Strategy template: healthcare_192_drugcouncil

Priority Strategy title: Prescription drug purchasing council

Strategy Catalogue unique identifier(s): 192
Original submitting organization(s)/agency(ies): AARP
Drafting organization/agency: Minnesota Department of Health
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1. This priority strategy addresses the following aspect of the Commission’s charge (select only the one that represents the best fit):
   - ☐ Transform the health and human services system.
   - ☐ Increase administrative efficiencies and improve program simplification within health and human services public programs.
   - ☑ Identify evidence-based strategies for addressing the significant cost drivers of State spending on health and human services.
   - ☐ Reduce waste in administrative and service spending in health and human service
   - ☐ Advance health equity across geographies, racial and ethnic groups

2. Please describe the populations impacted by this strategy:
   Depending on the aim of the Public Purchasing Council’s activities – only public payers or public and private purchasers, including individuals – this strategy could reach a range of Minnesotans:
   - Persons who work for state agencies, counties, and cities, as well as employees or clients of other public entities (e.g., correction department), or
   - Persons who with private market coverage or uninsured who seek prescription drug benefits (e.g., Minnesotans with individual market or employer coverage).

3. Problem statement
   a. What is the primary problem the strategy is expected to mitigate or resolve relative to the focus area?
   All payers of health care benefits have experienced increasing pressure in their budgets from the high and rising cost of prescription drugs. This has been aided by a market for pharmaceutical products – both in the retail setting and delivered in office-based environments – that fails to operate effectively and transparently. Intermediaries benefit from the opaqueness in establishing formularies or preferred drug lists, negotiating rebates and other financial components in contracts, and payers operating in isolation.

   The goal of the Public Prescription Drug Purchasing Council is to leverage purchasing power of the state and other public payers in the purchase of prescription drug benefits across Minnesota, initially focused on employees and clients of public payers. By bringing economies of scale to the negotiations with
manufacturers, benefit managers, and other entities in the prescription drug supply chain, as well grounding this in coordinated benefit designs across organizations, payers would benefit from more advantageous contract terms, greater transparency, and increased likelihood of slower prescription drug spending growth. For individuals, this is expected to translate into lower-than-expected premiums and cost-sharing.

b. What is the secondary problem(s) the strategy is expected to mitigate or resolve relative to the focus area and/or other focus areas?
Collaboration in the process of contracting for prescription drug benefits can contribute to collaboration around best practices of maximizing prescription drug therapies, enhancing such therapies with non-drug options, optimizing cost-sharing strategies and otherwise bringing critical mass to improving health outcomes.

4. Priority Strategy description
   a. What is the strategy?
      A legislatively chartered group comprised of officials from across applicable state agencies, counties, cities, and other public entities will work to:
      • Conduct a comprehensive inventory of prescription drug spending among public entities within Minnesota;
      • Identify opportunities, as well as statutory barriers, to greater collaboration on purchasing of prescription drug benefits and data-sharing;
      • Support the development and implementation of strategies to increase leverage of prescription drug benefit purchasing within existing statutory authorities, as well as the development of legislative proposals to address statutory barriers. Such strategies may include changes in procurement to enable greater aggregation of covered lives across public payers, participation in multi-state purchasing agreements, or the establishment of a market accessible to a broader cross-section of individuals seeking prescription drug coverage.¹

   b. What steps are required to implement the strategy?
      • Enact legislation to establish a Public Prescription Drug Purchasing Council
      • For the Council to:
         o Collect data from participating agencies on prescription drug spending, contract provisions, and other details;
         o Consult with public payers on needs for support in purchasing prescription drug benefits;
         o Conduct analysis and business simulations to assess impact of leveraging public purchasing power;
         o Consult with other states on group procurement strategies;
         o Implement necessary administrative changes to achieve goals related to more efficient, effective purchasing; and
         o Make recommendations to the Legislature concerning any needed statutory changes.

i. **Who will need to take them?**
   An existing informal interagency work group can do some initial planning to identify possible avenues for more effective purchasing, and potential statutory or administrative barriers.
   More formal planning and implementation of proposed strategies likely cannot happen until the Legislature enacts legislation to establish a Public Prescription Drug Purchasing Council.

ii. **When will they need to be taken?**
    Initial development of a prescription drug benefit inventory, review of opportunities for and statutory barriers to increased leverage of public purchasing, and the development of potential legislative proposals to address known statutory barriers to more efficient purchasing can occur through 2020 via the existing informal interagency group. Formal activities by the Public Prescription Drug Purchasing Council will begin with appropriate legislative actions.

iii. **How long will implementation take?**
    Depending on the need for legislative action, implementation of the tactics developed through the Public Prescription Drug Purchasing Council will begin in 2021 or after, if legislation is required.

iv. **What will be the associated systems impacts?**
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v. **What will be the associated resource requirements?**
    Resource requirements for this strategy are likely related to project planning, acquiring technical expertise through vendors, financial modelling to assess the impact from different strategies for group purchasing.

vi. **What will be the implementation challenges? Does the strategy create an administrative burden or additional costs for the State or for any external stakeholder(s)?**
    Implementation challenges may exist in the form of:
    - Statutes that prevent collaboration in purchasing (e.g., concerning sharing data, collective negotiation, structuring formularies);
    - Existing contract provisions that constrain collaboration or shared purchasing decisions;
    - Limited legal, business, and operational expertise;
    - Risk aversion among partners to substantial change, reinforced by labor contracts; and
    - Reliable data to model procurement alternatives.

c. **How will the strategy mitigate or resolve the primary problem it is addressing?**
   By pursuing collaborative strategies for prescription drug data sharing and purchasing, more Minnesotans may experience lower-than-projected increases in their premiums or cost-sharing related to inflation in prescription drug prices.
In addition, the ability to collaborate in purchasing decisions, contract negotiations and other aspects of acquiring prescription drug benefits may result in better balance of power between purchasers vis-à-vis manufacturers and PBMs. It may also provide the ability to more quickly and consistently “counter-steer” against evolving newly emerging industry practices that are disadvantageous to purchasers of prescription drugs.

d. What are possible unintended consequences this strategy could have?
Potential unintended consequences include more narrow pharmacy benefit offerings or formulary designs that may not be well suited to populations with certain conditions and needs for specific drug therapies. Similarly, the existence of preferred drug lists, step therapy or other forms of utilization management aimed at assuring appropriate use of drug benefits might create time and administrative barriers to access to high-cost drugs.

5. Expected results and supporting evidence
a. What are the expected results, and when will their impact be experienced?
Absent group purchasing strategies in the 1990s, when the prescription drug market was characterized by different challenges, there is little evidence on which to base estimates of impact. Any estimates of impact are also highly dependent on the recommendations that might emerge from the Public Prescription Drug Purchasing Council. However, although Minnesota might be a bit ahead in the area of convening intra-agency discussions, there is a chance that other states will be catching up or leading similar work. Minnesota should stay connected with those states, their initiatives, and the consultants who are supporting it.

i. What is the anticipated fiscal impact to the State in the next biennium (select one)?
   ☒ New costs
   ☐ Budget neutral
   ☐ Cost savings

ii. If new costs are anticipated, what is the scope of the new costs (select one)?
   ☒ Small: $1 to $999,999
   ☐ Medium: $1 million to $9,999,999
   ☐ Large: Greater than $10 million

iii. Will any state investment be required?
    Yes.

iv. What will be the programmatic and population impacts?
   This depends on the implementation design targeted by the Public Prescription Drug Purchasing Council. While the focus would likely initially be on public purchasers and their employees or clients, collaborations could be designed to benefit privately enrolled Minnesotans.
v. **What are the key results of the equity review?**

How will this strategy ensure cross collaboration among public entities in the establishment of the council?

How will applicable public entities be determined?

Will this strategy impact existing programs? i.e. Minnesota Health Care Programs and SEGIP

Which specific populations could experience unintended consequences?

How will the strategy make provisions to reduce administrative challenges, specifically to existing utilization management tools?

What could be the equity implications when adapting this strategy to Minnesota health and human service structure?

Further equity considerations:

Establish an equitable mechanism in the development of the council, considering racial/ethnicity, tribal and geographic access that is representative of Minnesota.

Considerations for tribal facilities that go through the purchasing process.

Take reimbursement structures into consideration.

b. **What evidence supports the strategy’s effectiveness, if any?**

Delaware and New Mexico each passed legislation to create an interagency group tasked with identifying steps to increase the leverage of state purchasing of prescription drugs.\(^2\)\(^3\) At this point there is no data available from these states about their results.

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