE BILL CLAIM:

1. THE STATE WILL SAVE OVER A MILLION DOLLARS.
2. THE SAVINGS WILL ALLOW THE STATE TO USE THE MONEY TO FUND OTHER PROGRAMS NOT RELATED TO PHARMACY.
3. THE STATE WILL BE ABLE TO HIRE PERSONNEL IN THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES, CREATING JOBS IN THE STATE GOVERNMENT.
4. THE CROSS-OVER OF PEOPLE NOW SERVED BY THE NATIVE SERVICE PHARMACIES WOULD NOT INCREASE THE COST OF THE PROGRAM TO THE STATE.

OPponents OF THE BILL CLAIM:

1. THE BILLS WILL FORCE PHARMACY TO SUBSIDIZE THE PROGRAM, RESULTING IN A REDUCTION IN GROSS PROFIT AND AN ACTUAL NET LOSS.
2. NEW STATE PROGRAMS SHOULD SURVIVE ON THEIR OWN MERIT AND NOT DEPEND ON A SUBSIDIZATION BY PHARMACY.
3. JOBS COULD ACTUALLY BE DESTROYED STATEWIDE IN THE PRIVATE SECTOR DUE TO PHARMACIES GOING OUT OF BUSINESS AT A TIME WHEN EVERY PRIVATE SECTOR JOB SHOULD BE SAVED.
4. THE FEDS WILL NOT FUND TWO PROGRAMS, AND THE CROSSOVER IN PHARMACY AS WELL AS HOSPITAL USE BY THE NATIVE POPULATION CANNOT BE ACCURATELY PROJECTED AND COULD COST IN THE MILLIONS OF DOLLARS.

Considering the above facts and the financial impact on pharmacy, if the Bills pass and become law on their effective date of July 1, 1988:

1. Will your pharmacy seriously consider dropping out of the program?(X)Yes()No.
2. If you are presently participating in the GR MED State program, what percentage of your total prescriptions are GR MED? 25%. Presently not participating in GR MED....()
3. Will you voice your opinion in this matter by calling or writing to your respective Senator and Representative?(X)Yes()No.

Comments:

We operate a small retail pharmacy. Should these bills pass, resulting in increased paperwork/recordkeeping expenses and decreased revenues, we would be forced to discontinue our retail pharmacy operation.

Name of Pharmacy: HUMANA PROFESSIONAL PHARMACY

Pharmacy Address: 2841 DeBarr Rd, Suite 21, Anchorage, AK 99508

Name of person completing survey: Chris Coursey (Manager) Phone 264-1138

Please return in the enclosed postage paid envelop to DITTMAN RESEARCH CORPORATION **AT ONCE!** Time is of the essence! These bills could come to a vote SOON. Several Legislators have asked for input from Pharmacy. Therefore, your response and the results of this poll are very important. Thank you!

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Considering the above facts and the financial impact on pharmacy, if the Bills pass and become law on their effective date of July 1, 1988:

- 1. Will your pharmacy seriously consider dropping out of the program?(X)Yes()No.
- 2. If you are presently participating in the GR MED State program, what percentage of your total prescriptions are GR MED? 14.8%. Presently not participating in GR MED....()
- 3. Will you voice your opinion in this matter by calling or writing to your respective Senator and Representative?(X)Yes()No.

Comments:

If this program goes into effect we will reduce our staff by 1 pharmacist + 1 clerk.

Name of Pharmacy: Medical Arts Pharmacy

Pharmacy Address: 3300 Providence Ave Anchorage 99508

Name of person completing survey: Jan H Dowelson Phone 561-1964

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Considering the above facts and the financial impact on pharmacy, if the Bills pass and become law on their effective date of July 1, 1988:

- 1. Will your pharmacy seriously consider dropping out of the program?(X)Yes()No.
- 2. If you are presently participating in the GR MED State program, what percentage of your total prescriptions are GR MED? 10% Presently not participating in GR MED....()
- 3. Will you voice your opinion in this matter by calling or writing to your respective Senator and Representative?(X)Yes()No.

Comments:

Considering the turn around time + Paper work involved presently - It is already a near Break even task. With Further Reduction - we could be losing money.

Name of Pharmacy: WINKLEBERG Drug

Pharmacy Address: Box 35 22, Kodiak AK 99615

Name of person completing survey: Kim S Sultan RPH Phone 486-5015

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Considering the above facts and the financial impact on pharmacy, if the Bills pass and become law on their effective date of July 1, 1988:

- 1. Will your pharmacy seriously consider dropping out of the program?(X)Yes()No.
- 2. If you are presently participating in the GR MED State program, what percentage of your total prescriptions are GR MED? 30%. Presently not participating in GR MED....()
- 3. Will you voice your opinion in this matter by calling or writing to your respective Senator and Representative?(X)Yes()No.

Comments:

I have a small service pharmacy. If these bills pass, I will probably have to close & leave the state. My wife is working so that we can provide (cover)

Name of Pharmacy: Anchor Point Pharmacy

Pharmacy Address: P.O. Box 663, Anchor Point, AK 99556

Name of person completing survey: Leslie Grosz Phone 235-8222

Please return in the enclosed postage paid envelop to DITTMAN RESEARCH CORPORATION **AT ONCE!** Time is of the essence! These bills could come to a vote SOON. Several Legislators have asked for input from Pharmacy. Therefore, your response and the results of this poll are very important. Thank you!

prescription service in this community. It is ironic that we both taxpayers able pay out of pocket our own moving expenses to come to Alaska to provide a service to Alaskans so they would have a better way of life. The real irony comes from the very state we came to serve. These bills will more than likely cause us to close our doors.

DRC

DITTMAN RESEARCH CORPORATION
DRC BUILDING
8115 JEWEL LAKE ROAD
ANCHORAGE, ALASKA 99502
(907) 243-3345

APRIL 18, 1988

SUBJECT: PHARMACIST POLL REGARDING SENATE BILL 255
AND HOUSE BILL 315

BACKGROUND: Senate Bill 255 and House Bill 315 would have an impact on pharmacies in Alaska. Accordingly, the Alaska Pharmaceutical Association developed a questionnaire and selected a sample of other Alaskan pharmacies to be included in a survey to gather pharmacist opinion regarding the proposed changes in the G.R. MED Program. The Dittman Research Corporation of Alaska was retained to accomplish the data collection. DRC personnel prepared the questionnaires for printing; had 100 copies printed; folded and inserted the questionnaires; inserted postage-paid, return-addressed envelopes; affixed mailing labels and postage; mailed the questionnaires and accepted the returns.

RESULT: A total of 98 questionnaires were mailed and 33 were returned. Among the 33 returns, two were no longer in business. The 31 active respondents ranged from Fairbanks to Kodiak...

GEOGRAPHIC AREA OF RESPONDENT

	Anchor- age	Fair- banks	Kenai Pen.	South- east	Kodiak	Mat- Valley
Number of Pharmacies	10	3	8	5	4	1

... and the G.R. MED Program accounted for a varying percentage of prescriptions filled by each responding pharmacy...

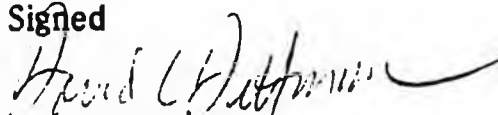
G.R. MED AS A PERCENTAGE OF ALL PRESCRIPTIONS

	Unknown	2%	8%	10%	10- 12%	15%	20%	25%	30%	35%	40%	
Number of Pharmacies	1	1	1	5	3	3	5	4	1	5	1	1

Of the 31 respondents who were still in the pharmacy business, 29 reported they would seriously consider dropping out of the G.R. MED program if Senate Bill 255 and House Bill 315 are passed...

# Mailed.....	98
# Returned.....	33
# Out of business.....	2
# Current pharmacists	31
# Drop G.R.MED.....	29
# Not drop G.R. MED	1
# Undecided.....	1

Signed



David L. Dittman
President
Dittman Research

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 255 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to pharmaceutical medical assistance
7 for needy persons and authorizing payment for pre-
8 scribed drugs for a period of one year; and providing
9 for an effective date."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. PRESCRIBED DRUGS UNDER MEDICAID. (a) Notwithstanding
12 other provisions of law, the Department of Health and Social Services may
13 offer prescribed drugs as an optional service under AS 47.07.030(b).
14 (b) For purposes of AS 47.07.035, prescribed drugs shall be eliminat-
15 ed as an optional medical service after personal care services in a recip-
16 ient's home and before long-term care noninstitutional services.
17 (c) Payment for prescribed drugs under AS 47.07 shall be made in
18 accordance with 42 C.F.R. Part 447, Subpart D.
19 (d) In this section, "prescribed drugs" has the meaning given in 42
20 C.F.R. 440.120.
21 * Sec. 2. This Act is repealed July 1, 1989.
22 * Sec. 3. This Act takes effect July 1, 1988.

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 255

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to pharmaceutical medical assistance
7 for needy persons; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 47.07.030(b) is amended to read:

11 (b) In addition to the mandatory services specified in (a) of
12 this section, the department may offer only the following optional
13 services: personal care services in a recipient's home; emergency
14 hospital services; long-term care noninstitutional services; medical
15 supplies and equipment; clinic services; inpatient psychiatric facili-
16 ty services for individuals age 65 or older and individuals under age
17 21; physical therapy; occupational therapy; chiropractic services;
18 treatment of speech, hearing, and language disorders; adult dental
19 services; prosthetic devices and eyeglasses; optometrists' services;
20 intermediate care facility services, including intermediate care
21 facility services for the mentally retarded; skilled nursing facility
22 services for individuals under age 21; prescribed drugs; and reason-
23 able transportation to and from the point of medical care.

24 * Sec. 2. AS 47.07.035 is amended to read:

25 Sec. 47.07.035. PRIORITY OF MEDICAL ASSISTANCE. If the depart-
26 ment finds that the cost of medical assistance for all persons eligi-
27 ble under this chapter will exceed the amount allocated in the state
28 budget for that assistance for the fiscal year, the department shall
29 eliminate coverage for optional medical services and optionally

1 eligible groups of individuals in the following order:

2 (1) chiropractic services;

3 (2) adult dental services;

4 (3) emergency hospital services;

5 (4) treatment of speech, hearing, and language disorders;

6 (5) optometrists' services and eyeglasses;

7 (6) occupational therapy;

8 (7) prosthetic devices;

9 (8) medical supplies and equipment;

10 (9) clinic services;

11 (10) physical therapy;

12 (11) personal care services in a recipient's home;

13 (12) prescribed drugs;

14 (13) long-term care noninstitutional services;

15 (14) [(13)] inpatient psychiatric facility services;

16 (15) [(14)] intermediate care facility services for the

17 mentally retarded;

18 (16) [(15)] intermediate care facility services;

19 (17) [(16)] individuals under age 21 who are not eligible

20 for benefits under the federal aid to families with dependent children

21 program because they are not deprived of one or more of their natural

22 or adoptive parents;

23 (18) [(17)] skilled nursing facility services for persons

24 under age 21;

25 (19) [(18)] aged, blind, and disabled individuals who,

26 because they do not meet the income requirements, do not receive

27 supplemental security income under Title XVI of the Social Security

28 Act, but who are eligible, or would be eligible if they were not in a

29 skilled nursing facility or intermediate care facility, to receive an

1 optional state supplementary payment;

2 (20) [(19)] individuals in a hospital, skilled nursing
3 facility, or intermediate care facility whose income while in the
4 facility does not exceed 300 percent of the supplemental security
5 income benefits rate under Title XVI of the Social Security Act, but
6 who, because of income, are not eligible for the optional state sup-
7 plementary payment;

8 (21) [(20)] individuals under age 21 under supervision of
9 the department, for whom maintenance is being paid in whole or in part
10 from public money and who are in foster homes or private child-care
11 institutions.

12 * Sec. 3. AS 47.07 is amended by adding a new section to read:

13 Sec. 47.07.200. PAYMENT FOR PRESCRIBED DRUGS. Payment for
14 prescribed drugs must be made in accordance with 42 CFR Part 447,
15 Subpart D.

16 * Sec. 4. AS 47.07.900 is amended by adding a new paragraph to read:

17 (11) "prescribed drugs" has the meaning given in 42 CFR
18 440.120.

19 * Sec. 5. This Act takes effect July 1, 1988.