



KANSAS ASSOCIATION OF COUNTIES Research REPORT

APRIL 2005

Options for Detention Facilities to Reduce Prescription Drug Costs

By Dennis Kriesel, Public Health Policy Fellow

The rise in healthcare costs beyond inflationary factors requires counties to look for new methods of doing business. One area of particular focus is on incarcerated populations at county detention facilities. Legal responsibility for the healthcare of such inmates falls to the county level, and with many such persons lacking health insurance, this results in a substantial economic burden.

To help address these problems as identified at the 2003 Health and Human Services summit, a team of state and county officials joined together on the Health and Human Services State/County Healthcare Cost Workgroup. Their initial focus: prescription drug prices at adult and juvenile detention facilities. As a result of their investigations and research, a number of viable options were identified. Each choice has its own particular advantages, and some options are able to work in tandem with others. All, however, offer greater financial savings over what most county detention facilities are currently paying.

While the initial focus was on incarcerated populations, the workgroup learned that other governmental groups and agencies (e.g., county nursing homes, emergency medical services, etc.) can save under some of the options identified. Such considerations may make one plan more appealing than another. An important point to consider when evaluating these plans is the impact adopting one may have on the local retail pharmacies. Another important point is the fees for dispensing and administration of the pharmaceuticals. Regardless of

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Glossary

Blister Pack: A form of drug packaging where each pill is contained in an individual, sealed spot on a “sheet” of pills. Each pill can be popped out, one at a time, without exposing any of the other pills.

Estimated Retail: The projected cost of a drug without any insurance or discount program in place. A lot of factors can impact the retail price of a drug. For the purposes of this report, estimated retail is set at Average Wholesale Price (AWP).

DEA: The U.S. Drug Enforcement Agency. This agency issues certificates that allow jails to store prescription medications on-site.

Dispensing & Administration Fees: The costs for a drug to be packaged, shipped, and/or otherwise supplied for use.

KDOC: The Kansas Department of Corrections.

MMCAP: The Minnesota Multi-State Contracting Alliance for Pharmacy. A prescription drug (and other healthcare items) purchasing pool for governments.

NACo: The National Association of Counties.

Kansas HHS State/County Healthcare Cost Workgroup

Membership: Wade Bowie, Juvenile Justice Authority; Karen Braman, Governor’s Office of Health Planning and Finance; Scott Bruner, Medicaid Director, SRS; John Calhoon, Atchison County Sheriff; Debbie Donaldson, Sedgwick County Director of the Division of Human Services; Anne Freeze, Shawnee County Health Dept.; Betsy Gillespie, Shawnee County Director of Corrections; Gary Harbison, SRS; Leslie Huss, SRS; Jim Karlan, Mental Health Center Director, Liberal; Alan Morris, Miami County Administrator; Viola Riggan, Department of Corrections; Chris Ross-Baze, KDHE; Craig Simons, Harvey County Administrator; Dave Unruh, Sedgwick County Commissioner; John Walther, Harvey County Special Projects Director; Pam Weigand, Douglas County Juvenile Facility Director. **Resources:** Randall Allen, Executive Director, KAC; Chris Howe, Director, State of Kansas Purchasing Division; Dennis Kriesel, Public Health Policy Fellow, KAC. **Facilitators:** Kathleen Harnish-Doucet, TeamTech, Inc.; Joel Wright, TeamTech, Inc.



Dennis Kriesel began serving as Public Health Policy Fellow in May 2002. He holds a B.A. degree in political science from the University of Kansas and a M.P.A. degree from the Maxwell School of Citizenship and Public Affairs at Syracuse University. His past public sector experiences include addressing budgetary issues for the government of Onondaga County, New York.

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The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services, and a wide range of informational services to its member counties.

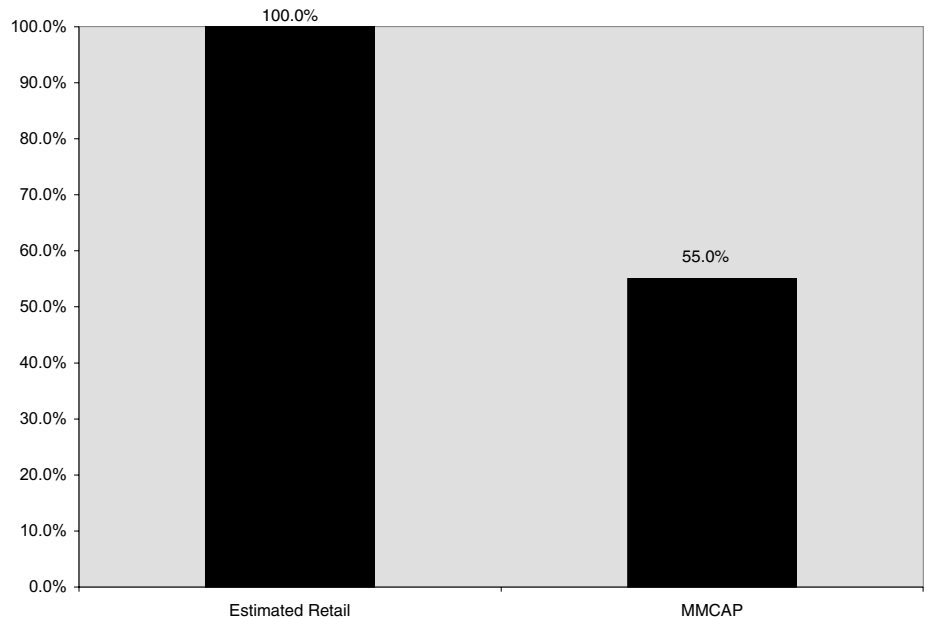
plan, it is always best to strive for a cap or set amount on these fees.

The options the workgroup found viable will be given greater individual attention further in this report. A total of four will be examined: The Minnesota Multi-State

Contracting Alliance for Pharmacy (MMCAP), contracted correctional pharmaceutical companies, the Kansas Department of Corrections (KDOC) contract, and the National Association of Counties (NACo) prescription drug card.

Minnesota Contracting Alliance for Pharmacy (MMCAP)

FIGURE 1.1 % of Estimated Retail Price



“The savings in our first order was \$30,800, or 65%. These are not marginal savings.”

*Dave Unruh,
Sedgwick County
Commissioner*

FIGURE 2.2

Option	Other State / Local Government Agencies	Inmates	General Population	Detention Staff	Local Pharmacy Use	Estimated Savings Off Retail	Dispensing / Administration Fees
MMCAP	✓	✓			Storage & Dispensing	45%	Negotiated w/ Pharmacy

Background

The State of Minnesota, in the hopes of securing lower pricing on pharmaceuticals, hospital supplies, and related items, created a voluntary group purchasing organization for government agencies that must provide healthcare to specific populations: MMCAP.

Forty-two states currently participate in MMCAP, which account for over 3,000 facilities utilizing MMCAP pricing. Through contract management and volume contracting, MMCAP is able to offer reduced

pricing on a number of healthcare products.

Details

Because detention facilities are responsible for providing healthcare to their incarcerated populations, detention facilities are eligible for MMCAP purchasing. MMCAP allows a detention facility to place an order for pharmaceuticals, which are then delivered directly to the facility. Thus, MMCAP is geared towards detention facilities that operate in-house pharmacies. Using

a community pharmacy to store the incoming prescriptions is an acceptable option, but MMCAP orders cannot go directly to that pharmacy. They must be delivered to the detention facility.

Those detention facilities that select this option may contract with a local pharmacy to provide the dispens-

ing service for the drugs received. MMCAP can be used in conjunction with other purchasing plans and tends to work best for large-volume purchasers.

Kansas MMCAP Participation Contact
 Chris Howe, Kansas Department of Administration
 785-296-2374, chris.howe@da.state.ks.us

Correctional Pharmaceutical and Healthcare Companies

“Correctional pharmacies obtain significantly reduced pricing on prescription drugs through volume purchasing and pass those savings along to the jail or prison contractor.”

Betsy Gillespie, Shawnee County Director of Corrections

FIGURE 3.³ % of Estimated Retail Price

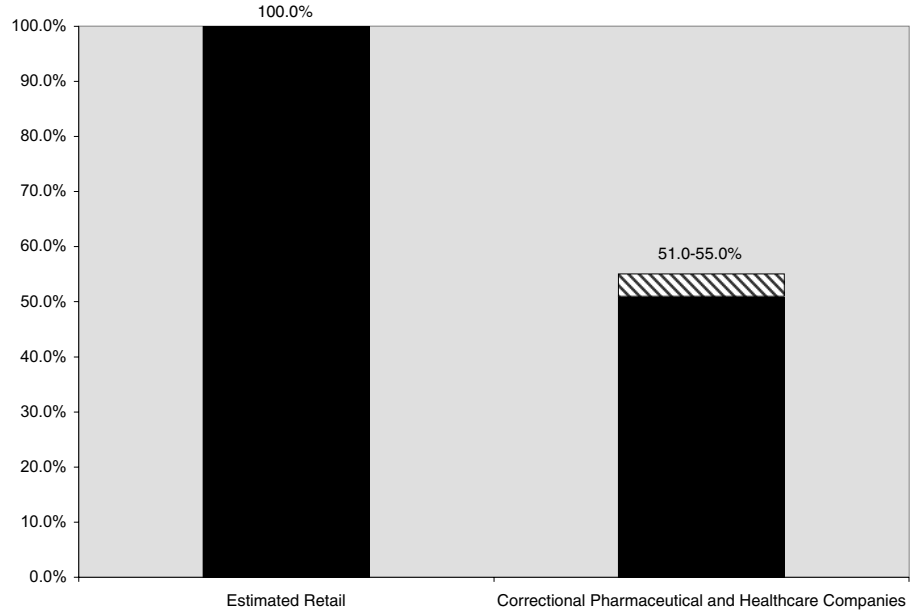


FIGURE 4.⁴

Option	Other State / Local Government Agencies	Inmates	General Population	Detention Staff	Local Pharmacy Use	Estimated Savings Off Retail	Dispensing / Administration Fees
Companies		✓			Emergency Only	45-49%	Reduced & Capped

Background

Detention facilities will likely find cost savings by contracting with pharmacies that specialize in providing prescription and other drugs for incarcerated offender populations. These companies can offer reduced prescription drug prices through volume purchasing for the numerous prisons and detention facilities that they serve. The cost savings on prescription drugs can vary, but the pricing tends to be around that of the MMCAP rate. A detention facility can establish a contract directly with a correctional pharmacy or the facility can contract with

a company that provides all healthcare services for incarcerated populations.

Details

Detention facilities can also find cost savings by outsourcing the responsibilities for all healthcare services for their incarcerated populations to companies that specialize in providing healthcare to adult inmates and juvenile residents. A detention facility could contract with such company either for all services or for only partial services.

The outsourcing of services to a specialized correctional healthcare company can save money, in addition to savings on prescription drugs, by: negotiating contracts for services with the county's local physicians, clinics, and hospitals at reduced rates; by carefully screening and managing bill payments; by providing expertise in standards for correctional healthcare; and by accepting responsibility and any liability for the services provided. These companies will defend any lawsuits filed over medical care and pay any awards or settlements as necessary. In general, they assure better

quality of care that, in the long run, will save the county money. Outsourcing of healthcare services for inmates can also reduce administrative frustration. However, like any contract, compliance monitoring is important, as is the development of detailed bid specifications.

Outsourcing of Inmate/Juvenile Healthcare Contacts
 Debbie Donaldson Betsy Gillespie
 Sedgwick County Shawnee County
 316-660-7670 785-291-5000
 ddonalds@sedgwick.gov elizabeth.gillespie@co.shawnee.ks.us

Kansas Department of Corrections Contract (KDOC)

“Correctional professionals at the state and local level understand and appreciate our need to support one another whenever and however we can. We are grateful for this opportunity to provide assistance to one another, and to offer significant help to taxpayers in the process.”

*Roger Werholtz, Secretary,
 Kansas Dept. of Corrections*

FIGURE 5.⁵ % of Estimated Retail Price

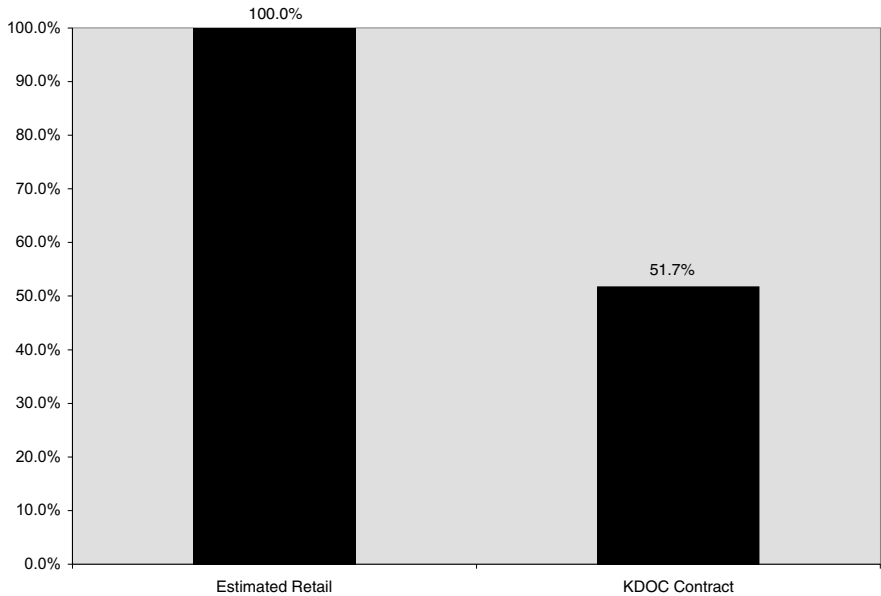


FIGURE 6.⁶

Option	Other State / Local Government Agencies	Inmates	General Population	Detention Staff	Local Pharmacy Use	Estimated Savings Off Retail	Dispensing / Administration Fees
KDOC	✓	✓			Emergency Only	48.3%	Reduced & Capped

Background

KDOC, in the interest of lowering healthcare costs for Kansas prisoners, sought a new contract for services. Included in the negotiations was a request that prescription drug pricing obtained by KDOC be extended to any state, county, or local government agency. The bid-

ders agreed to these terms, and the successful bidder (Correct Care Solutions) will allow any Kansas government agency to obtain prescription drugs at the KDOC prices directly from its pharmaceutical provider, Diamond Pharmaceuticals.

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Details

Any agency choosing to participate under the KDOC contract will receive pricing at the KDOC rate. The administrative fees (which cover everything from shipping to packaging) are on a per-prescription basis and vary by agency size and location. Large agencies will pay between \$1.12 and \$3.65 per prescription; remote agencies will pay between \$4.58 and \$6.03 per prescription.

Medications come from one (non-local) location, Diamond Pharmaceutical, and arrive blister-packed. Next-

day delivery is standard for most locations; remote locations may face second-day delivery. Some inventory of drugs can be maintained, if desired. Stocking medications, however, requires registration with the Kansas State Board of Pharmacy and a DEA certificate.

Contact for KDOC Contract Questions
 Viola Riggan, KDOC.
 Ph. 785-296-0045, ViolaR@kdoc.dc.state.ks.us

NACo Discount Drug Card

FIGURE 7.7 % of Estimated Retail Price

“The NACo program is, indeed, very simple to use. There are no residency, age or income qualifications to meet. There is no registration procedure or charge for the card. Any number of people may use an individual card.”

John Waltner, Harvey County Special Projects Director

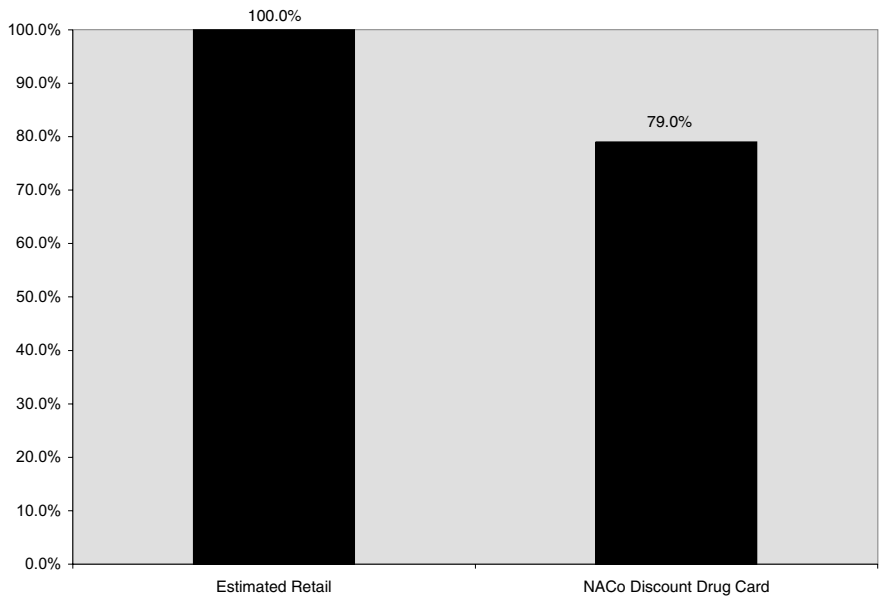


FIGURE 8.8

Option	Other State / Local Government Agencies	Inmates	General Population	Detention Staff	Local Pharmacy Use	Estimated Savings Off Retail	Dispensing / Administration Fees
NACo	✓	✓	✓	✓	Full-Service	21%	Set (@ \$3.50)

Background

NACo initiated a pilot program with self-selected member counties to test a prescription drug card. The cards can be provided in any manner chosen by the counties and offer a number of pharmacies where they will be accepted. In addition, participating counties received the necessary materials to allow other interested phar-

macies to sign up. The drug card is designed to function along with any pre-existing program(s) a county may provide or participate in to reduce prescription drug prices.

Details

Though the savings reduction is much smaller than the other plans listed, the flexibility of the card makes it

viable in combination with almost any other plan(s). The most notable issue of concern is the card could negate eligibility for someone who is on a prescription drug assistance program, and such programs generally would offer greater savings than this card would.

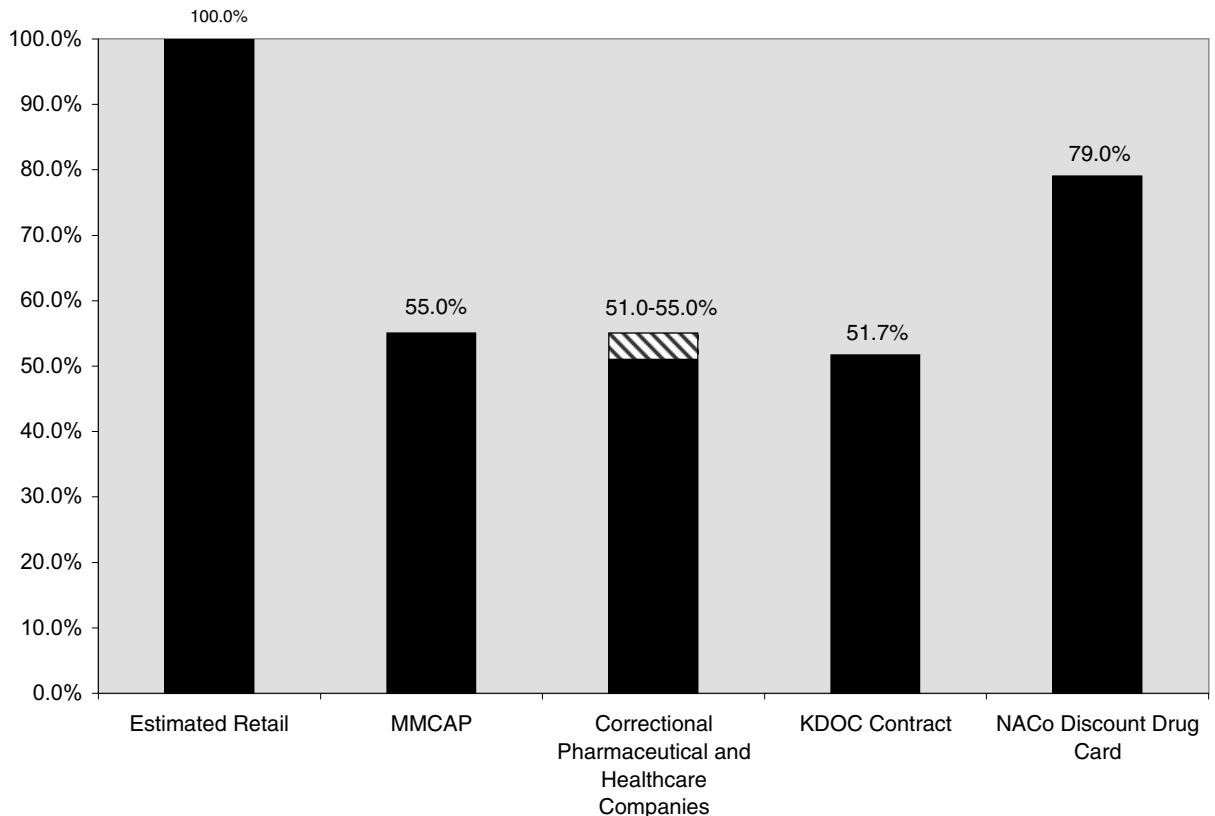
Since the card is geared towards individuals going to a pharmacy to acquire their prescriptions, this option can be used by giving it to inmates being released from jail to allow them to obtain reduced drug prices. The card can be used at any time. The discount card relies on the participation of local pharmacies, and thus is an

option that will involve those community businesses when purchases are made.

The NACo Discount Drug Card will be available to any NACo-member counties. The program is currently in its pilot phase. It is expected to go nationwide in Autumn 2005.

Local Pilot Contacts	
Craig Simons	Debbie Donaldson
Harvey County	Sedgwick County
316-284-6806	316-660-7670
csimons@harveycounty.com	ddonaldson@sedgwick.gov

FIGURE 9. % of Estimated Retail Price



Conclusion

Numerous viable options exist for Kansas detention facilities and other governmental groups and agencies to reduce their prescription drug costs. Whether one plan is used exclusively, mixed-and-matched, or combined with pre-existing models, the end result can be substantial savings over what is likely the current expense. Active examination and tracking can show just how

much savings one is obtaining, and if another model might be best. Contacting other counties that have tried these various models can help, both in explaining the process to participate in a given plan and the sort of cost savings that can be experienced. Ultimately, only proactive pursuit of lower costs will lead to a reduction in the ever-inflating field of prescription drugs. *~*

CDC Vaccine Option

The CDC offers vaccines from its price list to entities interested in providing vaccinations without charge to the recipients. Often utilized by local health departments and participating private facilities, the advantage of the CDC contract is greatly reduced prices. For example, one adult Hepatitis A vaccine costs \$56.17/dose in the private sector, but only \$18.50/dose from the CDC.⁹ Likewise, an adult Hepatitis B vaccine that costs \$59.70/dose in the private sector is \$19.36 from the CDC list.¹⁰ CDC-obtained vaccines cannot be billed on insurance and are designed for low-income programs and free vaccine provisions. The Kansas Department of Corrections already obtains these prices through the Kansas Department of Health and Environment (KDHE). Interested counties should contact Debbie Baker with the Kansas Immunization Program at KDHE for information on how to participate at: 785-296-5591.

FIGURE 11.¹¹

Option	Other State / Local Government Agencies	Inmates	General Population	Detention Staff	Local Pharmacy Use	Estimated Savings Off Retail	Dispensing / Administration Fees
CDC	✓	✓		✓	N/A	Varies per Vaccine	Set

FIGURE 10. % of Estimated Retail Price

Option	Other State / Local Government Agencies	Inmates	General Population	Detention Staff	Local Pharmacy Use	Estimated Savings Off Retail	Dispensing / Administration Fees
MMCAP	✓	✓			Storage & Dispensing	45%	Negotiated w/ Pharmacy
Companies		✓			Emergency Only	45-49%	Reduced & Capped
KDOC	✓	✓			Emergency Only	48.3%	Reduced & Capped
CDC	✓	✓		✓	N/A	Varies per Vaccine	Set
NACo	✓	✓	✓	✓	Full-Service	21%	Set (@ \$3.50)

¹ MMCAP estimate provided by Chris Howe, Division of Purchases under the Kansas Dept. of Administration, 2004.

² Kansas HHS State/County Healthcare Cost Workgroup, 2005.

³ *Ibid.*

⁴ *Ibid.*

⁵ KDOC Contract estimate provided by Viola Riggin, Kansas Dept. of Corrections, 2005.

⁶ Kansas HHS State/County Healthcare Cost Workgroup, 2005.

⁷ NACo Drug Card estimate from materials by the National Association of Counties, 2004.

⁸ Kansas HHS State/County Healthcare Cost Workgroup, 2005.

⁹ CDC Vaccine Price List, last reviewed/updated on Feb. 7, 2005. Current pricing available online at: http://www.cdc.gov/nip/vfc/cdc_vac_price_list.htm.

¹⁰ *Ibid.*

¹¹ Kansas HHS State/County Healthcare Cost Workgroup, 2005.



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