

**HB**

**134**

<TARGET><BILL>HB 134</BILL><SUBJECT>HB  
134</SUBJECT><COMM>HFIN28</COMM></TARGET>

old note  
for  
comparison

# Fiscal Note

State of  
2013 L

Bill Version: HB 134  
Fiscal Note Number:  
( ) Publish Date:

Identifier: HB134CS(HSS)-HCMS-3-27-13  
Title: MEDICAID PAYMENT FOR MEDISET  
PRESCRIPTION  
Sponsor: COSTELLO  
Requester: House Health & Social Services Committee

Department: Department of Health and Social Services  
Appropriation: Medicaid Services  
Allocation: Health Care Medicaid Services  
OMB Component Number: 2077

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits	414.0		1,657.0	1,657.0	1,657.0	1,657.0	1,657.0	1,657.0
Miscellaneous								
<b>Total Operating</b>	<b>414.0</b>	<b>0.0</b>	<b>1,657.0</b>	<b>1,657.0</b>	<b>1,657.0</b>	<b>1,657.0</b>	<b>1,657.0</b>	<b>1,657.0</b>

**Fund Source (Operating Only)**

1002 Fed Rcpts	207.0		828.5	828.5	828.5	828.5	828.5
1003 G/F Match	207.0		828.5	828.5	828.5	828.5	828.5
<b>Total</b>	<b>414.0</b>	<b>0.0</b>	<b>1,657.0</b>	<b>1,657.0</b>	<b>1,657.0</b>	<b>1,657.0</b>	<b>1,657.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 04/01/14

**Why this fiscal note differs from previous version:**

Not applicable.

Prepared By: Margaret Brodie, Director Phone: (907)334-2520  
Division: Health Care Services Date: 03/26/2013 09:00 AM  
Approved By: Sarah Woods, Deputy Director Date: 03/26/13  
Finance & Management Services

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. CSHB134(HSS)

### Analysis

The bill would require the Alaska Medicaid program to pay a dispensing fee, with or without a separate fee for dispensing and transporting medications in compliance packaging (aka "mediset"), for drugs dispensed in medisets and requires the Department to consider certain specific costs in determining the fee. The bill would require the Department to pay the fee(s) more frequently than the current monthly dispensing fee and up to a weekly mediset fee. It is possible that the Department could consolidate the monthly dispensing fee and weekly mediset fees into a single prorated fee that is paid each time a prescription is dispensed whether it be monthly, twice a month, or weekly. The Department estimates that the costs of paying fees will be similar to what they were prior to the last revision to the pharmacy reimbursement rates in September 2011, but somewhere between the current rate and the old rate. Dispensing fees for the pharmacies specializing in medisets totaled \$2,851,323.18 in CY 2008, \$2,924,244.51 in CY 2009, \$2,909,794.32 in CY 2010, \$2,180,762.33 in CY 2011, and \$882,126.28 in CY 2012. Four months (Sept – Dec) of CY 2011 included the new reimbursement rates and likely account for the decrease in dispensing fees from the roughly \$2.9 million paid in 2008 – 2010. The difference between the old rate (before 9/7/2011) and new rate (post 9/7/2011) is \$2,000,000 annually and it would be a reasonable assumption that the final rate, or combination of rates, required under the CS for HB 134 would increase costs in the amount of 50% of the difference in the rates; \$1,000,000 annually.

It is also reasonable to assume that if this bill passed the current mediset providers would expand their services to communities that they don't currently serve. At least one mediset provider has indicated that, should the bill pass, it would expand to Fairbanks. This expansion would result in a larger number of recipients receiving weekly prescriptions and this expanded group of recipients would also have postage charges associated with their claims. The population of the Fairbanks area is roughly 20% that of the Anchorage and Mat-Su areas. It would be reasonable to assume there would be an increase of 20% to the volume of prescriptions from a 20% increase in the number of recipients receiving medisets. The medisets sent to Fairbanks from Anchorage would have postage associated with the claims and it would be reasonable to assume each recipient would have a single weekly postage charge of \$16.85 (the rate for a large flat rate box through the USPS). In 2012 there were 2,611 recipients that received one or more prescriptions through a mediset pharmacy. A 20% increase in the number of recipients would equate to an increase of 522 recipients and \$457,000 in postage costs (522 recipients x \$16.85/week x 52 weeks) and an increase of \$200,000 in dispensing costs (20% increase to the dispensing costs above).

The net estimated increase would be \$1,657,000 (\$1,000,000 + \$457,000 + \$200,000) annually. It is estimated that the regulation changes and state plan approval process to implement the requirements of CS for HB 134 would occur in the last quarter of SFY 2014 and the increased costs for SFY 2014 would be \$414,000. The federal match rate for Medicaid pharmacy services is currently 50%.

If additional expansion occurred to communities outside of the Anchorage/Mat-Su or Fairbanks areas, there would be additional dispensing and postage costs associated with this bill.

Regulations would be required to implement the changes to mediset reimbursement.



# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: CSHB 134(HSS)  
Fiscal Note Number: 1  
(H) Publish Date: 3/17/14

Identifier: HB134CS(HSS)-HCMS-03-03-14  
Title: MEDICAID PAYMENT FOR MEDISET  
PRESCRIPTION  
Sponsor: COSTELLO  
Requester: House Health & Social Services Committee

Department: Department of Health and Social Services  
Appropriation: Medicaid Services  
Allocation: Health Care Medicaid Services  
OMB Component Number: 2077

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2015) cost:** 0.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Changes to statutes in version T allow the Department to maintain its current practice of paying monthly dispensing fees and periodic mediset fees, and would not expand out-of-town delivery charges.

Prepared By:	Margaret Brodie, Director	Phone:	(907)334-2520
Division:	Health Care Services	Date:	02/27/2014 12:00 AM
Approved By:	Sarah Woods, Deputy Director, Finance & Management Services	Date:	03/03/14
Agency:	Health & Social Services		

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. CSHB 134(HSS)

**Analysis**

The bill would place a requirement in statute for the Alaska Medicaid program to pay pharmacies meeting certain criteria a fee for dispensing medications in compliance packaging (aka "mediset"), for drugs dispensed in medisets. The Department currently provides such reimbursement under regulatory authority and this bill would not require a significant change to that practice. The Department does not anticipate any increased cost as a result of putting the requirement into statute.



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of  
Health and Social Services

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March 26, 2014

Honorable Mia Costello  
State Capitol Room 501  
Juneau, AK 99801

Honorable Mia Costello:

Thank you for allowing me to respond to the House Finance Committee's discussion of HB 134 and, specifically, the evolution of the fiscal notes from the Department of Health and Social Services (DHSS).

HB 134 does not impact any payer other than Alaska Medicaid. State of Alaska health insurance plans, other prescription drug benefit plans, and Medicare part D plans are not implicated in the bill. Also, regardless of whether or not an additional payment is made for packaging medications in a mediset, a pharmacy is always authorized to prepare prescriptions in patient compliance packaging. HB 134 would not impact the profession's ability to dispense prescriptions in medisets; it would only require Medicaid to pay a separate fee for doing so. Finally, the bill does not prohibit single-pill medisets.

Historically, the Alaska Medicaid program paid a dispensing fee each time a drug in a mediset was dispensed. Currently, Medicaid pays a single monthly dispensing fee for each drug and an additional mediset fee for each medication up to once per week.

House Bill 134, as introduced, required the Alaska Medicaid program to pay a dispensing fee with or without a separate mediset fee for dispensing and transporting medications in compliance packaging and required the Department to consider certain specific costs in determining the fee. The committee substitute focuses on the mediset fee and clearly delineates it from the dispensing fee. The costs for DHSS to implement the committee substitute will be zero, compared to previous versions which would have required additional costs.

- The committee substitute eliminates the requirement for DHSS to pay a weekly dispensing fee, saving approximately \$1 – 2 million annually. The Legislative Research report contained in the committee record references \$2.8 – 2.9 million annual average expenditures over the prior four years, for comparison.
- The committee substitute removes the requirement for DHSS to reimburse actual transportation costs as a separate cost. If all mediset pharmacies mailed prescriptions to all mediset recipients statewide – including Fairbanks, in which at least one mediset pharmacy pledged to expand service – this cost could exceed \$2 million in transportation costs. The assumptions in our fiscal notes did not include

March 26, 2014

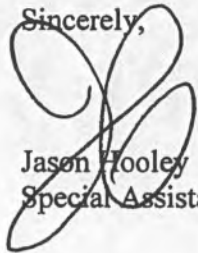
Page 2

100% coverage for these services, but nonetheless, the costs are avoided entirely per the current drafting.

- All of the services listed under section (b) are currently reimbursed as part of the dispensing fee, or could be. Federal regulations prohibit DHSS from paying twice for the same service; if a service is included in the dispensing fee, it will not also be included in the mediset fee. The committee substitute also removes the requirement for a new dispensing fee survey, eliminating additional costs.

Please let me know if you have additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Hooley". The signature is stylized with large, overlapping loops.

Jason Hooley  
Special Assistant to the Commissioner

# LEGAL SERVICES

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## MEMORANDUM

March 5, 2014

**SUBJECT:** Sectional summary  
(CSHB 134( ))(Work Order No. 28-LS0303\T))

**TO:** Representative Mia Costello  
Attn: Charles Guinchard

**FROM:** Jean M. Mischel  
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

**Section 1.** Requires the Department of Health and Social Services to establish an additional fee under the Medicaid program, to be paid to a qualified pharmacy, for dispensing services for prescriptions that require medication compliance packaging into scheduled unit doses for specified Medicaid recipients. Describes specialized dispensing and delivery services to be covered.

**Section 2.** Provides for a contingent effect of sec. 1 based on approval by the United States Department of Health and requires the commissioner of health and social services to request the approval.

**Section 3.** Establishes an effective date for the bill based on notification of the revisor of statutes by the commissioner of health and social services of federal approval received under sec. 2 of the bill.

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**Representative Mia Costello**  
Alaska State Legislature

**Explanation of Changes**  
CSHB 134 (HSS) W.O. 28-LS0303\E

*"An Act requiring Medicaid payment for medication compliance packaging, delivery, and dispensing services of a prescription for specified recipients; and providing for an effective date."*

Several changes were made to the CS for HB 134 (HSS) by the sponsor after working with the Department of Health and Social Services. In general, several parts of the bill were reorganized so as not to create unintended costs in the department.

Other than a reorganization of parts, the only major change to HB 134 in version T is the deletion of any reference to the department paying for the shipping costs of medication compliance packaging.

These changes were made in an effort to lessen the fiscal impact HB 134 would have on the Department of Health and Social Services while maintaining the sponsor's intent for this bill.

In addition to changes made by the sponsor the Department of Health and Social Services proposed, and is in the final process of adopting, new regulations regarding pharmacy reimbursement rates. These regulations, 7 AAC 105, 120, 145, 160, will in effect provide a higher reimbursement rate for pharmacies providing medication compliance packaging under Medicaid to qualified recipients.

It is the sponsor's belief that these new regulations and the changes made to HB 134 by version T will result in a significantly lowered fiscal impact of this legislation.

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**Representative Mia Costello**  
Alaska State Legislature

**Sponsor Statement**  
House Bill 134

*"An Act requiring Medicaid payment for scheduled unit dose prescription drug packaging and dispensing services for specified recipients."*

A number of individuals in Alaska have medical needs so complex they are required to take a dozen or more medications daily. These persons are often frail, elderly, and experiencing a wide range of mental intellectual and developmental disabilities. For these most vulnerable persons, medication management services offer a way to simplify difficult dosing regimens.

HB 134 establishes within statute a mediset medication management service that has already proven successful in keeping those individuals faced with the most difficult dosing regimens compliant with their doctor ordered prescriptions.

In 1997 Alaska became an institution free state with the closure of Harborview Medical Center. Since then Alaska has moved to more fiscally responsible "home based" healthcare for its indigent population. Medication management is an integral part to this home based care system. It improves patient adherence to prescriptions and allows persons to remain in their home communities rather than move to much more costly institutions or nursing homes.

The state of Alaska has a mandate to pay for the care of Medicaid patients, including indigent and disabled persons. Many studies have shown that medication management programs such as mediset keep patients compliant to their medication resulting in fewer visits to the hospital and emergency room. The result is a higher quality of care at a lower cost.

At a time of tight state budgets, it is important to recognize and preserve programs that generate long term cost savings for the State of Alaska.

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## Research Brief

TO: Representative Mia Costello  
FROM: Tim Spengler, Legislative Analyst  
DATE: January 28, 2013  
RE: Costs Associated with Mediset, a Medication Management Service  
*LRS Report 13.129*

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*You were interested in the costs associated with the Mediset medication management system in Alaska. Additionally, you asked for information on potential ramifications for Alaska if proposed regulation changes, which pertain to certain Medicaid payment rates, are implemented. You also asked for reports or studies on the implications of medication non-compliance.*

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Briefly, a number of individuals in Alaska, many of whom are frail and elderly, have medical needs so complex that they must take up to a dozen or more medications daily. Certain pharmacies in the state specialize in providing comprehensive pharmacy care that aims to increase medication compliance for such individuals.<sup>1</sup> The Alaska Department of Health and Social Services (DHSS) estimates the additional fee for the Mediset service costs the state a total of about \$200,000 annually. In addition to the usual pharmacy dispensing fee paid for traditional services, these pharmacies, called Mediset pharmacies, currently receive an extra fee. This Mediset fee would be eliminated under regulations currently under consideration.

### **Mediset Basics**

Mediset is a medication management service that is provided by some Alaska pharmacies.<sup>2</sup> Mediset pharmacies package, deliver, and monitor medications for individuals with significant medication needs and are, as such, directly involved with the patients adherence to their prescribed medication plans. The oversight provided by these pharmacies aims to help patients—who are often taking numerous medications daily—stay medication compliant.

Individuals using Mediset services include the frail and elderly, those with serious mental illnesses, disabilities, and those residing in group homes. The term “mediset” refers to the actual compliance packaging—designed to increase patient medication adherence—in which a client’s pills are arranged in an organized, easy-to-understand manner; however, in this report, “Mediset,” will refer to the packaging, delivery, and monitoring services provided by clinical pharmacies.

According to the Alaska Department of Health and Social Services (DHSS), there are currently five pharmacies in the state submitting claims as Mediset pharmacies: Geneva Woods (Anchorage), Geneva Woods (Wasilla), Anchorage Mediset Pharmacy, Susitna Medical Services (Wasilla), and Frontier Medical (Anchorage).<sup>3</sup> All these pharmacies specialize in Mediset services and a large majority of their clients receive their medications in this way. In each of the last five years, these five pharmacies have served a total of around 2,500 individuals enrolled in Alaska Medicaid, according to DHSS. Over 30 other pharmacies around the state provide some sort of Mediset services but only as a small fraction of their business. These other pharmacies are not eligible for the Mediset fee that the above-listed pharmacies receive.

In addition to the usual pharmacy dispensing fees that any pharmacy would receive, Mediset pharmacies are currently reimbursed by Alaska Medicaid an additional five dollars per claim (per prescription) to be billed not more than once per

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<sup>1</sup> Medication compliance or medication adherence refers to whether patients take their medications as prescribed (e.g., twice daily), as well as whether they continue to take a prescribed medication.

<sup>2</sup> Similar services are available throughout the United States although often these services go by different names. All provide the same basic clinical-pharmacy medication management services; according to the Alaska Department of Health and Social Services (DHSS), it is not typical for other states to pay an additional “Mediset” fee—on top of the usual dispensing fee—to pharmacies providing such services as is currently the case in Alaska. Wilda Laughlin, DHSS legislative liaison, (907) 465-1613, was our department contact for this report.

<sup>3</sup> The Alaska Native Medical Center—Mediset Pharmacy, has submitted claims in the past but did not submit any claims in 2012.

week.<sup>4</sup> These added fees would be eliminated if Medicaid payment regulation changes like those proposed in September 2012 are adopted. It should be noted that, according to DHSS, the current standard medication dispensing fees for all pharmacies paid by Alaska Medicaid are, on average, the highest in the country among fee-for-service Medicaid programs.

In order to receive medication management services through a Mediset pharmacy, an individual in the Alaska Medicaid program must have a doctor's order for the service based on patient's needs. Others clients can request this service, but their pharmacies will not be eligible for the additional Mediset fee from Medicaid unless they meet the criteria as set out in 7 AAC 145.410.

Total payments (which include both drug costs and dispensing fees) made by Alaska Medicaid to the five Mediset pharmacies for calendar years 2008 through 2011 averaged roughly \$11 to \$12 million per year. In 2012, payments went down to around \$6.6 million as the result of numerous name brand drugs losing patent protection and being replaced by generics, as well as Alaska implementing regulations regarding maximum allowable costs for drugs. Also, dispensing fees decreased for all state pharmacies due to a September 2011 regulation change that limited dispensing fees to no more than one per recipient per medication per 28 days. (This did not pertain to Mediset fees, which are separate from traditional dispensing fees.) Prior to this change there was no such limit.

Attachment A is a table provided by DHSS that disaggregates the total payments made to the Mediset pharmacies by Alaska Medicaid over the last five years as well as the total payments made to all state pharmacies. The table also shows payments made for the dispensing fees alone, and the percentage of dollars spent on Mediset pharmacies compared to all state pharmacies. In 2012 for example, Medicaid payments to the Mediset pharmacies totaled around ten percent of the total payments made to all state pharmacies.<sup>5</sup>

#### ***Possible Impacts of Proposed Mediset Regulation Changes***

Regulations proposed in September 2012 would eliminate the fee, five dollars per claim, which Mediset pharmacies currently receive from Medicaid.<sup>6</sup> Pharmacies could conceivably continue to provide Mediset services, but they would receive the usual fee that all pharmacies receive for dispensing medications in a traditional way. According to DHSS, the state would realize savings (or the funds could be redirected) of approximately \$200,000 a year under such a change. Below is an excerpt from a document provided to us from DHSS regarding the proposed regulation changes.

The September 2012 proposed regulations included many revisions to the current reimbursement methodology and were not specifically aimed at pharmacies dispensing medications in adherence assistance packaging. It is estimated that the total annual savings of the entire package, including impacts to mediset specializing pharmacies, would be about \$1-\$2 million. The mediset change would account for only about \$200,000 of that amount.

We provide, as Attachment B, correspondence from DHSS that addresses your various Mediset-related questions. The department's response includes information on costs, number of Alaskans served, number of Mediset pharmacies, and information pertaining to possible regulation changes. In their response, the department relates that it anticipates that recipients will not lose access to medically necessary pharmacy services, including the use of adherence assistance packaging, if regulations are promulgated to eliminate Mediset fees.

Notwithstanding the savings estimated by DHSS, and the department's belief that sufficient pharmacy services will continue, concerns have been raised, primarily in the Mediset pharmacy and assisted living communities, regarding the potential long-

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<sup>4</sup> For example, the additional Mediset fee for an individual served through a Mediset pharmacy who takes five medications a day would be \$25 a week.

<sup>5</sup> When looking at the table, it is important to note that Mediset fees are included in the total payment figures, not the dispensing fee figures.

<sup>6</sup> The DHSS hosted a public meeting on pharmacy coverage and reimbursement on January 11<sup>th</sup>, 2013. As a result of this, the department must effectively start the regulation process anew by re-noticing the potential regulations and accepting public comments. The regulation specifically pertaining to Mediset fees is 7 AAC 145.410.

term costs of eliminating Mediset fees. A common concern is that should such a regulatory change be made, Mediset pharmacies would likely be unable to continue providing their clinical pharmacy services for many Alaska Medicaid recipients. In essence, they would be getting reimbursed for dispensing medications at the rate of a traditional pharmacy while providing services that require far more time and packaging expense.

Various entities in the state have voiced concerns regarding the potential changes to the Mediset regulation including the Geneva Woods Pharmacy, a provider of Mediset services with locations in Anchorage and Wasilla; Marlow Manor, an assisted living facility for seniors in Anchorage; and the ARC of Anchorage, which serves individuals with disabilities. We also spoke with a number of Juneau pharmacists and who were similarly concerned about the effects of such regulations on medication compliance, even though they are not employed in Mediset pharmacies.

The Geneva Woods Pharmacy recently produced a white paper in which they articulate its concerns for the proposed regulation changes. The concerns include the following:

- Medication compliance for at-risk individuals would decrease, resulting in increased medical interventions;
- Group homes for the mentally ill, disabled, or frail and elderly will find it difficult to manage medications for their residents with myriad needs, and
- Increased medication waste and abuse will occur.

We provide the pharmacies entire white paper as Attachment C.

#### ***Studies and Articles Regarding the Medical and Fiscal Implications of Medication Non-Compliance***

Because of Alaska's limited skilled nursing and mental health facilities, assisted living facilities (ALHs) and group homes accommodate a significant percentage of the state's most vulnerable population. According to our review, without the medication management provided by Mediset pharmacies many of these entities would likely need to increase their reimbursement rates to cover this vital service. Another risk of eliminating the Mediset fee pertains to homebound and other individuals with complex medication needs who would be at a higher risk for medication non-compliance, which can result in more serious medical issues and potential increased costs for the state.

According to our review of the subject, a hallmark of medication management systems like Mediset is that they significantly increase a patient's compliance to his or her medication regime. Numerous studies also show that when individuals are non-compliant with their medications, they are far more likely to experience a costly avoidable hospitalization. Non-compliance can also lead to death.

The studies, briefs, and articles that we identified pertaining to medication non-compliance and clinical pharmacy services—a number from professional entities such as the American Medical Association, and some from magazines such as the *Atlantic*—frequently contained the same core messages or results, namely that non-compliance is costly both in terms of the human suffering it exacerbates and the financial burdens it causes, and how Mediset-like services can increase compliance. Below we provide some highlights regarding what we gleaned from our review noting in parentheses the source of the information. We include the source documents, as well a number of others, as Attachment D. Please note that some of these documents are copyrighted and are provided for your personal and individual use

- Medication non-adherence is a significant health care issue; studies show the annual cost of around \$290 billion in the U.S. in avoidable medical spending. ("State of the States: Adherence Report," *CVS Caremark*, 2012)<sup>7</sup>
- A comprehensive pharmacy program composed of patient education and custom blister-packed medications was associated with substantial and sustained improvements in medication adherence among elderly patients receiving complex medication regimens and could lead to meaningful improvements in health outcomes especially among the at-risk elderly population. ("Effects of a Pharmacy Care Program on Medication Adherence," *American Medical Association*, November 13, 2006).

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<sup>7</sup> Various studies that we reviewed estimated the costs associated with medication non-compliance at around this \$290 billion mark.

- Thirty two million Americans use three or more medications daily and 75 percent of adults are non-adherent in some way. (Key Stats on Medication Adherence, *PhRMA*, 2011)
- In a recent poll, 51 percent of individuals 65 years old and older take at least five different prescription drugs regularly and one in four take 10-19 pills each day. Fifty seven percent polled report that they forget to take their medications (*New England Healthcare Institute*).<sup>8</sup>
- A Mediset-type program that provides medications in a package that identifies the day each dose is intended to be taken, and provides information on proper self-administration, can improve treatment adherence and outcomes in elderly patients. ("Impact of Medication Packaging on Adherence and Treatment Outcomes in Older Ambulatory Patients," *Journal of the American Pharmacists Association*, January/February 2008).
- Over two decades of research studies indicate that modern medication packaging solutions increase medication adherence rates significantly. (*Healthcare Compliance Packaging Council* report, which uses many sources including the World Health Organization, the American Heart Journal, and the Institutes for Medicine, 2011).
- Pharmacy-based medication management systems can reduce medication management issues, address problems as they arise, and reduce nursing home admissions of community dwelling, nursing home-eligible patients. ("Impact of a Medication Management System on Nursing Home Admission Rate," *American Journal of Geriatric Pharmacology*, February 2011).
- The role of a comprehensive pharmacy care program (such as Mediset) is critical in promoting medication adherence for the reduction of healthcare costs and the prevention of chronic disease progression. ("Effects of a Pharmacy-Care Program on Adherence and Outcomes," *The American Journal of Pharmacy Benefits*, January/February, 2012).
- Failure to follow prescriptions causes around 125,000 deaths a year and up to ten percent of all hospitalizations. Blister packs (Mediset) have been shown to boost compliance. ("The \$289 Billion Cost of Medication Noncompliance, and What to Do About It," *The Atlantic*, source the *Annals of Internal Medicine*, September 2013).
- Inadequate implementation of treatment can have devastating effects including causing three times as many doctor visits and an additional \$2,000 of healthcare costs per year compared to patients who follow their treatment plan ("Cost of Patient Noncompliance, Allan Showalter, MD, 2006).

Given the information above, it is not surprising that clinical pharmacy services, such as those that Mediset pharmacies in Alaska provide, are increasing in popularity throughout the country.<sup>9</sup> Jurisdictions are seeking to keep their citizens healthy and to reduce costs pertaining to hospitalization and medication waste. According to the information we reviewed, medication management systems can ultimately lead to lower healthcare costs and better outcomes.

We hope this is helpful. If you have questions or need additional information, please let us know.

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<sup>8</sup> Other studies suggest that at least 50 percent of patients do not take their medicines as prescribed.

<sup>9</sup> information on the rise of clinical pharmacies and medication management programs are documented in a number of sources including [www.allhealth.org/briefingmaterials/BiotechHealthcareSpecialtyPharmacies-416.pdf](http://www.allhealth.org/briefingmaterials/BiotechHealthcareSpecialtyPharmacies-416.pdf) and [www.accp.com/docs/positions/whitePapers/RewardsAdvancements.pdf](http://www.accp.com/docs/positions/whitePapers/RewardsAdvancements.pdf)

Advisory Board on Alcoholism  
and Drug Abuse



Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD  
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE  
431 NORTH FRANKLIN STREET, SUITE 200  
JUNEAU, ALASKA 99801  
(907) 465-8920

March 5, 2013

Representative Mia Costello  
Alaska Capitol Room  
Juneau, Alaska 99801

Re: HB 134 — Reimbursement of Scheduled Unit Dose Packaging

Dear Representative Costello,

The Alaska Mental Health Board and Advisory Board on Alcoholism and Drug Abuse support HB 134 requiring reimbursement of “mediset” packaging for prescription medications. Over the past several years, the Boards have previously received significant comment and information from consumers, providers, and pharmacies on this issue. All expressed the importance of having access to a proven tool – mediset packaging – for medication adherence and stability for Alaskans experiencing serious mental illness.

Mediset packaging may seem like an ancillary service provided by pharmacists, but for many, this sort of packaging is a much-needed support to maintaining the ability to function. Many Alaskans experiencing serious mental illness are on complex and delicately calibrated psychiatric medication regimens, often further complicated with medications for co-morbid conditions. There is recent research, as well as ongoing federally-funded research, studying the impact of packaging aids on medication adherence.

For Alaskans experiencing serious mental illness, often with co-morbid conditions, medication adherence is paramount to achieving and maintaining the highest level of functioning and recovery possible. *Blister-pack packaging*, combined with medication education and regular follow-up with clinical pharmacists, has been shown to improve medication compliance among elderly patients.<sup>1</sup> Adherence to medication regimens depends on the severity of the mental health disorder, patient characteristics, and patient-provider relationships.<sup>2</sup> It requires “constant vigilance, health teaching – both verbal and written – enlisting the help of family and community to provide supervision, *simplification of drug regimens*, frequent examination and vigorous treatment of side effects, and improving the patient-therapist interaction.”<sup>3</sup> Thus, access to mediset packaging is a key component to achieving recovery.

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<sup>1</sup> *Effect of a Pharmacy Care Program on Medication Adherence and Persistence, Blood Pressure, and Low-Density Lipoprotein Cholesterol: A Randomized Controlled Trial*, Lee, J. et al., JAMA, Dec. 6, 2006, Vol. 296, No. 21; *Antidepressant Adherence after Psychiatric Hospitalization*, Zivin, K. et al., Adm Policy Ment Health, Nov. 2009 36(6): 406–415.

<sup>2</sup> *Drug Compliance and the Psychiatric Patient*, Selzer, A. and Hoffman, B., Can Fam Physician. 1980 May; 26: 725–727.

<sup>3</sup> *Id.* at 725.

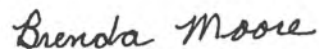
Adherence-promoting packages, like blister-packs and medisets, have been shown effective in increasing medication adherence rates. Medication adherence is an integral part of achieving and maintaining the highest level of functioning and health possible. HB 134 ensures continued access to this important service for Alaska's most vulnerable citizens.

The Boards appreciate your work on behalf of Alaskans.

Sincerely,



Michael Kerosky, Chairman  
Advisory Board on Alcoholism and Drug Abuse



Brenda Moore, Chairperson  
Alaska Mental Health Board



# Chugiak-Eagle River Senior Center

"Serving Seniors from Hiland to Eklutna"

March 11, 2013

The Honorable Mia Costello  
Alaska State Legislature  
State Capitol, Room 501  
Juneau, AK 99801

Dear Representative Costello,

Please accept this letter of support for House Bill 134 (HB 134), requiring Medicaid payment for scheduled unit dose prescription drug packaging and dispensing services for specified recipients. The goal of this legislation is to put a model mediset program into statute to ensure the service continues to be offered in Alaska.

The benefits we see of a mediset program are first and foremost the fact that without them our Program Nurse spends valuable time checking and getting medications ready for distribution while she could be spending more time on patient care. Imagine having to take the time to get medications ready for 20 different clients, with some of those clients taking more than 10 different medications. Physically it is not possible for clients suffering from arthritis to open the medication bottles. Medisets provide less chance for errors. Medisets are also less confusing to clients who capable of taking medications on their own without prompting.

Overall the mediset program generates long term cost savings for the State of Alaska, caregivers and provides for the health and safety of Alaskans.

I fully support HB134 and hope it receives a passing vote in both the House and Senate.

Thank you for your time and consideration. Please feel free to contact me with any questions you may have.

Regards,

Linda Hendrickson  
Executive Director



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of  
Health and Social Services

ALASKA COMMISSION ON AGING

P.O. Box 110693  
Juneau, Alaska 99811-0693  
Main: 907.465.3250  
Fax: 907.465.1398

March 24, 2013

Representative Mia Costello  
Alaska Capitol, Room 501  
Juneau, AK 99801-1182

Subject: Support for HB 134, Medicaid Payment for Mediset Prescription Packaging

Dear Representative Costello:

The Alaska Commission on Aging (ACoA) supports HB 134, a bill sponsored by you, requiring Medicaid reimbursement for scheduled unit dose prescription drug and dispensing services for specified recipients. Based on our understanding, the goal of this legislation is to put within statute a "mediset" medication management service to ensure that this service continues to be offered in Alaska to eligible persons.

"Mediset" packaging of prescription medications, combined with medication management and regular follow-up with a patient's health care provider, have been shown to improve medication adherence which is particularly important for older persons with multiple chronic conditions who are on complicated medication regimens. *Blister-pack packaging* enhances medication management for persons residing in assisted living and institutional settings and reduces medication error for seniors living independently taking medications on their own. By improving patient adherence to medications, the mediset program is cost-effective in promoting the health and safety of elderly Alaskans, and all Alaskans on prescription medications, reducing the need for higher cost health care.

While ACoA supports the intent of the Mediset program to improve medication management, we are concerned about the potential impact to small pharmacies being eligible for Medicaid reimbursement as the result of this legislation. We believe these concerns could be addressed through regulation.

Please feel free to contact Denise Daniello, ACoA's executive director (465-4879 or [denise.daniello@alaska.gov](mailto:denise.daniello@alaska.gov)) should you require additional information about our position. Thank you for sponsoring this legislation to improve medication adherence which is integral to the health and well-being of all Alaskans.

Sincerely,

Handwritten signature of Paula Pawlowski.

Paula Pawlowski  
Chair, Alaska Commission on Aging

Sincerely,

Handwritten signature of Denise Daniello.

Denise Daniello  
Executive Director, Alaska Commission on Aging

# The TRUST

The Alaska Mental Health Trust Authority

March 18, 2013

Representative Mia Costello  
State Capitol Room, #501  
Juneau, AK 99801

**RE: House Bill 134 – Medicaid Payment for Mediset Prescription**

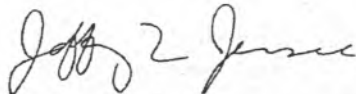
Dear Representative Costello,

The Alaska Mental Health Trust Authority is pleased to submit this letter in support of House Bill 134, "An act requiring Medicaid payment for scheduled unit dose prescription drug packaging and dispensing services for specified recipients."

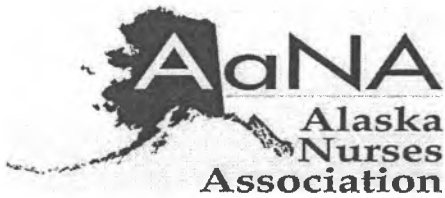
The Trust supports programs, services and policy that positively impacts the lives of Trust beneficiaries, those Alaskans who experience a mental illness, substance abuse related disorder, traumatic brain injury, Alzheimer's and Related Dementia (ARD) or developmental disabilities. The Trust is an advocate of community-based services, systems and supports that assist beneficiaries to reside as independently as possible in our communities. Occasionally, the right support includes assistance with medication organization and management offered through prescription mediset packaging provided by local pharmacies in coordination with the individual's prescribing medical provider. We are in support of House Bill 134 because it ensures this service is maintained and available to Alaskans when necessary.

We appreciate your advocacy on behalf of Alaskans including Trust beneficiaries and look forward to continuing to work with you on this very important issue.

Sincerely,



Jeff Jessee, CEO



**Integrity • Advocacy • Professionalism • Representation •  
Empowerment**

The mission of the Alaska Nurses Association is to advance and support the profession of nursing in Alaska.

Testimony

CS HB 134, An Act Requiring Medicaid payment for medication compliance package.

March 19, 2013

Dear Mr. Chairman,

I want to speak today in support of the committee substitute for HB 134. As a nurse who has spent most of my nursing career working in a community setting, I know the importance of medication compliance packaging of medications. These packages are immensely helpful to patients with mental challenges, and to patients with very complex medication regimes.

I am thankful that in this committee substitute the eligibility for this service has been changed. There are individuals in the community with complex medication regimes who are being cared for by their families. These individuals should be eligible for this service along with individuals living in licensed facilities.

I also want to address the frequency the medication compliance packages are made. As you know medications these days are outrageously expensive. Once medications are placed in a mediset they cannot be reused. If there is a medication change then there can be a lot of wasted medication. Making up mediset every one to two weeks helps avoid a lot of this waste.

With pills taken by mouth we do not think that a pharmacist has to be on call 24/7. Extended hours into the evening and on weekends is fine. When an individual goes into a pharmacy to purchase their medications the pharmacist isn't available 24/7. This is no different.

It is very important that the pharmacist report compliance issues directly to the healthcare provider. As a provider I don't want to have my patient tell me they said something to the pharmacist about a medication and that concern was not relayed back to me.

Thank you for this opportunity to testify in support of CS HB 134.

Patricia Senner MS, RN, ANP  
Professional Practice Director  
Alaska Nurses Association



Assets, Inc.

March 27, 2013

Representative Mia Costello  
Alaska State Legislature  
State Capitol, Room 501  
Juneau, AK 99801

Representative Costello,

Thank-you for understanding the benefits of unit packaging and for leading efforts to keep them an option for individuals with complicated psychopharmacology needs. While there are serious reasons for maintaining the program that are not directly based on cost savings I would like to suggest they have the possibility for serious costs in other ways.

Medisets are dosed and reviewed by pharmacists and their trained technicians. Eliminating that medical control would require either individuals with severe mental illness to be responsible or rely on Human Service Provider organizations to take on the responsibility and liability of setting up weekly medisets. We suspect medication errors for individuals with SMI would be dramatically and possibly dangerously increased without the prepackaged sets for individuals not being supervised. The organization I work for has one Nurse for over 100 clients. If she were required to act as a pharmacy technician and build weekly medisets she would have no time for anything else and also assume the liability for properly packaging the weekly kits.

Individuals with complicated mental health diagnosis and frequently concurrent medical disorders have changes made to their prescriptions frequently. Weekly medisets save money because they reduce the waste of discarding a whole month's supply of a changed or discontinued medication. This situation occurs when a physician is attempting to find a therapeutic dose, frequently occurs when a person has medications adjusted during short stays in the hospital and when medication for medical conditions and psychiatric medications have unforeseen interactions.

I am sure these are all points you are well aware of, but I appreciate the opportunity to add to the position that medisets help save money and reduce risk for clients and supporters alike.

Gratefully,

A handwritten signature in black ink, appearing to read 'Matthew J. Jones', is written over a circular stamp or watermark.

Matthew J. Jones M.A.  
Assets Inc. Executive Director



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Health & Social Services**

GOVERNOR'S COUNCIL ON DISABILITIES  
& SPECIAL EDUCATION  
Teresa Holt, Executive Director

3601 C Street, Suite 740  
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Toll Free: 1.888.269.8990  
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March 22, 2013

The Honorable Mia Costello  
House of Representatives  
Alaska State Capitol  
Juneau, AK 99801-1182

RE: HB 134

Dear Representative Costello:

Thank you for sponsoring HB 134, which would require Medicaid payment for scheduled unit dose prescription drug packaging and dispensing services, such as medisets, for specified recipients, including those individuals with disabilities. As you know, the Governor's Council on Disabilities and Special Education (the Council) advocates for change that improves the lives of individuals with disabilities.

One of the roles of the Council is to serve as Alaska's State Council on Developmental Disabilities to ensure that individuals with developmental disabilities receive the services and supports that they need to be safe and healthy in their communities. The Council strongly supports the passage of HB 134, as we believe that both the mediset and unit dose provisions of the bill will help to maintain the health and safety of individuals with disabilities (as well as the elderly) while following the medication regimen that is prescribed by their medical provider.

Individuals with developmental disabilities often have many medications that are needed throughout the day. When these individuals reside in a group home setting, their medication regimens are in the hands of the caregivers of that particular home. Oftentimes more than one caregiver has the responsibility of carrying out the medication regimens of several individuals throughout the day. A mediset allows caregivers to more easily follow the prescribed medication regimens so that they may administer medications to the right individual, at the right time and in the right dosage. The use of medisets greatly reduces medication errors and issues with non-compliance, which in turn, ensures the health and safety of individuals with disabilities.

Again, the Council wholeheartedly supports the passage of HB 134, which allows individuals with disabilities to remain safely supported in their communities where they belong. If you have any questions, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Gebhart". The signature is written in a cursive style with a large initial "E" and "G".

Eric Gebhart  
Chair



Anchorage/South Central Region  
540 W. International Airport Rd.  
Anchorage, AK 99518-1110  
(907) 561-5335  
1-800-478-0078  
Fax: (907) 564-7429

Other Regional Centers

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Dillingham/Bristol Bay Region  
P.O. Box 715  
Dillingham, AK 99576-0715  
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Soldotna/Kenai Peninsula Region  
47202 Princeton Ave.  
Soldotna, AK 99669  
(907) 260-9469  
Fax: (907) 260-9435

[www.hopealaska.org](http://www.hopealaska.org)

Stephen P. Lesko  
Executive Director

Roy T. Scheller, Ph. D.  
Deputy Executive Director

March 7, 2013

To the Members of the Twenty-Eighth Alaska Legislature:

Hope Community Resources strongly supports passage of HB 134 sponsored by Representative Mia Costello. **Hope believes both the mediset and unit dose provisions of HB 134 will help reduce Medicaid costs and increase the safety of medication usage.**

Hope is the largest statewide provider of community supports for Alaskan children, adolescents and adults who experience disabilities. Hope was the first agency to enter into a defined partnership with the State of Alaska to initiate the specialized program that we now call "children with complex medical conditions." This pioneer pilot at the time, proved to be overwhelmingly successful in two distinct ways- it significantly reduced costs and clearly improved not only quality of life, but also life expectancy. We are no strangers to medication administration and acceptable protocol in a variety of challenging situations.

**The unit dose and mediset systems are vital components of both community and Long Term Care service delivery.** Hope has utilized both for many who choose our supports in our nine regional offices. With a defined history of extensive experience in medication and medication administration, we have come to firmly believe that both the unit dose and mediset systems significantly decrease medication errors.

In a number of our residential homes, as many as three individuals can be involved in intensive medication regimens. **Without unit dose and medisets, we would be coping with serious scenarios that could easily compromise the reasonable health and safety of some of our most vulnerable citizens.** For the record, the following points for consideration are offered by Hope in support of HB 134:

- Medisets lessen non-adherence or mistakes that pose a serious safety risk.
- There is less forgetfulness, confusion for people and caregivers, thus preventing readmissions to hospitals or mistakes when they return home from the hospital.
- Many of our individuals take seizure medications 4X daily, needing to schedule calcium 2 hours in between to prevent the supplement from blocking action of these life-saving drugs. Sometimes they take 4 different seizure meds 4 X daily!
- Many of our individuals are on medications not just for seizure disorders, but for pulmonary hypertension, high blood pressure, inflammatory conditions, mental health disorders, acid reflux, & endocrine disorders or imbalances. Cancer, chronic renal failures are not unknown to us or those we support. In essence, medication routines are far from routine- they can be extremely complex!

Furthermore; legally, licensed nurses or staff are not allowed to "dispense meds" from bottles into specific slots of portable storage sets. That activity is considered dispensing & only a Pharmacist may dispense.

Helping people who experience disabilities achieve their dreams through community supports since 1988.

- Medications need to be given at the right time, in the right dose, to the right person, with the correct number of pills or capsules each time, in the right route and with the right documentation.
- There is great savings when medisets are issued weekly and so 30 days of meds are not destroyed when changed or discontinued.
- When the same medication is being given the same day in different doses at different or the same time, it can be confusing. (Giving two of the 200 mg instead of two of the 50 mg is a mistake that could happen and be deadly.)
- Managing meds well has been a key for so many of our individuals that allows them to reside in community homes instead of placement within the confines of extremely expensive institutions.
- There would be no cost savings realized if medisets are cut, due to the immense health & safety issues that would result from errors or non-compliance.
- The State of Alaska has been instrumental in supporting community inclusion for our families experiencing a physical or intellectual disability, or chronic debilitating conditions. In the past, we have been fortunate in having such support that works and is fiscally responsible. Why change an excellent system in favor of another that will surely jeopardize the welfare of so many who experience disabilities?

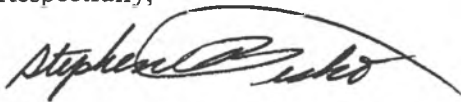
Past testimony from the Alaska Board of Nursing, along with numerous providers of support to individuals classified as "vulnerable", clearly mirrors and enhances our contention that **we must advance and pass HB 134, and we must do so this legislative session.**

Passage of HB 134 will provide our vulnerable citizens continued access to community; it will allow them to live as independently as possible in so many regions throughout Alaska of their choosing, birth, and culture; it will provide a reasonable measure of safety and enhance the overall welfare of our vulnerable Alaskan citizens; and the unit dose and mediset systems will prove to be fiscally responsible and cost effective.

HB 134 values each human life in so many ways and emphasizes the priceless ability to live in community, as independently as possible, with minimal supports, dignity, value and a defined sense of real contribution.

If you have further questions or concerns, I stand by with my excellent, professional Health Team to address any issues that may arise and urge the passage of this most excellent legislation, HB 134.

Respectfully,



Stephen P. Lesko: CEO  
Executive Director  
Hope Community Resources, Inc.