



# MMCAP

Minnesota Multistate Contracting Alliance for Pharmacy

## Minnesota Multistate Contracting Alliance for Pharmacy

NASPO 2009 Annual Meeting

September 21, 2009

# MMCAP Overview

Kent Allin

Director/Chief Procurement Officer

State of Minnesota





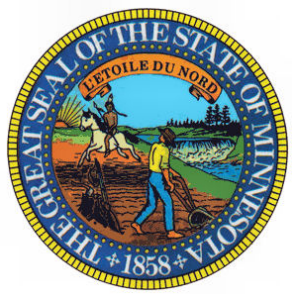
# What is MMCAP?

- MMCAP is a voluntary National Group Purchasing Organization (GPO) operated by the State of Minnesota serving government-authorized healthcare facilities
- Primary Goal: to provide member organizations the combined purchasing power to receive the best contract prices and best value
- \$1.2 Billion purchase volume



# Background

- Cooperative Purchasing Agreement established between Minnesota and Wisconsin in 1989 (1990 - Colorado joined )

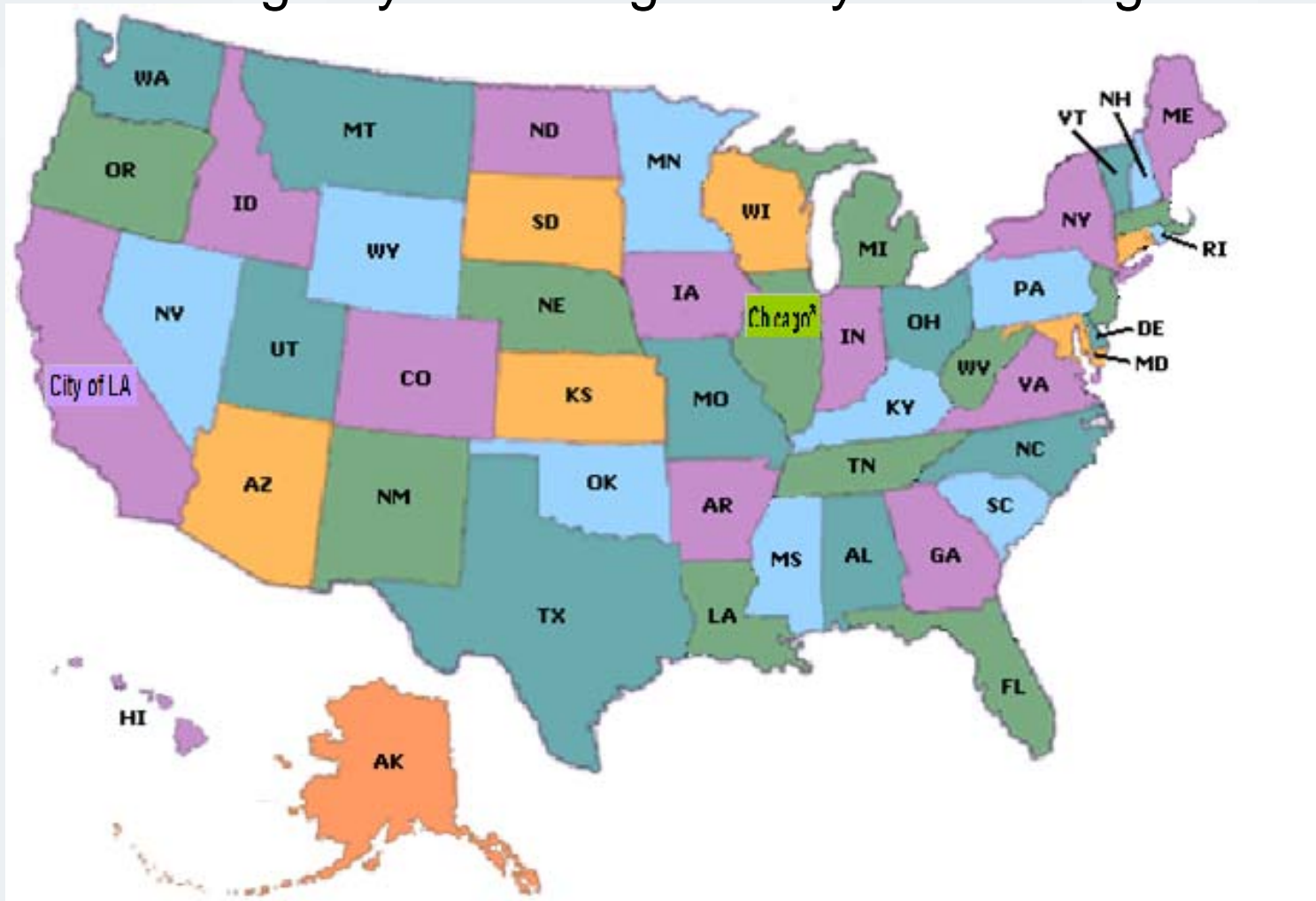


*Statutory authority governing MMCAP's functions can be found in Minnesota Statutes Sections 16C.03 subd.10 and 471.59, Subd.1. These define eligible participants.*



# MMCAP 46 Member States

## Including City of Chicago & City of Los Angeles





## Today: MMCAP is made up of 46 states, including the Cities of Chicago and Los Angeles

Alabama	Alaska	Arizona	Arkansas	California
Colorado	Delaware	<b>*Florida[1]</b>	Georgia	Hawaii
Idaho	Indiana	Iowa	Kansas	Kentucky
<b>*Louisiana[1]</b>	Maine	<b>*Maryland[1]</b>	Michigan	Minnesota
Mississippi	<b>*Missouri[1]</b>	Montana	Nebraska	Nevada
New Hampshire	New Mexico	New York	North Carolina	North Dakota
Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island
<b>*South Carolina[1]</b>	South Dakota	<b>*Tennessee[1]</b>	Utah	Vermont
<b>*Virginia[2]</b>	Washington	West Virginia	<b>*Wisconsin[1]</b>	Wyoming
Texas	City of Los Angeles	City of Chicago	<b>*Advisory Board representation</b>	



# MMCAP Advisory Board

- Eight member elected representatives ( 4 Pharmacists and 4 Procurement) and a Vice Chairperson



- Strengthening member communication, voice, leadership and representation in supporting best practices in the industry



# MMCAP Member Representation

- Each member state assigns 2 MMCAP contacts

– Purchasing contact



– Pharmacy contact





# Membership

- Public health agencies
- Department of corrections
- Student health facilities/clinics
- Mental health facilities
- Facilities for the developmentally disabled
- Substance abuse treatment facilities
- Long term care/nursing facilities
- Hospitals
- Select non-profit (healthcare related)

# MMCAP Benefits

- Superior contract pricing and reduced costs for products and services
- Administrative fee shareback
- No charge to become a member
- Local representation
- Web page
  - Electronic catalog of all available products and notice of backorders

# New Managing Director-Alan Dahlgren

- 30 years' experience in healthcare industry
- Last 4 years President & Co-Founder of healthcare consulting company – Patterson Dahlgren Group, Inc.
  - Clients: GPO's, suppliers, wholesalers, Government & providers
- 3 Years at Premier, Inc. - Nations Largest GPO
  - Negotiated large contracts: \$500M IV & \$600M CRM
- 23 years at Baxter Healthcare
  - Directed National Pharmacy Service Operation
  - Directed Strategic Planning for \$1.5 B Health Systems Division – 10 largest GPOs
- BS Industrial Engineering
- MBA
- Married, 3 children

# MMCAP Business Information



Minnesota Multistate Contracting Alliance for Pharmacy

Alan Dahlgren

MMCAP Managing Director

# Alan's Approach to Business:

- Each MMCAP staff needs to add value to the business
  - If not adding value, change what you are doing
- MMCAP State Members – Our Customer is the reason for being in business
- Ten Commandments of Good Business



# The Ten Commandments of Good Business

- 1. Customers are the most important people in any business.
- 2. Customers are not dependent on us, we are dependent on them.
- 3. Customers are not an interruption of our work, they are the purpose for it.
- 4. Customers do us a favor when they call, we are not doing them a favor by serving them.
- 5. Customers are a part of our business, not outsiders.



# The Ten Commandments of Good Business

- 6. Customers are not cold statistics, they are flesh-and-blood human beings, with feelings and emotions like our own.
- 7. Customers are not someone to argue with or match wits with.
- 8. Customers are people who bring us their wants. It is our job to fulfill them.
- 9. Customers are deserving of the most courteous and attentive treatment we can give them.
- 10. Customers make it possible to pay our salary.



# MMCAP Business Information

## 2008-2009

- \$1.2 Billion total purchase volume
  - \$1.1 Billion total pharmaceutical purchase volume
  - \$0.1 Billion total medical supply & other purchase volume



# MMCAP Pharmaceutical Contracts

Number of Contracts

Volume

\$ Millions (FY09)

Brand	63	\$439.9
Generic	84	\$175.1
Total	147	\$615.0

Generic contracts refreshed every 2 years & Brand every 4 years



# Pharmaceutical Vendors (147)

ABBOTT LABS PPD	BEUTLICH, LP	GLENMARK PHARMACEUTICALS	NEXUS PHARMACEUTICALS	SANOFI PASTEUR
ABBOTT LABS, DIAGNOSTICS	BIRCHWOOD LABS	GRACEWAY PHARMACEUTICALS	NOVARTIS CONSUMER HEALTH	SANTARUS
ABBOTT NUTRITION	BLU PHARMACEUTICALS, LLC	GREENSTONE LIMITED	NOVARTIS PHARMACEUTICALS	SAVAGE LABS
ACTAVIS	BOEHRINGER INGELHEIM	GSK (GLAXOSMITHKLINE)	NOVARTIS VACCINES AND DIAG	SCHERING CORP
AKORN, INC.	BRAINTREE LABORATORIES	HERITAGE PHARM. INC.	NOVO NORDISK	SEPRACOR, INC
ALATECH HEALTHCARE	BRECKENRIDGE PHARM	HI-TECH PHARMACAL	PADDOCK LABS	SILARX PHARMACEUTICALS
ALAVEN PHARMACEUTICAL	BRISTOL-MYERS SQUIBB	HOME DIAGNOSTICS, INC.	PAR PHARMACEUTICALS	SOLVAY PHARMACEUTICALS
ALKERMES	CAMBER PHARMACEUTICALS	HOSPIRA	PATRIN PHARMA, INC.	SSL AMERICAS, INC
AMERICAN HEALTH PACKAGING	CARACO PHARM. LABS	HOSPIRA	PERRIGO PHARMACEUTICALS	STANBIO LABORATORY LLP
AMERICAN REGENT INC	CAROLINA MEDICAL PRODUCTS	JHP PHARMACEUTICALS	PFIZER U.S.	TAKEDA PHARMACEUTICALS
AMGEN USA	CB FLEET & CO	JOHNSON & JOHNSON HCS	PHARMACEUTICAL ASSOCIATES	TALECRIS BIOTHERAPEUTIC
AMNEAL PHARMACEUTICALS	CETYLITE INDUSTRIES	KONSYL PHARMACEUTICALS	PHARMADERM	TAP PHARMACEUTICALS
AMPHASTAR - IMS	COMBE, INC.	KVK-TECH, INC.	PHARMAFORCE INC.	TARO PHARMACEUTICALS
ANSELL HEALTHCARE	CYPRESS PHARM., INC.	LANNETT COMPANY	PLUS PHARMA, INC.	TEVA PHARMACEUTICALS
APOTEX CORP.	DAVA PHARMACEUTICALS	MAJOR PHARMACEUTICALS	PRASCO LABORATORIES	TEVA SPECIALTY
APOTHECUS PHARMACEUTICAL	DERMARITE INDUSTRIES LLC	MALLINCKRODT INC.	PRECISION DOSE	TORRENT PHARMA INC
APP PHARMACEUTICALS LLC	DEY LABORATORIES	MCKESSON PKG SVCS (SKY)	PROCTER & GAMBLE	UCB PHARMA
APPLIED NUTRITION	DR REDDY'S LABORATORIES	MEAD JOHNSON NUTRITIONAL GP	PURDUE PHARMA LP	UDL LABORATORIES
ASTRAZENECA PHARMACEUTICALS	EBEWE PARENTA	MEDA PHARMACEUTICALS INC	QUALITEST PHARMACEUTICALS,	ULMER PHARMACAL
AUROBINDO PHARMA USA	EISAI, INC.	MEDIQUE PRODUCTS	RANBAXY LABORATORIES INC.	UNITED RESEARCH LABS
AXCAN PHARMA US, INC.	ELI LILLY & CO	MERCK & CO	RANBAXY PHARMACEUTICALS	UPSHER SMITH LABS
AZUR PHARMA, INC.	FALCON PHARMACEUTICALS	MERCK VACCINE DIVISION	RICHMOND	VERSAPHARM
B. BRAUN MEDICAL	FERNDALE LABS	MONARCH PHARMACEUTICALS	RISING PHARMACEUTICALS, INC.	VISTAPHARM
BAXTER GLOBAL ANESTHESIA C/C	FOREST PHARMACEUTICALS	MSP DISTRIBUTION SERVICES	ROCHE DIAGNOSTICS	WATSON PHARMA
BAXTER GLOBAL PHARM INJECTABLES	FOUGERA & CO	MYLAN PHARMACEUTICALS	ROCHE LABS	WEST-WARD PHARM.
BAXTER HEALTHCARE	G & W LABS	NEPHRON PHARMACEUTICALS	ROXANE LABS INC	WOCKHARDT USA
BEDFORD LABS	GERITREX CORP	NESTLE HEALTHCARE NUTRITION	SAGENT PHARMACEUTICALS	WYETH PHARMACEUTICALS
BERNA PRODUCTS CORP	GLADES PHARMACEUTICALS	NESTLE NUTRITION	SANDOZ SERVICES	X-GEN PHARMACEUTICALS

# Pharmaceutical Prime Vendors/Wholesalers

- Three current Prime Vendors
  - Cardinal Health
  - AmerisourceBergen
  - Morris & Dickson
  
- \$1.1 Billion in purchase volume

PPV 5 year current contracts expire 12/31/09 – negotiating new contracts

# Members Provide 100% MMCAP Funding (2008-2009)

- Program Revenue -- \$8.5 Million
  - Vendor Administrative Fees
- Program Expenses -- \$1.9 Million
  - Funded solely by Administrative Fees
- Return to Members as Administration Fee Shareback--  
\$5.9 Million
  - \$700K held in reserves

# MMCAP New Business

Rose Jacobs Svitak  
MMCAP Knowledge and Financial  
Manager



# New MMCAP State Member



# Texas

# New MMCAP State Member: Texas

- Department of State Health Services (DSHS)
- Department of Aging and Disability Services-(DADS)
- Department of Assistive and Rehab. Services (DARS)
- Department of Family and Protective Services (DFPS)
- MMCAP won a competitive GPO solicitation
- MMCAPs pricing and value were superior over 3 other GPO's
- Joined MMCAP June 1, 2009 – est. \$120M/year

# MMCAP New Contracts



# Generic Pharmaceutical Contracts

- 84 Contracts
- \$175 Million in purchase volume
- 2 year contracts effective July 1, 2009
- Member states procurement & pharmacy representatives evaluated the pharmaceutical proposals and awarded contracts at MMCAP annual meeting



# Pharmaceutical Prime Vendors (PPV) Contracts

- Current contracts with existing 3 vendors expire Dec. 31, 2009
- Multi-state evaluation team that reviewed RFP responses and recommended short list of vendors
- 4 PPV's responded & qualified with MMCAPs RFP

Amerisource Bergen	Cardinal Health
H.D. Smith	Morris & Dickson

- Currently finalizing negotiations with 4 PPV's (assisted by 4 multi-state subcommittees and a lead negotiation team including representatives from 4 states)
- Target contract completion – October 5, 2009

# MMCAP Increased Competition



# MMCAP Increased Competition

- A member state contracted with a GPO competitor  
June 1, 2009
- Competitor claiming cost savings
  - Savings comparison not apples to apples/GPO to GPO
  - Savings included brand to generic market shift
  - No pharmacist review

# MMCAP Increased Competition

- Member and MMCAP responded to competitive claims
  - Price comparison of Maryland & Maine



# Recent Examples of MMCAP's Superior Pricing

- **Maryland**

- MMCAP member Maryland recently completed an independent evaluation of a GPO competitor contract using a step-by-step approach that involved a pharmacist. ***Results from this analysis showed a 2.6% MMCAP price advantage***

- **Maine**

- MMCAP member Maine recently completed a preliminary independent evaluation of a GPO competitor contract using a step-by-step approach that involved a pharmacist. ***Results from this analysis showed a 3.1% & 4.2% MMCAP price advantage for two Maine hospitals***



# Price Comparison Methodology

- Letter to states explaining disciplined and unbiased price/value comparison
- Complex methodology in order to obtain accurate results
- Appropriate pharmaceutical expertise input and review



# GPO Price Comparison Methodology

**When analyzing any claims of savings, it is essential to use a disciplined and unbiased methodology in order to obtain accurate results.**

- Confirm that the price comparison is representative of the products being purchased by your facility. Develop a market basket of products for comparison (e.g., 80% of total sales volume plus additional representative generic products).
- Ensure the price comparison takes into account value components such as contract price, wholesaler discounts and fees, administrative fee shareback, and vendor rebates.
- Review pricing data for reasonableness and errors (e.g., package size comparison errors).
- Review brand and generic substitutes to ensure that cost savings are based on actual savings rather than a “new generic” market shift. Several high cost mental health medications, including risperidone, topiramate, divalproex sodium, and lamotrigine have recently lost brand status, which results in significant savings if purchased generically.



# GPO Price Comparison Methodology

- Confirm that the price quoted is available to your facility irrespective of class of trade. Most price comparisons are based on “best price,” regardless of whether this price is available to all members. Confirm that your class of trade is similar to the class of trade that the GPO currently serves, otherwise contract pricing may be denied.
- Be wary of promises to extend federal 340B Drug Pricing Program pricing to non-eligible facilities. The 340B legislation is very specific about which entities are eligible for pricing.
- Confirm that the cost comparison uses pricing from the same time period and consider the expiration of GPO manufacturer and prime vendor contracts in the comparison. MMCAP is currently at the end of its five year contract term for wholesaler services and is currently in negotiations with wholesalers for more favorable terms.
- Make sure to evaluate the financial stability and contracting potential of any proposed GPO. Group purchasing organizations aggregate purchasing volume and use that volume to negotiate discounts. Once a GPO loses significant volume, pricing may increase and manufacturers may choose to discontinue contracting with that group.
- Involve a pharmacist in the cost comparison to ensure the above methodology is performed.

# MMCAP New & Expanded Programs

# Increase MMCAP Service Capacity

- **Member states want MMCAP to increase service capacity level to GPO best practices**
  - New & expanded programs
  - New staff positions

# MMCAP New & Expanded Programs

- **Vaccine and specialty program resources:**
  - Vaccine/flu
  - Specialty distributor
  - Stockpiling agreements
  - Emergency preparedness
  - Dedicated position filled June 1, 2009

# MMCAP New & Expanded Programs

- **Building a clinical pharmacy program**
  - Increase member savings
  - Pharmaceutical intelligence
  - Standardize formulary
  - Education & training
  - Pharmacy consulting
  - Position (PharmD) (filling position-Fall, 2009)

# MMCAP New & Expanded Programs

- **Building an outreach and field service program**
  - **Market MMCAP**
    - Promotion, communication & recruitment
    - Education & training
    - Increase market & competitive intelligence
    - Meeting planning
    - Membership
  - **Field service & support**
    - Member primary MMCAP contact
    - Field action & issues resolution
    - Member contract compliance & savings
    - Member account penetration
  - **Filling positions – Fall/Winter 2009**

# MMCAP New & Expanding Programs

- **Expanding medical supply & other non-pharmacy contracts**
  - **Current medical supply contracts with 2 distributors**
  - **Member requirements include:**
    - Improved medical supply pricing
    - Healthcare capital equipment
    - Lab & imaging products
    - Dietary/food
    - Housekeeping
  - **Minnesota legislature compliance**
  - **Evaluate contracting options & implement**
  - **Medical supply coordinator position** – (filling position-Fall, 2009)

# MMCAP New Positions



# MMCAP New Positions

- Currently 13 staffed positions
- New positions hired
  - Dedicated resource for vaccine, flu, specialty distributor, stockpiling agreements & emergency preparedness
  - Dedicated membership coordinator
- Currently interviewed
  - Pharmacist
  - Information Technology Specialist
  - Pharmacy Analyst (backfill of promoted individual)

# MMCAP New Positions

- Phase I (Fall, 2009)
  - Clinical pharmacist
  - Outreach & field services lead
  - Pharmaceutical prime vendor coordinator
  - Medical supplies coordinator
  - Knowledge management analyst
- Phase II (Winter, 2009)
  - Field Support Staff 3 to 4 positions
- ROI for new positions
  - Increase administration fee and member services
  - ROI = 5 to 7 times

# MMCAP Superior Pricing & Value

# Recent Examples of MMCAP's Superior Pricing

- Third party independent company
  - Pharmacy GPO pricing evaluation
  - MMCAP vs. four national GPOs
  - ***Results: 2.8% to 4.4% MMCAP significant price advantage***

**Notes:**

- ***Large market basket of 413 items***
- ***GPO industry pharmacy price differential 0% to 2%***



# Recent Examples of MMCAP's Superior Pricing

- **Texas:**
  - Texas Health and Human Services Commission issued a competitive solicitation for a GPO. While four major GPOs responded to the bid, MMCAP's pricing and value were superior. *Texas awarded MMCAP its GPO contract and joined MMCAP on June 1, 2009.*
  
- **Colorado DOC:**
  - An MMCAP member facility in Colorado received a cost comparison claiming savings using two major GPOs. These claims were based on a price comparison of MMCAP brand name pricing versus the GPOs' generic substitutions. *When MMCAP generic pricing was inserted, there were no GPO savings and the facility remained an MMCAP member.*



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# **MMCAP Continues to Bring Superior Pricing, Savings and Value to State Healthcare In Difficult Economic Times**

# Questions?

# Thank You

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