State of California • Arnold Schwarzenegger, Governor
State and Consumer Services Agency
DEPARTMENT OF GENERAL SERVICES
Executive Office
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June 2, 2008

The Honorable Denise Moreno Ducheny, Chair
Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, CA 95814
Attn: Jody Martin, Principal Consultant

Dear Senator Ducheny:

Pursuant to the requirements of Government Code Section 14982, the Department of General Services (DGS) is submitting the Legislative Report on the Procurement of Pharmaceuticals.

In keeping with our commitment to encourage conservation, we have posted this report to our website. The report can be viewed at http://www.legi.dgs.ca.gov/Publications/2008LegislativeReports.htm. The report is entitled *Annual Report to the Legislature on the Procurement of Pharmaceuticals*.

If you wish to receive a printed copy of this report, please contact Gregory Doe, Pharmaceutical Program Consultant, Procurement Division, Department of General Services, at (916) 375-4533.

Sincerely,

Will Bush
Director

cc: See attached distribution list
Jim Butler, Deputy Director, Procurement Division, DGS
Gregory Doe, Pharmaceutical Program Consultant, Procurement Division, DGS

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Attn: Jody Martin, Principal Consultant

The Honorable Denise Moreno Ducheny, Chair
Senate Budget & Fiscal Review Committee
State Capitol, Room 5019
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Attn: Danny Alvarez, Staff Director

The Honorable John Laird, Chair
Assembly Budget Committee
State Capitol, Room 6026
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Attn: Chris Woods, Chief Consultant

The Honorable Tom Torlakson, Chair (Attn: Bob Franzoia, Director)
Senate Appropriations Committee
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The Honorable Mark Leno, Chair
Assembly Appropriations Committee
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Attn: Geoff Long, Director

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The Annual Report to the Legislature on Procurement of Pharmaceuticals

January 2008

INTRODUCTION

Assembly Bill 139 (Chapter 74, Statutes of 2005) requires the Department of General Services (DGS) to report annually to the Chairperson of the Joint Legislative Budget Committee and the chairs of the fiscal committees of the Legislature on any joint activities of the DGS, the University of California (UC) and the Public Employees' Retirement System (CalPERS) in connection with procurement of pharmaceuticals and any resulting cost savings. This legislation also requires the DGS to develop an annual work plan describing the DGS' annual activities to reduce the State's costs for pharmaceuticals and estimate of cost savings.

Staffing for the State of California Prescription Drug Bulk Purchasing Program was established by SB 77 (Chapter 38, Statutes of 2005) in accordance with legislative recommendation and Government Code Sections 14977 – 14982 relating to pharmaceuticals was completed in May 2006.

Attachment I contains the work plan that the DGS believes will enable continued savings in its pharmaceutical procurements.

JOINT ACTIVITIES OF THE DGS, UC AND CalPERS

The DGS conducts quarterly meetings with both the UC system and CalPERS to explore opportunities to consolidate drug procurement or engage in other joint activities that will result in cost savings in the procurement of pharmaceuticals. Significant differences have been identified between the UC system, CalPERS, and the DGS pharmacy models including:

- Populations served (i.e. age, economic demographics, inpatient vs. outpatient).
- Disease states being treated, such as psychosis and cancer.
- Grant opportunities with pharmaceutical manufacturers.
- Method in which patients access health care, such as through insurance plans.
- The method healthcare is provided and contracted.

Despite these differences, the DGS will work with the UC system and CalPERS over the next year to share information about and improve upon:

1. The Common Drug Formulary (CDF) System

- Evaluate the structure of the CDF System to determine if:
    - Improvements can be made to the current structure.

- Identify protocols, procedures and guidelines which may need to be developed to improve functioning of CDF System.

- Identify ways for the UC system and CalPERS to participate in the CDF Committee for the purpose of sharing information regarding drug effectiveness.

- Explore opportunities with the UC San Diego Pharmacoeconomics program.

2. Drug Contracting

- Identify top drug expenditures and differences between the DGS and the UC system. The UC system is currently working to compare the top drugs used in the University System with those purchases through the DGS contracts and identify opportunities for savings.

- Atypical Antipsychotic Therapeutic Category

  - Identify which entities within the UC system are using Atypical Antipsychotics.

  - Identify type of contracting used for this class of drugs.

  - Identify feasibility and savings potential for consolidating purchase of this class of drugs.

3. Coordinating Programs Offered by Pharmaceutical Manufacturers Providing Pharmaceuticals Free or at Reduced Cost

- Identify programs offered by pharmaceutical manufacturers providing pharmaceuticals free or at reduced costs within the DGS, UC system and CalPERS.

- Determine if these programs can be accessed by other agencies.

- Identify opportunities for accessing 340B pricing or other pharmaceutical discounts.

4. Group Purchasing Organizations

The DGS will include the GPO contracted by the UC system in the process for contracting with a GPO to serve the State entities purchasing through the State of California Prescription Drug Bulk Purchasing Program. CalPERS does not use a GPO.

5. Pharmacy Benefit Manager (PBM)

The DGS has a PBM contract with HealthTrans (Contract Number 1S-05-65-51).

- Identify state and local governmental entities accessing PBM Agreements, and the pharmaceutical services provided through these agreements.
- Review CalPERS' Pharmacy Carve-Out Study and Request for Proposal for a PBM for their Self-Funded Health Plans Pharmacy Program to determine differences between contracts.
- Identify pros and cons to expand the PBM's role with state agencies using other pharmaceutical models.
- Identify pros and cons for consolidating state and local governmental entities into a single PBM.
- Identify limitations and solutions for accessing CalPERS' PBM.

6. Pharmaceutical Wholesaler

The DGS has a Pharmaceutical Wholesaler agreement with AmerisourceBergen Drug Corporation (Contract Number 1S-05-65-50).

- Identify UC entities which use a Pharmaceutical Wholesaler Agreement.
- Evaluate Pharmaceutical Wholesaler Agreements with:
  - The UC System Pharmaceutical Wholesaler.
  - The California Department of Corrections and Rehabilitation (CDCR) Pharmaceutical Wholesaler.
  - The Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP).
  - Other Pharmaceutical Wholesalers as identified in our continuing research.
- Identify state and local governmental entities accessing Pharmaceutical Wholesaler Agreements, and the pharmaceutical services provide through these agreements.
- Identify limitations, solutions and potential for additional savings and services for consolidating the UC system, state and local governmental entities into a single Pharmaceutical Wholesaler Agreement.

Other Collaborative Efforts

Consistent with the requirements of Public Contact Code Section 14982(6)(3), the DGS is collaborating with the UC system through the California Mental Health Care Management (CalMEND) program. CalMEND is a consortium of publicly-funded providers and purchasers of mental health services dedicated to improve upon both the quality and the cost of mental health services to persons served by these entities. CalMEND coordinates resources among organizations to develop clinical practice guidelines, algorithms, policies and procedures integrated with patients, families, and caregivers.

Co-chaired by the California's Department of Health Services (DHS) and Department of Mental Health (DMH), CalMEND is coordinated by a policy oversight committee composed of representatives from:

- The California Institute for Mental Health;
- Patient advocates;
- Department of Developmental Services (DDS);
- California Department of Corrections and Rehabilitation (CDCR);
- CDCR Division of Juvenile Justice (DJJ)
- County Mental Health Plans;
- The UC system;
- Regions 21 and 22 of the Veterans Integration Service Network; and,
- The DGS and other State and local governmental entities.

In addition, the CDF Committee is represented in working subcommittees of CalMEND. CalMEND plans to build upon the CDF Committee's guideline for the selection of antipsychotic medications. This effort is expected to result in common approaches to the use of medications through implementation within participating organizations. The DGS will continue to translate these efforts into a procurement plan for medications relating to mental health services.

THE DGS PHARMACEUTICAL PROGRAM EFFORTS

Pharmacy Advisory Board

The DGS established a central Pharmacy Advisory Board (PAB), which works in conjunction with the DGS to implement and administer the statewide pharmaceutical program, and implement strategies to manage escalating pharmaceutical prices. The

PAB provides oversight to the CDF Committee and meets the fourth Thursday of January, April, July, and October. The PAB goals are to:

- Coordinate the efforts of state and local governmental entities to identify goals and objectives for the State Pharmaceutical Program.
    - Exchange information and awareness, and identify opportunities among the participating entities to work together and improve upon the State Pharmaceutical Program.
    - Identify opportunities within additional state and local governmental entities for the adoption of the State Pharmaceutical Program.
- Develop and implement a management system for the administration of the State Pharmaceutical Program.
- Coordinate the efforts of state and local governmental entities to work with the DGS.
- Coordinate the efforts of state and local governmental entities to develop guidelines, policies and procedures for the administration of the State Pharmaceutical Program.
- Identify and coordinate discussions relating to relevant practice management issues that will improve upon the State Pharmaceutical Program.

The PAB is developing workgroups to:

- Explore 340B pricing. 340B pricing is Public Health Service (PHS) pricing on pharmaceuticals that could reduce pharmaceutical costs by up to 30 percent. The federal government mandates that pharmaceutical manufacturers pass on 340B pricing to certain public pharmaceutical purchasers, which serve disproportionate populations, a discount equal to the rebates required to participate in the Medicaid program. The DGS is working with the PAB to explore the following options:
    - Federal Statute change in relation to the Deficit Reduction Act of 2005.
    - Work through the Heinz Foundation to identify options and potential savings through accessing the 340B pricing.
    - Identify opportunities which may exist for accessing 340B pricing through the UC system or other agencies.
    - The California AIDS Drug Assistance Program (estimated potential savings of $500,000 annually on pharmaceutical costs).
    - Qualification of State agencies as disproportionate Share Hospitals.

- Electronic Drug Pedigree Implementation. The Drug Pedigree was established by Senate Bill 1307 (Figueroa, 2004), with an implementation date of January 1, 2009. The pharmacies located in the entities participating in the DGS contracts need to be compliant with the requirements of this legislation. A pedigree means a record, in electronic form, containing information regarding each transaction resulting in a change of ownership of a given dangerous drug, from sale by a manufacturer, through purchase and sale by one or more wholesalers, manufacturers, or pharmacies until final sale to a pharmacy or other person furnishing, administering or dispensing the dangerous drug. The pedigree shall be created and maintained in an interoperable electronic system, ensuring compatibility through all stages of distribution. The Drug Pedigree may impact the:

  - individual pharmaceutical pricing agreements;

  - GPO Agreement;

  - Pharmaceutical Wholesaler Agreement; and the

  - Reverse Distribution & Destruction Agreement.

- Ensure entities participating in the DGS contracts are compliant with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 as amended, and the regulations promulgated thereunder ("HIPAA"); 45 CFR Parts 160 and 164, Subparts A and E, the Standards for Privacy of Individually Identifiable Health Information ("Privacy Rule)"; and 45 CFR Parts 160 and 164, Subparts A and C, the Security Standard ("Security Rule)". The PBM contract with HealthTrans (Contract Number 1S-05-65-51) requires agencies to exchange individuals protected health information ("PHI") with the contractor, and the DGS.

- Rebate and Discount Reporting Requirements. The Medicaid Drug Benefit requires disclosure of access/performance rebates or other price concessions received by their long-term care (LTC) network pharmacies designed to or likely to influence or impact utilization of Part D Pharmaceuticals. "Access/performance rebates" are rebates manufacturers provide to pharmacies that are designed to prefer, protect, or maintain that manufacturer's product selection by the pharmacy or to increase the volume of that manufacturer's products that are dispensed by the pharmacy under its formulary.

The Common Drug Formulary (CDF) Committee

The CDF Committee established by the DGS in response to General Contracting Code Sections 14978 and 14982 (3), reports to the PAB. CDF Committee membership is appointed by the Directors of the participating California State governmental entities or the PAB. This committee serves as a subcommittee of the PAB, with the purpose to:

- Develop, maintain and help in the implementation of a CDF System for participating entities.

- Develop information on the relative effectiveness of pharmaceuticals.

- Investigate and implement options and strategies to achieve the greatest savings on pharmaceuticals with but not limited to pharmaceutical manufacturers and wholesalers.

The CDF represents a common commitment to pharmaceuticals, and relevant guidelines and protocols for drugs that will be prescribed in participating entities. Also, because patients may transfer between various state programs, the CDF was established to create a common commitment and approach to meeting patients' health care and pharmaceutical needs while also leveraging the buying power of the various state agencies programs.

The CDF Committee was developed to work in conjunction with existing departmental P&T Committees to determine which pharmaceuticals to purchase. The CDF Committee considers efficacy, essential need, misuse potential, safety and cost when evaluating pharmaceuticals for the CDF.

Each department has their own P&T committee(s) that deals with non-formulary requests, individual patient information protected by HIPAA, and recommendations for pharmaceutical additions to the formulary. The CDF Committee representative from each department is responsible for communicating their departmental P&T Committee(s) needs to the CDF Committee.

The CDF Committee and the DGS have identified the therapeutic pharmaceutical categories which accounts for the top 80 percent of the State's pharmaceutical spend. The CDF Committee is conducting therapeutic category reviews on the drugs which account for this spend. As the CDF Committee reviews a therapeutic category, the CDF representatives work with individual P&T Committee(s) to identify any clinical guidelines, protocols and procedures they have in place. The CDF Committee then identifies pharmaceuticals needed to meet the agency's needs.

Though there are significant benefits to the program, it is recognized that a particular program may not always have common interests with other state entities. Inasmuch, participation is voluntary and individual agencies are not required to participate. The DGS will work with any agency identifying individual needs to create separate and unique contracts. To date no agency has identified individual needs.

The CDF Committee meets the third Wednesday of each month. The Common Drug Formulary is published on the DGS Website http://www.pd.dgs.ca.gov/contracts/CDFPage.htm.

Using Current Contracting Methods

Strategic Sourcing is a process designed to allow the State to purchase the best products and services for the best value. Using this purchasing approach, the buyer analyzes what is being purchased, what the market conditions are, and who can supply

those goods or services. The buyer then uses that information plus innovative contracting techniques to find the best values available in the marketplace.

Entities participating in the bulk purchasing program access pricing agreements for pharmaceuticals through the strategically sourced Pharmaceutical Wholesaler Agreement with AmerisourceBergen Drug Corporation (Contract Number 1S-05-65-50). This contract was implemented March 1, 2006. According to reports from the Strategic Sourcing effort, state agencies spent $238.7 million through this agreement with a savings of $4.9 million. These savings are a result of improved terms and conditions over the previous pharmaceutical wholesaler agreement. Advantages of this strategically sourced pharmaceutical wholesaler agreement include:

- This contract has no administrative fee charged by the vendor, while the previous contract charged a 0.05 percent service fee.

- Many non-contract pharmaceuticals will be sold at a 1.2 percent discount off the wholesale acquisition cost (WAC); the previous contract was at the WAC rate.

- This contract has a prompt payment discount of 2.5 percent if payment is postmarked within 20 days.

- Each pharmacy received a wireless handheld iScan™ device for ordering, receipt, and inventory.

Although this contract contained provisions for the return of outdated pharmaceuticals, it did not contain provisions for the destruction of pharmaceuticals. The AmerisourceBergen Drug Company was not able to implement a returns piece that met the State's needs for reverse distribution and destruction of unused pharmaceuticals. To address the needs of state agencies, the DGS entered into a non-mandatory contract with Guaranteed Returns (Contract Number 1-07-65-54-A) through the MMCAP in May 2007 for reverse distribution and destruction of unused pharmaceuticals.

Pharmaceutical pricing agreements accessed through AmerisourceBergen Drug Company are established through:

- Discount of the Wholesale Acquisition Cost of medications. The AmerisourceBergen Drug Company provides a 1.2 percent discount off many of the medications purchased through the pharmaceutical wholesaler agreement.

- A Group Purchasing Organization. The DGS entered into a Memorandum of Understanding with the Multi-State Alliance with the Commonwealth of Massachusetts and is a member of the Massachusetts Alliance for State Pharmaceutical Buying (MASPB). Through the MASPB the DGS accesses the GPO Managed Healthcare Associates, Inc. (MHA). The GPO leverages the buying power of numerous public and private sector entities through a purchasing consortium to negotiate pricing agreements with pharmaceutical manufacturers.

These pricing agreements are organized into tiers with different levels of discounts available to purchasers depending on how their pharmacies are licensed. Types of licenses and qualifications vary from state to state. Purchasers are assigned to different tiers by the manufacturer based on the pharmacy licensure and other criteria applied to determine if the purchaser meets their requirements, such as does an institution reflecting hospital licensure have an emergency room.

The GPO pricing agreements are essential when the State does not purchase in sufficient volumes to entice manufacturers to engage in direct price negotiations. In addition, direct negotiations take time and a linear, planned approach. The GPO provides the State discounted pricing for areas which either cannot be or have not yet been the subject of direct negotiations.

MHA works with a tier which they classify as Government Pricing. The DGS is working with MHA to investigate lower tier pricing for each agency participating in the GPO. The DGS also plans to work directly with manufacturers to identify the most favorable pricing tier for each agency.

The DGS released a Request for Information (RFI) to evaluate the GPO contract, to help ensure that the State is receiving the best discount available. Seven GPO's including the MMCAP participated in the RFI. The DGS completed its evaluation in October 2007. The evaluation's results indicate that a request for proposal (RFP) for a new GPO may result in additional savings to the State. The DGS plans to develop and release a RFP to contract with a GPO.

- Pricing Agreements established through an Invitation for Bid (IFB) process. Prior to the GPO relationship, the DGS awarded nearly 600 line items through the IFB process. The DGS only awards pharmaceutical contracts to manufacturers through the IFB process that demonstrate a savings over the GPO and other contracting options. Because of the savings achieved though the GPO, the DGS now awards about 200 line items through the IFB process.

- Pricing Agreements negotiated by the DGS directly with pharmaceutical manufacturers. To gain the best discount from pharmaceutical manufacturers, the DGS works with the CDF Committee to develop criteria for drug selection. In order to negotiate significant discounts, it is critical that the DGS obtain commitment from agencies on how pharmaceuticals will be prescribed, enabling the DGS to assure pharmaceutical manufactures of market share and volume. The DGS has achieved success in direct pricing negotiations and is systematically pursuing further negotiations from the top 80 percent of spending on pharmaceuticals by working with the CDF Committee.

These purchasing programs will be continued, and others offering cost savings to the State will be explored.

The following table summarizes pharmaceutical purchases based on Brand Name vs. Generic by both volume purchased and dollars purchased through the Pharmaceutical Wholesaler Agreement.

AGENCY PURCHASE OF BRAND/GENERIC PHARMACEUTICALS FISCAL YEAR 2006-2007				
	Brand Name Pharmaceuticals		**Generic Pharmaceuticals**	
Purchaser	***% of Total Units Purchased***	***% of Total Dollars Purchased***	***% of Total Units Purchased***	***% of Total Dollars Purchased***
CDCR	24%	87%	76%	13%
CDCR DJJ	29%	89%	71%	11%
DMH	29%	93%	71%	7%
DDS	35%	89%	65%	11%
CSU	6%	61%	94%	39%
UC	26%	71%	74%	29%
OTHER	89%	100%	11%	0%
Total	**25%**	**87%**	**75%**	**13%**

The following tables summarize the total products purchased, source of pharmaceutical pricing agreement, and calculated savings as reported by the Pharmaceutical Wholesaler.

Spend Through Pharmaceutical Wholesaler Fiscal Year 2006-2007
Reported by AmerisourceBergen Drug Company (ABC)

California Department of Corrections and Rehabilitation Spend (CDCR)

BrandRx						
Contract Type	Unique Count of NDC	Total Volume (units)	Total Wholesale Cost$	Total $ Purchase Price	Savings from Wholesale Cost	Percent Savings
ABC	6	619	$50,464	$11,890	$38,575	76.44%
GPO	876	218,920	$42,191,621	$39,138,675	$3,052,946	7.24%
DGS	72	89,556	$36,483,111	$30,270,814	$6,212,298	17.03%
Total	954	309,095	$78,725,197	$69,421,378	$9,303,819	11.82%
GenericRx						
Contract Type	Unique Count of NDC	Total Volume (units)	Total Wholesale Cost$	Total $ Purchase Price	Savings from Wholesale Cost	Percent Savings
ABC	1,073	159,366	$12,511,565	$4,471,525	$8,040,039	64.26%
GPO	3,468	652,683	$23,258,851	$13,886,546	$9,372,305	40.30%
DGS	458	105,012	$4,299,836	$2,082,361	$2,217,475	51.57%
Total	4,999	917,061	$40,070,251	$20,440,433	$19,629,819	48.99%

Departments other than CDCR

BrandRx

Contract Type	Unique Count of NDC	Total Volume (units)	Total Wholesale Cost$	Total $ Purchase Price	Savings from Wholesale Cost	Percent Savings
ABC	4	260	$4,785	$2,299	$2,486	51.96%
GPO	737	78,374	$14,740,122	$13,253,420	$1,486,702	10.09%
DGS	78	42,322	$21,906,356	$18,179,413	$3,726,943	17.01%
Total	819	120,956	$36,651,263	$31,435,132	$5,216,131	14.23%

GenericRx

Contract Type	Unique Count of NDC	Total Volume (units)	Total Wholesale Cost$	Total $ Purchase Price	Savings from Wholesale Cost	Percent Savings
ABC	916	59,217	$2,783,660	$1,331,116	$1,452,544	52.18%
GPO	2,885	226,989	$6,736,213	$3,767,519	$2,968,694	44.07%
DGS	438	52,568	$2,969,986	$1,399,012	$1,570,974	52.90%
Total	4,239	338,774	$12,489,860	$6,497,647	$5,992,213	47.98%

	Total Wholesale Cost$	Total $ Purchase Price	Savings from Wholesale Cost	Percent Savings
Total CDCR	$122,110,552	$92,443,340	$29,667,212	24.30%
Total Other Departments	$50,211,650	$38,769,050	$11,442,601	22.79%
Total all Departments	**$172,322,202**	**$131,212,390**	**$41,109,812**	**23.86%**

The DGS is developing the Pharmaceuticals Information Management System (PIMS) Project. The PIMS will allow the DGS to perform in-depth analysis regarding pharmaceutical pricing and improve price verification. This project chartered on March 27, 2007 is designed to address the full range of the DGS Pharmaceuticals Program data storage, data analysis and reporting needs.

- *Phase I:* The DGS is consolidating the purchase history data obtained from the Pharmaceutical Wholesaler into a central database. This phase of the project is completed. The DGS is able to analyze this data and report to the CDF Committee, the Pharmacy Advisory Board and Agencies:

  - Price comparisons on pharmaceuticals

  - Generic vs. brand purchases

  - Formulary and contract purchases

  Specific goal performance measures established through the contracting process with manufactures can be monitored at the phase I level. The DGS is developing

enhancements to the reporting through this Phase on:

- Contract Spend Reporting
- Enhanced Formulary Compliance Reporting

- *Phase II:* Develop the programming to incorporate State contract pricing, GPO Pricing and industry standardized pharmaceutical pricing available from subscription services into a central pharmaceutical database. The DGS is in the process of releasing an RFP to contract with a consultant to complete a Feasibility Study Report required for this stage of the project.

- *Phase III*: Future steps involve a project that incorporates all the DGS Procurement Division pharmaceutical vendors' transactional data, related pricing data, and customer information. The comprehensiveness of this data will allow the DGS staff to perform analysis and matrix reporting comparing information from multiple sources.

The DGS strategically sourced and awarded a PBM Contract enabling the CDCR's Division of Adult Parole Operations (DAPO) parolee pharmaceutical dispensing program to cover the dispensing of mental health medications required as a condition of parole. Prior to this contract, the CDCR DAPO's purchased these medications through a contract with Rite Aid, a retail pharmacy chain. According to reports from the Strategic Sourcing effort, state agencies spent $25.7 million through the PBM in Fiscal Year 2006 – 2007, with a savings of $5.4 million. The DGS is currently amending this Agreement to include the CDCR Division of Juvenile Justice (DJJ) Parole Operations.

2007/2008 Season Influenza Vaccine

Each year the DGS procures influenza vaccine for the upcoming flu season. The DGS conducts two procurements one for the California Department of Public Health (CDPH) Immunization Branch and another for other state entities purchasing through the State of California Prescription Drug Bulk Purchasing Program.

For the DHCS, the DGS constructed an IFB to obtain influenza vaccinations for all five risk groups identified by the Federal Center for Disease Control (CDC). The procurement was designed to follow the CDC, the Food and Drug Administrations (FDA), and the American Pharmacists Association (APHA) recommendations to order through multiple vendors. This recommendation helps secure a supply chain, should a manufacture fail to produce the vaccine. The DGS added "booking as available" period to prebooking contract, enabling agencies to obtain additional influenza vaccine, at reduced pricing, if needed during flu season.

For other State entities, the DGS was able to amend the Pharmaceutical Wholesaler Agreement with AmerisourceBergen Corporation, adding influenza vaccine for the 2007/2008 season to the contract. The bid is budgeted for $500,000. This Amendment:

- Provided competitive pricing on influenza vaccine.
- Allowed for multiple deliveries phased over the vaccine season.
- Allowed billing and distribution though the current AmerisourceBergen supply chain.
- Allowed supply to be split between different providers.
- Overall volume for this of influenza vaccine will be counted with pharmaceutical product as volume discount for this contract.
- All influenza demographics may be met by the vaccines offered, meeting clinical mandates to vaccine the five risk groups:
    - People at high risk for complications from the flu, including:
        - Children aged six months until their 5th birthday;
        - Pregnant women;
        - People 50 years of age and older: and,
        - People of any age with certain chronic medical conditions.
    - People who live in nursing homes and other long term care facilities.
    - People who live with or care for those at high risk for complications from flu, including:
        - Household contacts of persons at high risk for complications from the flu (see above).
        - Household contacts and out of home caregivers of children less than six months of age (these children are too young to be vaccinated).
        - Healthcare workers.

Diphtheria, Tetanus and Pertussis (DTaP) Vaccine

The DGS competitively bid the DTaP Vaccine for the CDPH Immunization Branch and received pricing equal to the CDC Federal Supply Schedule for DTaP.

Tetanus, Diphtheria & Acellular, Pertussis (TDaP) Vaccine

The DGS competitively bid the TDaP Vaccine for the CDPH Immunization Branch. The State saved $11,771 on a spend of $588,555. An additional 140 doses were able to be purchased with existing funds.

Hepatitis B Vaccine

The DGS competitively bid Hepatitis B Vaccine for the vaccination of school age children for the CDPH Immunization Branch. The DGS received pricing equal to the CDC pricing on purchases of $555,000.

BIG (Botulism Immune Globulin Intravenous (Human)

The DGS has entered into a series of service contracts between the State and suppliers and agencies from other states for the development of BIG (Botulism Immune Globulin) Intravenous (Human). The Department of Health Care Services (DHCS) is the official sponsor of BIG and is responsible for providing and distributing BIG to infant botulism patients nationwide (HSC 123700 Part F). Infant botulism is an acute, life-threatening paralytic disease of babies caused by a potent bacterial neurotoxin. Half of all cases of infant botulism in the United States occur in California, where the causative bacterial spores are known to be highly endemic. In any given year, between 30 and 50 infants with botulism are hospitalized in California, thus qualifying infant botulism as an “orphan disease” as defined by the federal Orphan Drug Act of l983 (P.L. 97-414, as amended). The DGS successfully transferred these agreements to the DHCS to administer, per Health and Safety Code, Section 123702.

DHS Emergency Preparedness Office (EPO)

The DGS has been working closely with the EPO to meet their procurement needs for pandemic flu. The DGS has prioritized these contracts as they are a public health concern.

The DGS has contracted for antiviral and respirator for the DHCS pandemic response. The DGS contracted with the manufacturers of Tamiflu® (Oseltamivir) and Relenza® (Zanamivir) to access the federal contract pricing for pandemic stockpile for these Antiviral Agents. These contracts provide a 25 percent federal reimbursement from the federal price. The DGS has released purchase orders for $54,697,990.33 resulting in 3,727,053 courses of therapy against these contracts for the State.

The DGS developed a Memorandum of Understanding (MOU) between the DGS, DHCS, and local governmental entities, enabling CDPH to authorize the DGS to order pandemic supply for local governmental entities at federal contracted supply schedule rates.

The DGS is currently developing a MOU between the DGS, DHCS, and state agencies, enabling CDPH to authorize the DGS to order pandemic supply for local governmental entities at federal contracted supply schedule rates.

ENITIEIS PARTICIPATING IN THE STATE OF CALIFORNIA PRESCRIPTION DRUG BULK PURCHASING

- ***The California Department of Corrections and Rehabilitation***

  John Hagar, Chief of Staff from the California Prison Health Care Receivership Corporation, issued a letter on March 20, 2007, notifying the DGS that Maxor National Pharmacy Services (MAXOR) will assume direct control over the negotiation and purchases of all CDCR pharmaceuticals. The DGS was instructed to cease negotiations and involvement in contracts related to CDCR pharmaceuticals.

  MAXOR is assuming contracting on behalf of CDCR, and is making pricing available to other entities purchasing through the State of California Prescription Drug Bulk Purchasing Program.

  The DGS will submit the required amendments to MAXOR to allow other agencies to gain access to the pricing established by these agreements.

  The CDCR Adult Parole division currently uses the DGS' PBM contract.

- ***The CDCR Division of Juvenile Justice***

  The CDCR DJJ operates ten institutions, four camps, and 16 parole offices. The CDCR DJJ purchase pharmaceuticals through the State of California Prescription Drug Bulk Purchasing Program.

  The DGS is currently amending the PBM contract to allow CDCR DJJ Parole Services to access this agreement.

- ***The Department of Mental Health***

  The California Department of Mental Health operates five state hospitals throughout California including: Atascadero State Hospital (San Luis Obispo County), Coalinga State Hospital (Fresno County), Metropolitan State Hospital (Los Angeles County), Napa State Hospital (Napa County), and Patton State Hospital (San Bernardino County). Each state hospital provides inpatient treatment services for Californians with serious mental illnesses. These five state hospitals purchase through the State of California Prescription Drug Bulk Purchasing Program.

  Additionally, the department operates two correctional programs, Salinas Valley Psychiatric Program and Vacaville Psychiatric Program. These programs purchase through MAXOR.

- ***The Department of Developmental Services***

  The California Department of Developmental Services (DDS) is the agency through which the State provides services and supports to children and adults with

developmental disabilities. These disabilities include mental retardation, cerebral palsy, epilepsy, autism and related conditions.

The DDS directly operates five State Developmental Centers throughout California including: Agnews (Santa Clara County), Fairview (Orange County), Lanterman (Los Angeles County), Sonoma (Sonoma county) and two smaller state-operated community facilities Sierra Vista (Sutter county) and Canyon Springs (Riverside County). The five state developmental centers purchase though the State of California Prescription Drug Bulk Purchasing Program. The community facilities do not have pharmacies.

- ***The California State University System***

  The campus pharmacies elect purchase though the State of California Prescription Drug Bulk Purchasing Program. The Clinics located in the CSU are starting to enroll in the Pharmaceutical Bulk Purchasing Program. The DGS is working with the CSU Riverside to access the Pharmaceutical Wholesaler Agreement and pharmaceutical pricing agreements.

- ***The University of California***

  The UC Riverside campus pharmacy, clinic, store, and research center elects to purchases though the State of California Prescription Drug Bulk Purchasing Program.

- ***Other Entities***

  California Highway Patrol (CHP) Office of Air Operations

  Among its many responsibilities, the CHP Office of Air Operations is charged with coordinating advanced life support for departmental paramedic training. The CHP purchases about $40,000 of drugs annually through the pharmaceutical Wholesaler.

  Office of Emergency Services (OES) Emergency Preparedness Office

  The OES mission is to ensure the State is ready and able to mitigate against, prepare for, respond to, and recover from the effects of emergencies that threaten lives, property, and the environment.

  OES coordinates the activities of all state agencies relating to preparation and implementation of the State Emergency Plan. The OES also coordinates the response efforts of state and local governmental entities to ensure maximum effect with minimum overlap and confusion. Additionally, the OES coordinates the integration of federal resources into state and local governmental entities response and recovery operations.

Emergency Medical Services (EMS) Authority

The EMS Authority provides Statewide coordination and leadership for the planning, development, and implementation of local EMS systems. California has 32 local EMS systems that are providing emergency medical services for California's 58 counties. Seven regional EMS systems comprised of 33 counties and 25 single county agencies provide the services. Regional systems are usually comprised of small, more rural, less-populated counties and single-county systems generally exist in the larger and more urban counties. Mandated activities for the EMS Authority are set forth in Division 2.5 of the Health and Safety Code.

Department of Health Care Services Immunization Branch
Veterans Administration

The Department of Veterans Affairs Northern California Health Care System (VANCHCS) is an integrated health care delivery system, offering a comprehensive array of medical, surgical, rehabilitative, primary, mental health and extended care to veterans in northern California. VANCHCS serves an area consisting of more than 377,700 veterans dispersed over a wide geographic area spanning approximately 40,000 square miles.

The DGS entered into a sharing agreement that provides the Yountville, Barstow, Chula Vista Veterans Homes access to federal supply schedule for pharmaceutical wholesaler McKesson.

FUTURE PLANS

The DGS will work through the PAB and the CDF Committee to increase the participation of other state entities and explore options to increase value-based purchasing. Such purchasing will require the coordination of resources between organizations and other state entities to develop or adopt clinical practice guidelines, algorithms, procedures, and policies.

Attachment I
The DGS Workplan 2008

Pharmacy Advisory Board (PAB)

Definition: Create an interagency organizational structure to support the State of California Prescription Drug Bulk Purchasing Program.
Saving: Undetermined

Objective	Status and/or Estimated Completion Date
Develop invitation letter from the DGS Director to departments participating in the State of California Prescription Drug Bulk Purchasing Program.	Completed
Schedule Regular Meetings for the PAB. • Fourth Thursday of January, April, July, and October	Completed
Review the PAB Guiding Principles.	Adopted
Develop Agendas for the PAB Meetings. • January Approve Charter for Common Drug Formulary (CDF) Committee. • April Receive Common Drug Formulary Strategic Plan • July Confirm appointed representatives to the CDF committee. Authorizes CDF Strategic Plan. • October PAB confirms representation to CDF Committee. Receives proposed changes, revisions and amendments to CDF Committee Charter.	Ongoing – The general workflow has been developed.
Identify contracts necessary to maintain or improve the State of California Prescription Drug Bulk Purchasing Program. • Pharmaceutical Wholesaler. • Group Purchasing Organization (GPO). • Individual Drug Contracts with Manufacturers. • Reverse Distribution and Destruction of Pharmaceuticals. • Pharmacy Benefit Manager (PBM).	Ongoing - The DGS provides the PAB regular updates on the status of these contracts
Identify and inform on issues which may affect the State of California Prescription Drug Bulk Purchasing Program. • Explore 340B and Nominal Pricing. • Electronic Drug Pedigree Implementation. • Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 as amended, and the regulations promulgated thereunder ("HIPAA"). • Rebate and Discount Reporting Requirements.	The PAB is developing workgroups to address these issues
Develop Policies, Procedures and Guidelines to support the State of California Prescription Drug Bulk Purchasing Program	TBD
Expand membership for PAB, the DGS is working with: • Fresno County • Orange County. • Santa Clara County	The DGS is working with these local governmental entities with discussions to include in the State of California Prescription Drug Bulk Purchasing Program

Common Drug Formulary Committee

Definition: Serves as a steering committee to consolidate the formularies of participating entities into one CDF system.

Objective	Status and/or Estimated Completion Date
Recruit Membership – Current membership includes: • Department of Mental Health (DMH) • Department of Developmental Services (DDS) • California State University (CSU) • California Department of Corrections and Rehabilitation (CDCR) Division of Juvenile Justice (DJJ) • CDCR Adult Parole	Ongoing – The DGS is working with Local governmental entities that have expressed interest in the Pharmaceutical Program
Schedule regular CDF meetings. • Third Wednesday of each Month	Complete
Develop the CDF meeting agendas. • September Approve Charter for submission to the Pharmacy Advisory Board	Ongoing – The DGS solicits Agenda Topics from the CDF Committee monthly.
Maintain the CDF.	Ongoing - The CDF is published on the DGS Website at http://www.pd.dgs.ca.gov/contracts/CDFPage.htm
Enforce CDF • Monitoring non-formulary purchases for Atypical Antipsychotics. • Monitoring non-formulary purchases for Hepatitis C medications. • Developing Formulary Compliance Report to monitor Therapeutic Categories.	Ongoing – The DGS shares non-formulary purchase s with the CDF Committee on a monthly basis. To date CDF has been successful in changing purchasing patterns.
Identify Therapeutic Categories for Review. • Psychosis (Schizophrenia/Mania) *Atypical Antipsychotic Medications* *Butyrophenones* *Phenothiazines* *Thioxnthenes* *Antimanic Agents* *Miscellaneous Antipsychotics* • Seizure Medications Barbiturates Benzodiazepines Hydantoins Oxazolidinediones Succinimides Miscellaneous Anticonvulsants • Hypercholesterolemia Bile Acid Sequestrants Fibric Acid Derivatives HMG-CoA Reductase Inhibitors Miscellaneous Antilipemic Agents • Asthma Adrenals MDI Adrenals Inhalant Solution Miscellaneous Therapeutic Agents Sympathomimetic (Adrenergic) Agents Respiratory Smooth Muscle Relaxants	The CDF Committee identified these Therapeutic Categories to review.
Develop Boiler Plait Request for Business Proposals.	Complete
Develop pharmaceutical models for Therapeutic Category Reviews • Phase I of the Pharmaceuticals Information Management System (PIMS) Project.	Ongoing – The DGS is developing the necessary databases as the CDF reviews pharmaceutical Therapeutic Categories

Common Drug Formulary Committee (continued)

Objective	Status and/or Estimated Completion Date
Develop Guidelines, Protocols and Procedures to support the CDF. • CDF Adherence Protocol – Adopted (Next Review Aug 2008) • CDF Pharmaceutical Review Process for Status on CDF • Update Formulary Addition/Deletion Notification Procedures • California Protocol for the Selection of Antipsychotic Medications • Hypercholesterol Therapeutic Category Review • Asthma Therapeutic Category Review • Seizure Medication Therapeutic Category Review	Complete Under review Under review Under review Under review Under review TBD TBD

The DGS, University of California (UC), and the Public Employees' Retirement System (CalPERS) Meetings

Definition:
Mandated by Government Code Section 14982(a) for the DGS, UC & CalPERS to regularly meet and share information regarding each agency's procurement of pharmaceuticals in an effort to identify and implement opportunities for cost savings in connection with this procurement.

Objective	Status and/or Estimated Completion Date
Determine if including the UC system and CalPERS in the PAB will meet the intent of the legislature.	TBD
Improve upon the CDF Committee. • Evaluate the structure of the CDF System to determine if: - Can improve upon current structure - Identify protocols, procedures and guidelines which may need to be developed to improve functioning of the CDF Committee. • Identify ways for the UC system and CalPERS to participate in the CDF Committee for the purpose of sharing information regarding pharmaceutical effectiveness. • Explore opportunities with the UC San Diego Pharmacoeconomics program.	Ongoing – CalPERS shared their Formulary Committee charter with the DGS. The PAB is currently approving the CDF Committee Charter.
Coordinate programs offered by pharmaceutical manufacturers providing pharmaceuticals free or at reduced cost. • Identify if the UC system or CalPERS is taking advantage of any of these programs • Determine if these programs can be accessed by other agencies • Identify opportunities for accessing 340B pricing	TBD
Improve pricing through the GPO.	Ongoing – The DGS completed an evaluation of the GPO contract. The DGS will include the UC GPO in the IFB process.

The DGS, UC, and CalPERS Meetings (continued)

Objective	Status and/or Estimated Completion Date
Improve pricing through the PBM. • Identify state and local agency governmental entities accessing a PBM and the pharmaceutical services provided through their agreements. • Review CalPERS' Pharmacy Carve-Out Study and RFP for their PBM for their Self-Funded Health Plans Pharmacy Program to determine differences between contracts. • Identify pros and cons for expand the PBM's role with the state agencies using other pharmaceutical models. • Identify pros and cons for consolidating state and local governmental entities into a single PBM. • Identify limitations and solutions for accessing CalPERS PBM.	Ongoing – CalPERS has shared elements from their PBM contract. The DGS will begin the evaluation as part of the procurement development for a new PBM.
Improve upon drug distribution. • Identify UC entities which use a Pharmaceutical Wholesaler Agreement. • Evaluate Pharmaceutical Wholesaler Agreements with: - UC System Pharmaceutical Wholesaler. - CDCR Pharmaceutical Wholesaler. - Minnesota Multi State Contracting Alliance for Pharmacy (MMCAP). - Other pharmaceutical Wholesaler Agreements as identified in our research. • Identify state and local governmental entities accessing Pharmaceutical Wholesaler Agreements. • Identify business needs of state and local governmental entities accessing Pharmaceutical Wholesaler Agreements, and the pharmaceutical services provided through these agreements. • Identify limitations and solutions for consolidating the UC system, state and local governmental entities into a single Pharmaceutical Wholesaler Agreement.	TBD
Improve upon drug contracting. • Compare top drug expenditures and differences between the DGS and the US system. • Determine feasibility and potential savings of consolidating drug contracting for: - Atypical Antipsychotics - Other therapeutic drug categories as identified by the comparison of top drug expenditures.	Ongoing. – The UC is reviewing a list of drug provided by the DGS to determine savings.

Explore Additional Strategies for managing the increasing cost of pharmaceuticals

Definition:
Identify and implement other strategies, as permitted under state and federal law aimed at managing escalating pharmaceutical prices consistent with Government Code Section 140980.

Objective	Status and/or Estimated Completion Date
Coordinate programs offered by pharmaceutical manufacturers providing pharmaceuticals free or at reduced cost. (Government Code Section 14980(a). • Working with the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS) to certify California agencies exempt from the limitations on sales at nominal price. • Identify nominal pricing agreements from the pharmaceutical manufacturers with the largest pharmaceutical spend.	Ongoing, The DGS is in contact with CMS and has begun contacting pharmaceutical Manufacturers.
Study the feasibility and appropriateness of including in the bulk purchasing program entities in the private sector, including employers, providers, and individual consumers. (Government Code Section 14980(b).	TBD

Expansion of the State of California Prescription Drug Bulk Purchasing Program

Definition:
Expand the State of California Prescription Drug Bulk Purchasing Program to state, district, county, city, municipal or public agency governmental entity, other than those required to participate in the Statewide Pharmaceutical Program, consistent with Government Code Section 14977.5.

Objective	Status and/or Estimated Completion Date
Develop contracts that allow other governmental agencies to access pharmaceutical pricing agreements and contracts: • Develop Memorandum of Understanding between the state and local governmental entities. • Develop contract with pharmaceutical wholesalers used by local governmental entities to allow access of the DGS Pricing Agreements.	Ongoing, The DGS is finalizing a draft MOU and is exploring contracting requirements of Pharmaceutical Wholesalers
Identify other governmental agencies to expand the State of California Prescription Drug Bulk Purchasing Program • Fresno County • Orange County Corrections • Santa Clara County	Ongoing, These entities have expressed interest in exploring a relationship with the DGS.
Promote contracts which other governmental agencies may access: • Pharmaceutical Wholesaler • Group Purchasing Organization Contract • Reverse Distribution & Destruction Contract • Pharmacy Benefit Manager Contract	Ongoing – working with local agencies identifying themselves to the DGS will promote once complete MOU and other necessary agreements
Develop contracts which allow for other governmental entities to access. • Eli Lilly & Company, duloxetine HCL (Cymbalta®) • Atypical Antipsychotic Contracts	Ongoing – Developing MOU and exploring contracting requirements of Pharmaceutical Wholesalers.

Program Measurement and Reporting

Definition:
The Pharmaceuticals Information Management System (PIMS) under development by the DGS will allow address the full range of the DGS Pharmaceuticals Program data storage, data analysis and reporting needs.

Objective	Status and/or Estimated Completion Date
Phase I of PIMS allows the DGS to conduct analysis of: • Agency brand and generic Pharmaceutical purchases. • Basic formulary compliance. • Data evaluation for pharmaceutical Therapeutic Category Reviews.	Completed
Enhancements for Phase I The DGS continues to identify and develop reporting needs to enhance the reporting available through Phase I. These include: • Contract spend reporting. • Enhanced formulary compliance reporting.	The DGS has requested OTR build the Contract Spend Report and is working with the CDF Committee to finalize the requirements for the Enhanced Formulary Compliance Reporting

Program Measurement and Reporting (continued)	
Request for Offer (RFO) for Information Technology Feasibility Study Report (FSR) and Acquisition (Information Technology Procurement Plan & Solution RFO) Consulting Services.	Ongoing – The DGS is finalizing the release

Pharmaceutical Benefit Manager Contract

Definition:
Contract entered into with HealthTrans enabling the CDCR's parolee pharmaceutical dispensing program to cover the dispensing of mental health medications which are required as a condition of parole.

Objective	Status and/or Estimated Completion Date
Identify ways to increase savings. • Review CalPERS' Pharmacy Carve-Out Study and Request for Proposal for their PBM for their Self-Funded Health Plans Pharmacy Program.	TBD – Current savings are reported to be $5.4 million on $25.7 million spend for FY2006/07
Maintain updated pharmaceutical formularies: • Work with the CDCR Division of Adult Parole Operations (DAPO) to update formulary. • Developing formulary requirements with CDCR Division of Juvenile Justice (DJJ) Parole Operations	Ongoing – The DGS had an initial meeting to present formulary
Expand contract to other entities • CDCR DJJ Parole Operations • Fresno County has expressed interest in joining this contract.	Ongoing – The DGS is working with CDCR to develop- contract requirements and is identifying is Fresno County is ready to identify Contract Requirements

Pharmaceutical Wholesaler Contract

Definition:
The Current Pharmaceutical Wholesaler Agreement is with AmerisourceBergen Drug Company. The Pharmaceutical Wholesaler provides state agencies with access to the pharmaceutical supply chain. The Pharmaceutical Wholesaler purchases pharmaceuticals from individual manufacturers, warehouses & distributes to state agencies.

Objective	Status and/or Estimated Completion Date
Identify ways to increase savings • Improve contract loads to reduce re-billings to agencies • Review contract deliverables (As contract terms and conditions allow) for the: - MMCAP - CDCR Pharmaceutical Wholesaler - UC system Pharmaceutical Wholesaler - Other Pharmaceutical Wholesalers as identified through continuing research. • Work with individual state agencies, Pharmacy Advisory Board (PAB) and CDF Committee to identify and explore other options for savings.	Ongoing - Savings are reported to be $4.9 million on $238.7 million spend for FY2006/07. The DGS continues to meet with state agencies and the PAB on a quarterly basis, and with the CDF Committee monthly.

Pharmaceutical Pricing Agreements

Definition:
Pharmaceutical Pricing Agreements allow state agencies to purchase pharmaceuticals through the Pharmaceutical Wholesaler at discounts below those offered by the Pharmaceutical Wholesaler. These discounts may include both up-front discounts from the price and rebates.

Objective	Status and/or Estimated Completion Date
Develop cost effective pharmaceutical pricing agreements to provide a discount on pharmaceuticals. • Invitation for Bid process. - Develop & award contracts from an IFB by December 2008. • Direct Negotiations with pharmaceutical manufacturers. - Develop contracts as identified by CDF committee. - Develop contracts for pharmaceuticals identified by individual state or local governmental entities. - Develop contract for vaccines.	In FY 2006/07 state agencies purchased about $50 million from nearly 600 line items with a savings of over $12 million.
Identify additional options for savings. • Non-contract pharmaceutical purchasing reported by state agencies. • CDF requests. • State and local governmental entity requests. • Evaluating pharmaceuticals purchased through pharmaceutical wholesaler which are not receiving discounts through pricing agreements entered into directly with the State or through the GPO.	Ongoing – Initial evaluation of contract purchases should be completed by February 2008

Group Purchasing Organization Agreement

Definition:
The DGS entered into the Commonwealth of Massachusetts and is a member of the Massachusetts's Alliance for State Pharmaceuticals Buying (MASPB). Through the MASPB the DGS accesses the Group Purchasing Organization (GPO) Managed Healthcare Associates, Inc. (MHA). The GPO Leveraging the buying power of numerous public and private sector entities through a purchasing consortium to negotiate pricing agreements with pharmaceutical manufactures. State agencies access the pricing agreements established by the GPO through the Pharmaceutical Wholesaler.

Objective	Status and/or Estimated Completion Date
Improve savings on contracts through the GPO. • Work with the GPO and pharmaceutical manufacturers to improve pricing by qualifying state agencies and local governmental entities into lower pricing tiers available though the GPO agreements with pharmaceutical manufacturers. • Work with the GPO to identify contract which the State is not taking advantage of.	In FY2006/07 state agencies and local governmental entities purchased about $70 million from over 4,300 individual line items with a savings of $12.4 million.
Evaluation of GPO agreement to determine value to the State. • Evaluate state's GPO through a RFI. • Evaluate MMCAP	The DGS completed it's evaluation of the GPO contract and plans to develop and release a RFP to contract with a GPO.

Savings through Generic Pharmaceuticals

Definition:
Develop strategies, in consultation with the affected agencies, for the State to achieve saving though the greater use of generic pharmaceuticals consistent with Government Code Section 14983 (4).

Objective	Status and/or Estimated Completion Date
Baseline generic pharmaceutical spending. • Present and discuss report on Agency Purchases of Brand/Generic Pharmaceuticals by Volume and Cost at: • Monthly CDF Committee meetings. - Previous months report presented to CDF Committee. • Quarterly PAB Meetings. - October 1 through December 31 for January PAB Meeting - January 1 through March 31 for April PAB Meeting - April 1 through June 30 for July PAB Meeting - July 1 through September 30 for October PAB Meeting.	Ongoing – about 75% of the volume purchased and 13% of the dollars are from Generic Pharmaceuticals Phase 1 of the PIMS project allows this level of reporting, will begin sharing at the November 2007 CDF Committee meeting.

Savings through Generic Pharmaceuticals (continued)	
Objective	**Status and/or Estimated Completion Date**
Identify generic pharmaceutical substitution. • Quarterly Present and discuss reports on Summary of Brand/Generic Pharmaceutical Purchases for each agency in the Therapeutic Categories being reviewed at CDF Committee meetings and PAB Meetings to identify potential savings on changing brand to generic pharmaceuticals and generic pharmaceuticals availability in market. - October 1 through December 31 for January CDF and PAB Meeting. - January 1 through March 31 for April CDF & PAB Meeting. - April 1 through June 30 for July CDF & PAB Meeting. - July 1 through September 30 for October CDF & PAB Meeting.	Ongoing – Phase 1 of the PIMS project allows for this level of reporting the DGS is developing presentation summaries to begin sharing at the January 2008 meetings
Identify therapeutic pharmaceutical substitutions. • Work with the CDF Committee to identify lower cost Therapeutic Substitutions in Therapeutic Categories being reviewed.	Ongoing – Working with CDF Committee at monthly meetings