

MEDICAID INTERIM COMMITTEE

Friday, July 20, 2007 – 9:00 a.m. – Room W135 House Building

Members Present:

Sen. Allen M. Christensen, Senate Chair
Rep. Merlynn T. Newbold, House Chair
Sen. Sheldon L. Killpack
Rep. Stephen D. Clark
Rep. Tim M. Cosgrove
Rep. Brad Last
Rep. David Litvack
Rep. Michael E. Noel
Rep. Paul Ray

Staff Present:

Mr. Mark D. Andrews, Policy Analyst
Mr. Leif G. Elder, Research Analyst
Mr. Danny Schoenfeld, Analyst
Mr. Stan Eckersley, Analyst
Mr. Gary Syphus, Analyst
Ms. Catherine J. Dupont, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Members Absent:

Sen. Gene Davis
Sen. Lyle W. Hillyard
Sen. Ross I. Romero

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Christensen called the meeting to order at 9:18 a.m. He indicated that the new members of the Committee this year are Sen. Romero, Rep. Clark, Rep. Cosgrove, and Rep. Last.

MOTION: Rep. Litvack moved to approve the minutes of the January 5, 2007 meeting. The motion passed unanimously with Rep. Clark absent for the vote.

2. Overview of Pharmaceutical Expenditures in Utah's Medicaid Program

Mr. Eckersley distributed and discussed "Issue Brief - Medicaid Pharmaceutical Expenditures" and "FY 2006 Medical Service Expenditures." He discussed the increasing level of Medicaid pharmaceutical expenditures and explained that the implementation of Medicare Part D created declines in expenditures in FY 2006 and FY 2007.

Mr. Michael Hales, Director, Division of Health Care Financing, DOH (Utah Department of Health), explained how the state has been able to save on pharmaceutical expenditures under the implementation of Medicare Part D. He also explained that manufacturers' rebates differ for each drug but that the rebate is typically 20 percent of cost. He said there is usually a three month delay in receiving the rebate from pharmaceutical companies.

Ms. Dupont distributed and discussed "Medicaid Pharmacy Program." She discussed state statutes and administrative rules regarding pharmacy benefits in the state's Medicaid program.

Mr. Hales explained that a new administrative rule on Medicaid pharmaceuticals was posted for public review in June. The rule is ready for finalization; however, the department is waiting for a review of the rule by the Legislature's Administrative Rules Review Committee.

Mr. Hales distributed a copy of his presentation titled "Overview of the Medicaid Drug Program." He gave an overview of the Medicaid drug program and discussed highlights of federal and state regulations.

He explained the responsibilities of the Division of Health Care Financing, which include administering an effective and economical program, safeguarding against inappropriate use, denying claims that do not meet certain criteria, utilizing cost containment methods, and accepting or rejecting decisions of the Drug Utilization Review Board. Mr. Hales and Mr. Tim Morley, Pharmacist, Division of Health Care Financing, DOH, discussed use of prior authorization by the department and the implementation of preferred drug lists.

Mr. Hales distributed "Pharmacy Glossary" and "Utah Pharmacy Cost Containment Initiatives Compared to the Kaiser Cost Containment Strategies for Prescription Drugs."

Dr. David Sundwall, Executive Director, DOH, spoke about the problem of prescription abuse and efforts by the state to address it.

Sen. Killpack said that electronic medical records would help keep track of prescription drug abuse. He asked about the success and cost effectiveness of the CNS Project, a program where a panel of doctors review a patient's medication history.

Mr. Morley said that electronic medical records are difficult to keep because electronic systems are not all compatible and because there are HIPAA (Health Insurance Portability and Accountability Act) compliance problems. He explained that the CNS Project has been going for four years and has been very successful so far. He indicated that a study of the project by *Mathematica* will be completed in December.

Ms. Sherri Whittwer, Executive Director, NAMI Utah (National Alliance on Mental Illness), spoke in support of the CNS Project. She spoke about psychotropic drugs being exempt from the project, and how NAMI fought for that exemption.

Sen. Killpack suggested that it would be wise to have a clear definition of psychotropic drugs in the preferred drug list statute.

Mr. Reid Barker, Executive Director, Utah Pharmacists Association, distributed and discussed "AMP (Average Manufacturer Price) Update." He introduced Ms. Megan Milne, a pharmacy student at the University of Utah, and Mr. Dean Jolley, owner, Jolley's Compounding Pharmacy.

Ms. Milne and Mr. Jolley explained to the Committee that the Deficit Reduction Act of 2005 requires that Medicaid pharmacy reimbursements be based on average manufacturer's price rather than average wholesale price. They explained that this change will reimburse pharmacies 36 percent below the pharmacy acquisition cost and could be detrimental to pharmacies that get a majority of their business from Medicaid patients. They recommended that the Medicaid program increase the dispensing fee to offset the losses that will occur due to the switch to average manufacturer's price.

Mr. Hales pointed out that every pharmacy will be affected differently by the change to average manufacturer's price, depending upon the mix of drugs dispensed by the pharmacy. He indicated that the department is attempting to recalibrate its reimbursement schedule so that it is budget neutral. He also pointed out that sellers mark up the price of their products, acknowledged that Medicaid enrollee copays help offset pharmacists' costs, and discussed the level of dispensing fees in other western states.

Mr. Jolley indicated that in the past pharmaceutical reimbursement by Medicaid, compared to reimbursement by other third party payers, has not been low.

Ms. Barbara Boner, Associate Director, Novartis Pharmaceuticals Corporation, distributed and discussed "Preferred Drug List/Multi-State Pool Best Practices," "Protecting Medicaid Patient Access to Prescription Drugs," "State-By State PDL Patient Protections," "State Medicaid Outpatient Prescription Drug Policies: Findings from a National Survey, 2005 Update," "Asthma study has some breathing easier," "Pilot program pares asthma treatment cost," "The Partnership for Prescription Assistance 'Help is Here' Express," and a prescription savings card. She expressed concern that under the new preferred drug list program, "dispense as written" instructions may not be honored and said that psychotropic and antipsychotic medications should be addressed by the new DOH rule.

Ms. Liz Houchen, Regional Director of State Government Affairs, National Association of Chain Drug Stores, distributed and discussed "Rebates" and "Utah DRA Facts & Figures."

3. The Future of Pharmaceuticals in Utah's Medicaid System

Based on a review of approaches taken by other states, Ms. Dupont discussed four options the Committee could consider to increase savings on pharmaceuticals:

- (1) study preferred drug list compliance, considering whether use of a prior authorization requirement would result in higher compliance than the existing "dispense as written" approach;
- (2) use tablet splitting and dose consolidation (yielding perhaps as much as an \$11 million savings in state and federal spending);
- (3) in urban areas, use a competitive bid process to contract out the supply of pharmaceuticals to Medicaid enrollees; and
- (4) increase use of the federal 340B program.

Ms. Dupont distributed "An 'Oldie But Goodie': the 340B Program," produced by the National Conference of state Legislatures.

Mr. Hales said the number of individuals receiving care in institutional settings has remained pretty constant over the last several years, but there has been significant growth in home and community based care. He explained that the increasing costs in long-term care are from home and community based long-term care settings.

4. Adjourn

Chair Christensen adjourned the meeting at 12:08 p.m.