

## 2006 INNOVATIONS AWARDS PROGRAM

### APPLICATION

**Deadline: March 4, 2006**

INSTRUCTIONS: Complete and submit this document electronically if possible, preferably in Microsoft Word format (.doc or rtf). This application is also available at [www.csg.org](http://www.csg.org), in the Programs section. Determine the appropriate "Change Driver" from the enclosed matrix and indicate that in the appropriate space listed below. Keep in mind that the matrix is only meant to show potential relationships between change drivers, trends and issues, and is not exhaustive. **Be advised that CSG reserves the right to use or publish in other CSG products and services the information that you provide in this Innovations Awards Program Application. If you object to CSG potentially using or publishing the information contained in this application in other CSG products and services, please advise us in a separate attachment to your program's application.**

ID #: 06-MW-05KS

Change Driver: Role of Government

State: Kansas

1. Program Name  
Kansas Pharmaceutical Collaborative
2. Administering Agency  
Kansas Department of Corrections
3. Contact Person (Name and Title)  
Viola Riggin, Healthcare Contract Administrator
4. Address  
900 SW Jackson, 4<sup>th</sup> Floor, Topeka, KS 66612
5. Telephone Number  
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7. E-mail Address  
ViolaR@kdoc.dc.state.ks.us
8. Web site Address  
[www.accesskansas.org](http://www.accesskansas.org)
9. Please provide a two-sentence description of the program.  
The program utilizes the Kansas Department of Corrections contractual relationship with its healthcare provider, Correct Care Solutions and CCS's pharmaceutical supplier, Diamond Pharmaceuticals, to offer bulk pharmaceutical pricing to state and local government agencies that might not otherwise be able to access the pricing. There was a dramatic response to the program once those agencies realized, through independent research, how overwhelming their savings could be.
10. How long has this program been operational (month and year)? **Since December of 2004.**

11. Why was the program created? As the result of an initiative by Governor Kathleen Sebelius to reduce the rising cost of healthcare for Kansas citizens. What problem[s] or issue[s] was it designed to address? The inability of an increasing number of Kansas citizens to afford necessary medication. **Indicate how the program applies to the “change driver” that you listed above.**

The program was created as the result of an initiative by Kansas Governor Kathleen Sebelius to reduce the rising cost of healthcare for Kansas citizens. It was designed to address the inability of an increasing number of Kansas citizens to afford necessary medication. The program is a “change driver” in that it utilizes the bargaining power of a large state agency to address the chronic issue of rising healthcare costs by establishing stable and affordable pricing at the city and county level.

12. Describe the specific activities and operations of the program in chronological order.
- A BEST (Budget Efficiency Savings Team), lead by TeamTech, Inc., was established by Governor Kathleen Sebelius to address the rising costs of healthcare in Kansas.
  - The team consists of representatives from several state agencies including the Kansas Department of Corrections, Kansas Department of Health and Environment, Social and Rehabilitative Services, the Division of Purchases and county governments.
  - The team determined that its first priority was to reduce the purchase price of pharmaceuticals.
  - In December of 2004, as part of a multi-faceted effort which included various agencies and various pharmaceutical programs, the Kansas Department of Corrections negotiated with its contract healthcare provider, CCS, to offer bulk pharmaceutical pricing to state and local governmental agencies through CCS’s pharmaceutical provider, Diamond Pharmaceuticals.
  - Once the agreement was finalized, the Kansas Department of Corrections offered the bulk pricing to all state and local governmental agencies. The information about the program was provided at town hall meetings and education seminars in every county in the State.
  - The BEST team identified organizations such as the Kansas Association of Counties to act as the liaison with counties and local government to enlist team members.
  - Four pilot sites were established to determine actual savings, suitability of product and compliance with local, State and Federal pharmacy regulations.
  - A volunteer team of representatives from city, county and state government agencies was formed to monitor the program and break through existing barriers, thereby ensuring the program’s success. The team performed tasks such as holding town meetings, as well as meeting with legislators, mayors, city managers, hospital representatives, and pharmacists in the community.
  - By June, 2005, the pilot sites reported a significant savings of 59% on pharmaceutical products, resulting in millions of dollars worth of savings. Other agencies quickly followed with over 48 different agencies and programs participating at the present time.

- As the team began assisting local government agencies in obtaining the reduced pharmacy pricing, the team was allowed to address areas of deficiencies and regulatory concerns within the local government. Compliance in areas such as proper medications administration, licensing, storage, and routine inspections increased dramatically.
- The program began to grow to other states. Colorado adopted our method and utilized the Kansas Department of Corrections bid structure to offer the same discounts to their local units of government.
- By October, 2005, the pharmacy cooperative had generated other ideas of cooperative government such as health care recruitment cost sharing between counties, cooperative program implementation with local health departments in areas of staffing, pharmacy supplies, housing, and the sharing of resources for mental health treatment.
- To date, the program has provided an estimated cost savings of over 7 million dollars statewide. The average savings for small rural counties is up to \$6,000.00 per month, while the average savings for larger metropolitan areas is over \$200,000.00 per month.

13. Why is the program a new and creative approach or method?

It utilizes an executive state agency's bargaining power with a private contractor to negotiate savings to smaller agencies that would otherwise have no prospect for bulk savings. The program also creates an opportunity for local and state governments to work together as a team on a common goal that continues to result in positive outcomes for state and local governments, while burdening neither.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.) There were no specific start-up costs. This process is about partnering business with multi-level government cooperation. However, the pharmacy program had such a profound impact on other governmental agencies, such as the Department of Social and Rehabilitative Services (SRS), Kansas Department of Health and Environment (KDHE) and the Juvenile Justice Authority (JJA), that the Kansas Department of Corrections and SRS paid for a .25 full-time equivalent position to document the program's progress and to allow for a long-term contact person available to other states and other local governments to provide information about the program when needed.

15. What are the program's annual operational costs?

Other than the \$10,000 per year for the .25 FTE described above, there is no additional cost to the state or local government agencies. This is simply a new way of defining the scope of services offered through a state contract by extending beyond the primary agency to include agencies of all types at all levels of government.

16. How is the program funded?

The program requires no additional funding for the reason listed in number 15 above.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number. While this program did not require any passage of legislation, the program was such a success that Governor Sebelius wanted to duplicate the process in other forms of government. For that reason, she signed a declaration of the Kansas Collaborative that would encourage continued cooperation using this program as a model.
18. What equipment, technology and software are used to operate and administer this program? There is a data based utilized to track each county's participation and the average savings related to current pharmaceutical costs. This is the only technical need.
19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address. Yes, the program initiated in our state.

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20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ? This program is unique in its process and methodology. While

focused on pharmaceutical savings, the Kansas collaborative can serve as a model in any collaboration that requires cooperation and support within government without burdening the system financially. Following a visit by participants in the Kansas program, the State of Colorado began adopting the methodology of cooperative government. Colorado specifically adopted the CCS-Diamond pharmacy program from the Kansas contract.

21. Has the program been fully implemented? If NO, what actions remain to be taken?  
The program has been fully implemented on an operational level. All that remains is for other agencies who are interested in taking advantage of cost savings to join the program.
22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples. The program has been so successful and effective in addressing areas such as organization, communication, bargaining power in pricing, education, compliance monitoring and shared resources in underserved rural and frontier areas that we found at times we were overwhelmed with requests from the community. The program allowed for multiple agencies to improve systems and communication between state government and local government. Once we organized our team to handle the demand of requests (such as hundreds of calls from agencies wanting to join the program or requesting assistance with other out of control cost areas), we were able to manage the program demands well.
23. How has the program grown and/or changed since its inception?  
The Governor's Initiative helped solidify the process by being "fully committed to replicating these processes in addressing other service areas of shared responsibility – state, county, city – for the improvement of services for Kansas and at a lower cost than achieved by each level of government working on its own."
24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?  
The program requires the cooperation of a wide variety of state and local agencies on a large scale. Without support from an executive level, the program will not gain the credibility to succeed. Large government agencies must be willing to extend their bargaining power for the sole purpose of benefiting smaller agencies. Those smaller communities must do independent research to conclude that the cost savings offered are legitimate and compelling. Once counties implement the program, all of the participants must have continued communication to ensure that problems are addressed and outcomes continue to be successful. Our BEST team provided the framework to break down those barriers by bringing in key people at strategic times in the process who could interject knowledge, stability, and authority to meet the goals we knew we could reach.

Add space as appropriate to this form.

Return a completed application electronically to [innovations@csg.org](mailto:innovations@csg.org) or mail the paper copy to:

**CSG Innovations Awards 2006**

The Council of State Governments

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Deadline: All original applications must be received by March 4, 2006 to be considered for a 2006 Innovations Award.