

**Performance
Audit of the
Prescription
Drug Purchasing
Consortium
Report 08-9**

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STATE OF WASHINGTON

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REVIEW COMMITTEE

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REPORT SUMMARY

The Prescription Drug Purchasing Consortium

Concerned with rising prescription drug costs, in 2005 the Washington State Legislature authorized the creation of the Prescription Drug Purchasing Consortium. The Legislature directed the Health Care Authority to establish and administer the Consortium and required eight state-purchased health care programs to participate in the Consortium, unless exempted. The Consortium was intended to be a vehicle that combined the purchasing power of state programs and other interested parties and could be used to help contain prescription drug costs. It was also intended to provide greater access to prescription drugs at lower costs for uninsured and underinsured individuals.

The legislation authorizing the Consortium also directed the Joint Legislative Audit and Review Committee (JLARC) to conduct a performance audit of the Consortium.

The report examines three topics:

- **Compliance** with statutory requirements;
- Whether there have been **cost savings**; and
- Whether there have been **health outcome improvements**.

Compliance with Statutory Requirements

The Health Care Authority (HCA) has established the Prescription Drug Purchasing Consortium and is in compliance with most of the statutory requirements. Statute designates eight state-purchased health care programs to participate in the Consortium. However, six of these programs are not doing so and have not demonstrated to HCA that they can achieve greater cost savings through other arrangements. When the necessary cost analyses have been completed, HCA will need to determine if these six state programs should be exempted from the requirements to participate in the Consortium. Currently, only the Uniform Medical Plan and the Department of Labor and Industries participate in the Consortium.

Have There Been Cost Savings as a Result of the Consortium?

The Uniform Medical Plan estimates that it has avoided approximately \$1.8 million in additional prescription drug costs in the first six months of 2008 through the Consortium. The Department of Labor and Industries has not had any significant changes in prescription drug expenditures since joining the Consortium. The Health Care Authority reports that Discount Card members have saved more than \$4.3 million in prescription drug purchases – a 43 percent savings off the non-discount price since the Discount Card became available in February 2007.

Have Health Outcomes Improved as a Result of the Consortium?

There is no way to know if there have been any changes in health outcomes directly due to the implementation of the Consortium. Some changes in health status may have occurred for Discount Card members because of improved access to prescription drugs, but this is unknown. For Uniform Medical Plan enrollees and Labor and Industries claimants, it is highly unlikely that there have been any health outcome changes because implementing the Consortium did not change members' access to prescription drugs nor did it change the method by which the two programs purchase prescription drugs.

Findings

The Departments of Corrections; Veterans Affairs; Health; and Social and Health Services/ Health and Recovery Services Administration are not participating in the Consortium and have not demonstrated that they can achieve greater discounts and aggregate savings from federal programs or other purchasing arrangements. Because the required cost analyses for six state programs have not been completed, the Health Care Authority has not made determinations about whether these programs must participate in, or should be exempted from participation in, the Consortium. Additionally, because the prescription drug supply system and drug purchasing arrangements are not static, and factors impacting drug costs are likely to change after the initial cost analyses are completed and determinations about participation are made, periodic updated cost analyses and determinations about participation would be beneficial.

Recommendation 1

The Departments of Corrections; Veterans Affairs; Health; and Social and Health Services/ Health and Recovery Services Administration should complete the required analyses that demonstrate whether or not the six state fee-for-service health care programs they administer can achieve greater discounts and aggregate savings as a result of federal programs or other purchasing arrangements than would be realized through participation in the state's Prescription Drug Purchasing Consortium.

Recommendation 2

Based on the analyses conducted by the state agencies, the Administrator of the Health Care Authority should make a determination whether each of these state programs is required to participate in, or is exempt from participation in, the state's Prescription Drug Purchasing Consortium, and report the determinations to JLARC.

Recommendation 3

The Health Care Authority should periodically conduct updated cost analyses to determine whether each of the state programs should continue to participate in, or continue to be exempt from participation in, the state's Prescription Drug Purchasing Consortium.