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Testimony of
Kevin Lembo
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Concerning
SB 1059 AA Implementing the Recommendations of the
Commission on Enhancing Agency Outcomes, Sections 283-293
February 28, 2011

Senator Slossberg, Representative Morin, Senator McLachlan, Representative Hwang and members of the Committee, I am State Comptroller Kevin Lembo. I would first like to acknowledge Senator Slossberg, former State Representative James Spallone as well as the GAE Committee and entire Commission on Enhancing Agency Outcomes (CEAO) for developing this comprehensive package of recommendations on streamlining government functions and achieving cost savings.

With respect to the specific portions of the CEO report's recommendations being addressed today, I support Sections of 283-293 of Senate Bill 1059, which seek to authorize the Office of the State Comptroller (OSC) to procure prescription drugs for the Connecticut Medical Assistance Programs (Medicaid, HUSKY, ConnPACE) as well as Charter Oak.

By my office's calculations, this proposal is estimated to save \$66.5 million per year that will result from volume-related discounts, as well as an additional \$10 million per year in administrative cost savings.

Incorporating purchasing for participants of the publicly funded medical assistance programs will permit the OSC to build on its past success in controlling pharmacy costs for state employees and retirees, and more recently, to include municipalities under its purchasing umbrella. Enacting this language will also fulfill the legislature's mandate in Public Act 09-206, which charged the Department of Social Services, in collaboration with other state agencies including the OSC, to develop a plan for "cooperative drug purchasing program" as a means of achieving cost savings.

In contrast to an alternative proposal that seeks simply to permit DSS to mirror the reimbursement rates and dispensing fee paid by the OSC, SB 1059 as well as parallel language in HB 6322 will both harness the purchasing power of a larger group and achieve cost savings through administrative efficiencies. Further, even though reducing the dispensing fee from the \$2.90 paid by DSS to the \$1.40 paid by the OSC would yield another \$13.5 million in annual savings, this proposal protects independent pharmacists by leaving intact the dispensing fee that is currently paid by DSS. Finally, this proposal will be implemented under a contract that resulted from an open and competitive Request for Proposals process.

Joint purchasing is readily achievable with a 90-day lead time. The OSC will purchase prescription drugs through its current pharmacy benefits manager, Caremark. Caremark has demonstrated through experience in nineteen other states that it can meet all of the requirements of the Medicaid program. Joint purchasing will have no impact on DSS' authority to manage the Medicaid program, including, but not limited to, eligibility determinations, terms of participation, use of the preferred drug list, and supplemental rebates. Further, the proposal will not affect the means by which participants access and fill their prescriptions. I want to reassure the committee that the savings is realized on the back-end, not the front-end of pharmacy purchasing.

I urge the Committee to support these sections of SB 1059 because they will achieve significant savings and position the state to achieve further savings with other agencies that also purchase prescription drugs, while safeguarding small pharmacies that would be hurt by a reduction in the dispensing fee.

For your information I have attached a chart that provides a side-by-side comparison of the language in the bill before you, which is also part of House Bill 6322, and the alternative proposal, which is part of Governor's Bill 1013.

Thank you for your consideration. I am happy to answer your questions.