

**2007 Innovations Awards Program  
APPLICATION**

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ID # (assigned by CSG): 07-S-31VACOMMUNITYRESOURCEPHARMACY

State: Commonwealth of Virginia

Assign Program Category: Health & Human Services

1. **Program Name:** DMHMRSAS Community Resource Pharmacy (CRP)
2. **Administering Agency:** The Department of Mental Health, Mental Retardation and Substance Abuse Services
3. **Contact Person (Name and Title):** Frank L. Tetrick III; Assistant Commissioner, Community Services
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8. **Web site Address:** <http://www.dmhmrzas.virginia.gov/ohqc-pharmacyservices.htm>
9. **Please provide a two- Sentence description of the program:** The Department of Mental Health, Mental Retardation and Substance Abuse Services operates a centrally located mail order pharmacy that provides psychotropic medications for locally administered community programs and [the CRP] was experiencing extraordinary financial, clinical and efficiency issues. Implementation of managed care principles and new technologies while addressing Medicare Part D has enabled the operation to reduce annualized cost by \$14 Million and realize a one-time increase in revenues of \$4 Million while expanding consumer access to treatment medications and supports.
10. **How long has this program been in operational (month and year). Note: the program must be between 9 months and 5 years old on April 2, 2007 to be considered.** December 2005
11. **Why was the program created? What problem[s] or issue[s] was it designed to address?** In FY 2004 & FY 2005, several years of trended data indicated the CRP would have to address materially increasing clientele; escalating medication cost and the mandates of Medicare Part D. The combination of these factors overlaid on dated processes and inefficiencies projected a financially unviable program. Change was necessary to streamline the process with the goal to reduce the increasing program cost while increasing the Department's capability of reaching more individuals needing medication services.
12. **Describe specific activities and operations of the program in chronological order.**
  - Late in 2004, it became clear that the financial position of the Community Resource Pharmacy was following a trend of prior years where the cost of providing community mediations would likely exceed the budget for these expenses. This was combined with a poor service delivery process that was slow and inefficient.

- The projected cost of medication expenditures over budget as approximately \$5.5 Million for FY 2005.
- Existing procedures did not maximize potential Medicaid revenue. A retroactive billing process was initiated that recovered approximately \$4Million with controls enacted to assure estimated ongoing annual Medicaid revenue of \$1Million.
- Time between a community program ordering a prescription and the delivery of the same was unacceptably lengthy. Turnaround times are now between one to three days on average.
- The Department desired to expand its capability to reach an increased number of community clients without increasing cost.
  - A process was developed and enacted to divert Medicare Part D eligible consumers to private sector pharmacies. This process supports the “normalization” for this clientele. This “gatekeeper” process resulted in a more controlled pharmacy volume, subsequent decrease in operational costs thereby supporting increased services to an indigent or near-indigent population.
- In the fall of 2005, the Department established a Pharmacy and Therapeutics (P&T) committee that would address all phases of pharmacy operations. The P&T committee included representatives from the Department’s Central Office (both clinical and administrative staff) and Community Services Board and State Facility staff.
- In January 2006, CMS implemented the Medicare Part D program. Although the CRP would *not* become a participating provider, many aspects of Part D affected the CRP program.
  - The primary areas of impact:
    - Part D consumers diverted to Medicare Part D privately operated pharmacy services.
    - The development and creation of a State Pharmacy Assistance Program (SPAP) by the Department for MP-D eligible consumer population.
    - CMS has approved the CRP to become an SPAP for addressing the financial needs of indigent or near indigent clients who are impacted by the Medicare “do-nut” hole and true out of pocket expenses (TROOP).
- In the spring of 2006, an analysis of funding medications of the CRP was completed and determined to be antiquated and cumbersome. A process was initiated that made significant use of “Managed Care” concepts.
  - The American Medical Association (AMA) defines “managed care” as “processes or techniques used by any entity that delivers, administers and/or assumes risk for health services in order to control or influence the quality, accessibility, utilization, cost and prices, or outcomes of such services provided to a defined population”.
  - The focus of the CRP program was and is to discontinue an inefficient and ineffective process while providing state funding

that required local programs to develop more financially efficient methods.

- A technical enhancement that was rolled out in early 2007 and impacted communications in a positive way is the implementation and use of software that allows Community Services Boards to obtain specific information regarding pharmacy utilization. This software is an interactive inquiry system that enables users to determine the utilization of medications by client along with the associated cost of the medications. This process is HIPAA compliant.

13. **Why is the program a new and creative approach or method?** The program is a new and creative approach for a number of reasons. Note:

- Utilization of appropriate yet diverse expertise was used to address the issue, i.e. clinical, administrative and financial.
- Incorporation of managed care concepts helps assure positive participation, impact and consumer outcomes.
- Use of state-of-the-art technology provided management and the end-user access to information.
- A “gatekeeper” process, i.e. the diversion of Medicare Part D eligible consumers to local private pharmacies, aids in control CRP volume and cost while promoting consumer empowerment.
- Implementation of this program has enabled the Department to expand outreach services address for previously unmet need without increasing cost.
- A new “wellness” initiative activity has been started within budgetary constraints.

14. **What were the program’s start-up cost? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff in place.** System start-up cost was minimal. Please note:

- Staffing cost was limited to existing employees currently in hire.
- Systems cost was limited to the implementation of the communications software with an initial outlay of \$3,000 and an annual support cost of \$400 per year.

15. **What are the program’s annual operational costs?** The annual operating budget for the CRP is \$20.5 Million for FY 2007. This includes:

- Staffing cost for five Pharmacists and five Pharmacy Technicians;
- Medication cost for state-wide psychotropic medication utilization;
- Mailing and distribution cost;
- System purchases and maintenance;
- A reserve for Medicare Part D “do-nut hole” cost;
- Implementation of a pharmaceutical “wellness” program.

16. **How is the program funded?** State General Funds and Medicaid collections.

17. **Did the program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.** No.

18. **What equipment, technology & software are used to operate and administer this program?**
- Desk Top Computers
  - Current Pharmacy program already in place, i.e. (QS-1).
  - “re-PORTAL” Internet inquiry and reporting software.
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.**
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20. **Are you aware of similar programs in other states? If YES, which ones and how does this program differ? No.**
21. **Has the program been fully implemented? If NO, what actions remain to be taken? No. Three areas continue to be developed:**
- State Pharmaceutical Assistance Program (SPAP). This program has received approval by CMS and Medicare is working with the Department to complete technical data transfer processes and procedures and communications.
  - The “Wellness” Program expands the use of the CRP to provide mechanical medical devices (blood pressure monitors, scales, body fat analyzers, etc.) and expansion of the formulary to include smoking cessation products. We believe that in making these new items available to our clientele recognizes that many of our consumers suffer with modifiable co-morbid medical conditions such as diabetes and obesity as well as modifiable risk factors.
  - Although the communications software is a critical tool in this process, 100% Community Program utilization needs to be completed.
22. **Briefly, evaluate (pro and con) the program’s effectiveness in addressing the defined problems[s] or issues[s]. Provide tangible examples.**

PROS:

- The number of consumers obtaining medications from the CRP was reduced from an average of 8961 in FY 2005 to an average of 3644 in FY 2007 or reduction of 59.35%.
- The number of prescriptions filled by the CRP was reduced from an average of 28,065 in FY 2005 to 10,635 in FY 2007 or 62.11%.
- The reduction above reflects an increased use of private pharmacies by Medicare Part D eligible consumers.
- Not only has volume decreased, but statistics show that the number of prescriptions per consumer has also gone down. This reflects a positive change of prescribing practices resulting from managed care.
- Controlling volume has enabled the Department to operate the CRP at a projected cost savings of \$14 Million in FY 2007.

- In addition to diverting Medicare Part D consumers to the private sector, the gatekeeper function also identifies Medicaid eligibility, which has resulted retroactive revenues of approximately \$4 Million in one-time collections with ongoing revenues estimated of being \$1 Million annually.
- Reduction in operating cost has made it possible for the Department to reach consumers not previously served due to system financial restraints.

CONS:

- Experts in diverse specialties are required to strongly collaborate on a project that is new and difficult to manage.
- Established and historical processes were changed and updated with a very short lead-time.
- Incorporating state of the art communications software, pharmacy processes/programs, HIPAA requirements and technical problems of data transfer with CMS for SPAP issues require focus and a high level of dedication.

23. **How has the program grown and /or changed since its inception?** Continual program evolution has occurred and one hallmark of the processes used to implement this program focuses on flexibility and continual improvement.

24. **What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?**

In order to implement this program, a state must have the following:

- Strong and supportive leadership at both the Central Office (Department) level and the local or community program level.
- The ability to establish a centralized mail order pharmacy that can take advantage of modern technologies and adapt to changing industry norms.
- Budget capability and or legislative capability to consolidate funding necessary to support a consolidated function.
- Energetic and dynamic staff willing to work “outside the box”.