

Prescription Program Provides Significant Savings



By James M. Rowan

Finding innovative ways to save dollars is not always easy, unless you are the Alpena Public Schools in Alpena, Michigan. Tucked into the northeast corner of the Lower Peninsula, the small city serves as the geographic hub of the region. Alpena Public Schools educates about 4,500 students and employs about 600 people.

Like most school districts today, Alpena was looking for ways to save money without decreasing services to its staff. Retired pharmacist Tim Sylvester, a lifelong resident of Alpena, presented the district with a pharmaceuticals plan that would save the district money without raising employee co-pays for prescriptions.

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The Prescription Program

The prescription program works essentially the same way as most medical programs. It starts with a preferred-provider network of local pharmacies, but it also has a wraparound network of more than 55,000 pharmacies nationwide.

The school district, local hospitals, and local pharmacies create a “community partnership program” that allows districts to save up to 30% through implementation of a focus formulary of prescription drugs covered by the plan. Because the formulary and co-pay structure can be based on the needs and wants of the school district, Alpena Public Schools chose to mirror its previous prescription coverage because of collective-bargaining considerations.

Diane M. Block, assistant superintendent for operations at Alpena Public Schools, was “very skeptical of the program in the beginning,” until it received approval from the Federal Trade Commission. While it took Alpena approximately eight months to implement the program, much of that time was spent in legal research and garnering FTC approval.

According to Block, the administration staff, custodial staff, food service staff, and bus drivers were converted to the program on January 1, 2007. The first six months saw a modest savings of approximately 2% (including start-up costs). Block attributes this minor savings to the low volume associated with these smaller employee groups.

On January 15, 2008, the teachers were added to the program and for the year July 1, 2007–June 30, 2008, the district realized a savings of approximately 15%.

Before implementation, 60% of Alpena staff used out-of-network pharmacies; just 1% used that network after implementation. Approximately 99% of prescription fills and refills now involve the six local pharmacies contracted throughout the district.

Before implementation, the co-pay was \$10 per prescription. Under the new program, a \$20 co-pay was implemented for the out-of-network (national) program, but the co-pay remained at \$10 for the local network of pharmacies. This lower co-pay provides incentive for employees to visit the local pharmacies, allowing the district to achieve the most savings.

Three components drive the savings for Alpena:

National program. The national program provides the most transparency in that employees can continue to use any of the 55,000 national pharmacies. The savings for the district under the national program should be between 7% and 15%, depending on the use of the focus formulary. In addition, mail-order prescriptions are still available.

Focus formulary. The focus formulary is designed with the district’s interests in mind. Most formularies provide the highest rebate regardless of overall drug

costs. The focus formulary first considers the therapeutic effectiveness of the drug and then considers the cost, including the applicable rebates. This balance allows the employee to receive the most effective drug at the lowest possible cost.

Community partnership program. The partnership with the local hospital allows the local pharmacy to dispense the prescription drugs at a much lower costs, thus passing along the savings to the district employees. The employee co-pay is usually less for this program than for the national program in order to drive members to the community pharmacies. The mail-order option is not necessary for the community partnership program, since 90-day refills can be done at the local pharmacy quickly and cheaply.

Making It Work for Your District

Districts don’t take advantage of this significant savings opportunity for a variety of reasons, but many concerns can be easily addressed. For example,

- If your health care and prescription drug program are bundled with the same provider, consider unbundling the programs at your next renewal. If your provider is reluctant or warns that your costs will increase, consider issuing a request for proposal to determine what is in your district’s best interest.
- If your employees are reluctant to get on board, stress the transparency of the program. Most employee groups don’t control the formulary under their current program. Assure them that they still have access to the 55,000 national pharmacies and the additional savings allows the district to provide more resources to the students.
- If you don’t have local pharmacies in your community, a national network of thousands of pharmacies should still allow the district to save between 7% and 15%.
- If you are worried that the local hospitals and pharmacies won’t buy into the partnership, recognize that local hospitals receive credit for community programs and local pharmacies get increased traffic they might not otherwise experience.

The innovative pharmacy program won an Innovative Business Practice award and \$750 for scholarships from the Michigan School Business Officials association. Alpena Public Schools’ partnership with Alpena Regional Medical Center, all six locally owned pharmacies, and three other partners involved in creating this program could be considered a model for the nation.

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