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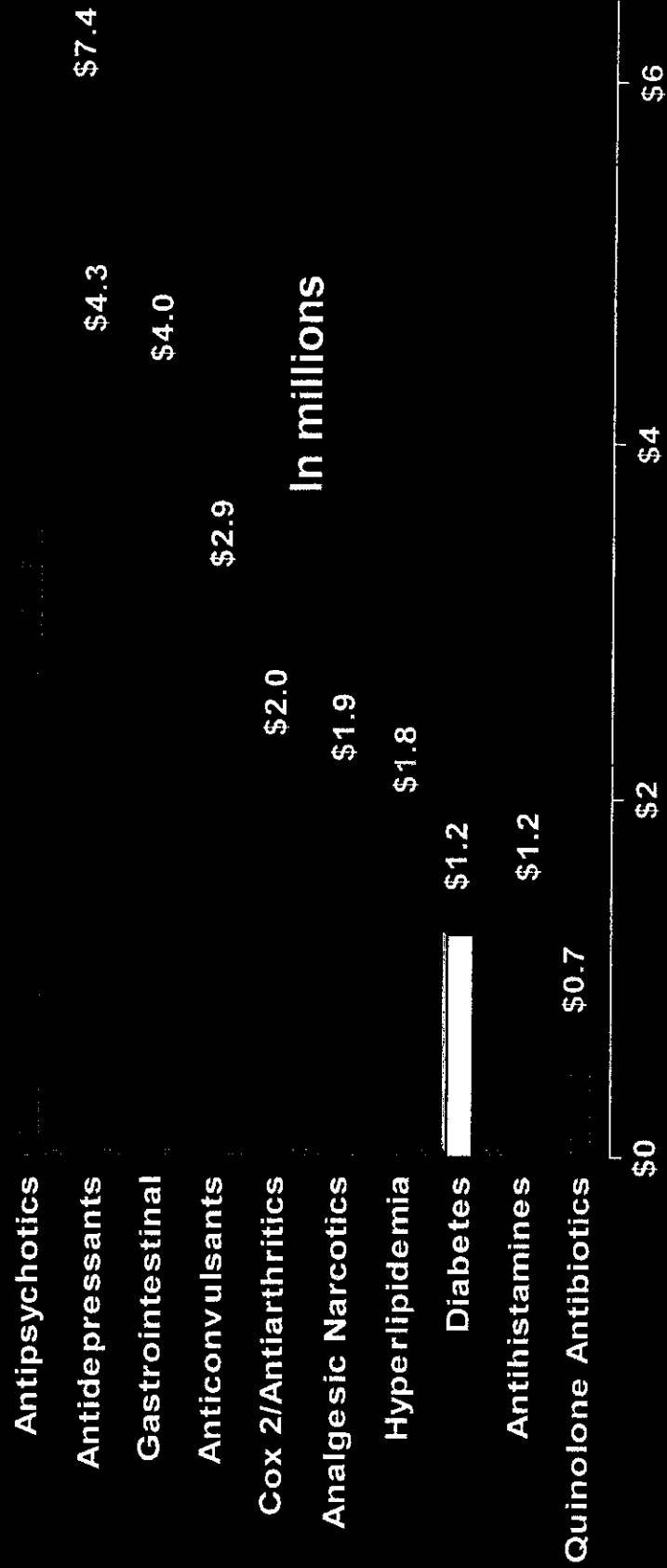
Managing Nevada Medicaid's Prescription Drug Costs

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ASSEMBLY HEALTH AND HUMAN SERVICES
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Nevada Medicaid 2000 Top Categories of Drug Spending

Total Nevada spending \$66.7 million



Savings Options

- **Preferred Drug Lists/Prior Authorization**
- **More Aggressive Generic Drug Use**
- **Step Therapy**
- **Enhanced Rebate Collections/Supplemental Rebates**
- **Increased Use of OTC Medications**
- **Enhanced Management of High-Cost Patients**
- **Disease Management Programs**

Prior Authorization Procedures

- **Allowed by Federal Law**
- **Used to Control Utilization**
- **Used by Private Payers and State Medicaid Programs**
- **Provider Seeks Approval to Use Particular Product/Services**
- **Program Administrator Gives Authorization**
- **In FY 2002, 19 States Implemented or Expanded Prior Authorization Programs**

Prior Authorization Procedures with Preferred Drug List

- **A PDL is a List of Drugs that may be Dispensed or Prescribed without Prior Authorization**
- **Developed by “Pharmacy and Therapeutics” (P&T) Committee**
- **List is Based on Clinical Efficacy as well as Cost Effectiveness**
- **Some Classes of Drugs “Carved Out”, (ex. Antiretrovirals and Antipsychotics)**
- **In FY 2002, 13 States have Implemented or Expanded PDLs**
- **U.S. District Court Upheld Michigan’s Ability to Create PDLs as a Way to Control Costs**

Comparison of Prior Authorization/ PDL Programs

Statewide Prior Authorization

- Implemented August 2001
- Specific Authorizing Legislation
- Applies to Medicaid Population Only
- PDL Developed by Agency and P&T Committee

Medicaid Prior Authorization

- Implemented Late February 2002
- Authorizing Language in State Budget
- Applies to Medicaid Population as well as Other Michigan Community Health Programs
- PDL Developed by Agency and P&T Committee

Comparison of Prior Authorization/ PDL Programs

Medicaid Program

PDL Characteristics

- Based on Evidence of Product Efficacy
- Non-Preferred Drugs Subject to Prior Authorization Process
- 24/7 Toll-free Access for Prior Authorization
- 72 Hour Emergency Supply
- Supplemental Rebates Ensures Consideration of Inclusion

Medicaid Program

PDL Characteristics

- Based on Evidence of Product Efficacy
- Minimum of Two Drugs per Class Required
- Non-Preferred Drugs Subject to Prior Authorization Process
- Toll-free Numbers and Fax Available for Prior Authorization
- Supplemental Rebates Guarantees Inclusion

Comparison of Prior Authorization/ PDL Programs

PDL Characteristics (cont'd)

- Includes 110 Therapeutic Classes, 1300 drugs
- PDL Includes Generics
- Manufacturers Allowed to Offer Value-Added Programs in Lieu of Supplemental Rebates

PDL Characteristics (cont'd)

- Includes 40 Classes of Drugs, 366 Drugs (as of July 2002)
- List Represents 75% of Expenditures
- Supplemental Rebates Must Cover the Difference between Manufacturer's Price and Lowest of Two Listed Prices

Comparison of Prior Authorization/ PDL Programs

Without Prior Authorization Savings

- \$68 Million/Year from Supplemental Rebates
- \$36 Million/Year from Prior Authorization and PDL

With Prior Authorization Savings

- \$70 Million/Year Savings from Supplemental Rebates
- \$500,000/Week in First Two Months
- \$850,000/Week at end of 2002
- Average Cost of Claim Dropped from \$49.30 to \$46.05

Comparison of Prior Authorization/ PDL Programs

Subsequent Prescription

- Physician Initiated Prior Authorization Calls
 - Within 6 Months
 - Response Time of 12 sec.
 - Average Call Takes 3 min. 52 sec.
 - 55% of Cases, Prior Authorization Led to Selection of Preferred Drug

Physician's Program

- Physician Initiated Prior Authorization Calls
 - Within 2 Months
 - Response Time of 24 sec.
 - Average Call Takes 3.5 min.
 - Calls for Only 0.008% of Prescriptions Written

Conclusions

How Much Could Nevada Save with a PDL?
Estimate: \$ 3.89 Million Annually

- Applying Florida Savings to Nevada's Projected \$63 Million in Annual Expenditures on Medicaid Prescription Drugs for Fiscal Year 2002:
- Supplemental Rebates Would Lead to Savings of **\$2.52 Million (4%)**
- Prior Authorization and the Preferred Drug List Would Lead to Savings of **\$1.37 Million (2.18%)**