



THE UTAH HEALTH POLICY PROJECT

Quality Health Care Coverage for All Utahns

SB 42 Preferred Drug List in Utah Medicaid

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.

Research-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.
- ✍ Idaho and Montana both report saving \$5 million annually (NCSL, 2006).

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.

Amendments

In order to address concerns about the PDL's impact on a patient's health as well as the doctor-patient relationship, SB 42 was amended by the Senate to:

- ✍ Exclude psychotropics from the list.
- ✍ Allow a physician to override the PDL as long as documentation supporting a medically justifiable reason is included in the patient's file. Data on the impact of the "dispense as written" clause will be collected and reviewed in a year's time.

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 namebrand 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. In recognition of this fact, Utah already requires the substitution of a clinically equivalent generic when one is available.

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.

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