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Funding Options for Prescription Drug Monitoring Programs

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Introduction

Over the past ten years, prescription drug monitoring programs (PDMPs) have proliferated rapidly in response to the prescription drug abuse epidemic. There are now 49 states and one US Territory (Guam) that have enacted legislation authorizing a PDMP; 47 PDMPs are operational and 2 states are in the process of implementing their programs.

A growing body of research, expert opinion, and states' experience indicate that PDMPs are effective tools in curtailing the abuse and diversion of controlled substances. Recent evidence suggests that when practitioners and pharmacists use PDMP reports in their practices, the results are better patient care and improved health outcomes. [1]

However, for a variety of reasons and despite their proven effectiveness, many PDMPs struggle to stay operational. Limited and uncertain funding has made it difficult for PDMPs to enhance their operations and achieve their full potential. Some states prohibit using general state revenues for the programs; many PDMPs are supported only by federal grants (e.g., the Bureau of Justice Assistance (BJA) Harold Rogers PDMP Grant Program), while others are forced to seek private funding. Some have operated intermittently due to funding shortfalls, and it appears that some PDMPs will, unfortunately, cease operations altogether if financial support cannot be secured.

To help PDMPs remain operational and fulfill their purpose in a time of shrinking state budgets, the PDMP Training and Technical Assistance Center (TTAC) at Brandeis University with support from the BJA, has developed this guide on funding options and their rationales. The goal is to inform PDMP administrators, policy makers, legislative representatives, and other interested stakeholders of funding mechanisms currently in use across the country. The guide also suggests other funding possibilities a PDMP may wish to consider to ensure sustainability and program enhancement.

The TTAC recognizes the diversity of state laws, policies, and operations, and that some of the funding options described in this guide may not be applicable or appropriate for every state. Moreover, PDMPs use a variety of sources for funding their programs; some use a single source, others have a multitude of funding streams. This guide provides information of use to all PDMPs in deciding the most viable funding options in their respective states.

This guide has two parts. Part I describes funding methods currently employed by PDMPs while Part II describes other funding options, not yet in use, which PDMPs may wish to consider. The guide also categorizes PDMPs by their current funding methods so that PDMP administrators may contact their colleagues for more information on particular methods. PDMP contact information is available at: http://www.pdmpassist.org/content/stateterritorydistrict-contacts.

[1] See "PDMPs: an effective tool in curbing the prescription drug abuse epidemic", PDMP Center of Excellence (2012), http://www.pdmpexcellence.org/sites/all/pdfs/pmp_effectiveness_brief_revised_3_29_12.pdf, and "Prescription drug monitoring programs: an assessment of the evidence for best practices", PDMP Center of Excellence (2012), http://www.pdmpexcellence.org/sites/all/pdfs/Brandeis_PDMP_Report.pdf

PART I: Current Funding Methods

Federal Grants

Federal grants have been essential to the establishment and improvement of PDMPs. They have been used to supplement existing state funds or bridge a gap when state funds are lacking. Grants generally do not require legislative action to obtain these funds.

Currently, the foremost PDMP grant program is the Harold Rogers PDMP Grant Program (HRPDMP), administered by the U.S. Department of Justice's Bureau of Justice Assistance. HRPDMP grants have been made available to states since 2003 for the purpose of planning, implementing and enhancing PDMPs. Another federal grant program, the National All Schedules Prescription Electronic Reporting (NASPER) grant, is administered by the Substance Abuse and Mental Health Services Administration (SAMHSA). However, no funds have been appropriated for the NASPER program since fiscal years 2009 and 2010, and NASPER grants are not currently available. More recently, the Office of National Coordinator (ONC) at the Department of Health and Human Services (HHS) are providing grants to select states for pilot projects designed to enhance the access of PDMP data through Health Information Exchanges.

Grant programs generally place a limit on the amount a state many receive, specify a funding period, and place restrictions on how the funds are to be used. A state receiving a grant may be precluded from applying for future support.

Because Federal grants are limited, states are necessarily in competition for awards. Successful applications are those that conform carefully to grant requirements, demonstrate the need for funding and their expertise in prescription monitoring, and articulate clear objectives and the capacity to achieve them. States can request redacted copies of previously funded applications under the Freedom of Information Act. Some PDMPs partner with research institutions or grant writing specialists when applying for federal funds.

Among the states currently receiving federal grants are: Alabama, Arkansas, California, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Montana, New Jersey, North Carolina, Ohio, Oklahoma, Tennessee, Texas, Virginia, Washington, West Virginia, and Wisconsin.

Private/Non-federal grants

The National Association of State Controlled Substances Authorities (NASCSA), a non-profit educational organization, provides small stipends to PDMPs for outreach and educating stakeholders about prescription monitoring.

Among the states currently receiving NASCSA grants are: Delaware, Illinois, Kansas, and Tennessee.

General Revenue Funds

General revenue funds are authorized by a state's legislature and have been the traditional funding method for PDMP operations. Most general revenue funds come from state taxes such as sales, income, and property taxes. General revenue funds are, for the most part, the monies state agencies depend on to administer their programs, including regulatory boards and licensing agencies which are described below. Many state budgets also have discretionary funds built into them which, at times, have been used to fund high priority programs.

General revenue funds, once allocated by a state legislature, can provide consistent and reliable support for the PDMP. However, because state revenues are limited, passing legislation allocating sufficient funds for optimum PDMP operation requires strong and continuing advocacy by stakeholders (e.g., medical groups, law enforcement, the general public) that might benefit from effective prescription monitoring. Therefore, PDMP administrators should strive to have ready all available information in support of PDMP effectiveness, both in terms of improved public health outcomes and reduced costs to the state (see footnote 1 above). . PDMP administrators and stakeholders should have a general understanding of the legislative and budget processes and be acquainted with policies and procedures about budget preparation. Many experienced administrators begin planning their budgets a year or two in advance.

Some of the states currently employing this funding method (in full or in part) include: California, Illinois, Kentucky, Massachusetts, Mississippi, North Dakota, Pennsylvania, Rhode Island, Texas, and Utah.

Controlled Substances Registration Fees

In addition to licenses issued to medical professionals authorizing them to practice within a state (see section below on Professional Licensing Fees), several states issue a separate registration required for the prescribing and dispensing of controlled substances. This controlled substance registration is separate from the federal Drug Enforcement Administration required registration. Registration fees provide a consistent stream of funding and can help facilitate a strong collaboration between licensing agencies and the PDMP.

Because controlled substance registrations are for the most part established through legislation, legislative action may be required to increase or create fees for the purpose of this PDMP funding. Unless the registration is issued by the same agency which administers the PDMP, it may be necessary to negotiate a memorandum of understanding (MOU) between the two agencies on how the funds are transferred or re-allocated.

Allocating monies from controlled substance registrations to the PDMP can be justified by pointing out the benefits of the PDMP for prescribers of controlled substances, including the fact that only PDMP data can fully inform prescribers of their patients' access to prescription medications.

Survey data show high rates of satisfaction among prescribers with use of PDMPs, many of whom judge it to be an invaluable tool for safe prescribing and good medical care.[2] Such benefits make a strong case for supporting the PDMP via a relatively small cost to prescribers themselves.

Among the states currently employing this funding method (in full or in part) are: Alabama, Hawaii, Idaho, Illinois, Indiana, Louisiana, Massachusetts, Minnesota, New Mexico, North Carolina, Oklahoma, South Carolina, and Wyoming.

Professional Licensing Fees

Professional licenses are granted by a licensing agency or regulatory board (e.g., Board of Medicine, Pharmacy, Dentistry, Podiatry, Veterinary Medicine, Nursing). In certain states, licensing fees fund the entire administration and operation of the agency or board and, as such, a percentage of the fees is usually allocated to the PDMP. Licensing fees provide consistent funding of the PDMP and help to facilitate collaboration between licensing agencies and the PDMP when the PDMP is housed in another agency.

Because only a certain percentage of the fees go to the PDMP, this source is limited in dollar amount. The PDMP program is just one of many responsibilities and legal mandates which a regulatory board or licensing agency has and, therefore, increasing the percentage of fee funds for a PDMP may be difficult. However, it is not difficult to make the case that at least some percentage should be allocated to the PDMP, since only PDMP data provide a complete picture of practitioners' prescribing for use in peer review and pro-active detection of inappropriate prescribing and dispensing.

Some states currently employing this funding method (in full or in part) include: Colorado, Idaho, and Wyoming.

Regulatory Board Funds

Funds allocated to a board (e.g., Boards of Medicine, Pharmacy, Dentistry, Podiatry, Veterinary Medicine, Nursing) are generally derived from a state's general funds for the administration and operation of the board. Funding is used to regulate and oversee the medical profession specific to a board and employ staff to investigate complaints and ensure licensees meet standards of practice.

Again, because only a certain percentage of the regulatory board funds would support the PDMP, this source is limited in dollar amount. However, as noted above, boards have a direct interest in ensuring the operation of a PDMP as an aid to ensuring good medical practice and may allocate at least some funds to ensure its continuous operation.
Among the states currently employing this funding method (in full or in part) are: Arizona, California, Indiana, Nevada, North Dakota, and Tennessee.

[2] See "Kentucky Cabinet for Health and Family Services: Independent Evaluation of the Impact and Effectiveness of the Kentucky All Schedule Prescription Electronic Reporting Program (KASPER)", PDMP Center of Excellence (2010), http://www.chfs.ky.gov/NR/rdonlyres/24493B2E-B1A1-4399-89AD-1625953BAD43/0/KASPEREvaluationFinalReport10152010.pdf, and "An Assessment of State Prescription Monitoring Program Effectiveness and Results", PDMP Center of Excellence (2007), http://www.pdmpexcellence.org/pdfs/alliance_pmp_rpt2_1107.pdf

Other

Below are less common funding methods employed by a small number of states:

Legal Settlements

Court settlements result when a state brings legal action against a regulated industry (e.g., drug manufacturers, wholesalers, distributors, pharmacies, tobacco companies). Legal or court settlements often include a fine or financial restitution agreed upon by all involved parties. Legal settlements are deposited into a state's general revenue fund, directed to a specific program, or placed into a grant program to which the PDMP could apply.

This source can result in a large amount of funds for a PDMP. These monies may not have been earmarked in advance and may be more readily available. However, this source is not consistent and the amount is finite. Many times, the funds can only be used to address problems resulting from the actions of the defendant (e.g., cigarette settlement funds can only be used for health programs to reduce smoking).

PDMP hosting agencies may be able to initiate, join in, or support a legal action, or make the case that part of a settlement should go to supporting prescription monitoring, especially when the defendant's actions have directly contributed to prescription drug abuse or diversion.

Among the states currently employing this funding method (in full or in part) are: Maine and Virginia.

PDMP Licensing Fees

The State of Oregon charges a small separate PDMP-related licensing fee on all prescribers and dispensers of controlled substances whether or not they use the PDMP. This method provides a stable source of funding that can be easily estimated as the number of licensed providers remains relatively constant over time. Given the benefits of the PDMP for practitioners mentioned above and the small amount charged, this may be a viable means of maintaining a PDMP that other states could consider.

Health Insurance Licensing Fees

A state may, through the budget process, allow for a certain percentage of fees, obtained by a department who licenses and regulates insurances companies, to be used for the operation of a PDMP. This method would likely provide consistent funding, but may require legislation.

To support such legislation as a funding source, health care costs arguably may be reduced when practitioners' and pharmacists' utilize the PDMP reports in their practice. Public third party payers, (e.g., Medicaid, Worker's Compensation) are beginning to make use of PDMP data to track prescriptions obtained by clients that come from out-of-network prescribers and dispensers, enabling better medical care, lower costs and reduced liability for an insurer.[3]

[3] See "Research Update: Prescribing Patterns of Schedule II Opioids in California Workers' Compensation", PDMP Center of Excellence (2012), http://www.pdmpexcellence.org/sites/all/pdfs/Swedlow%20CWCI_ResearchUpdate_S-II_0311.pdf, and "Prescription Drug Monitoring Program and Third Party Payers", PDMP Center of Excellence (2012), http://www.pdmpexcellence.org/content/third-party-payer-meeting-presentations

PDMP data also permits more complete monitoring of an insurer's medical providers. Given these benefits, this might be an alternative source of to ensure continuous and reliable prescription monitoring.

New York is the only state currently employing this funding method.

Private Donations

Funds obtained through a foundation, established by law, to accept donations from various private organizations or industries are another possible source of PDMP support. This method allows the cost of the PDMP to be borne by a variety of private entities, thus alleviating the cost burden on a state.

This requires continuous fundraising efforts and does not guarantee consistent funding over time. Furthermore, depending on state laws, agencies need to be careful not to accept monies from sources that may pose conflicts of interest. PDMPs can make the case to prospective donors that contributions will improve their brand image by demonstrating a commitment to public health and safety.

Florida is the only state currently employing this funding method.

Medicaid Fraud Settlements

Most states have a unit responsible for investigating Medicaid fraud and abuse. These units are typically located in a state's Office of the Attorney General and investigate cases involving health providers, patients and health facilities. Settlements from fraud cases may at times yield a substantial amount of money which is often split between the federal and state government. The state can often determine how their share of the money is to be used and possibly assign some of the funds to the PDMP when PDMP data was used to assist in the investigation. This potential funding source may be considered for augmenting PDMP operations. It may not require legislative action, but simply an agreement between the PDMP and the Medicaid agency.

Washington, as of July 1, 2013, is the only state currently employing this funding method.

PART II: Other Potential Funding Methods

This section presents ideas and suggestions not yet implemented by any PDMP. The funding methods listed are for discussion and consideration by PDMPs.

Assessed Fines

As part of their responsibilities to protect the public, health professional and facility licensing agencies (e.g., professional regulatory boards, hospital and nursing home regulatory units), may impose a fine against a licensee as part of a disciplinary action. These fines usually contribute funding toward the agency's operation or are deposited in the state's general revenue fund account. PDMPs may consider discussing with licensing/regulatory agencies the possibility that a percentage of the fines be used to support PDMP operations, especially when PDMP data provided valuable information for the investigation or prompted its initiation.

This funding arrangement will facilitate further collaboration between licensing/regulatory entities and the PDMP. However, this source is neither consistent nor reliable in terms of funding amounts and, therefore, is insufficient to fund the PDMP absent other means of support. It would likely require legislative action for its implementation.

Asset Forfeiture

Law enforcement agencies routinely seize assets (e.g., cash and property) that were likely obtained as a result of criminal activity. Funds derived from asset forfeiture are available for use by any authorized agency involved or assisting with the case. PDMPs may want to discuss with law enforcement agencies the possibility of having a portion of these asset forfeitures assigned to the PDMP when PDMP data were used in the investigation. This is especially true when the PDMP program is housed within a law enforcement agency or another agency (e.g. boards of pharmacy and health departments) that has law enforcement authority.

Such funding may not require legislative action and law enforcement agencies do not rely solely on these funds for their own operations. Although this source would not supply consistent funding for operations, the monies could be used for short-term PDMP projects or enhancements.

Drug Manufacturers' Assessment

California had a legislative proposal that would require drug manufacturers to fund its PDMP via an assessment on sales. While the legislation did not advance, such a requirement can be justified as a product stewardship initiative to help safeguard patients and the public from the dangerous consequences of prescription drug misuse and diversion. PDMPs could consider legislation requiring manufacturers to pay a small fee (i.e., one tenth of one percent of the sales price) for each dose of their medications dispensed to a patient. This would be a very stable and reliable source of funding for PDMPs and a valuable product stewardship initiative.

Prescription Fees

PDMPs collect millions of controlled substance prescription records each year. A state might consider, as a possible funding source, adding a small fee to each prescription filled to pay for the PDMP. This potential funding source would likely be sustainable and reliable. It also spreads the cost over many transactions, making the fee per prescription very small. For example, if a state collects 10 million prescriptions each year and needs $500,000 to operate, the fee would be five cents for each prescription.

This funding source would put the financial burden for the PDMP on the consumer and may not be favorably received by the general public in light of existing high health care costs. However, the counterargument could be advanced that use of PDMP data would lower such costs, ultimately saving taxpayers' money through lower insurance premiums. Legislation would be required in order to assess such a fee.

Private Third Party Payers or Health Insurers

PDMPs could partner with private third party payers or health insurers to obtain voluntary contributions or enact legislation requiring third party payers to fund the program. Third party payers could be compensated by allowing them access to PDMP data, which confers considerable benefits in terms of lower costs and liability. PDMP data can assist in identifying fraud and waste; the monies saved could equal or exceed the amount paid to operate the PDMP. One option is to have third party payers or health insurers pay for a percentage of the PDMP operational costs equal to the percentage of the state's population they insure. This funding source would encourage collaboration between PDMPs and the insurance companies to improve patient safety and reduce prescription drug fraud and diversion. A study from the California Workers' Compensation Institute shows the potential for cost savings a PDMP can bring insurers. It estimates that the California PDMP could save insurers over $57 million if it was utilized by third party payers.[4] The return on investment for having workers' compensation financially support the PDMP is estimated at approximately fifteen dollars ($15.00) for everyone dollar spent ($1.00).

PDMP Authorized Users

PDMPs may want to consider assessing system users (e.g., practitioners, pharmacists, and health care institutions) a fee each time they request PDMP information. This would charge end-users of the PDMP in proportion to their use and would not require tapping into other funds or resources. However, such a fee might constitute a barrier to utilization of the PDMP on the part of some users, as well as a disincentive to request and use PDMP data in all but the more serious cases. Also, it may be difficult to assess the appropriate amount to charge in order to maintain sufficient funds, and adopting an authorized user fee might require legislative action.

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[4] See"CWCI Estimates CURES Could Save $57 Million", California Workers' Compensation Institute (2013), http://www.cwci.org/view_announcement.html?id=313

Appendix A – Funding Option Summary Chart

* Comparison of Options		Sustainability	Funding to Operate PDMP	Funding Restrictions	Cost Burden on Health Community	Cost Burden on Patients
Current Methods	Grants	Short term	Good	Some	None	None
	General Revenue Funds	Long term	Excellent	None	None	None
	Controlled Substances Registration	Long term	Good	None	Moderate	None
	Professional Licensing Fees	Long term	Good	None	Moderate	None
	PDMP Licensing Fees	Long term	Excellent	None	Moderate	None
	Regulatory Board Funds	Long term	Good	None	None	None
	Legal Settlements	Short term	Fair	Some	None	None
	Health Insurance Licensing Fees	Long term	Good	None	None	None
	Private Donation	Short term	Fair	None	None	None
	Medicaid Fraud Settlements	Short term	Fair	None	None	None
Alternative Methods	Assessed Fines	Short term	Fair	None	None	None
	Asset Forfeiture	Short term	Fair	None	None	None
	Drug Manufacturers	Long term	Excellent	None	None	None
	Prescription Fees	Long term	Excellent	None	Low	Moderate
	Third-Party Payers	Long term	Excellent	None	None	None
	PDMP End Users	Long term	Good	None	High	None
	PDMP End Users	Long term	Good	None	High	None

* Definitions: 'Sustainability' refers to the length of time the funding method could be relied on for continued PDMP operations;
'Funding to Operate PDMP' refers to the dollar amount provided for the PDMP;
'Funding Restrictions' refers to whether or not the monies must be used for specific purposes (e.g., start-up, enhancements, vendor, staffing);
'Cost Burden on Health Community' refers to the level of financial burden the funding method possibly has on healthcare professionals and facilities;
'Cost Burden on Patients' refers to the level of financial burden the funding method possibly has on patients.