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STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
Division of Medical and Forensic Services

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March 28, 2018

The Honorable Neal M. Kurk, Chairman
Fiscal Committee of the General Court
State House
Concord, New Hampshire 03301


Approved by Fiscal Committee Date 4/2/18

His Excellency, Governor Christopher T. Sununu
And the Honorable Executive Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to the provisions of Chapter 155, Laws of 2017, class footnote¹ for accounting unit 8236, Class 100 *Prescription Drug Expenses*, the NH Department of Corrections (NHDOC) requests authorization of additional funding in the amount of \$1,045,334 for prescription drug expenses to cover projected shortfalls for the remainder of State Fiscal Year 2018, effective upon Fiscal Committee and Governor and Executive Council approval. 100% General Funds.

Funding is to be budgeted in the account listed on the detailed exhibit as follows:

02-46-46-465010-82360000 Pharmacy				
Class	Description	Current Modified Budget	Requested Action	Current Revised Budget
010-500100	Personal Services - Permanent	\$ 583,845		\$ 583,845
018-500106	Overtime	\$ 4,169		\$ 4,169
019-500105	Holiday Pay	\$ 8,972		\$ 8,972
020-500200	Current Expenses	\$ 30,620		\$ 30,620
022-500255	Rents - Leases Other than State	\$ 558		\$ 558
024-500225	Maint Other Than Build-Grm	\$ 16,217		\$ 16,217
030-500331	Equipment New/Replacement	\$ 9,419		\$ 9,419
039-500188	Telecommunications	\$ 2,225		\$ 2,225
060-500602	Benefits	\$ 282,501		\$ 282,501
070-500704	In-State Travel Reimbursement	\$ 245		\$ 245
100-500726	Prescription Drug Expenses	\$ 2,401,926	\$1,045,334	\$ 3,447,260
103-502664	Contracts for Operational Services	\$ 396		\$ 396
	Total	\$ 3,341,093	\$1,045,334	\$ 4,386,427
	REVENUES			
	Total General Funds	\$ 3,341,093	\$1,045,334	\$ 4,386,427

¹ In the event that expenditures are greater than amounts appropriated, the Commissioner may request, with prior approval of the Fiscal Committee, that the Governor and Council authorize additional funding. Upon Fiscal Committee and Governor and Council approval, the Governor is authorized to draw a warrant from any money in the Treasury not otherwise appropriated.

EXPLANATION

Based on the expenditures from July 2017 through February 2018, the NHDOC is projecting a total deficit of \$1,045,334 in our pharmaceutical budget line for the remainder of SFY 2018. The NHDOC continues to treat a large number of patients with serious, chronic illnesses. That, combined with rising costs for many of the drugs for chronic conditions, has resulted in a need for an additional appropriation. The amounts appropriated for purchase of pharmaceuticals for SFY 2018 did not equal SFY 2017 actual expenditures. In addition, there has been an unusual and unpredicted cost arising from staffing shortages in the pharmacy of NHDOC.

On average, \$300,241 per month has been expended to cover pharmaceutical costs for SFY 2018 based on the time period of July 1, 2017 through February 28, 2018. NHDOC projects the average expenditure rate to continue and because of costs associated with extraordinary staffing challenges we will have to modify how medications coming to NHDOC facilities are obtained and will incur an additional amount of \$294,732 to meet the needs of patients in our system.

Our analysis during the State budgeting process indicated the Department would continue to experience cost challenges related to drug treatments for people with hepatitis C (HCV) and human immunodeficiency virus (HIV). This has proven to be true for these drugs: Epclusa, Atripla, Tivicay, and Truvada. Also, due to the increasing number of people with HCV who meet the threshold for treatment, we are utilizing those drugs more frequently. In addition to those conditions, the NHDOC resident population is mirroring what is being seen across the country in terms of an increase in treatment for autoimmune disorders. Drugs such as Humira, Enbrel, Stelara and Avonex are used to treat autoimmune conditions such as psoriasis, rheumatoid arthritis and multiple sclerosis. Additionally, treatment of diabetes is another major expense in our pharmaceutical costs. When filling all medication prescriptions we adhere to RSA 623-C:2, III which requires us to substitute generically equivalent drug products for all legend and non-legend prescriptions.

In the field of health care, past expenses are reliable predictors of future costs and health care costs continue to rise. Please note that the amount appropriated in SFY 2018 for the purchase of pharmaceuticals did not equal last year's actual expenditures. The SFY 2018 appropriation was about 22% lower than actual SFY 2017 expenditures. The approved budget for SFY 2018 also did not include the predicted increase for pharmaceutical costs by the Centers for Medicare and Medicaid Services (CMS) of 6.3% in pharmaceutical spending each year from 2015 through 2024 with a specific prediction of a 6.6% increase for 2018. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>

This past year has seen an extraordinary challenge with regard to staffing of the pharmacy. Since November of 2017, we have experienced a 55% vacancy rate in staff. This is not inclusive of those who were on FMLA (Family Medical Leave Act) status who may have extended periods of time off or an altered schedule. Due to the shortage of pharmacists and pharmacy technicians, the NHDOC will be changing the way prescriptions are filled in order to be able to deliver drugs to patients in a timely fashion. This change will result in a \$294,732 increase over the deficit of \$900,723 for pharmaceuticals. This must be done to prevent adverse outcomes to patients and the organization.

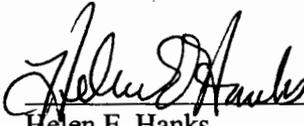
With regard to overall pharmaceutical costs, the Division of Medical and Forensic Services has ongoing methods to try to reduce and manage expenditures within our pharmaceutical budget. For example, as we prepare for a budget, Division leadership will study and use industry resources to determine trends that are likely to impact our services.

Through our monthly Pharmaceutical and Therapeutics Committee meeting we monitor the cost of medications and look for lower cost alternatives. In this committee, we also track and trend pharmaceuticals coming onto the market and their effect on our treatment practices so we can forecast impacts on our budget. In addition, our Chief Pharmacist reviews manufacturer lists regularly in order to ensure that we obtain the best prices for pharmaceuticals. Additionally, our Chief Pharmacist tries to anticipate manufacturer shortages on generics and purchases those in advance. We are also part of the Minnesota Multi-State Contract Alliance for Pharmacy (a

purchasing consortium of states and municipalities) to increase our ability to obtain discounts on pharmaceuticals by joining with other States to increase our ability to negotiate on pricing. We continue to work with pharmaceutical companies to provide reduced or no cost solutions for unique high cost medication through their indigent care programs, though these have diminished of late.

The Department will continue to seek opportunities to reduce costs through ongoing review of drug costs and seeking community partnerships, including indigent care programs, as available.

Respectfully Submitted,



Helen E. Hanks
Commissioner