



PRESCRIPTION DRUGS

BACKGROUND BRIEF

LPRO: Legislative Policy and Research Office

SPENDING FOR PRESCRIPTION DRUGS

The Oregon Health Authority (OHA) will spend approximately \$1.2 billion (2013-15) on prescription drugs. There are four distinct areas of pharmacy expenditures within OHA:

- Oregon Health Plan (OHP): A total of \$750 million in the current biennium (2013-15, expanding to a projected \$1 billion for the 2015-17 biennium). This includes drug costs paid out of the CCO/MCO capitated rates and trends forward the inflation of the increased covered lives.
- Oregon Prescription Drug Program (OPDP)- Oregon Educators Benefit Board (OEBB): \$252 million of which \$133 million can be attributed to OEBB with the rest purchased by consumers through the discount card program.
- Public Employees Benefit Board (PEBB): \$125 million is estimated to be spent for state employees.
- Oregon AIDS Drug Assistance Program (CAREAssist): estimated \$34 million per

biennium for medications purchased directly from a wholesaler and dispensed through an in-network contract pharmacy.

The reasons for increased spending on prescription drugs are debated among health care researchers, pharmaceutical manufacturers, state health officials and

consumers. Consumer groups state that the pharmaceutical industries' extensive advertising of newer and higher-priced drugs influences consumers to seek brand name medications instead of using lower-cost generic drugs, pharmaceutical companies assert that higher prices are often due to the extensive and expensive research and development of new and more efficient drugs.

Other sources assert that increased utilization and price inflation are significant drives of the increased costs.

CONTENTS

SPENDING FOR PRESCRIPTION
DRUGS

MEDICARE AND PRESCRIPTION
DRUGS

STATE DISCOUNT PROGRAMS

DISCOUNT CARDS AND
ASSISTANCE PROGRAMS

OREGON PRESCRIPTION DRUG
PROGRAM

OTHER RESOURCES

STAFF CONTACT

MEDICARE AND PRESCRIPTION DRUGS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) created prescription drug coverage for Medicare recipients. Medicare recipients who wish to use this program enroll in a plan and pay a monthly fee, a deductible,



PREScription DRUGS

and copayments in order to receive drugs at a discounted price. The program is designed to provide drugs at a greatly reduced price when recipients exceed high out-of-pocket costs within the year. Lower-income Medicare recipients are eligible for additional assistance. Additional information on Medicare prescription drug assistance can be found at:

<http://www.oregon.gov/DCBS/shiba/Pages/index.aspx>

STATE DISCOUNT PROGRAMS

Beginning in 1999, a growing number of states established prescription drug discount programs, sometimes termed “Rx Buying Clubs” or Discount Plans. These state-sponsored efforts differ from the State Pharmaceutical Assistance Programs (SPAPs) or subsidy plans in at least two ways: Discount programs do not use state or federal funds to pay for pharmaceuticals. Instead they generally rely on the large-volume purchasing power of the state to negotiate a sizable discount on a wide selection of prescription products, brands, and generics. Second, a majority of such programs have contracted with a management firm such as a pharmaceutical benefit manager (PBM) to handle the negotiations over price. The consumer still pays the resulting discounted price at the pharmacy counter, and the state is not involved in the individual transactions. Unlike most subsidized SPAP programs, there is no comparable federal program or federal regulation affecting these discount plans.

Drugs purchased in this way do not count as part of Medicare or Part D calculations. In the past three years, a growing number of states have emphasized serving residents under age 65, the population segment *not* eligible for Medicare or Part D.

Medicare is a federal-only program, about 20 states administer an option subsidy program that wraps-around or adds to the federal benefit. The following 14 states authorize covering all or part of this “donut hole” as of March 2010: Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Vermont, and Wisconsin. The federal \$250 annual subsidy increase could have a small, incremental effect in these states, potentially lowering the state subsidy expenditure for certain individuals.

DISCOUNT CARDS AND ASSISTANCE PROGRAMS

Many pharmaceutical manufacturers offer their own discount cards to low-income individuals. These cards allow a person to obtain discounts on some or all of a company’s prescription drugs. The programs have varying eligibility requirements (level of income, age), annual fees, amounts that enrollees must pay, among others. Many pharmaceutical companies also provide free or low-cost drugs to low-income people through patient assistance programs operated by drug manufacturers. While these programs are not meant to be a permanent solution to providing free or low-cost prescription drugs, they do serve as a stopgap measure for those who may need temporary assistance.

OREGON PRESCRIPTION DRUG PROGRAM (OPDP)

The OPDP was established as a purchasing pool of prescription drugs for employer groups and facilities as well as a discount card program for underinsured residents in 2003.

OPDP negotiates discounts with pharmacies and seeks rebates from manufacturers Group Purchasing Organizations and Wholesalers in



PREScription DRUGS

order to provide lowest possible cost to all participants in the program. For example, underinsured participants can enroll in the OPDP at no cost, receive an identification card that is recognized at most Oregon pharmacies and purchase prescription drugs at the same discount large employer groups receive.

All medications approved by the Federal Drug Administration that are prescribed by a clinician licensed in Oregon are eligible for a discount, and participants can save up to an average of 55 percent.

In 2006, the OPDP joined with Washington State's Prescription Drug Program to combine purchasing power, forming the Northwest Prescription Drug Consortium. In 2007, Senate Bill 362 expanded the program to include the underinsured, private entities, and labor organizations. Then in 2009, restrictions on contracting were lifted by Senate Bill 735 allowing OPDP to contract for discount prices available to group purchasing organizations (GPOs) and entities eligible under Section 340B of the federal Public Health Service Act.

As of June 2016, the Consortium has 955,326 members with 465,689 members in OPDP.

OTHER RESOURCES

Cost savings opportunities – Oregon belongs to the Sovereign States Drug Consortium, a purchasing pool to help leverage Medicaid drug rebates. The pool includes the states of Maine, Vermont, Utah, Iowa, West Virginia, Mississippi, and Wyoming. Federal health care reform has also allowed OHA to take advantage of additional rebates on Medicaid drugs.

AIDS Drug Assistance Program (CAREAssist) DHS-Public Health. This program helps people living with HIV or AIDS pay for medical care

expenses. The program assists qualified individuals by paying insurance premiums and prescription/medical services co-pays.

Funding for this program is received from The Ryan White HIV/AIDS Treatment Extension Act of 2009, state General Funds, and revenue from client fees and rebates paid by manufacturers. Additional information can be found at:

<https://public.health.oregon.gov/DiseasesConditions/HIVSTDViralHepatitis/HIVCareTreatment/CAREAssist/Pages/index.aspx>

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