

SENATE BILL REPORT

SB 6593

As of February 4, 2016

Title: An act relating to promoting greater fairness for taxpayers in prescription drug costs by pursuing prices that are aligned with or lower than the negotiated prices available to the United States veterans administration.

Brief Description: Promoting greater fairness for taxpayers in prescription drug costs by pursuing prices that are aligned with or lower than the negotiated prices available to the United States veterans administration.

Sponsors: Senators Carlyle, Rivers, Keiser, Conway, Roach and Jayapal.

Brief History:

Committee Activity: Health Care: 2/02/16.

SENATE COMMITTEE ON HEALTH CARE

Staff: Kathleen Buchli (786-7488)

Background: The Health Care Authority (HCA) coordinates the Prescription Drug Program for the state's Medicaid, public employee, and worker compensation programs. The HCA uses an integrated approach to value-based pharmaceutical purchasing. The process includes an evidence-based preferred drug list and supplemental rebates from pharmaceutical manufacturers, and produces savings of \$22 million each year to Washington - almost 5 percent of its Medicaid fee-for-service drug spending - and \$38 million in combined state-federal spending.

California and Ohio both have initiatives for the November 2016 ballot that tie the costs that state programs pay for drugs to that paid by the United States Department of Veterans Affairs (VA). Proponents of those initiatives assert that the VA price is generally 20 percent below the average government price because the VA negotiates drug prices with manufacturers and limits the number of medications to program participants which allows the VA to obtain lower prices in exchange for locking out competitors.

Summary of Bill: State agencies that enter into an agreement with a drug manufacturer, distributor, or pharmacy benefit manager must ensure that the purchase price of the drug reflects all available rebates, cash discounts, volume discounts, donations, and other discounts or credits available to the agency. The agency must also consider the lowest price

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paid for the same drug by the VA and seek a price for the drug that is the same as or less than the price paid by the VA. This applies whether the state is the purchaser or the ultimate payer of the drug.

The Office of Financial Management must submit an annual report to the Legislature beginning November 1, 2016. The report must be delivered to the Legislature in a form that allows a direct monthly cost, drug-to-drug comparison between state agencies and the federal purchaser. It must include:

- the amount spent on prescription drugs by the state during the previous fiscal year, broken down by state agency and program, including the total amount spent on specialty and traditional drugs; and
- the total costs of the top 25 specialty and traditional drugs that are the most expensive, the most commonly prescribed, long-maintenance, unlikely to be renewed, and those that are for immediate medical needs.

Appropriation: None.

Fiscal Note: Requested on January 30, 2016.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: We should not be paying the retail price of drugs for taxpayers. We are paying more for prescription drugs than for operating higher educational institutions. This is about developing a bulk purchasing strategy. The VA is the only agency that is allowed to directly negotiate with manufacturers on prescription drug prices. The goal is transparency; to determine how much the state is paying in prescription drugs. It is not transparent as to how rebates work. We need to make a strategic decision for future planning to follow the lead of the VA. Lack of price transparency gets in the way of making decisions on purchasing prescription drugs which has an impact on tax payers. We support transparency and the spirit that ties purchasing to VA prices.

CON: The legislation focuses on price without talking about value.

OTHER: We support transparency but have concerns about the VA pricing structure. Pharmacists have to dispense the drugs at the price they pay for them and under the bill the state will not reimburse pharmacists for that money; pharmacists need to be able to purchase the drugs at the VA rate. We support efforts to decrease prices. The VA gets the better price because they are able to purchase the drugs at no more than 76 percent of the manufacturers price. Under federal law, Medicaid can't get the VA price. State agencies participate in the Northwest Prescription Drug Consortium and purchase together through the consortium. If there is a cheaper price available, agencies can purchase that.

Persons Testifying: PRO: Senator Carlyle, prime sponsor; Amber Bronnum Moore, Group Health.

CON: Jeff Gombosky, Pharmaceutical Research and Manufacturers of America.

OTHER: Jeff Rochon, Washington State Pharmacy Association; Chris Bandoli, Regence BlueShield; Donna Sullivan, Health Care Authority.

Persons Signed In To Testify But Not Testifying: No one.