

MMCAP
The Minnesota Multi-State Contracting Alliance for Pharmacy



NASPO 2007 Annual Meeting
September 24, 2007

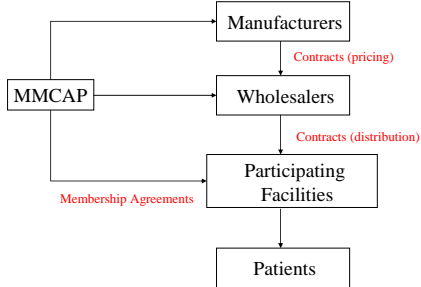
What is MMCAP?

- Voluntary group purchasing organization
 - Contracts for:
 - ◆ Pharmaceuticals/Vaccines/OTC products
 - ◆ Pharmaceutical distribution services
 - ◆ Hospital and medical supplies
 - ◆ Influenza vaccine
 - ◆ Returned goods processing
 - ◆ Vials and containers
 - ◆ Dental supplies
 - ◆ Drug testing supplies
 - ◆ Invoice auditing
- Members participate based on their purchasing needs

What is MMCAP?

- Key Terms
 - Distributors/Wholesalers
 - ◆ Cardinal
 - ◆ AmerisourceBergen
 - ◆ Morris & Dickson
 - Manufacturers
 - Participating Facilities
 - Contract Awards

What is MMCAP?



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MMCAP Background

- Started in 1989 as a cooperative purchasing venture between Minnesota and Wisconsin
- Colorado joined in 1990
- Statutory authority for Minnesota to operate MMCAP can be found in Minn. Stat. Sec. 471.59 and Sec. 16C.03

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Joint Powers Agreement

- Must be signed by every state before participating in MMCAP
- Mutual duties
- Perpetual duration
- Requires member participation at annual meeting

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Who is MMCAP?

- 44 member states plus the Cities of Chicago and Los Angeles
- Government-run healthcare facilities
 - Public Health
 - Corrections
 - Student Health
 - Mental Health
 - DD/MR facilities
 - Treatment facilities
 - Nursing facilities
 - Hospitals/Clinics

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Who is MMCAP?

- AHFS Spend – Top 9
 - Antipsychotics - \$329,318,264
 - Antiretrovirals - \$202,402,782
 - Anticonvulsants - \$85,021,373
 - Antidepressants - \$51,838,069
 - Vaccines - \$25,995,806
 - HMG-CoA Reductase Inhibitors - \$23,434,701
 - Antineoplastic Agents - \$22,492,134
 - Hematopoietic Agents - \$21,283,360
 - Proton-Pump Inhibitors - \$16,329,113

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MMCAP State Contacts

- 2 representatives from each state
 - Pharmacy
 - Purchasing
- Liaison between MMCAP and members
 - Pricing and programs
 - Membership applications and eligibility
 - Review own-use issues
 - Award meeting
 - Distributor selection
 - Evaluate RFPs

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Eligibility

- Each new facility must have the ability to purchase from its home state's contracts
 - MMCAP Membership Application asks for the specific statutory authority in each state
 - Non-profits are currently unable to join
 - ◆ MMCAP is working on a policy for non-profits
 - Comply with all rules governing government purchasing of pharmaceuticals and related products, including "own-use"

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Eligibility

- Own Use
 - Robinson-Patman Price Discrimination Act (1936)
 - ◆ Discounts had to be based on quantity purchased
 - ◆ Amendment allowed non-profits hospitals larger discount if drugs used was for their "own-use"
 - Interpretation of Own Use
 - ◆ *Abbott Labs vs. Portland Retail Druggists Association*
 - Person receiving drug has to have a relationship with facility (staff, students, dependents are OK)
 - No walk-in prescriptions
 - No refills for patients who lack a continuing relationship with the institution
 - No resale
 - ◆ *Jefferson County Pharmaceutical Association vs. Abbott Labs*
 - Governmental hospitals are subject to the same restrictions as non-profit hospitals in the resale of drugs purchased at preferential prices

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Eligibility

- Wholesalers
 - Each Participating Entity (e.g., state) chooses the MMCAP-contracted wholesaler that will be used
 - New members who need pharmaceutical distribution services must use this wholesaler
- MMCAP Membership Application and Agreement
 - Available on MMCAP's website
 - Completed by each member desiring membership
 - Submitted to State Contact for eligibility and review
 - Submitted to MMCAP

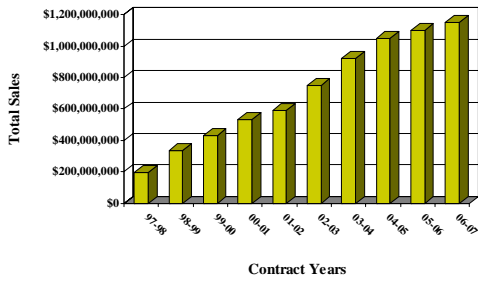
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MMCAP Website

- MMCAP's website: www.mmcap.org
 - "What is MMCAP and Membership"
 - ◆ List of members by state (DEA & contact info PW protected)
 - ◆ New Member Application**
 - "Member News"
 - "Vendors and RFPs"
 - ◆ Open RFPs
 - ◆ Performance Reports
 - "Contacts"
 - ◆ MMCAP Staff
 - ◆ MMCAP State Contacts
 - "Catalog"
 - ◆ Pricing
 - ◆ Contracts

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MMCAP Sales



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MMCAP Pricing

- Average Wholesale Price (AWP)
 - The national average of list prices charged by wholesalers to pharmacies
 - ◆ Also known as Blue (or Red) Book price, sticker price, list price
 - Non-proprietary (published)
 - Inflated; provided by commercial publishers (First DataBank, Medi-Span)
- Wholesale Acquisition Cost (WAC)
 - The manufacturer's charge to the wholesaler
 - ◆ Also known as catalog price
 - Non-proprietary (published)
 - Does not reflect rebates or discounts
- MMCAP pricing for some products is based on WAC

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MMCAP Pricing

- Sole Source (2006)
 - Average = WAC – 1.10%
- Multi-source (2006)
 - Average = WAC – 34.81%
- How does WAC compare to AWP?
 - WAC is less than AWP
 - ◆ Estimated to be 20-30% below AWP
- How does MMCAP pricing compare to 340B pricing?
 - MMCAP pricing is higher than 340B pricing
 - 340B is a federal program (AWP – 51%)

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Wal-Mart Price Comparison

- \$4 Generic Program
 - List of 351 medications with quantities (e.g., 30 tabs)
- Initially, 90% of MMCAP's contract pricing beat Wal-Mart's price
- Of the 10% products that were more expensive (range \$0.01 - \$83.14):
 - 8% had alternative packaging available (smaller packaging costs more)
 - New generic products were more expensive on MMCAP's contract
 - ◆ Wal-Mart may sell 44% of the 10% that are higher under cost

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Wal-Mart Price Comparison

- September 2007 Update
 - 333 program medications
 - 92% of MMCAP's contract pricing beat Wal-Mart's price
 - 8% are still above \$4
 - ◆ Range is smaller than 2006 (\$0.01-\$11.00)
 - ◆ Of the 8%, 50% of those that are greater than \$4.00 are less than \$5.00
 - ◆ Of the 8%, 40% that are greater than \$4.00 are likely sold under cost
 - ◆ MMCAP is working on price decreases

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Contract Timelines

- Wholesaler Services
 - April 30, 2009
- Pharmaceutical Contracts
 - April 30, 2009 (multi-source)
 - April 30, 2011 (single source)
- Hospital and Medical Supplies
 - March 31, 2008
- Influenza Vaccine
 - January 2008

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Influenza Vaccine

2006

Total Ordered Doses = 4,108,530
Problems Growing Wisconsin Strain
Delayed Delivery

2007

Total Prebooked Doses = 4,101,705
Sanofi Pasteur's Reservation Policy
Delivery going well

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Deficit Reduction Act of 2005

- Limits nominal price sales to certain facilities
 - Nominal price = 10% or less of the AMP
 - Eligible facilities are now:
 - ◆ 340B facilities
 - ◆ Intermediate care facilities for the mentally retarded (ICF/MR)
 - ◆ State-owned or state-operated nursing facilities
 - ◆ Any other facility that the Secretary determines is a safety net provider based on:
 - The type of facility
 - The services provided
 - The patient population served
 - The number of other facilities eligible to purchase at nominal prices in the same service area
 - Increases manufacturer rebates to Medicaid program, but excludes many "other" facilities that were receiving nominal pricing

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Strategic Stockpiling

- Successes
 - MN Department of Health Office of Emergency Preparedness
 - ◆ MMCAP helped negotiate a \$175,000 purchase for antibiotics
 - MMCAP is willing to help other states negotiate stockpiling purchases
 - ◆ At least 2 months of lead time needed
 - ◆ Planning to put a program in place
- Expectations for MMCAP in an emergency situation

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MMCAP Business Information

May 2006 - April 2007

- **\$1.15 Billion**
 - Total pharmaceutical sales
- **\$4.5 million**
 - Administrative fee revenues
- **\$1.3 million**
 - Program expenses
- **\$3 million**
 - Anticipated administrative fee credit

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THE FUTURE...



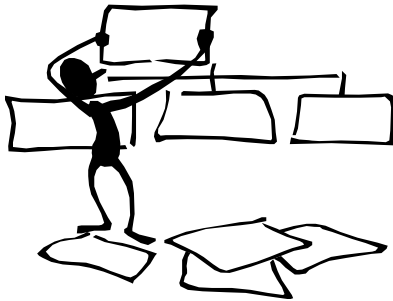
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...October 2006 Audit Findings

- Administrative fees not validated
 - Corrected spring 2007
- Account receivable information inaccurate
 - Corrected 2006
- Checks not timely deposited
 - Corrected immediately
- All contract terms not enforced
 - Continuing

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Audit = Catalyst for Change



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- Beyond the Audit - MMCAP's Organizational Goals

- Become the best program in Minnesota State Government
- Be accountable and transparent
 - Advisory Board is the voice of membership
- Benchmark against comparable GPOs

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MMCAP Accomplishments In The Past Year

1. Strengthened Role of Advisory Panel

- Charter
- Use like corporate board
- Johnson & Johnson

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MMCAP Accomplishments In The Past Year

2. Changed Contract Terms

- Requested monthly admin fee payments
- Required more comprehensive admin fee data
- Did not accept "no" for an answer on admin fee payment
- Streamlined insurance requirements

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MMCAP Accomplishments In The Past Year

3. Enforced contract provisions

- Administrative fee validation
- Fixed price vendors required to provide better justification before price changes are allowed

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MMCAP Accomplishments In The Past Year

4. Examined contracting processes using LEAN
 - Annual meeting planner
 - Streamline contract amendment process
 - Unsolicited items
 - Break up contract cycle

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MMCAP Accomplishments In The Past Year

5. Educated ourselves
 - David Jones, SCORE
 - Patterson & Dahlgren, GPO consultants
 - HIGPA

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MMCAP - Upcoming Projects

1. Complete a business plan
2. Implement accounting system
3. Classify membership base
4. Review membership eligibility – non-profits
5. Provide program-wide auditing services
6. Review wholesaler use and contracts

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MMCAP - Upcoming Projects

7. Determine competitiveness of pharmaceutical portfolio
8. Examine and improve contract negotiation processes
9. Review and improve medical supplies program and other non-pharmaceutical contracts
10. Marketing

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Questions?

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