



SB 87: PREFERRED DRUG LIST REVISIONS

Maximize Savings & Improve Medicaid Quality of Care

Vote
YES!

A Utah Health Policy Project Fact Sheet

February 12, 2009

SUMMARY

Senate Bill 87 (Senator A. Christensen) limits cost growth in Utah's Medicaid prescription drug program by requiring prior authorization before providers may prescribe drugs not on the state's Preferred Drug List (PDL). Since Utah's PDL was implemented in FY2008, the program has saved the state millions of dollars. During fiscal year 2009 alone the savings amounted to 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

The PDL is a proven cost control tool for health plans. All medications are available on a PDL, but to qualify for reimbursement, prescriptions that are not on the list must be approved beforehand. Medications on the PDL can be prescribed without prior approval. Guided by evidence-based medicine, the process of deciding what drugs are placed on the PDL is designed to pinpoint what drugs are most effective in a particular drug class. This determination serves as a starting point for negotiation on the best price for those drugs.

All PDLs, Utah's included, allow beneficiaries to receive a non-preferred drug if medically necessary. Most states have a compliance rate in excess of 90%.ⁱ Utah's compliance rate is much lower, hovering around 60%.ⁱⁱ The reason? Most other PDL programs use a stronger enforcement mechanism: a prior authorization requirement before a non-preferred drug can be prescribed. Utah's program allows a doctor to override the PDL simply by writing "dispense as

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 into line with proven practices across the nation will allow the state to capture these savings and reinvest them in cost-effective areas of the Medicaid program.

How do other states' PDLs operate?

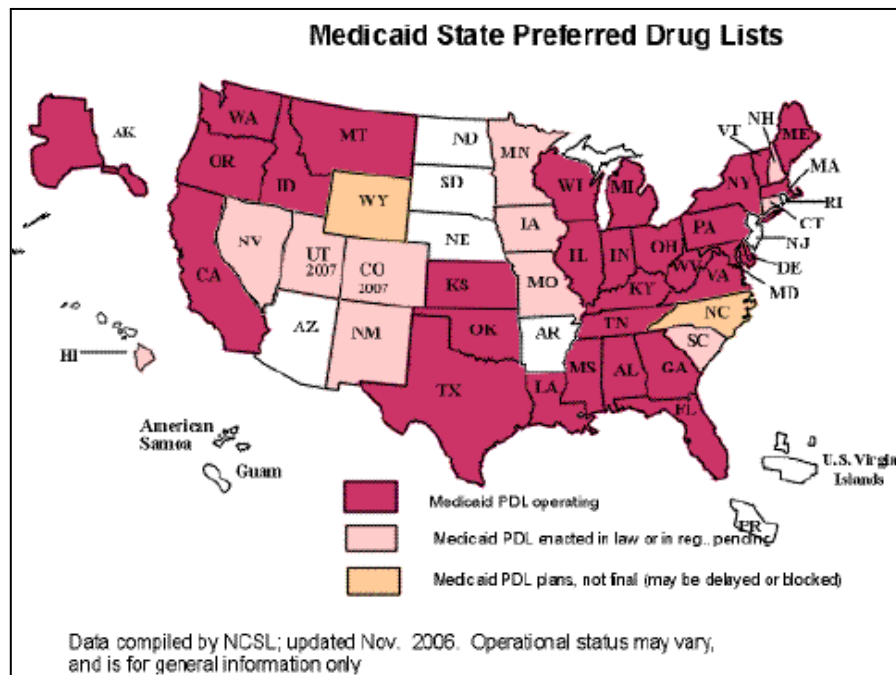
At least 41 states have a Medicaid PDL program. Of these, 38 have a prior authorization requirement.ⁱⁱ Four states (Utah, Florida, Kansas, Washington) have tried using "dispense as written" (DAW). Florida and Kansas have both dropped DAW in favor of prior authorization because of low compliance. Washington 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

written” (DAW) on the prescription and documenting the medical necessity in the patient’s chart. By strengthening compliance through a prior authorization process, Utah could realize an additional \$1.5 million in savings per year.ⁱⁱⁱ

CONCLUSION

As Utah wrestles with the budget crisis it will be essential to capture all potential savings within the Medicaid program. Without proven cost management mechanisms like the PDL, the Legislature may feel compelled to eliminate Medicaid eligibility or to reduce provider reimbursement rates even further. Such cuts will not only cause great harm to beneficiaries, but also to Utah’s health care system by shifting costs to hospitals, and ultimately to all those who pay health insurance premiums.



Help minimize Medicaid eligibility cuts and maximize Medicaid cost containment: vote YES on SB 87.

ⁱ Cauchi, Richards, *Pharmaceutical Preferred Drug Lists (PDLs) State Medicaid 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