

# SENATE BILL REPORT

## SHB 1219

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As Reported By Senate Committee On:  
Health & Long-Term Care, March 28, 2005  
Ways & Means, April 1, 2005

**Title:** An act relating to authorizing a prescription drug purchasing consortium.

**Brief Description:** Authorizing a prescription drug purchasing consortium.

**Sponsors:** House Committee on Health Care (originally sponsored by Representatives Cody, Schual-Berke, Morrell, Kessler, Simpson, Campbell, P. Sullivan, Williams, Chase, Dickerson, Quall, Kenney, O'Brien, Clibborn, Conway, Green, Lantz, Sells, Kagi, Ormsby, Wallace, McIntire, Upthegrove, Hasegawa and Kilmer; by request of Governor Gregoire).

**Brief History:** Passed House: 2/18/05, 55-42.

**Committee Activity:** Health & Long-Term Care: 3/23/05, 3/28/05 [DPA-WM, DNP, w/oRec].

Ways & Means: 4/1/05 [DPA(HEA), DNP].

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Thibaudeau, Vice Chair; Franklin, Kastama, Kline and Poulsen.

**Minority Report:** Do not pass.

Signed by Senators Deccio, Ranking Minority Member; Johnson and Parlette.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Brandland.

**Staff:** Jonathan Seib (786-7427)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Health & Long-Term Care.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Fairley, Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

**Minority Report:** Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Hewitt, Parlette, Pflug and Schoesler.

**Staff:** Tim Yowell (786-7435)

**Background:** Influenced by price increases, greater utilization, and changes in the types of prescriptions used, national expenditures for prescription drugs have been one of the fastest growing components of health care spending in recent years, increasing at double-digit rates in each of the past eight years. Although they remain a relatively small proportion of total health care expenditures, the annual amount spent in the United States for prescription drugs has quadrupled since 1990.

The increase in prescription drug expenditures has contributed to the significant growth in the cost of state health care programs in recent years. To address this, agencies that administer state purchased health care programs participate in an evidence-based prescription drug purchasing program. Based on the findings of an independent pharmacy and therapeutics committee, a preferred drug list is established and negotiations with pharmaceutical manufacturers result in discounted prescription drug prices for state purchased health care programs. Only state agencies participate in the evidence-based prescription drug purchasing program.

**Summary of Amended Bill:** The administrator of the state Health Care Authority (HCA) will establish a prescription drug purchasing consortium, whose activities must be based on the state's existing evidence-based prescription drug purchasing program.

In addition to state agencies, the consortium may include, on a voluntary basis, local government, private entities, labor organizations, and individuals without insurance, or who are underinsured for prescription drug coverage. The HCA may impose fees on participants to cover the administrative expense of operating the purchasing consortium. An 11 member advisory committee is created to advise the HCA on the implementation of the purchasing consortium.

By December 1, 2008, the Joint Legislative Audit and Review Committee will conduct a performance audit on the operation of the consortium.

The act expires on June 30, 2011.

**Amended Bill Compared to Original Bill:** The striking amendment deletes a provision making all consortium participants subject to the therapeutic substitution requirements of the state prescription drug program, adds the requirement for a JLARC performance audit, makes technical changes, and adds an expiration date.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Prescription drugs are a major driver of increased health care expenditures. If steps can be taken to reduce their costs, we should do so. This bill will maximize our ability to consolidate purchasing, giving us the market power to negotiate very significant savings and make the best use of evidence-based analysis. This bill is about bringing value through pooled purchasing to prescription drug consumers, allowing them to buy less expensive but

equally effective prescription drugs. The purpose of the consortium is to accumulate buying power, so it makes no sense to limit the participation.

**Testimony Against:** We believe there is an alternative to this bill we could support based on a program already operating in Ohio that focuses on certain target populations.

**Who Testified:** PRO: Mike Kreidler, Insurance Commissioner; Art Zoloth, Northwest Pharmayc Services; Bill Daley, Washington Citizen Action; Lauren Moughon, AARP Washington; Allen Morrow, Senior Lobby.

CON: Cliff Webster, Pharmaceutical Research and Manufacturers Association of America.