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**OFFICE OF GOVERNOR RONNIE MUSGROVE**  
**INTEROFFICE MEMORANDUM**

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**TO:** GOVERNOR  
**FROM:** SMITH  
**SUBJECT:** MCKESSON DISEASE MANAGEMENT PROGRAM  
**DATE:** 10/24/02  
**CC:** RENICK, LEE ANN, TELL, BOYD, PROSPERE

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McKesson and Division of Medicaid are currently in contract negotiations about this contract. I wanted to give you an update and issues that have come up about this contract so you have all the information. The plan is to get this contract finalized by the end of this week or early next week and get it on the agenda of the Contract Review Board's November 14<sup>th</sup> meeting. If the review board approves the contract, implementation would begin December 1, 2002, and be completed within 90 days, or December, January, and February. The following is a timeline and issues to date:

- On **October 2, 2002**, Bob Lomenick called me and reported, "someone called saying that McKesson has been awarded a disease management program with Medicaid and that patients will have to buy from them." He wanted me to find out if was true. He said that if it was true, the pharmacist's of the state would fight it with everything they have. He said that this will put pharmacist out of business in the state and that this was an out-of-state company. I talked to Bill and we set up a meeting with Bob and some of the other pharmacist.
- On **October 14, 2002**, Bill, Lee Ann, Boyd, and I met with Bob Lomenick, Kyle (Director of Independent Pharmacist Association), Tommy Spell (Mississippi Pharmacist Association and owner of a Diabetic Supply Company), Lee Ann Ramsey, (Officer in the Independent Pharmacist Association, with Ole Miss School of Pharmacy, Director of Pharmacy based at the Jackson Medical Mall) and lobbyist Al Sage and Clare Hester. We discussed two topics, the Disease Management Program and the current Health Alliance pilot program. During the conversation about the McKesson Disease Management Program, we let them know that a letter of intent had gone out but a contract had not been signed yet. They urged us not to enter into an agreement like this because its an out-of state provider and in-state providers could do the same thing. We discussed that an RFP was released and inquired why they had not submitted a proposal. Tommy Spell said that he had expressed interest during the Request for

Information phase and had done an oral presentation of his program. He claims that he was told that he would be notified when the RFP was released but never was. By the time he realized that the RFP had been released, it was too late. Lee Ann Ramsey also stated that they had wanted to submit a proposal but submitted their letter of intent a day late because they did not know in time. We told them that anyone could submit a proposal and urged them to do so if they are interested. The current Health Alliance contract was also discussed. Their specific questions were:

1. How was the Health Alliance contract initiated without offering it to the in-state providers?

Response: This is a “pilot program” and Health Alliance is just like any other pharmacy provider. Furthermore, anyone can submit a proposal.

2. Has Medicaid applied for a 1915(b) waiver, which will essentially lock-in patients so that Health Alliance will be the sole pharmacy provider? No. (Without the waiver, the beneficiary is supposed to have a choice of providers).

FYI: Bob Lomenick had a copy of e-mails exchanged by Jerry Miller, Vice President of McKesson, and other parties. He also had copies of parts of the proposal. The e-mail states that McKesson does not have a contract with Health Alliance. I have attached a copy of the e-mail for your review. Note the date is October 7, 2002, a week before our meeting.

- On **October 17, 2002**, Lee Ann and I met with Jamie Martin and Dr. Aaron Shirley. Jamie had concerns about how the contract was being handled at Medicaid in Rica’s absence. Jamie said that we are looking at about 70-80,000 people enrolling in the McKesson Diseases Management Program. She stresses that the cost to implement the program will be offset by the pharmacy cost savings, making this a cost neutral program for the state. Without the Health Alliance piece with the lower dispensing fees and AWP’s (Brand name drug AWP-15%, Generic AWP –20%), the program will be an added cost to the state and hurt you politically. She stressed that Health Alliance needs to be the sole pharmacy provider and this should be a whole package or nothing, or a single opt-out. Jamie also said that she and Doug Cook had prepared a proposal and gone and met with Tom Scully and David Criss with CMS. They reviewed the proposal and were very interested. CMS has recently granted a 1915(b) waiver in Louisiana which mandates Medicaid beneficiaries get prescription drugs from Health Alliance. Jamie said she wanted to include the other in-state partners and submitted the proposal during the RFP period with McKesson as the primary contractor and the others as partners. She reemphasized that this disease management program is automatic for all Medicaid patients with diabetes, asthma, and hypertension and they can opt-out if they choose. Health Alliance has no fixed pharmacy list, that if a beneficiary enrolls, they will also be able to get prescriptions for other diseases other than Diabetes, Hypertension

and Asthma. Also, once HID sets the formulary that is in progress, Health Alliance will use the same list of drugs, just like any other pharmacy provider enrolled in the Medicaid program. Example: If a nurse calls to check on a patient and they are having problems with their arthritis, Health Alliance will not tell the patient they can only handle diabetes, hypertension, and asthma. While the pharmacists are having a problem with this, it makes sense that a patient would not want to go to the pharmacy for one medicine and get the others through mail order. Jamie also stated that Health Alliance is building an automated pharmacy in Louisiana, 30 miles from the Mississippi state line, which under current Mississippi law qualifies them to be a Mississippi provider.

- On **October 18, 2002**, we had a conference requested by Rica. Rica participated from home and recapped the following:
  - 9-20-02, Rica signed the letter of intent to all providers that submitted proposals during the RFP period.
  - 9-25-02, Phyllis Williams, with DOM, communicated with Jerry Miller of McKesson (primary contractor) and said McKesson should have communicated with the other sub-contractors. Jamie was angry because she had not gotten a copy of the contract until October 11, 2002 when she requested one from Medicaid. This left little time for contract negotiations before the Contract Review Board meeting on October 18, 2002. Jerry Miller said that they did not want to sub-contract with the other partners because they did not want to assume liability for them. He also said that he had indicated he needed further data. Gwen Combs, Asst. AG, asked if they wanted DOM to have separate contracts with all the partners, or six different contracts and this was outside the RFP. There was much discussion about this because the RFP and their response to the RFP was clear that McKesson would be prime contractor and subcontract with the other partners. (See attached) Rica asked Jerry Miller if McKesson had submitted questions in the oral presentation to clarify his issues because that would have been the time to clear up misunderstandings. FYI- Jerry Miller had signed the Transmittal Letter (attached), which states in item #9 that McKesson has read, understands, and agrees to all provisions of this RFP without reservation. Rica and Gwen also pointed out that on page 20 of McKesson's response to the RFP, it clearly states that McKesson would sub-contract with the other parties. At this point Rica suggested that they make changes to the contract and we would have another conference call to discuss on October 23, 2002. McKesson wants to be primary contractor without assuming liability for the sub-contractors.
  - On **October 23, 2002**, we had a follow-up conference call. In addition to the same participants on the first conference call, Doug Cook and Dr. Aaron Shirley participated. McKesson also had several representatives on the call that may not have been on the first call. McKesson had faxed a new contract after 5:00 on

October 22, 2002 and they had now decided to contract with some of the other partners in the RFP response but had dropped UMC and Mississippi Primary Health Care Association. Jamie indicated that UMC and Mississippi Primary Health Care Association were never meant to be partners. However, their response to the RFP clearly identified them as a subcontractor on page 20. In section VI of Contract #1, there are limitations on liability. Jamie and Gwen Combs got in a tense discussion about this. Gwen stated that she did not have the authority to enter the DOM into a contract with limitation of liability and there were numerous AG opinions on this. At this point, Doug Cook stated that some states had done this. (Gwen whispered that other states may have done this as a result of tort reform and we may have to change since we've passed tort reform). This program will be rolled out as a "whole package" and all patients with diabetes, asthma, and hypertension will be enrolled. Since Health Alliance is connected in the McKesson contract, they will be the pharmacy provider that McKesson recommends in implementation. If an in-state pharmacy provider submits a proposal to do this and can match the lower prices, they will not be able to serve the patients enrolled in this program without McKesson and the other parties agreeing. Since the likelihood of that happening is not a reality, we are essentially giving Health Alliance a monopoly. To allow the other pharmacists to have a level playing field, the McKesson contract would have to be altered to allow them to partner.

- I spoke with Phyllis Williams at DOM today and she said that Jerry Miller with McKesson called right after the conference call and apologized for Health Alliances' behavior on the conference call and that future conversation will be limited.
- Bo Bowen stated that the AG's office had called recently asking how Medicaid could provide mail order when the State Plan does not allow it. They responded that because this is a "pilot", the state plan does not need to be altered. DOM will have to alter the State Plan to allow for mail order drug and supplies as a result of the disease management program.
- I have attached a list of vendors that received notice of the RFP. There are other names that received the notice on a standard list, as well. To get on the list, you have to notify DOM and they put you on the list. The notice was posted in the Clarion Ledger and The Jackson Advocate (ran twice in bid section of each paper, seven days apart) and it was on the DOM Web site. The RFP was issued according to state procurement regulations.

Is this the direction you are comfortable with regarding this contract? If not, we need to notify Rica and protect you as much as possible politically. I firmly believe in disease management and like the fact that some patients will benefit from mail order, if they choose, so that they or

their caregiver won't have to go to the pharmacy to get medications and supplies. The part that makes me uncomfortable is that while we may be allowing a patient a choice of pharmacy providers, odds are the other providers will not be allowed to participate if the other partners don't agree to let them. This may get challenged and you will receive a lot of negative press. One option is that we could put a non-exclusive clause in the contract that states that McKesson will appropriately encourage patients to choose from an array of pharmacy providers in the event that DOM enters into contracts with other pharmacy providers for the same prices and that they will encourage the patient to choose. This creates a level playing field if the in-state providers submit a proposal, it clearly makes it the choice of the patient, and you would take less political heat.. (You'll still get heat though)

Do you want me to direct Rica to put in the non-exclusive clause?

YES \_\_\_\_\_

NO \_\_\_\_\_