

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: January 5, 2004

SUBJECT: Fiscal Impact Statement: "AccessRx Act of 2003"

REFERENCE: Bill Number 15-569

Conclusion

Funds are sufficient in the FY 2004 through FY 2007 budget and financial plan to commence implementation of the proposed bill with existing funds and resources. The legislation would require new programs and activities authorized by this Act to be funded from future drug purchase rebate and discount savings deposited in a non-lapsing dedicated AccessRx Fund. Should the savings occur and be deposited in the Fund, appropriations and budget authority for their expenditure would be required.

Background

The proposed legislation would authorize a drug rebate program in the District for the purpose of providing access to prescription drugs for District of Columbia residents. The bill would require drug manufacturers that sell prescription drugs in the District through publicly funded pharmaceutical assistance programs, such as Medicaid, the D.C. Health Care Alliance and the Department of Mental Health, to enter into rebate or other discount type agreements with the District.

The bill also would establish a non-lapsing fund, the AccessRx Fund, to receive rebate or discount payments and any appropriations for the purpose of the program. The drug rebate program would be administered by the Department of Health (DOH). DOH would be authorized to contract with a third-party for the administration of the proposed

AccessRx program and to seek any waivers of federal law or regulation necessary to implement the program.

The proposed legislation also would authorize the establishment of two discount prescription drug programs. One program would provide low-cost prescription and non-prescription drugs, medications and medical supplies to low-income elderly individuals. One program would provide similar benefits to uninsured District residents. The legislation would limit the benefits available under these programs to the amount of funds available from appropriations, grants and other sources of revenue. In addition, the proposed legislation specifies fiduciary requirements for pharmacy benefits managers of organizations participating in drug rebate and discount programs and establishes requirements for the disclosure of prescription drug marketing costs.

Financial Plan Impact

Currently, the Department of Health's Medical Assistance Administration (MAA) participates in the federal Medicaid drug discount program to achieve savings for Medicaid recipients. In FY 2004 the MAA budget for fee for service drugs is \$80 million; the FY 2005 budget is estimated to be \$87 million. Recent analyses of MAA's pharmacy drug costs indicates that the federal MAA drug discount savings are approximately 15 percent. Additional savings of approximately 9 percent might be achieved in the Medicaid drug program if negotiations with pharmaceutical companies on preferred drug lists were accomplished. The proposed legislation would attempt to build on the experience of this existing program and expand the benefits of drug rebate and discount savings to all District health programs.

The proposed legislation would require the DOH to negotiate with all pharmaceutical companies doing business with the District in publicly funded programs to participate in drug rebate and discount programs. The proceeds of rebates, discounts and other savings based on bulk purchase agreements would be deposited in the AccessRx Fund established by the proposed Act. The bill requires that the District exert its best efforts to obtain initial rebate amounts equal to or greater than the rebate calculated under the current Medicaid program pursuant to 42 U.S.C. 1396r-8, the average wholesale price of prescription drugs. The proposed legislation would require the District to conduct ongoing quality assurance activities to validate the savings amounts. The bill would authorize the DOH to contract with one or more third parties to administer any or all components of the AccessRx program.

The proposed legislation would establish the AccessRx Fund to receive revenue from manufacturers that pay rebates and discounts as well as any appropriations designated to the Fund. The bill would require that all funds deposited in the AccessRx Fund be used to reimburse the District for contracted services, administrative and associated computer costs and other reasonable program costs associated with the AccessRx program. The funds deposited in the AccessRx Fund also would fund the proposed drug prescription programs for the elderly and uninsured District citizens.

As rebate and discount savings from bulk District purchases are deposited and accumulated in the AccessRx Fund, appropriations from the Fund would be required for the implementation of AccessRx Program, its associated activities, and the newly authorized programs for the elderly and uninsured. It is not possible to project specific savings estimates for the proposed program. If the AccessRx legislation were enacted during FY 2004, it is likely that savings from the proposed program would not be deposited in the Fund until FY 2005 due to required approvals from federal agencies.