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Wednesday, January 15, 2003

Maine, states team up on drug costs

From staff and news services

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WASHINGTON - In another pioneering effort to control prescription drug costs in Maine, state lawmakers are helping to form a nonprofit, multi-state operation that could negotiate drug prices for state employees and Medicaid patients.

The operation would compete with pharmacy benefit managers, the private companies hired by scores of entities to negotiate discounts from drug manufacturers.

The National Legislative Association on Prescription Drug Prices, which is organizing the effort, says the companies' fees are contributing to the rising costs of drugs. Another criticism is that the companies get undisclosed payments for promoting certain drugs.

"We wouldn't have the profit motive," said Rep. David Lemoine, D-Old Orchard Beach, part of Maine's delegation to the bipartisan association of state legislators. "Without that profit motive, we can expose the kickbacks that we think are a prime driver in the cost of prescription drugs."

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The move comes as two attempts by the state of Maine to control drug costs - the Healthy Maine Prescriptions and Maine Rx program - are tied up in the courts because of challenges by the pharmaceutical industry.

Lemoine, one of Maine's four delegates to the association, says the new effort is very different from the two drug discount programs.

"We're not dealing with a government agency," Lemoine said. "This is simply an effort to set up a private enterprise. We're not using regulatory tools at all."

The operation, expected to be launched before the end of the year, would also involve Connecticut, Hawaii, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, Vermont and the District of Columbia.

As states face large budget shortfalls from rising Medicaid costs, they are trying new and innovative ways to deal with drug costs.

State Sen. Arthur Mayo, R-Bath, said the most important aspect of the program is lowering the cost of drugs for people. But given Maine's projected budget shortfall approaching \$1 billion, "anything we can do to save significant dollars will be helpful."

This program has the potential to save up to \$50 million, he said.

Just Monday, a study found that nearly all states have cut spending or plan to reduce spending this year on Medicaid, the nation's health insurance for the poor. Overall, states face massive budget shortfalls totaling at least \$60 billion going into the next fiscal year. Medicaid costs average about 15 percent of state budgets.

Details of how the nonprofit enterprise would work are being worked out, said Cheryl Rivers, executive director of the association.

"We are still talking to our consultants about the best way to begin," Rivers said. The effort is being financed by the Heinz Family Philanthropies.

"We're just going to try to offer a better service. We think the market is ripe for it," Rivers said.

Lemoine called the multi-state initiative "a fairly expansive vision. Our hope is that it does even more once we get into the market and show what prices these drugs can be sold for. That information can permeate the market and drive down the costs for everybody," he said.

The program probably will face opposition from the pharmaceutical industry as well as pharmacy benefit managers. Some of the pharmacy benefit companies face allegations that they pocketed discounts that should have gone to states.

Jeff Trewitt, a spokesman for Pharmaceutical Research and Manufacturers of America, which represents drug companies, said his organization opposes the inclusion of Medicaid in such a plan.

"Medicaid is already a well-established program that already gets the best prices," Trewitt said. "It should be left out of this new effort."

PhRMA argues that Maine's two other prescription drug programs are illegal expansions of Medicaid. Both are stuck in legal limbo.

A federal appeals court on Dec. 24 struck down Healthy Maine Prescriptions, forcing the state to suspend benefits for roughly 112,000 residents.

The state is working with the Centers for Medicare and Medicaid Services, the agency that runs Medicare and Medicaid, to find a way to reinstate the program.

Unlike Healthy Maine, Maine Rx was never implemented because of court action by PhRMA. The program, approved three years ago, would allow an estimated 325,000 uninsured Maine residents to join a discount buying program negotiated by the state. The U.S. Supreme Court will hear arguments on Maine Rx on Jan. 22.

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