



SB 87: PREFERRED DRUG LIST REVISIONS

Stay on the path of cost savings & improved quality

Vote
Yes!

A Utah Health Policy Project Fact Sheet

January 27, 2009

SUMMARY

Senate Bill 87 (Senator Allen Christensen) allows Utah's Medicaid Preferred Drug List (PDL) to maximize cost savings by requiring prior authorization before providers may prescribe drugs not on the list.

Since Utah's PDL was implemented in FY2008, the program has saved the state millions of dollars. The projected savings for FY2009 alone is nearly \$1.5 million! However, because Utah does not require prior authorization, the state is leaving nearly half of the potential savings on the table.

BACKGROUND

A PDL is a drug benefit cost control tool for health plans. All medications are available on a PDL, but in order for reimbursement to occur, the PDL requires that certain medications must be approved beforehand. This approval is based on evidence based medicine. Medications deemed to be clinically and/or economically superior to other clinically similar drugs are placed on the PDL. Medications on the PDL can be prescribed without an override.

All PDLs, Utah's included, allow beneficiaries to receive a non-preferred drug if it is medically necessary. Even with this exemption, most states have a compliance rate (the % of prescriptions written for the preferred drug) in excess of 90%.ⁱ Utah's PDL compliance rate is much lower, hovering around 60%.ⁱⁱ The reason? Most other PDL programs have strong override enforcement through the use of a prior authorization requirement before a non-preferred drug can be prescribed. Utah's program, however, uses a much weaker mechanism that allows a doctor to override the PDL by writing "dispense as written" (DAW) on the prescription and documenting the medical necessity in the patient's chart. **By strengthening compliance through a prior authorization process, Utah can see an additional \$1.5 million in savings per year.**

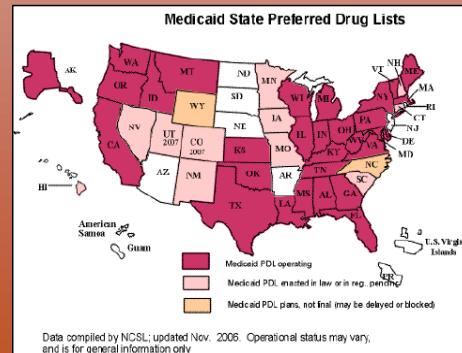
Frequently Asked Questions

Why is prior authorization needed?

Utah is losing \$1.5 million per year because our PDL lacks a strong enforcement mechanism. Bringing Utah's PDL in line with proven practices across the nation will allow the state to capture these savings and reinvest them in cost-effective areas of the program.

How do other states PDLs operate?

At least 41 states have a Medicaid PDL program. Of these, 38 have a prior authorization requirement. ii Four states, Utah, Florida, Kansas, Washington, have tried using "dispense as written" (DAW). Florida and Kansas have both dropped DAW in favor of prior authorization because of low prescriber compliance. Washington reinforces its more robust DAW mechanism with additional enforcement tools. Utah is now the *only* state that uses a standalone DAW process to override its PDL. iii





CONCLUSION

As Utah wrestles with this year's budget crisis it will be essential to capture all potential savings. Without these and other proven cost management mechanisms, the Legislature may be forced to eliminate Medicaid eligibility or to reduce Utah's already low provider reimbursement rates even further. Cuts to eligibility and provider rates will not only cause great harm to beneficiaries, but also to Utah's health care system by shifting the costs of uncompensated care to hospitals, and ultimately to all those who pay health insurance premiums.

Help minimize Medicaid eligibility cuts and maximize Medicaid cost containment by voting YES on SB 87.

For more information please contact Lincoln Nehring, lincoln@healthpolicyproject.org, (801) 638-7695

ⁱ Cauchi, Richards, *Pharmaceutical Preferred Drug Lists (PDLs) StateMedicaid and Beyond*, National Conference of State Legislators, March 30, 2007, <http://www.colorado2.com/health/PDLprograms.pdf>

ⁱⁱ Cost saving data provided by Utah Department of Health, 2008.

ⁱⁱⁱ Bergman, David, et. al., *State Design and Use of Prior Authorization*, National Academy for State Health Policy, March 2006