



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

Office of the Commissioner

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January 26, 2017

The Honorable Pete Kelly, President
Alaska Senate
State Capitol Room 111
Juneau, AK 99801

The Honorable Bryce Edgmon, Speaker
Alaska House of Representatives
State Capitol Room 208
Juneau, AK 99801

Subject: SB 74 (2016) Alaska Pioneer Home Pharmacy Privatization Feasibility Study Requirement

Pursuant to Senate Bill 74 (2016) the Department of Health & Social Services attempted to procure a study to analyze the feasibility of privatizing pharmacy services delivered at the Alaska Pioneer Homes. The Department made two attempts to procure the study through an open competitive solicitation process. Responses to both solicitations were deemed nonresponsive. Following is background information on the Pioneer Homes' pharmacy program.

The Alaska Pioneer Homes Pharmacy is located in the basement of the Anchorage Pioneer Home and serves all six Homes (Anchorage, Palmer, Fairbanks, Juneau, Sitka, and Ketchikan), Services include packaging and shipping medication to the Homes in the other five communities, reviewing residents' clinical records, and communicating concerns about medication dosages and interactions to the nursing staff. Each quarter the pharmacists perform on-site chart reviews as part of the Homes' risk management and quality improvement efforts.

An agreement with a national group purchasing organization helps contain pharmaceutical costs. The group purchasing contractor negotiates favorable prices, terms and conditions with vendors. Revenue generated by the pharmacy program through reimbursement from Medicare Part D and other insurance plans covers over 90 percent of the cost of operating the pharmacy. Total revenue from the pharmacy in FY 2016 was \$2,318,500 and operating costs were \$2,557,000.

However, additional financial benefits are derived from operation of the in-house pharmacy program. For example:

- The Pioneer Homes absorb some over-the-counter medication costs not covered by third-party payors. The pharmacy program in FY 16 was able to procure those medications for \$11,891, but if they had been purchased from a private pharmacy the cost to the Pioneer Homes would have been \$230,875 — a cost savings of \$218,984.
- Residents on payment assistance do not have the means to pay the co-pay for their pharmaceuticals. The Pioneer Homes absorbed \$206,281 in unpaid co-payment for these residents and applied it to their state indebtedness. A private pharmacy would expect those low-income residents to make those payments directly.

The Pioneer Homes Pharmacy is licensed by the Alaska Board of Pharmacy as a long-term care pharmacy and meets the requirements of the Centers for Medicare & Medicaid Services. It is staffed by two licensed pharmacists, three pharmacy technicians, and one billing clerk. One of the pharmacists holds an advanced certificate in gerontology. The pharmacists are responsible for storage, preparation, distribution, and control of the Homes' drug supply, and ensure that these activities are carried out in conformance with established policies, procedures, and accepted standards.

The Pioneer Home pharmacy program was established in 1998 in an effort to contain the growing costs of pharmaceuticals and to address concerns regarding the safety and distribution of residents' medications. Prior to development of the in-house pharmacy residents' medications came into the Homes from a variety of sources and in different types of packaging, which made storage and administration of the drugs problematic. There also was less oversight of geriatric and polypharmacy issues. If the pharmacy program was privatized a certain level of staffing would have to be maintained to help manage the logistics and oversight involved with the pharmaceuticals coming into the Homes.

Please contact Director Vickie Wilson if you have any questions related to the attempts to procure this study or about the Alaska Pioneer Homes' pharmacy program. Director Wilson may be reached at 458-2224 or vickie.wilson@alaska.gov.

Sincerely,



Valerie Nurr'araaluk Davidson
Commissioner

CC: Darwin Peterson, Legislative Director, Office of the Governor
Pat Pitney, Director, Office of Management and Budget