



SB42 Preferred Prescription Drug List

PDL PROVIDES QUALITY AND COST-EFFECTIVE CARE

Summary

Prescription drugs are the largest cost driver in Medicaid, rising at a rate of nearly 10% per year (Kaiser Family Foundation). As Utah's population continues to grow and age, the demand for prescription drugs will only increase. Faced with this reality, the vast majority of insurers have implemented a Preferred Drug List (PDL) or an even stricter formulary. In response to the same pressures, 38 states have implemented a PDL within their Medicaid program. Utah should build on the experience of other states and implement a PDL designed to deliver both cost-effective and quality care.

Evidence-based Prescribing

- ✍ Under the PDL, preference is given to the least expensive clinically-equivalent drug in a given pharmaceutical class.
- ✍ Savings are achieved by: 1) shifting utilization from higher-cost to lower-cost pharmaceuticals and 2) obtaining "supplemental" rebates from pharmaceutical manufacturers whose drugs are included on the PDL.
- ✍ Michigan estimates its PDL, encompassing 70% of the drugs used, saved \$60.5 million in its first year (Silow-Carroll and Alteras, 2004).

Key Components of a PDL

Drug Utilization Review

- ✍ A drug utilization review board should be established to create and regularly review and modify the PDL based on clinical outcomes, safety, and cost-effectiveness data, as well as practical experience.
- ✍ At least 13 states use the data from Oregon's Drug Effectiveness Review Project to help guide them through this ongoing process.

Prior Authorization

- ✍ A physician may seek prior authorization for a non-preferred drug if medically necessary.
- ✍ The prior authorization process should be simple, expedited, and easy to understand for patients, physicians, and pharmacists alike.
- ✍ At least a 72-hour supply of a patient's current medication should be provided in the event that a request is delayed, denied, or a change is made to the list.
- ✍ In the interest of a patient's health and safety, drugs for treating HIV, cancer, mental illness, and other highly idiosyncratic conditions must be exempt from the prior authorization requirement.

FREQUENTLY ASKED QUESTIONS

What can we learn from other states?

In order to successfully implement a PDL and minimize problems, there are three key lessons from Maine, Michigan, and Florida which Utah must take to heart: 1) establish an open process in which patients, physicians, pharmacists, and others affected by the PDL have substantial and ongoing input; 2) enact a systematic process and a consistent set of criteria for evaluating and including drugs on the list; 3) engage in an extensive and ongoing public information campaign designed to introduce patients, physicians, and pharmacists to the process and keep them updated on its current status.

Aren't the newest name brand drugs most effective?

No, not necessarily. In the classes reviewed by Consumer Reports, lower-cost or generic medications are almost always found to be as effective in treating common conditions as their higher cost counterparts.

Isn't encouraging Medicaid enrollees to get their medication for free or reduced cost from the manufacturer more cost effective than a PDL?

No. In order to participate in the pharmaceutical companies' charity programs, an individual must be completely uninsured and very low-income. Medicaid enrollees would likely not be eligible because they are insured. In any case, the process of applying for charity care from the pharmaceutical companies is time and labor intensive. Finally, this approach does nothing to rein in the skyrocketing cost of prescription drugs in Medicaid. Nor does it do anything to ensure the financial sustainability of Medicaid or address the crises in the broader health care system.

Reinvest The Savings in Medicaid

As the foundation for additional cost saving strategies, such as bulk and pooled purchasing, a PDL will generate more than enough savings to provide preventive and medically necessary care such as dental and vision services as well as improve access to care through increased provider rates.

REFERENCES

Consumer Reports Best Buy Drugs (2006). www.crbestbuydrugs.org/partners_DrugEffectvns.html.

Silow-Carroll, S. & Alteras, T. (2004). *Stretching State Health Care Dollars: Pooled and Evidenced-Based Pharmaceutical Purchasing*. New York, New York: The Commonwealth Fund. www.cmf.org.

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