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STATE OF NEW HAMPSHIRE
 DEPARTMENT OF CORRECTIONS
 DIVISION OF ADMINISTRATION
 P.O. BOX 1806
 CONCORD, NH 03302-1806
 603-271-5610 FAX: 603-271-5639
 TDD Access: 1-800-735-2964

William L. Wrenn
 Commissioner

Doreen Wittenberg
 Director

February 24, 2016

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

Her Excellency, Governor Margaret Wood Hassan
 And the Honorable Executive Council
 State House
 Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to the provisions of Chapter 275, Laws of 2015, budget footnote 8236, class 100, the New Hampshire Department of Corrections (NHDOC) requests authorization of a 100% General Fund appropriation for an additional \$509,500 for prescription drug expenses to cover projected shortfalls for the remainder of State Fiscal Year 2016, effective upon Fiscal Committee and Governor and Executive Council approval.

Funding is to be budgeted in accounts listed on the detailed exhibits as follows:

Medical and Forensic Services, Pharmacy: 02-46-46-465010-8236				
Class	Description	Current Modified Budget	Change	Current Revised Budget
010-500100	Personal Services-Perm. Classified	\$558,533	\$0	\$558,533
018-500106	Overtime	\$8,353	\$0	\$8,353
019-500105	Holiday Pay	\$8,848	\$0	\$8,848
020-500200	Current Expenses	\$29,282	\$0	\$29,282
022-500255	Rents-Leases Other Than State	\$5,922	\$0	\$5,922
024-500225	Maint. Other Than Build. - Grounds	\$16,217	\$0	\$16,217
039-500188	Telecommunications	\$256	\$0	\$256
060-500602	Benefits	\$274,474	\$0	\$274,474
070-500704	In-State Travel Reimbursement	\$39	\$0	\$39
100-500726	Prescription Drug Expenses	\$2,053,268	\$509,500	\$2,562,768
103-502664	Contracts for Operational Services	\$432	\$0	\$432
Total		\$2,955,624	\$509,500	\$3,465,124

EXPLANATION

Based on the expenditures from July 1, 2015 through January 31, 2016, the Department is projecting a deficit of \$509,500 in our pharmaceutical budget line. This number includes multiple expenses described more in detail below. Our analysis during the State budgeting process indicated the Department would experience cost increases as it related to drug treatments for inmates with hepatitis C (HCV) and multiple sclerosis. The pharmaceutical market introduced new, effective (HCV) treatments that became the national treatment standard. In addition, the

Department experienced a higher rate of inmates with a diagnosis of multiple sclerosis. Medications to treat this disease are expensive and less expensive generic medication options for treatment are not available.

Further, since historical expenses are a reliable predictor of future costs, it should be noted that the amount appropriated in SFY16 for the purchase of pharmaceuticals did not equal last year's actual expenditures. The SFY 16 appropriation was about nine percent (9%) lower than actual SFY 15 expenditures. The approved budget for SFY16 also did not include the predicted increase for the health care industry of roughly five percent (4.8%) for pharmaceutical costs based on the industry standard, the Boston-Brockton Consumer Price Index (CPI). As another benchmark, the Centers for Medicare and Medicaid Services (CMS) is predicting an average increase of 6.3% in pharmaceutical spending each year from 2015 through 2024.

Projected Expenses	
	Through SFY16
Pharmacy	(\$820,000)
Unique	(\$140,500)
Total Program	(\$960,500)
Available Funds	\$451,000
Projected Deficit	(\$509,500)

On average, \$205,000 per month has been expended to cover pharmaceutical costs for SFY 2016 based on the time period of July 01, 2015 through January 31, 2016. We project that expenditure rate to continue and anticipate requiring \$140,500 for extraordinary situations for a total deficit (less available encumbered funds) of \$509,500 in the pharmacy budget.

The Division of Medical and Forensic Services takes several approaches to try to reduce and manage expenditures within our pharmaceutical budget. We monitor through our monthly Pharmaceutical and Therapeutics Committee meeting 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.

The request for \$140,500 for unique expenses is a result of medical conditions occurring in our population that could not be anticipated. The current American Association for the Study of Liver Diseases (AASLD) clinical practice guideline for the treatment of HCV infected adults recognizes several medications which are more expensive than the treatment we have used historically with inmates diagnosed HCV positive in our custody. We continue to have an increase in those who meet our clinical guidelines for treatment requiring the newer high cost medications in order to treat their HCV. We anticipate three more patients reaching the threshold for treatment in the next four months and who will require this new level of treatment. The projected cost for these three patients is \$93,000.

In addition, we have three patients with multiple sclerosis (MS) who do not qualify for medical parole. Two of them require a medication called Capoxone to manage their illness. This drug will cost \$36,000 in the next four months. The third is on a medication called Tecfidera for which we were able to obtain indigent care funding from the pharmaceutical company reducing our current need for additional dollars for this one inmate.

The Department has not been able to protect itself from the State Opioid epidemic and as a result we have deployed the use of naloxone (Narcan) to respond to potential heroin overdoses at our transitional housing units

and at our prison facilities. We continue to combat the introduction of contraband into our facilities. Our Transitional Housing Unit inmates are accessing the community on a daily basis and with their prevalence of substance use diagnoses; they are at risk for use and abuse of opioids. This did result in unexpected costs for Narcan so that we can be prepared for these emergent situations. The cost of this emergency readiness was \$11,500 and we were not able to absorb it in the established budget.

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,



William L. Wrenn
Commissioner