

LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS

**MEDICAID PHARMACY BENEFITS MANAGEMENT
PROGRAM**

*SENATE Bill No. 689 (Act 705)
OF THE
2004 REGULAR SESSION OF THE LEGISLATURE*

**REPORT TO
THE GOVERNOR
AND
THE LEGISLATURE**



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FOREWORD

The Louisiana Department of Health and Hospitals submits this report in response to the following legislative mandate.

Senate Bill No. 689 (Act 705) of the 2004 Regular Session of the Louisiana Legislature:

“Each year the department shall provide a written and public report to the legislature and the Governor thirty days prior to the regular legislative session. The report shall cover:

- (i) The cost of administering the preferred drug list, including the cost of administering the prior authorization function, the costs of development and maintenance of the preferred drug list and aggregate funds, returned to the federal government related to pharmaceutical rebates.
- (ii) An analysis of the utilization trends for medical services provided by the state and any correlation to the preferred drug list.”

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Medicaid Pharmacy Benefits Management Program
*Senate Bill No. 689 of the
2004 Regular Session of the Legislature*

EXECUTIVE SUMMARY

Act 395 of the 2001 Regular Session of the Louisiana Legislature amended R.S.46:153.3 (B)(2)(a) and authorized the Department of Health and Hospitals (DHH) to establish a drug formulary utilizing a prior approval process or any other process or combination of processes that prove to be cost-effective in the medical assistance program. (*Appendix 1*) The Act also created a Pharmaceutical and Therapeutics Committee consisting of 21 members appointed by the Governor. The membership is included in this report in *Appendix 2*.

The Committee began meeting in August 2001. On June 10, 2002, the Department implemented a Preferred Drug List (PDL) with a Prior Authorization (PA) process and a Supplemental Drug Rebate program through a phased-in approach. The PDL/PA process and accompanying supplemental rebate features were implemented meeting all applicable federal and state statutes.

The program is administered by the Medicaid Pharmacy Benefits Management section of DHH utilizing the services of three contractors: Unisys; the University of Louisiana at Monroe (ULM), School of Pharmacy; and Provider Synergies. The PDL/PA process and supplemental rebate system are now fully operational.

Each prior authorization is given for a specific drug for a specific recipient for a specific period of time. In accordance with state and federal statutes, requests must be acted upon within 24 hours. Also, a minimum of a 72-hour supply of a medication may be obtained without a prior authorization in emergency situations.

Today, ULM processes approximately 7,963 prior authorization requests monthly. Listings of those drugs which receive prior authorization requests are included in *Appendix 4* of this report. The state received \$5,945,653 in supplemental rebates in state fiscal year SFY 2003 and \$28,798,723 in SFY 2004. Provider Synergies has projected \$63.76 million in program savings for state fiscal year 2005 resulting from market shift and supplemental rebates.

The foregoing is presented as a brief overview of the prescription limit policy. The following is the report with appropriate appendices.

Medicaid Pharmacy Benefits Management Program
*Senate Bill No. 689 of the
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Background

Prior to 2001 Louisiana had an open formulary law which required Medicaid reimbursement of all FDA approved legend drugs, with a few exemptions. The law also prohibited the use of prior or post authorizations in the pharmacy program. These laws restricted Louisiana's use of management tools available to other states to control costs.

Act 395 of the 2001 Regular Session of the Louisiana Legislature amended R.S.46:153.3 (B)(2)(a) (*Appendix 1*) and eliminated the prohibition of utilizing a prescription prior authorization process within the Louisiana Medicaid Program. The law authorizes the Department of Health and Hospitals (DHH) to "...establish a drug formulary that utilizes a prior approval process or any other process or combination of processes that prove to be cost-effective in the medical assistance program...."

Other provisions of Act 395 and R.S. 46:153.3 are:

- Permits DHH to enter into contractual arrangements to perform the prior approval (PA) functions with a school of medicine, a college of pharmacy, the fiscal intermediary for the Medicaid program, or such other qualified contractors that it deems appropriate, within the scope of the PA mandated provisions of federal law.
- Mandates a maximum 24-hour response time on requests.
- Requires that a 72-hour supply of a medication may be obtained without a prior authorization in emergency situations.
- Creates a Pharmaceutical and Therapeutics Committee comprised of 21 members who are appointed by the Governor and confirmed by the Senate. (*Appendix 2*)
- Mandates DHH to develop peer-based prescribing and dispensing practice patterns of Medicaid health care providers.

Subsequently, Senate Bill No. 689 (Act No. 705) of the 2004 Regular Session was passed requesting additional information be reported to the legislature and the Governor 30 days prior to the regular legislative session. Specifically, the report shall cover: 1) The cost of administering the preferred drug list, including the cost of administering the prior authorization function, the costs of development and maintenance of the preferred drug list and aggregate funds, returned to the federal government related to pharmaceutical rebates; and 2) An analysis of the utilization trends for medical services provided by the state and any correlation to the preferred drug list. (*Appendix 11*)

Program Implementation and Operations

On June 10, 2002 the DHH implemented a PDL with a PA process and a Supplemental Drug Rebate program through a phased-in approach. The PDL/PA process and accompanying supplemental rebate feature were implemented meeting all applicable federal and state statutes. Copies of the rulemaking documents, federally approved Medicaid State Plan, and notice to prescribers and pharmacists are found in *Appendices 5, 6, 7, and 8*.

The program is administered by the Medicaid Pharmacy Benefits Management section of DHH and utilizes the services of three contractors: Unisys; the University of Louisiana at Monroe (ULM), School of Pharmacy; and Provider Synergies. Services provided by the contractors include:

- Unisys, the Medicaid fiscal intermediary
 - Technology equipment purchase/installation (with ULM) to support the program
 - Application modifications to the current Medicaid Management Information System (MMIS)
 - Design and implement Wide Area Network (WAN) for ULM
 - Creation and support of new web-based pharmacy PA software
 - Implementation of data research applications
 - Design, install and support a data warehouse
 - SAS training for ULM research analysts
 - Training on Pharmacy PA System (DHH and ULM staff)
 - Training prescribers and providers on the PA process
 - Maintain and support PDL/PA and supplemental rebate systems and operations

- University of Louisiana at Monroe (ULM), School of Pharmacy
 - Provide space, staff, and computers
 - Operate pharmacist-staffed PA desk
 - Provide physician consultations
 - Serve as consultants on the Preferred Drug List and Prior Authorization program
 - Perform DHH directed data analysis and outcome studies

- Provider Synergies
 - Secure clinical and costing data for drugs in selected therapeutic classes
 - Perform clinical and economic analysis of manufacturer data
 - Negotiate state supplemental rebates with manufacturers
 - Prepare therapeutic class monographs for Pharmaceutical and Therapeutics Committee deliberations
 - Present clinical and costing data to the Pharmaceutical and Therapeutics Committee

The PDL/PA process and supplemental rebate system are now fully operational. Each prior authorization is given for a specific drug for a specific recipient for a specific period of time. In accordance with state and federal statutes, requests must be acted upon within 24 hours. Also, a minimum of a 72-hour supply of a medication may be obtained without a prior authorization in emergency situations.

Under the provisions of R.S.46:153.3 (D), the Louisiana Medicaid Pharmaceutical and Therapeutics Committee was established and began meeting in August 2001. The Committee, comprised of 21 members, including physicians and pharmacists, has met quarterly and is responsible for developing the preferred drug list (PDL) in conjunction with the PA process. The Committee reviews clinical and cost data on various therapeutic classes of drugs for recommendation to DHH for inclusion on the PDL or for review through the prior authorization process.

The PDL is updated quarterly upon DHH's approval of the Committee's recommendations. The PDL is mailed to prescribers and pharmacists quarterly and is also available on the web at www.lamedicaid.com.

PDL/PA and Supplemental Rebate Impact

The Louisiana Department of Health and Hospitals contracts with Provider Synergies to negotiate state supplemental rebates with drug manufacturers for the state. Based on these negotiations the state received \$5,945,653 in supplemental rebates in SFY 2003 and \$28,798,723 in SFY 2004. Savings for FY 2004 were approximately \$46 million. Provider Synergies has projected \$63.76 million in program savings for state fiscal year 2005 resulting from market shift and supplemental rebates. (*Appendix 11*)

Cost of Prior Authorization (PA) Operations

The Medicaid Pharmacy Benefits Management program utilizes the services of the University of Louisiana at Monroe (ULM), School of Pharmacy; and Provider Synergies for PA operations. Costs for the contractors' services are found in *Appendix 10*.

ULM receives and processes all requests. Listings of those drugs which receive prior authorization requests are included in *Appendix 5* of this report. Each prior authorization is given for a specific drug for a specific recipient for a specific period of time. In accordance with state and federal statutes, requests must be acted upon within 24 hours. Provisions are in place whereby an emergency override is allowed for a minimum of a 72-hour supply of medicine. During the most recent two quarters and since the program has been fully operational, the program has averaged approximately 930 emergency overrides quarterly. A detailed Emergency Override Report is in *Appendix 9*.

ULM processed approximately 178,359 prior authorization requests in SFY 2004 and approximately 67,017 in SFY 2005 (as of 1/31/05). ULMs average PA cost for FY SFY 2004 was \$8.31 and \$13.73 for FY 2005 (as of 1/31/05).

Analysis of the Utilization Trends for Medical Services and the Preferred Drug List

The Louisiana Department of Health and Hospitals derives savings from the Preferred Drug List through Supplemental Rebates and Market Shift savings. An analysis of the utilization trends for medical services provided by the state and any correlation to the preferred drug list is provided in *Appendix 4*.