

SENATE BILL REPORT

SB 5471

As Reported By Senate Committee On:
Health & Long-Term Care, February 21, 2005
Ways & Means, March 7, 2005

Title: An act relating to authorizing a prescription drug purchasing consortium.

Brief Description: Authorizing a prescription drug purchasing consortium.

Sponsors: Senators Thibaudeau, Keiser, Fraser, Berkey, Poulsen, Kline, Franklin, Brown, Haugen, McAuliffe, Rockefeller and Kohl-Welles; by request of Governor Gregoire.

Brief History:

Committee Activity: Health & Long-Term Care: 2/3/05, 2/21/05 [DP-WM, DNP].
Ways & Means: 3/4/05, 3/7/05 [DPS, DNP].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Franklin, Kastama, Kline and Poulsen.

Minority Report: Do not pass.

Signed by Senators Deccio, Ranking Minority Member; Benson, Brandland, Johnson and Parlette.

Staff: Jonathan Seib (786-7427)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5471 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Fairley, Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Hewitt, Parlette, Pflug, Roach and Schoesler.

Staff: Tim Yowell (7435)

Background: Influenced by price increases, greater utilization, and changes in the types of prescriptions used, national expenditures for prescription drugs have been one of the fastest growing components of health care spending in recent years, increasing at double-digit rates in each of the past eight years. Although they remain a relatively small proportion of total health

care expenditures, the annual amount spent in the United States for prescription drugs has quadrupled since 1990.

The increase in prescription drug expenditures has contributed to the significant growth in the cost of state health care programs in recent years. To address this, agencies that administer state purchased health care programs participate in an evidence-based prescription drug purchasing program. Based on the findings of an independent pharmacy and therapeutics committee, a preferred drug list is established and negotiations with pharmaceutical manufacturers result in discounted prescription drug prices for state purchased health care programs. Only state agencies participate in the evidence-based prescription drug purchasing program.

Summary of Substitute Bill: The administrator of the state Health Care Authority (HCA) will establish a prescription drug purchasing consortium, whose activities must be based on the state's existing evidence-based prescription drug purchasing program.

In addition to state agencies, the consortium may include, on a voluntary basis, local government, private entities, labor organizations, and individuals without insurance, or who are underinsured for prescription drug coverage. The HCA may impose fees on participants to cover the administrative expense of operating the purchasing consortium. An 11 member advisory committee is created to advise the HCA on the implementation of the purchasing consortium. The Joint Legislative Audit and Review Committee (JLARC) will complete a performance audit of consortium operations and outcomes by December 1, 2008.

Substitute Bill Compared to Original Bill: State agencies may purchase or pay for drugs outside of the consortium if the Health Care Authority concurs that is cost-effective for the state. The JLARC performance audit has been added.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Health & Long-Term Care): The Governor has requested this legislation to signal her commitment to finding ways to use expertise and aggregating ability with others to lower prices on prescription drugs. Prescription medications are an underlying driver in the increase in health care costs, and lowering the cost would help citizens of the state. There is very broad consumer support to join the buying consortium.

Testimony Against (Health & Long-Term Care): This would create a single-purchaser, as public and private purchasing would be wrapped up into one entity. The bill could be read to include subsidies (lending state credit) to private participants in the consortium, which is concerning. SB 6088 created a consolidating purchasing plan, which was supposed to save large sums of money, and a prescription discount card. Between the federal legislation that allows Medicare prescription drug benefits and the state plans, there is sufficient work being done in this area already.

Who Testified (Health & Long-Term Care): PRO: Ree Sailors, Office of the Governor; Bruce Reeves, Senior Citizens Lobby; Lauren Moughon, AARP Washington; Bill Daley, Washington Citizen Action; Robby Stern, Washington State Labor Council; Dr. Art Zoloth, Northwest Pharmacy Services.

CON: Cliff Webster, Pharmaceutical Research and Manufacturers of America.

Testimony For (Ways & Means): Drugs are major drivers of medical cost increases, and the consortium is a promising way to address that. The state has already realized actual savings of \$15 million from the evidence-based purchasing program already underway. AARP commits to putting substantial private resources into making the consortium work. The fiscal note shouldn't discourage passage of the bill, because the note doesn't account for the additional savings the state is likely to achieve from participation in a larger purchasing pool.

Testimony Against (Ways & Means): The purported savings are a hollow promise. The \$15 million of savings reported today is a surprise, since the administration has consistently said it doesn't know how much the current preferred drug program is saving. If \$15 million is the number, that's only a third of what was promised when the bill was enacted two years ago.

Who Testified (Ways & Means): PRO: Christina Hulet, Governor's Office; Connie Robbins, Health Care Authority; Duane Thurman, Health Care Authority; Lauren Maughon, AARP Washington; Bill Daley, Washington Citizen Action; Robby Stern, Washington State Labor Council; Bruce Reeves, Senior Citizens Lobby.

CON: Cliff Webster, Pharmaceutical Research and Manufacturers Association.