
SUBSTITUTE SENATE BILL 5030

State of Washington

57th Legislature

2001 Regular Session

By Senate Committee on Health & Long-Term Care (originally sponsored by Senators Thibaudeau, Franklin, Kohl-Welles, Prentice, Deccio, Eide, Winsley, Regala and Fraser)

READ FIRST TIME 02/28/01.

1 AN ACT Relating to the Washington pharmacy access program;
2 amending RCW 41.05.021, 41.05.026, and 70.14.050; adding new
3 sections to chapter 74.09 RCW; creating new sections; and making
4 an appropriation.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that access to
7 prescription drugs is vital to the health of many Washington
8 residents. However, increased cost and utilization of such drugs is
9 straining the resources of many individuals, and public and
10 private entities. The legislature therefore creates this pharmacy
11 access program with the intention of implementing strategies to
12 reduce the cost of prescription drugs to the state and assuring
13 state residents of continued access to necessary, appropriate, and
14 affordable medications.

15 NEW SECTION. **Sec. 2.** (1) The department shall award
16 prescription drug information and education grants to local
17 government or nonprofit organizations for the design and

1 implementation of programs intended to inform and train persons
2 age sixty-five and older in the safe and appropriate use of
3 prescription and nonprescription medications.

4 (2) The grants shall be awarded on a competitive basis, using
5 the following criteria:

6 (a) The demonstrated ability of the applicant organization to
7 effectively administer such a program, including appropriate
8 outreach and follow-up;

9 (b) The financial and in-kind resources that the applicant
10 organization will bring to the program in addition to those funded
11 by the grant;

12 (c) The extent to which the proposed program design reflects a
13 comprehensive understanding of issues related to the safe and
14 appropriate use of prescription drugs by seniors, and how to
15 effectively communicate with the target audience;

16 (d) The extent to which the proposed program reflects a
17 collaborative effort between the applicant organization and other
18 health care providers and programs in the location to be served,
19 including doctors, pharmacists, and long-term care providers;

20 (e) The extent to which the proposed program will serve as a
21 model that can be replicated by other organizations around the
22 state; and

23 (f) Any other criteria deemed appropriate by the department to
24 ensure the quality and cost-effectiveness of the programs funded.

25 In awarding the grants, the department shall make every effort
26 to ensure that the programs are geographically dispersed around
27 the state. No single program shall be awarded more than twenty-five
28 thousand dollars annually.

29 NEW SECTION. **Sec. 3.** The Washington medications outreach
30 initiative is created within the department. The initiative shall:

31 (1) Identify and assist eligible persons age sixty-five and
32 older in enrolling in the state medical assistance program under
33 this chapter; and

34 (2) Assist persons in procuring free or low-cost medications
35 from the drug assistance programs of pharmaceutical manufacturers
36 by:

1 (a) Evaluating the likelihood of success of a person obtaining
2 free or low-cost medications from a participating manufacturer
3 under the guidelines formulated;

4 (b) Assisting persons with the preparation of an application
5 for medications to a participating manufacturer;

6 (c) Coordinating and assisting physicians and others authorized
7 to prescribe medications with communications, including
8 applications, made on behalf of a person to a participating
9 manufacturer for the purpose of obtaining approval of the person
10 in any voluntary drug assistance program; and

11 (d) Working with participating manufacturers to simplify the
12 system whereby eligible persons access voluntary drug assistance
13 programs.

14 NEW SECTION. **Sec. 4.** The department may implement any senior
15 prescription drug assistance program authorized and funded by the
16 federal government in accordance with the standards established
17 under that authorization.

18 NEW SECTION. **Sec. 5.** The department shall submit and, upon
19 approval, implement a section 1115 demonstration waiver request to
20 the federal health care financing administration to establish a
21 prescription drug assistance program. The program must create an
22 expanded coverage group composed of any medicare-covered
23 individual with no medicare supplement policy or retiree health
24 benefit plan that covers drugs, and other individuals with
25 household incomes up to three hundred percent of the federal
26 poverty level, as adjusted annually by the federal department of
27 health and human services, who do not have insurance coverage or
28 other health benefits for prescription drugs. Individuals in this
29 expanded coverage group will receive a financial subsidy for
30 prescription drugs equal to the average rebate paid to the
31 medicaid program under Title XIX of the federal social security
32 act by pharmaceutical manufacturers.

33 **Sec. 6.** RCW 41.05.021 and 1999 c 372 s 4 are each amended to read
34 as follows:

35 (1) The Washington state health care authority is created

1 within the executive branch. The authority shall have an
2 administrator appointed by the governor, with the consent of the
3 senate. The administrator shall serve at the pleasure of the
4 governor. The administrator may employ up to seven staff members,
5 who shall be exempt from chapter 41.06 RCW, and any additional
6 staff members as are necessary to administer this chapter. The
7 administrator may delegate any power or duty vested in him or her
8 by this chapter, including authority to make final decisions and
9 enter final orders in hearings conducted under chapter 34.05 RCW.
10 The primary duties of the authority shall be to: Administer state
11 employees' insurance benefits and retired or disabled school
12 employees' insurance benefits; administer the basic health plan
13 pursuant to chapter 70.47 RCW; study state-purchased health care
14 programs in order to maximize cost containment in these programs
15 while ensuring access to quality health care; and implement state
16 initiatives, joint purchasing strategies, and techniques for
17 efficient administration that have potential application to all
18 state-purchased health services. The authority's duties include,
19 but are not limited to, the following:

20 (a) To administer health care benefit programs for employees
21 and retired or disabled school employees as specifically
22 authorized in RCW 41.05.065 and in accordance with the methods
23 described in RCW 41.05.075, 41.05.140, and other provisions of
24 this chapter;

25 (b) To analyze state-purchased health care programs and to
26 explore options for cost containment and delivery alternatives for
27 those programs that are consistent with the purposes of those
28 programs, including, but not limited to:

29 (i) Creation of economic incentives for the persons for whom
30 the state purchases health care to appropriately utilize and
31 purchase health care services, including the development of
32 flexible benefit plans to offset increases in individual financial
33 responsibility;

34 (ii) Utilization of provider arrangements that encourage cost
35 containment, including but not limited to prepaid delivery
36 systems, utilization review, and prospective payment methods, and
37 that ensure access to quality care, including assuring reasonable

1 access to local providers, especially for employees residing in
2 rural areas;

3 (iii) Coordination of state agency efforts to purchase drugs
4 effectively, including the development of a drug formulary as
5 provided in RCW 70.14.050, the development of consolidated
6 prescription drug purchasing strategies, and more effective use of
7 pharmacy-based services in the delivery of any prescription drug
8 benefit;

9 (iv) Development of recommendations and methods for purchasing
10 medical equipment and supporting services on a volume discount
11 basis; and

12 (v) Development of data systems to obtain utilization data from
13 state-purchased health care programs in order to identify cost
14 centers, utilization patterns, provider and hospital practice
15 patterns, and procedure costs, utilizing the information obtained
16 pursuant to RCW 41.05.031;

17 (c) To analyze areas of public and private health care
18 interaction;

19 (d) To provide information and technical and administrative
20 assistance to the board;

21 (e) To review and approve or deny applications from counties,
22 municipalities, and other political subdivisions of the state to
23 provide state-sponsored insurance or self-insurance programs to
24 their employees in accordance with the provisions of RCW
25 41.04.205, setting the premium contribution for approved groups as
26 outlined in RCW 41.05.050;

27 (f) To appoint a health care policy technical advisory
28 committee as required by RCW 41.05.150;

29 (g) To establish billing procedures and collect funds from
30 school districts and educational service districts under RCW
31 28A.400.400 in a way that minimizes the administrative burden on
32 districts; and

33 (h) To promulgate and adopt rules consistent with this chapter
34 as described in RCW 41.05.160.

35 (2) On and after January 1, 1996, the public employees'
36 benefits board may implement strategies to promote managed
37 competition among employee health benefit plans. Strategies may
38 include but are not limited to:

- 1 (a) Standardizing the benefit package;
- 2 (b) Soliciting competitive bids for the benefit package;
- 3 (c) Limiting the state's contribution to a percent of the
- 4 lowest priced qualified plan within a geographical area;
- 5 (d) Monitoring the impact of the approach under this subsection
- 6 with regards to: Efficiencies in health service delivery, cost
- 7 shifts to subscribers, access to and choice of managed care plans
- 8 state-wide, and quality of health services. The health care
- 9 authority shall also advise on the value of administering a
- 10 benchmark employer-managed plan to promote competition among
- 11 managed care plans.

12 **Sec. 7.** RCW 41.05.026 and 1991 c 79 s 1 are each amended to read

13 as follows:

14 (1) When soliciting proposals for the purpose of awarding

15 contracts for goods or services, the administrator shall, upon

16 written request by the bidder, exempt from public inspection and

17 copying such proprietary data, trade secrets, or other information

18 contained in the bidder's proposal that relate to the bidder's

19 unique methods of conducting business or of determining prices or

20 premium rates to be charged for services under terms of the

21 proposal.

22 (2) Actuarial formulas, statistics, cost and utilization data,

23 or other proprietary information submitted upon request of the

24 administrator or board by a contracting insurer, health care

25 service contractor, health maintenance organization, or vendor may

26 be withheld at any time from public inspection when necessary to

27 preserve trade secrets or prevent unfair competition.

28 (3) Proprietary information submitted upon request of the

29 administrator by any insurer, vendor, or other person or entity

30 for the purpose of analyzing and developing cost containment

31 options, delivery alternatives, and consolidated purchasing for

32 state-purchased health care programs may be withheld at any time

33 from public inspection when necessary to preserve trade secrets or

34 prevent unfair competition.

35 (4) The board may hold an executive session during any regular

36 or special meeting to discuss information submitted in accordance

37 with subsection (1) or (2) of this section.

1 **Sec. 8.** RCW 70.14.050 and 1986 c 303 s 10 are each amended to read
2 as follows:

3 (1) Each agency listed in (~~RCW 70.14.010~~) subsection (5) of
4 this section shall individually or in cooperation with other
5 agencies take any necessary actions to control costs without
6 reducing the quality of care when reimbursing for or purchasing
7 drugs. To accomplish this purpose, each agency shall investigate
8 the feasibility of and may establish a drug formulary designating
9 which drugs may be paid for through their health care programs.
10 For purposes of this section, a drug formulary means a list of
11 drugs, either inclusive or exclusive, that defines which drugs are
12 eligible for reimbursement by the agency.

13 (2) In developing the drug formulary authorized by this
14 section, agencies:

15 (a) Shall prohibit reimbursement for drugs that are determined
16 to be ineffective by the United States food and drug
17 administration;

18 (b) Shall adopt rules in order to ensure that less expensive
19 generic drugs will be substituted for brand name drugs in those
20 instances where the quality of care is not diminished;

21 (c) Where possible, may authorize reimbursement for drugs only
22 in economical quantities;

23 (d) May limit the prices paid for drugs by such means as
24 central purchasing, volume contracting, or setting maximum prices
25 to be paid;

26 (e) Shall consider the approval of drugs with lower abuse
27 potential in substitution for drugs with significant abuse
28 potential; and

29 (f) May take other necessary measures to control costs of drugs
30 without reducing the quality of care.

31 (3) Agencies may provide for reasonable exceptions to the drug
32 formulary required by this section.

33 (4) Agencies may establish medical advisory committees, or
34 utilize committees already established, to assist in the
35 development of the drug formulary required by this section.

36 (5) This section applies to the department of social and health

1 services, the health care authority, the department of health, the
2 department of labor and industries, the department of veterans
3 affairs, and the department of corrections.

4 NEW SECTION. Sec. 9. No later than January 1, 2002, the
5 administrator of the health care authority shall submit to the
6 governor and the legislature a progress report regarding the
7 implementation of efforts to coordinate state agency drug
8 purchasing pursuant to RCW 41.05.021(1)(b)(iii), including an
9 explanation of and rationale for the strategies developed, and the
10 timeline for implementation.

11 NEW SECTION. Sec. 10. (1) The sum of one hundred twenty-five
12 thousand dollars, or as much thereof as may be necessary, is
13 appropriated for the fiscal year ending June 30, 2002, from the
14 general fund to the department of social and health services, all
15 of which the department of social and health services must award
16 to local governments and nonprofit organizations under section 2
17 of this act.

18 (2) The sum of one hundred twenty-five thousand dollars, or as
19 much thereof as may be necessary, is appropriated for the fiscal
20 year ending June 30, 2003, from the general fund to the department
21 of social and health services, all of which the department of
22 social and health services must award to local governments and
23 nonprofit organizations under section 2 of this act.

24 NEW SECTION. Sec. 11. Sections 2 through 5 of this act are each
25 added to chapter 74.09 RCW.

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