

# Legislative Analysis



## CENTRAL FILL PROCESSING SERVICES

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**Senate Bill 352 as passed by the Senate**

**Sponsor: Sen. Bill Hardiman**

**House Committee: Health Policy**

**Senate Committee: Health Policy**

### **First Analysis (5-25-05)**

**BRIEF SUMMARY:** The bill would allow a pharmacy to perform "centralized prescription processing services" or to outsource those services to another pharmacy, if certain conditions are satisfied.

**FISCAL IMPACT:** Fiscal information is not currently available.

### **THE APPARENT PROBLEM:**

"Central fill" refers to the process by which one retail pharmacy receives a prescription from a consumer (or his or her physician) but a second pharmacy prepares and delivers the prescription drug to the first pharmacy for delivery to the patient. Typically, central fill activities are done by pharmacies that have a contractual arrangement for one pharmacy to prepare the prescriptions for another pharmacy or by pharmacies that share a common owner. Central fill processing utilizes technology that automates the process and so enables a greater volume of prescriptions to be filled. Used by many chain drugstores, central fill services are changing the way the industry operates. In addition, small, independent pharmacies can increase the volume of prescriptions they can handle by contracting with central fill pharmacies. Industry members note that central fill pharmacies reduce the time that pharmacists in retail settings must spend in intensive, administrative tasks, thus providing more time for those pharmacists to spend on patient care. Central fill processing also is believed to reduce the potential for dispensing errors and so improves patient safety.

For these and other reasons, at least 33 states have passed legislation to allow central fill processing. Michigan, however, currently has no mechanism in law to allow such activities. Legislation is being offered to establish a framework for central fill pharmacies.

### **THE CONTENT OF THE BILL:**

The bill would amend the Public Health Code (MCL 333.17753) to allow a pharmacy to perform "centralized prescription processing services," or to outsource those services to another licensed pharmacy, if certain conditions are satisfied.

The term "centralized prescription processing" would be defined to mean the processing by a pharmacy of a request from another pharmacy to prepare a prescription drug order or

to perform processing functions such as dispensing, performing drug utilization review, completing claims adjudication, obtaining refill authorizations, initiating therapeutic interventions, and other functions related to the practice of pharmacy.

Under the bill, each of the following conditions would have to be satisfied.

- 1) The pharmacies would need to have the same owner or have a written contract outlining the services to be provided and the responsibilities and accountabilities of each pharmacy in fulfilling the terms of the contract in compliance with federal and state laws and regulations.
- 2) The pharmacies would have to share a common electronic file or have appropriate technology to allow access to sufficient information necessary or required to prepare a prescription drug order.
- 3) The pharmacies would have to comply with federal and state law.

Under the bill, a pharmacy that performed, or contracted for, centralized prescription processing services, would have to maintain a policy and procedures manual, along with documentation that implementation was occurring, to be made available to the board for inspection and review on request.

The manual would have to include, at a minimum, a detailed description of how the pharmacies would do the following:

\*\* Maintain appropriate records to identify the responsible pharmacist, or pharmacists, in the various stages of drug product preparation, dispensing, and counseling process.

\*\* Track the prescription drug order during each step in the drug product preparation, dispensing, and counseling process.

\*\* Identify on the prescription label each pharmacy involved in the preparation and dispensing of the prescription drug order.

\*\* Provide adequate security to protect the confidentiality and integrity of a patient's protected health information.

\*\* Implement and maintain a quality improvement program for pharmacy services designed to objectively and systematically monitor and evaluate the quality and appropriateness of patient care, pursue opportunities to improve patient care, and resolve identified problems.

Senate Bill 352 and House Bill 4434 are tie-barred to each other, meaning that neither can become law without the other. House Bill 4434 would exempt pharmacies that share a real-time, on-line database, or that transferred prescriptions under a contract for centralized prescription processing services, from certain requirements pertaining to refilling a copy of a prescription from another pharmacy.

[**NOTE:** Senate Bill 352 is identical to the version of House Bill 4434 as passed by the House of Representatives. House Bill 4434 was later amended into its current form and the two bills tie-barred.]

***ARGUMENTS:***

***For:***

Prescription volumes continue to rise, but there is a nationwide shortage of pharmacists. Small, independent pharmacies find it difficult to compete with large chain drugstores, especially in the ability to stock expensive, rarely used prescription drugs. Pharmacists spend up to two-thirds of their time in administrative tasks when refilling prescriptions rather than being available to answer patients' questions. For many, the answers are found in central fill processing.

Central fill processing allows a centralized warehouse to utilize new technology to fill a high volume of prescriptions safely and accurately. Whether servicing drugstores owned by a single chain, or contracting with independently owned pharmacies, central fill pharmacies can reduce overall costs associated with filling prescriptions, can free up pharmacists to have more time with patients, and can reduce the potential for dispensing errors. Further, in conjunction with House Bill 4405, which would remove the current prohibition on in-state pharmacies using the mail to receive and deliver prescriptions, the legislation is a necessary piece of the puzzle that would allow in-state pharmacies to compete with out-of-state pharmacies for state contracts to serve the Medicaid population and negotiated contracts that are part of a collective bargaining agreement.

***POSITIONS:***

A representative of the Michigan Pharmacists Association indicated support for the bill. (5-24-05)

A representative of the International Union - UAW indicated support for the bill. (5-24-05)

A representative of the Michigan Chamber of Commerce indicated support for the bill. (5-24-05)

A representative of AARP indicated support for the bill. (5-24-05)

A representative of St. John's Health indicated support for the bill. (5-24-05)

Legislative Analyst: Susan Stutzky

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.