

NASPO 2008 ANNUAL CONFERENCE
September 8-11, 2008 • St. Louis, Missouri



Minnesota Multistate Contract Alliance for Pharmacy

NASPO 2008 Annual Meeting
September 8, 2008

MMCAP – Membership

Michele Thomas, PharmD, BCPP, R.Ph.
Advisory Board Vice-Chair

What is MMCAP?

- MMCAP is a voluntary 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 prices available for contracted items

Background

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

- **Today: 45 states, including Cities of Chicago & Los Angeles**

■ *Statutory authority governing MMCAP's functions can be found in Minnesota Statutes Sections 16C.03 and 471.59*

Today: MMCAP is made up of 45 states, including the Cities of Chicago and Los Angeles

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

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

MMCAP Advisory Board

- Equivalent number of elected Pharmacists and Procurement Representatives
- All nominations for open Board terms will be voted on by the membership during the Annual Meeting
- *Exception: vacancies due to resignation, termination, or absences*
- This year, nominee's terms were extended to four years to better address continuity

Advisory Board is the Voice of Membership

- Assist MMCAP in continuing to guide, enhance, and/or develop new ways to empower the membership by strengthening member communication, voice, leadership and representation in supporting *Best Practices* in the industry

What are the Needs of the Membership?

- Improvement and expansion of the Medical Supplies program "leg"
- Define, clarify, and/or update:
 - The Mission and Vision Statement for the Program
 - The MMCAP Charter
 - The MMCAP Joint Powers of Agreement
 - The MMCAP Communication Plan
- Better understand the role that non-profit entities may have in the program

Membership Needs (cont.)

- Returned Goods RFP
 - Extension & update
- Development of "Value Added" Services
 - Invoice auditing solicitation and contract
 - Educational offerings at Annual Conference
- Ensure "Best Price"
 - *Best Price is defined as ensuring that our members have the capacity to receive the **best products** and the **best services** for the **best value**.*

MMCAP Benefits

- No charge to become a member
- Local Representation
- Web Page
 - Electronic Catalog of All Available Products and Notice of Backorders
- Reduced Costs for Products and Services
- Administrative Fee Share Back

MMCAP – Financials and Project Follow-up

Al Becicka
MMCAP Operations Manager

Al's Future



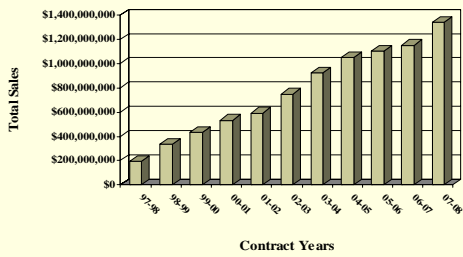
Virginia – Cliff Clavin Facts







MMCAP Sales



MMCAP Business Information

2007-2008

- **\$1.34 Billion**
 - Total pharmaceutical sales
- **\$7.5 million (71% increase)**
 - Administrative fee revenues
- **\$1.6 million (33% increase)**
 - Program expenses
- **\$5.0 million (61% increase)**
 - Anticipated administrative fee shareback

MMCAP – Projects 2007

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

MMCAP – Projects 2007

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

One Year Later: How Did MMCAP Do?

- | | |
|---|---|
| ■ Business Plan | ■ Implement Accounting System |
| ■ Completed June 2008 | ■ Done in early 2008 |
| ■ 3 year goals | ■ Microsoft Accounting Professional 2007 |
| ■ Increase staff | ■ Will continue to expand to capture all facets of business |
| ■ Measure against similar private sector GPOs | |
| ■ Technology plan | |
| ■ Benchmarks | |

One Year Later: How Did MMCAP Do?

- Classify Membership Base
 - Issued membership survey in July
 - 60% response rate
 - Follow-up pending
 - Critical component to getting best pricing from some manufacturers
- Review Membership Eligibility – non-profits
 - Surveyed manufacturers
 - Surveying membership
 - Place for non-profits in program
 - Advisory Board and working group to help create

One Year Later: How Did MMCAP Do?

- Provide program-wide auditing services
 - RFP and contract with e-audit Solutions
 - AB determined too costly to provide comprehensive audit of all transactions
 - MMCAP doing more follow-up with "universal" issues
- Review wholesaler use and contracts
 - RFI issued
 - Additional staff dedicated
 - RFP end of year

One Year Later: How Did MMCAP Do?

- Determine Competitiveness of Pharmaceutical Portfolio
 - Done! And it is good!
 - Bert Patterson, former Director of United States VA GPO and former Vice-President at Premier, conducted and will present
- Examine and Improve Contract Negotiation Process
 - In progress; two staff to be dedicated to negotiations
 - Working with consultants
 - Generic RFP next year

One Year Later: How Did MMCAP Do?

- Review and Improve Medical Supplies Program and Other Non-Pharm Contracts
 - Reviewing current program
 - Hired consultant
 - Issued RFI
 - Meetings with GPOs; possible partnership opportunities
 - RFP next spring
- Marketing
 - Authority to proceed through the business plan
 - Focus of program soon

Additional Program Improvements

- Increased staff
- Consultants
- Structure

The Future



MMCAP – Successes and Highlights 2008

Sara Nibbe Turnbow, PharmD, BCPS, R.Ph.
MMCAP Clinical Pharmacist

MMCAP Contract Cycle Changes

- 2007 Contract Cycle was 5 months
 - Over 15,000 line item bids
 - Over 130+ contracts negotiated in < 3 months
- Lean project funding
 - Lean is a business system that provides a means to produce the smallest amount of waste (less human effort, less time) and maximum quality

MMCAP Contract Cycle Changes

- “Break the Batch”
 - Change contract cycle to July 1 to June 30 for multisource and/or sole source
 - Contract period no longer over holiday season
 - Coincides with many states’ fiscal years
 - Split contract cycles
 - Extended year contracts (e.g., 2 - 4 years)
 - Stagger contract cycles for nutritionals, medical supplies bid under the pharmaceutical contract
 - Negotiate contracts first; pricing submitted after contracts negotiated
 - Pre-certification of vendors

MMCAP Annual Meeting

- May 13 – 15, Rochester MN
 - Event Planner
 - Trade Show
 - Educational component
 - Pharmacy CE
 - Purchasing education
 - Pharmaceutical waste management
 - Antitrust pitfalls
 - Pandemic preparedness

Johnson & Johnson

- Only Lifescan and OTC on contract from July 1, 2007 through January 31, 2008
 - J&J and MMCAP could not come to terms on discounts or administrative fees
 - Advisory Board and MMCAP membership involved with decision
- Effective February 1, 2008 prescription pharmaceuticals added back to contract
 - Larger discounts for 2 products
 - No administrative fee, but details regarding how to obtain
 - Market share programs for Levaquin, Doribax
 - Direct agreement for student health oral contraceptives

Administrative Fees

- Collecting fees from manufacturers who did not pay during the last contract cycle
 - AstraZeneca – 2.0% for most products
 - Baxter Healthcare – 2.5%
 - Sanofi Pasteur – 1.5%
- Collecting fees from manufacturers who had missed payments
- Administrative fee shareback has increased 61%

Strategic Stockpiling

- Four agreements for antibiotics to date totaling over \$565,000
 - MN DOH Office of Emergency Preparedness
 - Anne Arundel County Government
 - City of Chicago
- Forms developed for future bids
- MMCAP contract for potassium iodide tablets

Additional Successes

- Wholesaler late load price increase resulted in \$247,000 reimbursement to facilities
- Wholesaler Cost + 4% fee for nutritionals and IV solutions reversed for over \$10,000 reimbursement
- GSK agrees to allow direct vaccine purchases

Challenges

- Specialty/biologic products
 - High cost
 - Usually manufacturers will not contract
 - One distributor
- Changing generic market
 - Pricing
 - Availability of product
- Class of trade

MMCAP Pharmaceutical Contracts

- MMCAP Top Dollar 100 Sole Source Inflation Factors
 - 2004 vs. 2005 ≈ 5.4%
 - 2005 vs. 2006 ≈ 7.5%
 - 2006 vs. 2007 ≈ 5.7%
- MMCAP Top Dollar 100 Multisource Inflation Factors
 - 2004 vs. 2005 ≈ -27.9%
 - 2005 vs. 2006 ≈ -26.4%
 - 2006 vs. 2007 ≈ -28.3%
- Savings over Wal-Mart \$4 generic program = 21%

Projecting Future Drug Expenditures

- Hoffman, JM et. al.

	Outpatient	Clinics	Hospitals
2005 (actual)	4.9%	11.0%	5.6%
2006 (actual)	2.5%	18.2%	6.6%
2007 (actual)	4.1%	12.6%	2.2%
2008 (predicted)	5-7%	12-14%	4-6%

Hoffman JM, Shah ND, Vermeulen LC, Schunock GT, Green P, Hunkler RJ, Hartz AM. Projecting future drug expenditures—2006. *Am J Health Syst Pharm.* 2006 Jan 15;63(2):122-30.
Hoffman JM, Shah ND, Vermeulen LC, Schunock GT, Green P, Hunkler RJ, Hartz AM. Projecting future drug expenditures—2007. *Am J Health Syst Pharm.* 2007 Feb 15;64(4):288-294.
Hoffman JM, Shah ND, Vermeulen LC, Dobrescu F, Green P, Hunkler RJ, Hartz AM, Schunock GT. Projecting future drug expenditures—2008. *Am J Health Syst Pharm.* 2008 Feb 18;65(3):234-43.

MMCAP – Strategic Information Management

Rose Jacobs Svitak
Information Technology Manager

Strategic Information Management

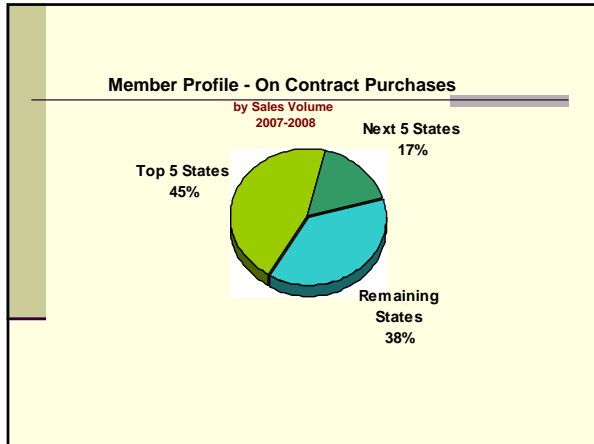
- Purchasing Data
- Reports
 - Catalog
 - Contract
 - Purchasing information
- Access
 - Supply spending data
 - Actionable business intelligence

Commonly Requested MMCAP Reports

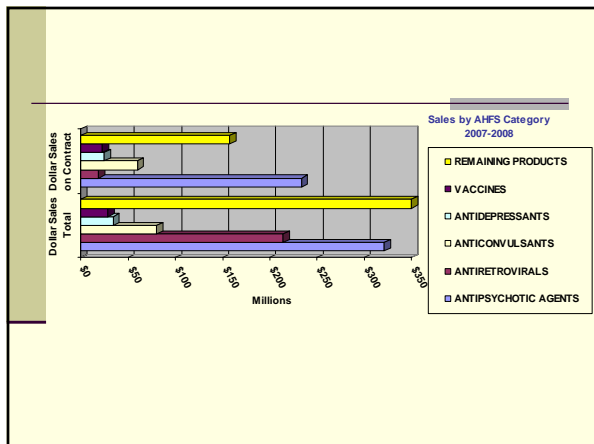
- Total Sales by State
- Contract Compliance By State
- Contract Compliance By Facility By State
- Administrative Fee Shareback Calculations
- AHFS Categories
- Distribution of Sales Over Time
- Legislative Audit Requests
- Class Action Lawsuits

Data tells us the WHO!

- Region
- State
- Facility
- Class of Trade
- Level of Operation
- Level of Care
- Contact Person
- Distributor Account
- Manufacturer
- Distributor



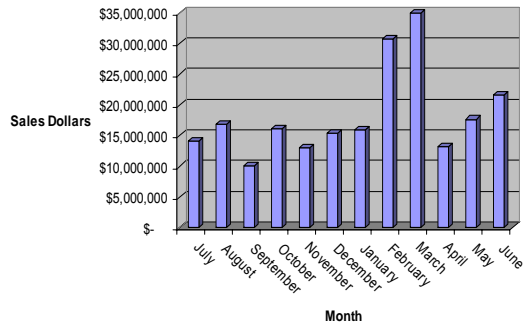
- ### Data tells us the WHAT!
- Therapeutic Class
 - Pharmaceutical National Drug Code (NDC)
 - Single Source/Multi-Source
 - Contract/Non-Contract
 - Quantity and Price
 - Delivery Information
 - Ordered/Shipped (Fill Information)



Data tells us the WHEN!

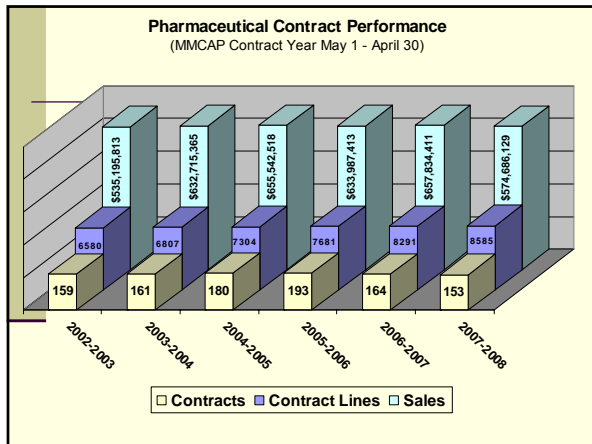
- Contract Cycle
- Sales Trends
- Administrative Fee Due based on Contract Obligation
- Invoice Date

Sales by Month - State of FL - FY08



Data tells us the WHAT ELSE!

- Administrative Fees Due
- Contract Compliance
- Shareback Obligation Due
- Accounts Receivable
- Account Aging
- Kill or Fill Reports
- Distributor Sales
- Audit Data
- Attorney General Requests



- ### MMCAP - Upcoming Projects
1. Respond to Texas Health and Human Services Commission RFP for Pharmaceutical GPO services
 2. Offer solicitation improvement
 3. Streamline the ranking and award process
 4. Determine the role of non-profits in the MMCAP program
 5. Enhance member communications

- ### MMCAP - Upcoming Projects
6. Streamline MMCAP contract delivery services by eliminating unnecessary steps
 7. Assess the type and magnitude of members' missed procurement opportunities
 8. Manage membership purchasing intelligence
 9. Manage vendor pricing intelligence
 10. Manage forecasted member product/service intelligence

MMCAP Goals 2008-2011

- Double total annual on-contract MMCAP purchasing volume
- Increase total administrative fee revenues by 40%
- Increase the number of active participating facilities by 50%
- Double total annual MMCAP medical/surgical supply purchasing
- Improve MMCAP relationships with states and members

MMCAP – Pharmacy GPO Pricing Evaluation

Bert Patterson, R.Ph.
The Patterson Dahlgren Group, Inc.

Bert Patterson - Background

- **The Patterson Dahlgren Group, Inc**
 - CEO
- **Excel GSO (Long term Care/Closed Pharmacy GPO)**
 - CEO
- **Premier Inc.**
 - VP Business Development- Alternate Site Health Care
 - VP Contracting
 - VP Pharmacy
- **Department of Veterans Affairs**
 - Director VA Office of Drug Product Management
 - Director VA Pharmacy Benefit Management
 - National Director of Pharmacy Services
 - Director Mail Service Pharmacies
 - Hospital Pharmacy Director

Study Objectives

- To provide a pharmacy pricing evaluation for MMCAP that would compare its current pharmacy pricing to the pharmacy pricing of designated GPOs to determine the competitiveness of MMCAP's portfolio
- To examine the benefit of affiliating with a GPO to provide better value to MMCAP Membership

Methodology

- Developed an RFI to cover the entire pharmacy offering of the GPOs and forwarded to the designated GPOs requesting pharmacy pricing effective April, 1 2008
- Developed a market basket of 441 MMCAP products
 - *Developed from MMCAP purchasing report for all accounts from the 6 month period June 1 through November 30, 2007*
 - *Market basket represented 81% of MMCAP's contract & non-contract volume*
 - *28 Specialty items (e.g. AIDS, hemophilia) included and shown separately*
- GPO responses to RFP included:
 - *Product pricing with exact NDC matches and generic equivalent matches (substitutes) as well as product not covered by contract*
 - *Pricing on long term care only contracts were included separately*
 - *Price levels evaluated were best price and access price*

Methodology (cont.)

- Reviewed all data for reasonableness and challenged GPOs to correct apparent errors
 - *Price clarifications/issues*
 - *Package size adjustments for substitutions/equivalents*
 - *Availability of generics*
- Compared GPO product price & total costs
 - *Price was extended at MMCAP volume to develop total cost*
 - *Non-contract items were priced at WAC*
 - *Included therapeutic categories analysis*

MMCAP Pharmacy GPO Pricing Evaluation

MARKET BASKET PRODUCT MATCHES

413 line item market basket

- Exact
- Substitute/Equivalent
- Total Contract Match (Exact + Substitute)
- No Contract

MMCAP Pharmacy GPO Pricing Evaluation

MARKET BASKET PRODUCT MATCH TYPE SUMMARY % of Market Basket on Contract

	MMCAP		GPO 4		GPO 2		GPO 3		GPO 1	
	Line Items	% of Total	Line Items	% of Total	Line Items	% of Total	Line Items	% of Total	Line Items	% of Total
Exact	354	86%	183	44%	180	44%	169	41%	172	42%
Substitute	15	4%	59	14%	24	6%	22	5%	36	9%
Contract Match	369	89%	242	59%	204	49%	191	46%	208	50%
No Contract	44	11%	171	41%	209	51%	222	54%	205	50%
Total	413	100%	413	100%	413	100%	413	100%	413	100%

MMCAP Pharmacy GPO Pricing Evaluation

MMCAP GPO COST BENEFIT SUMMARY

Total Marketbasket 413 Items

	Marketbasket Product Cost (Access Price)	MMCAP Price Benefit
GPO 1	\$ 657,410,000	4.4%
GPO 2	\$ 657,373,000	4.4%
GPO 3	\$ 647,189,000	2.8%
GPO 4	\$ 652,450,000	3.6%
MMCAP	\$ 629,693,000	

MMCAP Pharmacy GPO Pricing Evaluation

MMCAP GPO COST BENEFIT SUMMARY

Marketbasket Without Items Where Contract Price = WAC

	Marketbasket Product Cost (Access Price)	MMCAP Price Benefit
GPO 1	\$ 433,012,000	7.0%
GPO 2	\$ 433,559,000	7.2%
GPO 3	\$ 423,044,000	4.6%
GPO 4	\$ 427,596,000	5.7%
MMCAP	\$ 404,621,000	

Executive Summary

■ GPO Pharmacy Pricing Evaluation

- The 80/20 concept was used to create a market basket (MB) of 441 MMCAP pharmacy products
- We developed an RFI & forwarded to four designated GPO's
- Used pricing available as of April 1, 2008 for the comparison
- GPO contracts covered 50% to 70% of the MB of products (includes LTC contracts)
- GPO contracts were available for 40% to 70% of MB dollars (includes LTC contracts)
- GPO responses – range:
 - MMCAP price advantage: \$18M to \$28M or 2.8% to 4.4%

Conclusions

- MMCAP Pharmacy portfolio was more competitive than the designated GPOs
- RFI responses indicated opportunity for MMCAP membership in other commodity areas
- MMCAP RFI for GPO input open until September 16, 2008
- Consideration of affiliation with larger GPO for non-pharmacy portfolios
