

**MINUTES OF THE
MEDICAID INTERIM COMMITTEE**

Friday, September 7, 2007 – 9:00 a.m. – Room W135 House Building

Members Present:

Sen. Allen M. Christensen, Senate Chair
Rep. Merlynn T. Newbold, House Chair
Sen. Gene Davis
Sen. Sheldon L. Killpack
Sen. Ross I. Romero
Rep. Brad Last
Rep. David Litvack
Rep. Michael E. Noel
Rep. Paul Ray

Staff Present:

Mr. Mark D. Andrews, Policy Analyst
Mr. Leif G. Elder, Research Analyst
Mr. Stan Eckersley, Analyst
Mr. Danny Schoenfeld, Analyst
Mr. Gary Syphus, Analyst
Ms. Catherine J. Dupont, Associate General Counsel
Mr. Thomas R. Vaughn, Associate General Counsel
Ms. Tracey Fredman, Legislative Secretary

Members Absent:

Sen. Lyle W. Hillyard
Rep. Stephen D. Clark
Rep. Tim M. Cosgrove

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Newbold called the meeting to order at 9:21 a.m.

MOTION: Sen. Christensen moved to approve the minutes of the July 20, 2007 meeting. The motion passed unanimously. Sen. Davis, Rep. Litvak and Rep. Ray were absent for the vote.

2. The Future of Pharmaceuticals in Utah's Medicaid System

Ms. Dupont reviewed options the Committee could consider to increase savings on pharmaceuticals including:

- (1) adjusting the PDL (preferred drug list) program to tighten controls and to consider whether there would be a greater cost savings;
- (2) splitting tablets and consolidating doses;
- (3) issuing a request for proposals to see if there is a pharmacy system that would offer to supply and dispense drugs cheaper than current providers;
- (4) encouraging increased use of the federal 340B program; and
- (5) increasing transparency of pricing and rebates in the pharmaceutical industry.

Ms. Dupont described the issue of the pricing formula by referring to an article from the Bureau of National Affairs and then asked representatives from DOH (Utah Department of Health) to discuss where they are in terms of drug reimbursement formulas.

Mr. Michael Hales, Director, Division of Health Care Financing, DOH, distributed and discussed "Medicaid Prescription Pricing." He explained that the Medicaid program is developing a new reimbursement methodology based on Average Manufacturer's Price in response to the changes in availability of industry price benchmarks.

Responding to a question from the Committee, Mr. Tim Morley, Pharmacist, DOH, said that dispensing fees are generally based on utility, salary, and insurance costs to keep the pharmacy in business.

Mr. David Stallard, Assistant Attorney General, Medicaid Fraud Control Unit, discussed the need for DOH to develop a reimbursement methodology that more closely estimates actual acquisition costs which the federal government requires. He suggested that a reimbursement methodology would be more transparent about actual acquisition costs for a drug is the reimbursement methodology paid a pharmacy's business costs such as utilities, salaries, and insurance by increasing the dispensing fees for the providers rather than lumping those costs into actual drug acquisition costs. He suggested that dispensing fees could be tiered to recognize the increased dispensing costs for smaller pharmacies. He recommended that reimbursement methodologies be established by administrative rule rather than statute.

3. Committee Discussion

Sen. Davis commented on Florida's Medicaid program.

Rep. Litvak expressed interest in looking in greater depth at the federal 340B plan.

Sen. Christensen said he did not think the PDL preauthorization process needed to be reworked at this time, that he is not in favor of bidding out pharmacy dispensing, and that he favors looking at the federal 340B plan.

Dr. David Sundwall, Executive Director, DOH, thanked the Legislature for authorizing the use of a PDL and indicated that DOH is able to provide documentation of how it has received public comment and responded to that input during the process of implementing the PDL.

Rep. Litvack expressed concern that pill splitting relies on a patient's ability to split pills and wondered how this option is handled in other states.

Chair Newbold said that the Committee could have a more in-depth discussion about how pill splitting is done. She would also like to further discuss how DOH is going to restructure drug pricing.

Rep. Last said he wasn't sure that the 340b program has broad application and felt like he needed more information about it. He said that transparency is the biggest issue, that it would be nice to be able to have confidence in the numbers, and that it would be nice to know how much profit pharmacists are making.

Sen. Romero spoke in favor of getting additional information about the 340B program and indicated that he would like to find out about other options for saving costs.

Sen. Christensen spoke in favor of allowing DOH to establish new drug reimbursement and dispensing fee formulas by administrative rule.

4. Introduction to Long-term Care

Mr. Vaughn distributed and presented "An Introduction to Government Funded Long-term Care in Utah." He said that at the next meeting there will be more about information about long-term care demographics and policy options.

Rep. Newbold asked for a one-page summary of the information presented by Mr. Vaughn for the next meeting.

Ms. Tonya Keller, Director, Bureau of Long Term Care, Division of Health Care Financing, DOH, responded to funding questions regarding the Nursing Home Placement Prevention Program.

Mr. Alan Ormsby, Director, Division of Aging and Adult Services, also commented on the Nursing Home Placement Prevention Program.

Mr. Hales spoke about the New Choices and Physical Disabilities waivers.

5. Other Business

Future meetings were scheduled for Wednesday, October 3, 2007 and Friday, November 2, 2007.

6. Adjourn

MOTION: Sen. Killpack moved to adjourn the meeting. The motion passed unanimously. Rep. Noel and Rep. Ray were absent for the vote.

Chair Newbold adjourned the meeting at 11:50 p.m.