

HOW LA-RX WOULD WORK

"Hardly a day goes by that we don't hear from senior citizens and others who cannot afford prescription drugs. Faced with gridlock in Washington, a proposal being considered by the Los Angeles City Council offers a meaningful solution at the local level. Insured or not, from the Eastside to the Westside, in Hollywood or South L.A., we are all paying too much for prescription drugs. . . . L.A. could become a national model for bringing residents together to get the best prices for their medications."

**Councilmember Antonio Villaraigosa and Consumer Advocate Jerry Flanagan
The Los Angeles Times, April 27, 2004**

What is LA-Rx?

A city-run prescription-drug bulk-purchasing consortium that provides prescription drug discount cards.

The purpose of LA-Rx would be to give the City the ability to negotiate discounts on prescription drugs so that residents could purchase prescription drugs with a prescription drug discount card, for 20%-40% lower than what they currently pay.

LA-Rx would serve its members.

Who are LA-Rx's Members?

Its members would include residents of the City of Los Angeles and the greater Los Angeles area, specifically these groups:

- 1) Individuals
- 2) Small businesses
- 3) Possibly private entities such as non-profits that provide medications to the poor, disenfranchised, undocumented, and homeless, like free clinics and the such

- 4) Possibly seniors who do not currently have prescription drug coverage (we would carefully avoid any legal tangles involving Medicaid and Medicare programs - we are still researching this issue).

Its members would either pay nothing or perhaps a nominal annual fee - maybe \$25 per year.

Who Benefits?

LA-Rx would help:

- 1) those with no health coverage
- 2) those with health coverage, but no prescription drug coverage, and
- 3) those with inadequate prescription drug coverage.

More specifically:

- 1) The middle class and other uninsured,
- 2) Seniors,
- 3) Small businesses and their employees, and
- 4) The poor (non-profits who help the poor, the homeless, the undocumented, and the disenfranchised).

Small business and good will - they could obtain or purchase LA-Rx memberships for their employees, who would then use the cards just as any individual would. The small business would obtain good will for very little effort and at most a very small price (e.g., in a company of 10 employees, the business owner would pay only about \$250 per year, per employee to provide this employee benefit (if there is a fee at all), but the employee would save 15%-30% each time they purchased prescription drugs).

Non-Profits/Free Clinics - other private entities, such as free clinics that serve the homeless and poor, could also buy into the system so that the medications they purchase for free distribution to the needy would cost them less and make it possible for them to provide more. (The details of how this would work have yet to be determined.)

How Would it Work?

With hundreds of thousands of members, LA-Rx would leverage its size to obtain for its members discounts on prescription drugs.

The best analogy is to Costco. Costco buys its products in bulk, in large quantities, and therefore receives a discount on the prices of those products. It then, for a nominal membership fee, conveys some of that savings to its customers. Because LA-Rx would be a non-profit, it would convey even more savings to its members.

PBM - LA-Rx would use a pharmaceuticals benefits manager (PBM) or similar type company or organization to do the following:

- Negotiate discounts on prescription drugs for LA-Rx members.
- Create a participating pharmacy network of both corporate and mom & pop pharmacies.
- Establish an acceptable formulary (one modeled on the formularies used by the City's current prescription drug coverage/health insurance plans).
- Create prescription drug cards - LA-Rx Cards.

The PBM would negotiate discounts on prescription drugs that would be passed on to the members of LA-Rx.

Individual members would present their LA-Rx Card to the participating pharmacist when purchasing their medication and get the discount at the register.

How Much Will it Cost the City?

It shouldn't cost the City much. The Task Force will investigate how Nassau County, New York and the State of Wisconsin made this happen and how much it cost them.

If there is a cost, it can be offset by the membership fees. Costs to be covered, one way or another, are those of the PBM services, as well as those to the City for administering the program.

The program would be administered through the Personnel Department, Benefits Division and would entail hiring only one or two employees. Alternatively, a JPL could be established to run the program - a joint effort between the City and the County.

The Steering Committee

To choose a PBM and determine all other details regarding LA-Rx, the City will establish a steering committee. The LA-Rx Steering Committee will be comprised of representatives of 1) City of Los Angeles Personnel-Employee Benefits Division, 2) City Administrative Office, Risk Management, 3) City Attorney's Office, 4) two health care experts, one with expertise in pharmacy and one from County Health, 5) a health plan consultant with expertise in pharmacy benefits management, and 6) someone with expertise in Medicare and seniors prescription drug issues, possibly from the L.A. City Dept. of Aging.

The Steering Committee will first verify the viability of the program (a program like this has been initiated successfully by Nassau County, NY and the State of Wisconsin) and then draft a Request for Proposal that will come before Council for approval before publication.