

Date: June 24, 2009  
To: Members of the University Community  
From: The Department of Human Resources  
Subject: Status of the WSU Prescription Drug Program and the WSU Pharmacy

### **Campus Pharmacy Operation and Cost Analysis**

In the Spring of 2008, before we began our examination of the Ohio Collaborative, Inc. (RxOC), the campus was expressing concern about the viability of the pharmacy. Business has declined for a number of years for a variety of reasons. One of those reasons was surely the closing of the clinics in the former Fred White building, since clinic traffic accounted for a substantial portion of the pharmacy's business.

Wright State University has independently made the decision to join RxOC, which has contracted with Express Scripts for pharmacy benefit management (PBM).

### **RxOX and Express Scripts as a Pharmacy Benefit Manager (PBM)**

RxOC is a collaboration involving The Ohio State University, the Ohio Public Employees Retirement System, the State Teachers Retirement System, and other public sector partners. This consortium is able to use its combined purchasing power to generate significant savings in the cost of prescription drug coverage. The consortium includes over 400,000 covered lives and in excess of one billion dollars in annual drug expenditures.

A team of employees from the School of Medicine, Purchasing, Human Resources, and Business and Fiscal Affairs conducted a thorough analysis of joining RxOC vs. continuing our current drug plan and pharmacy operations. This analysis included assistance from a consulting firm.

Our analysis concluded that there would be annual savings of \$400,000 and potentially greater if we were to join RxOC.

Joining other public sector employers participating in this program will improve access to pharmacy benefits for smaller employers and will address one of Governor Strickland's goals: cost savings through pooled purchasing among state institutions. The State of Ohio has indicated that it views WSU's participation in RxOC as a prime indicator of our willingness to collaborate with others to achieve cost savings that can benefit our students and/or taxpayers. It is essential that we continue to be seen as actively engaged in cost savings if we have any hope of remaining a priority in an extraordinarily challenging state budget environment. Many other IUC Universities within the state are currently performing analyses in consideration of joining the RxOC.

Savings noted above will come from an ability to negotiate larger rebates from drug companies, from the efficiencies involved in the mail order system for maintenance drugs, and from substantially lower dispensing fees paid to pharmacies. All of these savings come from the high volumes involved in the consortium's purchase of prescription medications.

### **Status of the WSU Pharmacy**

We have seen recent changes within the retail pharmacy industry offering competitive wholesale pricing the WSU pharmacy cannot offer.

Joining RxOC and transitioning to mail order only for maintenance drug prescriptions will result in a further decline in the WSU pharmacy business of approximately fifty per cent.

The pricing and operation of the WSU pharmacy has been centered on a break-even philosophy. Any further decline in the volume of business will cause losses that will be far too great to subsidize.

Based on all of the facts and information, the university administration has concluded that the WSU pharmacy cannot continue its operations under these circumstances. Human Resources has been informed that the WSU pharmacy will close effective December 31, 2009.

Additional information about RxOC, a frequently asked question list, and other pertinent information will follow shortly from Human Resources.

With closing of the WSU Pharmacy, we wish to acknowledge our sincere appreciation to the staff of the WSU Pharmacy for their dedicated and excellent service throughout the years.