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Agency of Human Services

TO: Representative Michael Obuchowski, Chair, Joint Fiscal Committee
Senator Ann Cummings, Vice Chair, Joint Fiscal Committee
Health Access Oversight Committee

FROM: Cynthia LaWare, Pharmacy Director 

DATE: August 6, 2009

SUBJECT: 33 VSA. Sec. 1998 (c) (6) Legislative Report

On behalf of the Secretary of the Agency of Human Services, the Director of the Office of Vermont Health Access, and the Commissioner of the Department of Human Resources, please accept this memo as a response to the legislative requirement under 33 VSA. Sec. 1998 (c) (6) to report on the establishment of a state drug purchasing consortium.

As you are aware, all matters relating to the implementation of 33 VSA. Sec. 1998 (c) (6) were postponed awaiting court resolution of various aspects of the Act. In the last few months, 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 that 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 VSA. Sec. 1998 (c) (6) with regard to the establishment of a purchasing consortium. Please contact me if you have questions or concerns.

cc: Members of the Joint Fiscal Committee
Jim Reardon
Matt Riven