



Lowering prescription costs:

Washington Prescription Drug Program (WPDP) and the NW Drug Consortium

Value of the WPDP

To lower the price of prescription drugs for underinsured residents, state purchasers, and private employers throughout the state.

What is the purpose of the WPDP?

The purpose of the WPDP is to lower the price of prescription drugs for underinsured residents, state purchasers, and private employers throughout the state. The WPDP brings together businesses, labor organizations, and local governments to pool the state's purchasing power to get the best prescription drug prices. The Washington State Health Care Authority (HCA) administers the WPDP.

How does the WPDP work for its members?

The WPDP has a statewide network of 1,150+ contracted retail pharmacies, plus a nationwide mail order pharmacy that have agreed to give the same negotiated discounts to all our employer group members and to extend these discounts to our under- and uninsured members. For our institutional facility purchasers, such as hospitals and prisons that buy directly from drug wholesalers, the WPDP offers 4 to 5 percent in additional savings, compared to standard market drug wholesaler agreements.

What is the NW Drug Consortium?

The WPDP takes every opportunity to capture more purchasing volume and thereby lower member prescription drug costs. In mid-2006 the WPDP joined forces with the State of Oregon through an interstate agreement to consolidate our two states' drug purchasing power, to form the NW Drug Consortium. Since our two-state purchasing pool began operating in 2007, it has grown to more than \$600 million in annual drug spending and has extended the consortium's drug savings to nearly 900,000 people, split about evenly between Washington and Oregon.

Prescription savings

Consortium discounts saved discount card members more than \$10 million in 2012 alone.

The NW Drug Consortium is constantly innovating to develop novel drug-purchasing approaches. The consortium collaborates with industry experts to identify key partnerships that further extend the resources and capabilities of WPDP and its sister program in Oregon (OPDP). Our collaboration encourages innovative, integrated drug purchasing arrangements designed to lower administrative costs and improve buyer efficiency, while providing total contract transparency for our members.

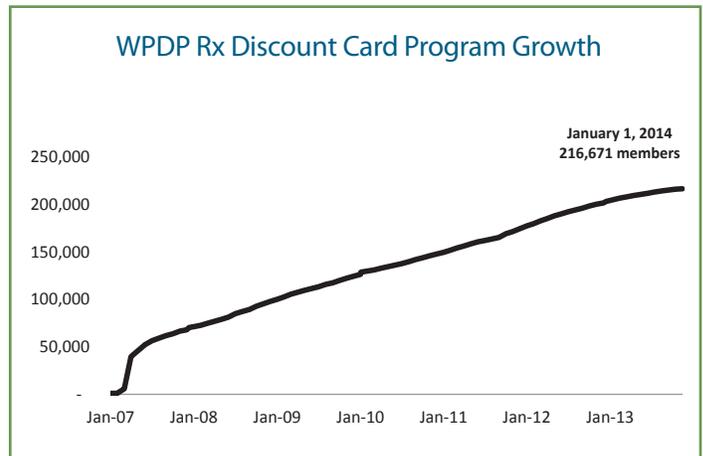
NW Drug Consortium Rx Discount Card
 Enrollment: January 2014



The WPDP Discount Card for the Uninsured

A unique aspect of the discount card is that members get the same discounts off the regular price that large employer groups get. There are no membership fees, and there are no age or income limitations. Anyone living in Washington may join, regardless of whether they have health insurance. All FDA-approved medications prescribed by an authorized provider are eligible for the consortium's discount. Although the card cannot be used to augment other existing health insurance, insured members can use the card to get discounts on medications not covered by their particular health insurance plan.

Enrollment for the WPDP discount card is easy: by calling toll-free by phone (1-800-913-4146), visiting our website (www.rx.wa.gov), or by mailing in a pre-paid postcard. Both the website and the toll-free call center allow card members to find the price of their medication and the nearest pharmacy ahead of time. Customer service is available 24 hours a day, 7 days a week. HCA markets the card through targeted outreach presentations to providers and social services agencies. The card program is very popular, as shown by a strong, consistent six-year growth rate. Moreover, 94 percent of members responding to the last customer satisfaction survey reported they were satisfied or very satisfied with the WPDP discount card operations in 2012.



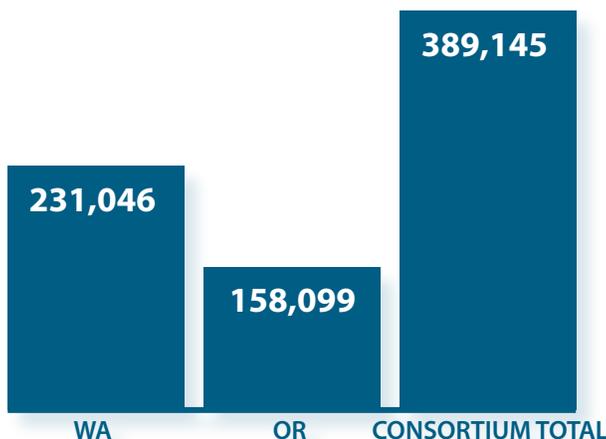
Over the seven-year life of the WPDP, discount card members have spent a total of \$40 million on prescriptions at our network pharmacies, and their consortium discount has saved them more than \$41 million on their purchases. In just the last year, card members have saved more than \$11.6 million. Their out-of-pocket savings currently average about \$43 per prescription (about 63 percent savings per script) and more than 93 percent of members choose to fill their medications with a generic equivalent. The majority of the savings from the discount card program have gone to working-age members, followed by retired cardholders.

WPDP Rx Discount Card Savings: 2007-2013	
Rx Discount Card Enrollee Age Group	Percent of Total Rx Discount Card Savings
<18	1%
18-64	72%
65+	27%

The Employer Group Retail and Mail Drug Plans

Two of Washington’s self-insured public agencies currently participate in the consortium: the Uniform Medical Plan (UMP) and the Department of Labor & Industries (L&I)¹. In addition, nearly 10,000 private-sector employees working in more than 300 small-businesses statewide are enrolled through their employer-sponsored health plan. The WPDP’s small business members include Associated Employers Trust, Inland Boatmen’s Union, and Monaco Enterprises. All of these privately employed individuals have access to the same WPDP statewide pharmacy network and mail-order pharmacy and the same contracted pharmacy rates we negotiated for our public sector employer groups.

NW Drug Consortium Employer Group Drug Plan Enrollment: January 2014



The UMP joined the consortium in 2009 after a drug re-pricing comparison demonstrated that the consortium-negotiated rates could save the plan money over its incumbent pharmacy benefit manager. That finding has been proven by the UMP’s remarkable drug benefit spending performance under the consortium vendor, Moda Health. During the last three years, UMP drug spending on a per-member-per-month (PMPM) basis was fully 3.2 percent below market trend in 2010, 3.4 percent below trend in 2011, and just last year came in at an unprecedented 5.4 percent below trend. The key to these savings is a strong collaborative team effort between UMP, Moda Health staff, and UMP’s medical services carrier, Regence.

As part of its new vendor contract with Moda Health in 2010, the NW Drug Consortium successfully negotiated both its mail and retail pharmacy network reimbursement rates downward. These re-negotiated pharmacy network rates are an attractive cost-containment tool for the consortium's employer groups, both public and private. For UMP, these negotiations netted a new 1 percent off the average wholesale price (AWP) for brand names at retail stores; another 2 percent discount off brand-name drugs with mail-order delivery; and another 6 percent off generic drugs purchased at a retail store or for mail-order delivery. Between July 1, 2011, and June 30, 2012, these new lower network rates saved the UMP \$13 million over the previous year's rates.

UMP Retail and Mail Plan Performance Compared to Overall Market Trend	
Year	Paid PMPM UMP Rx Trend
2010	-3.20%
2011	-3.40%
2012	-5.40%

The Institutional Facility Wholesale Drug Purchasers

The NW Drug Consortium currently has one institutional facility purchaser: the Washington Department of Corrections (WA DOC), which joined the purchasing pool in late 2010. The WA DOC initially joined by switching from its long-standing contract with Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP) to WPDP to save 1 to 2 percent on their \$10 million in annual drug purchasing.

Lower network rates
 The Consortium saved the Uniform Medical Plan \$13 million from lower network rates for the fiscal year that ended June 30, 2012.

In 2013, the WPDP brought its freshly negotiated agreement with the Vancouver-based PeaceHealth's multi-hospital system and one of the big three national drug wholesalers, AmerisourceBergen, to WA DOC to see if our new drug purchasing agreement's pricing could beat our former pricing arrangements. We were successful! By pooling WA DOC drug spending with PeaceHealth's billions in hospital drug spending, we expect WA DOC to save about 5 percent this year.

The Future: Integrated Drug Purchasing Innovation

The NW Drug Consortium is always soliciting new members and responding to requests for proposals as part of our ongoing quest to increase the drug purchasing pool. But we are not always successful. Over the past few years WPDP has submitted unsuccessful proposals to the Department of Health's HIV, STD and Vaccines programs; the state's VA long-term care facilities; King County public employees; the Medicaid Fee-For-Service program; and the Department of Social and Health Services residential youth facility; and a number of private employer groups. We believe even our unsuccessful proposals provide a useful point of reference to a solicitation, especially our public sector bids. We show what a transparent, competitively market-priced program should cost, and how critical customer service standards are meaningfully backed by performance guarantees.

Institutional savings
 By pooling the Washington State Department of Correction's (WA DOC) drug spending with PeaceHealth's billions in hospital drug spending, we expect WA DOC to save about a 5 percent this year.

The consortium is testing four new ideas to further increase value for public and private purchasers and to enhance continuity of care for their patients:

1. The first pilot is built around bringing group purchasing organization (GPO) wholesale discounts — price discounts that are traditionally the exclusive domain of institutional facility purchaser — to the consortium’s employer group retail drug plan government purchasers, such as state employees. The latest phase of this pilot went live in January 2013 with the Oregon Educators Benefits Board (OEBB) teachers under OPDP. Preliminary results show very promising OEBB drug plan savings, but the long-run sustainability of these savings requires further refinement before the first pilot can transition to full implementation for consortium government employer groups. The key appears to be to find enough of our network pharmacies willing to accept a virtual replenishment model that would work like the federal “340B Drug Pricing Program” which replenishes 340B prescriptions at thousands of “contract pharmacies” across the country.
2. The second pilot began late in the second quarter of 2013 with work release facilities in Washington. It provides a WPDP Rx discount card to all offenders who have a prescription from the jail to fill after their release. It is a 100 percent member copayment model, like the regular discount card. The main goal is to increase medication continuity of care to avoid re-incarceration or other avoidable societal costs associated with unfilled prescriptions.
3. The third pilot is still in the conceptual design phase. This pilot will be tested at Oregon State Hospital and should begin in late first quarter of 2014. It will integrate the consortium discount card with very short-term state coverage for patients discharged from a state hospital with a prescription to fill. Like the jails pilot program, the main goal is to increase medication continuity of care, but a secondary goal is to reduce avoidable drug waste among patients who intentionally discard their hospital-filled prescription after being discharged.
4. A fourth innovation saves WA DOC money on emergency prescription fills and provides better safeguards against drug diversion. By the third quarter of 2014, all WA DOC prison facilities will be linked to a single retail pharmacy network. They will be able to access the same negotiated discounts for their emergency prescription fills that our employer groups and discount card members receive. The switch will save WA DOC money by eliminating all currently non-negotiated, local retail pharmacy pricing. In addition, the consortium’s retail purchasing process offers a more secure prescription tracking and reporting capability that will improve WA DOC monitoring of emergency fills.

Innovation ahead

The consortium is always testing new ideas to further increase value for public and private purchasers.

¹ L&I receives only drug manufacturer rebates through its service contract with WPDP and the consortium. These formerly unclaimed drug rebates now provide the agency with about \$100K in new rebate revenue annually. As of July 2013, L&I further expanded its service contract with WPDP to include the consortium’s mail-order prescription services for use by out-of-state claimants.

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