HARRIS M. HAUSER, M.D., P.A.

* Psychiatry
* Neurology
*+Neurophysiology
+ Neuroimaging

5959 West Loop South,
Suite 600
Bellaire, Texas 77401

Diplomate
*American Board of Psychiatry and Neurology
+ American Board Of Clinical Physiology
+American Board of Neuroimaging

Phone: 713 - 669 - 0303 Fax: 713 - 669 – 0704
www.hauserclinic.com

January 24, 2005

Texas Legislature
c/o Texas Health and Human Services Commission
Austin, TX 78711

Re: House Bill (H.B.) 2292 and the Pharmaceutical & Therapeutics Committee's work on the preferred drug lists for Medicaid and the Children's Health Insurance Program.

This letter from Dr. Harris M. Hauser, Chair of the Pharmaceutical & Therapeutics (P&T) Committee is presented to provide you our perspective regarding our work since the committee's inception one year ago and also on the proposed changes to H.B. 2292 being suggested by various special interest groups.

Recommendation:
We recommend that no changes be made to H.B. 2292 during this legislative session.

Rationale:
H.B. 2292 from the 78th Texas Legislature, Regular Session, 2003 required that the Texas Health and Human Services Commission (HHSC) implement a preferred drug list (PDL) for Medicaid and CHIP. H.B. 2292 also created the Governor-appointed Pharmaceutical & Therapeutics (P&T) Committee of six physicians and five pharmacists to make recommendations to HHSC about which drugs to place on the PDLs. Our committee makes its recommendations based on three criteria: the safety of a drug, its clinical efficacy, and the cost effectiveness of drugs in each class. We take all of these factors into consideration, with the safety of each drug as our first concern. This is the pattern we have established and will continue to follow.

Our Committee has just completed one full year of work during which we were given a very difficult task that the state of Texas has never faced before; to establish and implement a PDL for the Medicaid program and Children's Health Insurance Program (CHIP). As you may already know, the goals of the PDLs are to reduce state expenditures while ensuring quality of care and access to recipients of these programs.

Our committee has accomplished all that we were asked of by you through H.B. 2292 in a very short time frame while also facing a large amount of pressure from multiple special interest groups. This initial success by our committee occurred largely because of our existing approach to the process and our existing policies and procedures. Changes made now could impair our abilities to adequately assess our initial work, the impact we have made on health care within these programs, and our ability to effectively implement the PDL in a manner needed to accomplish our objectives. We have already made and will continue to make the necessary changes in the process that are in the best interest of all participants, including special interest groups. In our opinion, further changes to H.B. 2292 would be premature.

One of the concerns brought up by those who wish to make changes to H.B. 2292 is that our committee approves many of the recommendations that are made by Provider Synergies, L.L.C. during executive session. (Provider Synergies, L.L.C. is the company hired by HHSC to negotiate drug rebate contracts.) This has not been the case. We have made many recommendations that were different from those initially recommended by Provider Synergies, L.L.C. We have made decisions to include additional medications not suggested by Provider Synergies, L.L.C., mainly for the reasons of quality of care, and have recommended others to be removed because of safety and efficacy concerns. For example, we recommended a drug with a combination of medications so that it would not only increase the number of medications covered by Medicaid, but to improve adherence for the patients this program is serving. In addition, we have tailored our recommendations, mainly for safety and efficacy reasons, to the patient population utilizing these programs within the state of Texas. This is another area where our recommendations have differed with those of Provider Synergies, L.L.C., who also works with several other states with different patient demographics. Lastly, we have postponed recommendations for the CHIP PDL because of a need to obtain more information regarding pediatric information for the medications we will be recommending. To avoid making recommendations that would compromise any one of our three criteria (safety, efficacy & cost effectiveness) or the quality of care being provided to patients of this program, we elected to postpone some cost savings to the state. In this situation, we put the patients and the health care providers ahead of the initial interests to cut costs.

Another criticism we have received is the brevity of discussion amongst the committee that takes place during the sessions of our meetings with the public. We are pleased to report that we have already made changes to address this concern. Since our inception, we have met eight times, each time gaining a greater understanding of the process. By our own initiative, we have steadily increased the public discussions to the point that we will now be extending our meetings an additional day to allow for adequate discussion time. Due to the changes we as a committee have already made, we see no reason to further change H.B. 2292.

In addition, the full effects of our work cannot be appropriately assessed at this time. To comply with HB 2292, PDLs were implemented in five segments this first year. This will be reduced to twice a year PDL updates in 2005. Results of the first 12 month cycle of the initial PDL segment will be completed in January 2005. The committee and HHSC

are currently in the process of reviewing cost savings data, impact on health care outcomes, and the impact on providers implementing the PDLs. Preliminary analysis indicates we are on track for meeting our objectives as outlined in H.B. 2292. There is no need to change the bill.

We would like to address one final concern that our critics have regarding the confidentiality of our vote as individual committee members. After our committee addresses the safety and efficacy of a drug, we are left to consider the third point of our criteria: cost effectiveness. Discussions regarding cost effectiveness take place in executive session. The pharmaceutical companies have requested that their contract information established through Provider Synergies, L.L.C. be kept confidential. Therefore, we as a committee cannot discuss the cost effective aspects of our decision in a public session due to the interests of the pharmaceutical companies involved in such discussions, thus necessitating a confidential vote.

In summary, you have very recently created our committee and process through H.B. 2292 and we ask that you continue to give us the ability to further the work that has already been started. Therefore, we again ask that you not make any changes to H.B. 2292 since we believe the process is working very well and our committee has made and can continue to make appropriate changes within the existing statutory provisions.

We are grateful for your time and consideration of our recommendation and observations regarding the first year of our work. Please feel free to contact us for any additional information that you might need in making your decision.

Sincerely,

Harris M. Hauser, M.D.

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