

- SUBJECT:** Purchasing prescription drugs jointly with other states
- COMMITTEE:** Human Services — favorable, without amendment
- VOTE:** 8 ayes — Uresti, Naishtat, Christian, McCall, Olivo, Reyna, Villarreal, Wohlgemuth
- 0 nays
- 1 absent — Miller
- WITNESSES:** For — Caroline O'Connor, Texas State Employees Union; (*Registered, but did not testify:*) Lisa McGiffert, Consumers Union; Matt Wall, Texas Hospital Association
- Against — None
- On — Curtis Burch, Health and Human Services Commission
- BACKGROUND:** The Health and Human Services Commission's (HHSC's) Vendor Drug Program (VDP) processes and reimburses prescription drug purchases under Medicaid, Kidney Health Care, Children with Special Healthcare Needs, and CHIP. Other health and human services agencies also purchase prescription drugs for programs under their purview, including the Texas Department of Mental Health and Mental Retardation and the Texas Department of Health.
- DIGEST:** HB 2298 would permit HHSC, and any health and human services agencies authorized by HHSC, to enter into an agreement with other states to bulk purchase prescription drugs for Medicaid or other government-funded health programs. HHSC would be required to adopt procedures to ensure that Texas received all the prescription drugs it paid for and an equitable share of any price breaks.
- If HHSC needed a federal waiver to implement this, it could pursue one, and could postpone implementation until the waiver was obtained.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

Texas should cooperate with other states to obtain better prices on the prescription drugs it purchases. Many other states have joined together to cut costs and reap the benefits of bulk purchasing. Most recently, another four states — Michigan, Vermont, South Carolina and Wisconsin — announced the formation of a prescription drug purchasing pool.

This idea has been proven to work. Since 1999, all six New England states, plus New York and Pennsylvania, have participated in a regional pharmaceutical purchasing coalition. Their joint activities have included a preferred drug list and ongoing creation of a non-profit pharmacy benefit manager, which would ensure that payments or rebates from drug companies were reflected in the prices states paid. Also the Northern New England Tri-State Coalition, which includes New Hampshire, Maine and Vermont, estimates a 10 to 15 percent savings on prescription drugs. In addition, that coalition expects to reduce Medicaid administration costs by working together.

Texas spends a lot of money on prescription drugs in the Vendor Drug Program alone, and a discount from bulk purchasing could result in big savings. In the House-passed version of HB 1 by Heflin, the vendor drug program would be budgeted to spend \$4.2 billion in fiscal 2004-05.

This bill would not impact any of the other initiatives the state is undertaking to control costs. Texas still would be able to implement a preferred drug list and prior authorization requirement, as proposed in CSHB 2292 by Wohlgemuth, and other cost-savings initiatives assumed in CSHB 1.

**OPPONENTS
SAY:**

Texas is unlikely to gain much more leverage in purchasing prescription drugs than it already has. The Northern New England Tri-State Coalition, composed of New Hampshire, Maine, and Vermont serves only 330,000 people and spends only \$387 million combined on prescription drugs for Medicaid. Texas alone is larger than that. Purchasing coalitions make sense for small states, but not for a state the size of Texas.

Texas already has created the Interagency Council on Bulk Purchasing, which was established by HB 915 by Grey in the 77th Legislature. Since 2001, the state has had a system of bulk purchasing by state agencies, including Texas Department of Health and Texas Department of Mental Health and Mental Retardation, as well as state purchases of prescription drugs for state employees, retirees, teachers, and the prison system.

The state's health and human services will be in such disarray with the planned reorganization that this bill actually could cause the state to lose money. HHSC must focus on the initiatives that will work— supplemental rebates, a preferred drug list, and prior authorization — rather than chasing savings that are not sure to materialize.

**OTHER
OPPONENTS
SAY:**

If Texas joins a purchasing coalition, the state should receive preferential savings because the state would bring significant “bulk” to the purchasing power of the coalition. Much of the incremental benefit in joining a coalition goes to the smaller states, which could not negotiate as aggressively on their own. Texas should get a bonus on the savings for serving as the key player in the coalition.

NOTES:

The fiscal note attached to HB 2298 estimates a savings of \$5.4 million in fiscal 2004-05. These savings would be in addition to the savings achieved by the Interagency Council of Bulk Purchasing.