

Scope of Study

Pharmacy Benefits and Regulation

Connecticut state government spends a significant portion of its health care budget on prescription drug coverage. In FY 01, the state expended \$491.2 million on prescription drugs under a variety of state programs and costs were estimated to grow to \$654.9 million by FY 03, an increase of 33 percent over the two-year period.¹ The greatest amount of dollars was spent by the Department of Social Services (\$342.6 million) in FY 01, followed by outlays for prescription drugs for state employees, at \$121.1 million.

Several factors are driving higher drug costs, including increases in program caseloads, greater utilization, and higher prices. Thus, the policy goal for states is to make drugs affordable without sacrificing quality and innovation, or harming consumers' access to necessary or new medicines. To date, 34 states, including Connecticut, have enacted legislation to better manage pharmacy costs and/or increase access to prescription drugs for certain residents who are without coverage. Among the strategies adopted include: establishing preferred drug lists, requiring generic drug substitution without prior authorization, increasing beneficiary co-payments, reducing dispensing fees, and pursuing rebates from manufacturers.

Area of Focus

The first year of the study would evaluate how the state purchases prescription drug benefits for a variety of program beneficiaries (i.e., state employees and retirees, Medicaid, HUSKY B, Department of Mental Health and Addiction Services, State Administered General Assistance, and ConnPACE recipients, injured workers under the State Worker's Compensation program and inmates in the Department of Corrections), to determine if the greatest leverage is being exercised by the state to maximize cost savings. The study would also examine the experience of other states in containing pharmacy costs while increasing access to state-sponsored prescription drug programs. The second year of the study would focus on the regulation of pharmacies by the Department of Consumer Protection and the role of the Commission of Pharmacy within the department.

Areas of Analysis

1. Categorize various state prescription drug programs, populations served, associated costs, and cost containment techniques employed by each.
2. Describe implementation status of prescription drug cost containment strategies adopted in Connecticut during the last five years.
3. Identify state laws and other provisions (i.e., contracts) that control scope, administration and delivery of prescription drug benefits.

¹The Governor's FY 2002-2003 Midterm Budget Adjustments, State of Connecticut estimates FY 03 costs and contains proposals that would reduce these estimates by about \$40 million, if certain cost containment measures were enacted and implemented.

4. Evaluate experience of other states in containing pharmacy benefits costs and/or increasing access to determine whether any strategies could be implemented in Connecticut.
5. Identify federal laws and other federal provisions that limit states' authority to manage pharmacy benefits.
6. Describe how the Department of Consumer Protection and the Commission of Pharmacy regulates pharmacists and pharmacies by examining the licensing and inspection process, and analyzing the type, source, number and outcome of complaints investigated (year 2).