

Cabinet Agencies' Performance Audit Action Item(s) & Status

Department of Labor & Industries Prescription Drugs

(See also [cabinet agency response](#) for full context to Washington State Auditor's Office (SAO) [report](#), May 2011)

Agencies included in the performance audit: Department of Labor & Industries.

SAO Issues Summary:

1. State law requires, and L&I is using, several leading practices to control prescription drug expenses.
2. By updating its prescription drug prices, L&I could have saved \$7.1 million in Fiscal Year 2009. It has not followed other practices that could further reduce costs.
3. Mail order pharmacies.

The table below shows the current status of action items the agency initiated to address issues identified in the performance audit report. Please see the [cabinet agency response](#) for additional context and any additional steps already taken.

For an explanation of the columns below, [see the legend](#).

Issue	Status	Action Steps	Lead Agency	Due Date	Current Resources?	Budget Impact?	Legislation Required?	Notes
1	Completed	L&I continues to participate in interagency activities to implement leading practices pursuant to laws on prescription drug purchasing for state programs.	L&I	done	Yes	No	No	See: Action Steps - ongoing
2	Completed	Workers' Compensation Research Institute (WCRI) – Study on Prescription Benchmarks for Washington, July 2011, found that the average prescription cost per claim for Washington was 40% lower than the median of 17 states. The main reasons were 1) pharmacy fee schedule was lower than in most states with a pharmacy fee schedule, 2) more	L&I	done	Yes	No	No	Implemented/Complete Ongoing through L&I's annual Medical Aid Reimbursement and Fee Schedule (MARFS). L&I continues to participate in interagency activities to implement leading practices pursuant to laws on prescription drug purchasing for state programs. As part of our annual provider fee schedule update, we have assessed the feasibility of further reducing prescription reimbursement rates. No changes to the

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		use of generics than in many other states, 3) more use of generic alternatives when no generic equivalents were available, and 4) infrequent physician dispensing. No changes to the pharmacy reimbursement rate at this time.						pharmacy reimbursement rates at this time. L&I's MARFS was published on June 2, 2014.
3	Completed	L&I amended rules to allow pensioners with ongoing medical treatment the convenience of receiving a 90-day supply of prescription drugs via mail-order, which became effective July 2013. L&I contracted with Postal Prescription Service, through HCA's Northwest Consortium, to provide mail-order services. Letters were mailed to 1,500 pensioners introducing the program and providing direction on how to access mail-order services early July.	L&I	done	Yes	No	No	<p>Cost Savings Net savings = \$37.35 over a 6 month period (Savings=\$5037.35, less contracting cost = \$5000/6-months). This does not account for start-up programming costs and costs for notification letters.</p> <p>Implemented/Complete See: Action Steps</p>
3	Completed	L&I collaborated with HCA and developed the Northwest Consortium Audit Process for pharmacy benefit management services through the consortium in October 2011	L&I	done	No	Yes	No	<p>Implemented/Complete See: Action Steps</p>