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Agency of Human Services

MEMORANDUM

TO: Rep. Michael Obuchowski, Chair, Joint Fiscal Committee
Sen. Ann Cummings, Vice Chair, Joint Fiscal Committee

CC: Jim Reardon, Commissioner, Department of Finance and Management
Robert D. Hofmann, Secretary, Agency of Human Services
Susan W. Besio, PhD, Director, Office of Vermont Health Access

FROM: Cynthia D. LaWare, *Cindy* OVHA Pharmacy Director

DATE: November 4, 2009

RE: AHS Report on securing participation in joint purchasing agreements for pharmacy best practices and control program [33 V.S.A. §1998 (c)(1)(6)]

Please accept this memo as OVHA's response to the legislative requirement under 33 V.S.A. §1998 (c)(1)(6) to report on the establishment of a state drug purchasing consortium.

As I indicated in my correspondence last quarter, we have identified and met with other state departments who may have interest in participating in a drug purchasing consortium. Specifically, we have had discussions with the Department of Corrections, the Department of Mental Health and the Department of Human Resources. In each case, the current drug purchasing arrangement that they participate in provides them with the best price available.

The Departments of Corrections and Mental Health (through Cardinal Health acting as the wholesaler) participate in the Minnesota Multi-State Contracting Alliance which is managed by the Purchasing Unit of the Department of Buildings and General Services. The Department of Human Resources engages in a competitive procurement process. Each of these Departments is confident they have negotiated with their vendors and through manufacturers for the best drug prices available. OVHA participates in the Federal Omnibus Budget Reconciliation Act (OBRA) drug rebate program and negotiate additional state supplemental rebates which, unfortunately, cannot be shared with the other state programs.

As you can see, there are three unique purchasing arrangements and the advantages to one population in these situations are not available to the other population, negating the value of establishing a consortium for the purpose of leveraging price.

I trust this communication is responsive to the reporting requirements under 33 V.S.A. §1998 (c)(1)(6) with regard to the establishment of a purchasing consortium. Please contact me if you have questions or concerns.