STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
EUGENE I. GESSOW, DIRECTOR

December 15, 2008

Michael Marshall
Secretary of Senate
State Capitol
LOCAL

Mark Brandsgard
Chief Clerk of the House
State Capitol
LOCAL

Dear Mr. Marshall and Mr. Brandsgard:

Enclosed please find copies of reports to the General Assembly relative to drugs prescribed through Iowa Medicaid for the treatment of diabetes and associated cost analysis.

These reports were prepared pursuant to the directive contained in Section 9 Item 23 of Senate File 2425 which is listed below.

Section 9. Item 23.
The department of human services shall conduct a review of the impact of broadening the list of drugs prescribed for the treatment of diabetes on the Preferred Drug List under the medical assistance program in order to promote drugs that are appropriate and therapeutically effective for persons with diabetes. The review shall include, at a minimum, a comparison of the effectiveness of drugs prescribed for the treatment of diabetes and cost analysis. The department shall report its findings and recommendations to the individuals specified in this Act to receive reports by December 15, 2008.

Members of the P&T Committee are appointed by the Governor and include health care professionals who possess knowledge and expertise in appropriate prescribing of drugs. Their purpose is advisory to Department of Human Services for maintenance of the Preferred Drug List. Membership is as follows:

Member	Area of Clinical Expertise
Bruce Alexander, R.Ph., Pharm.D., BCPP	Pharmacy/Psychiatry
Carole Frier, D.O.	Internal Medicine
Hayley Harvey, DDS, MS	Dentistry
Mary Larew, M.D.	Pediatrics
Matthew Osterhaus, R.Ph.	Pharmacy
Susan Purcell, R.Ph., CGP	Pharmacy/Geriatrics
Priscilla Ruhe, M.D.	Family Practice
Dallas Sanders, PA-C	Internal Medicine
Charles Wadle, D.O.	Psychiatry

The Department of Human Services has adopted the recommendations from the P&T Committee. Please contact me at 515-281-4387 if I may be of further assistance.

Sincerely,

Molly Kottmeyer
Legislative Liaison

Enclosure

cc: Governor Chet Culver
Legislative Service Agency
Kris Bell, Senate Majority Caucus
Peter Matthes, Senate Minority Caucus
Zeke Furlong, House Majority Caucus
Brad Trow, House Minority Caucus

December 1, 2008

To: **Susan Parker, Pharm.D., DHS Pharmacy Consultant**

From: **The Iowa Medicaid Pharmaceutical & Therapeutics Committee**

Regarding: **Broadening the list of drugs prescribed for the treatment of diabetes on the preferred drug list.**

Date: **December 12, 2008**

Dear Dr. Parker:

This report from the Iowa Medicaid Pharmaceutical and Therapeutics (P&T) Committee was prepared pursuant to the directive contained in Section 9 Item 23 of Senate File 2425 which is listed below:

Section 9. Item 23.
The department of human services shall conduct a review of the impact of broadening the list of drugs prescribed for the treatment of diabetes on the preferred drug list under the medical assistance program in order to promote drugs that are appropriate and therapeutically effective for persons with diabetes. The review shall include, at a minimum, a comparison of the effectiveness of drugs prescribed for the treatment of diabetes and cost analysis. The department shall report its findings and recommendations to the individuals specified in this Act to receive reports by December 15, 2008.

This report is divided into three sections: Background, Program Results, and P & T Committee Recommendations.

I. Background

A. Pharmaceutical and Therapeutics Committee

- House File 619 (Iowa code 249A.20A) required that a Pharmaceutical and Therapeutics (P&T) Committee be established.

- The purpose of the P & T Committee is to advise and make recommendations to the Department of Human Services (DHS) in the development and maintenance of the Preferred Drug List (PDL).
- P & T Committee meetings are held quarterly with an annual review of the PDL in November of each year.
- P & T Committee meetings are open to the public.

B. Preferred Drug List (PDL)

- House File 619 (Iowa code 249A.20A) authorized the establishment of the PDL.
- The Iowa Medicaid PDL was implemented on January 15, 2005.
- A PDL is comprised of preferred and nonpreferred drugs recommended by the Iowa Medicaid P&T Committee to the DHS that have been identified as being therapeutically equivalent within a drug class, with the preferred agents providing a cost benefit to the Iowa Medicaid program.
- The Department enforces the PDL through a prior authorization process. Non-preferred drugs and preferred drugs with conditions are denied at the point of sale. A denial message directs the pharmacist to notify the prescriber of the necessity to request a prior authorization. The prescriber may use a preferred drug or submit a request for prior authorization. A fax request would go directly to the Prior Authorization Department at the Iowa Medicaid Enterprise (IME) to be processed. Once the determination on the prior authorization has been made, a fax is sent back to the prescriber and pharmacy notifying them whether the request was approved or denied.
- The average determination time, the time from receipt of the prior authorization to notification of the decision to the prescriber and pharmacy, is approximately two hours.
- If the prior authorization request is denied, the prescriber may send in additional information to be re-reviewed. Any denial of a prior authorization may be appealed.
- A prescriber may also request an exception to policy review for a drug not otherwise covered by Iowa Medicaid.

II. Program Results

A. Prior Authorization Statistics

Below is a breakdown of the diabetic categories on the Preferred Drug List and the Prior Authorization (PA) statistics for calendar year 2007. The prior authorization requests for diabetic drugs represent 3.4% of all prior authorizations requests for calendar year 2007. The most frequent reason for a denied prior authorization request would be the member has not tried a preferred agent. From September 1, 2007 through August 31, 2008, there were no appeals and only one exception to policy request for drugs used to treat diabetes. There were two public comments voiced by prescribers at P&T meetings regarding diabetic drugs over the last year.

PDL Drug Class	Prior Auth Requests Approved	Approval Rate	Prior Auth Requests Denied *	Total PA Requests for CY 2007
Diabetic - Alphaglucosidase	2	15.38%	11	13
Diabetic - Insulin	559	71.85%	219	778
Diabetic - Insulin Penfills	299	77.06%	89	388
Diabetic - Meglitinides	2	28.57%	5	7
Diabetic - Non-Insulin Injectables	219	75.00%	73	292
Diabetic - Oral Biguanides	14	63.64%	8	22
Diabetic - Oral Sulfonylureas	30	62.50%	18	48
Diabetic - Other	101	56.42%	78	179
Diabetic - Sulfonyurea/Biguanide	2	100.00%	0	2
Diabetic - Thiazol	0	0.00%	3	3
Diabetic - Thiazol/Biguanide Combo	0	0.00%	0	0
Total PA Requests for the Diabetic Drug Classes for CY 2007	1,228	70.90%	504	1,732
Total PA Requests for all drug classes for CY 2007	33,473	64.81%	18,173	51,646

* Some denied PA requests were later resubmitted with more information and subsequently approved; however, all requests that were denied at some point are counted as denials per the reporting algorithm.

B. Expenditures and Savings

- The baseline in 2004 for diabetic drugs represented 3.8% of the gross drug expenditures and 3.5% of all drug claims.
- The diabetic drugs represent 3.0% of gross drug expenditures for calendar year 2007.
- The diabetic expenditures are 1.8% of all drug claims for calendar year 2007.

There are three major sources of savings within the PDL. They are federal (CMS) rebates, supplemental rebates and pre-rebate prescription costs.

Savings are calculated by using both historical and seasonal trend components. The model is able to determine what the State would have paid if the Preferred Drug List had not been in effect. Simply put, it goes back to just before the PDL was implemented and then assumes that the trends in effect prior to the PDL were never actually disturbed by the PDL.

Iowa's net payments for the diabetic drug classes in calendar year 2004, prior to the PDL implementation, were $10.5 million total. The PDL reduced the diabetic drug class's net payments to $9.9 million total in calendar year 2005. If there had been no PDL the drug expenditures would have been $12.6 million total. The total net savings including cost avoidance of price increases due to the PDL was nearly $2.7 million total state and federal dollars ($1 million state).

In calendar year 2006, the combination of the PDL and loss of dual eligibles to the Medicare drug benefit program (Part D) reduced the net diabetic drug payments to $3.5 million total.

The total savings due to the PDL were $0.9 million total state and federal dollars ($0.3 million state).

In calendar year 2007, the diabetic PDL drug payment decreased to $3.0 million total. The total combined diabetic PDL savings increased 67%, from $0.9 million total in calendar year 2006 to $1.6 million total state and federal dollars ($0.6 million state) in calendar year 2007.

If not for the cost-effective design of the diabetic PDL, Iowa would have incurred an additional $1.9 million in state funds between calendar years 2005 and 2007.

Although the state has obtained savings from the PDL, it is important to note all drugs are available to Iowa Medicaid members. Member care has not been compromised. All prescribers have the option of prescribing a preferred drug or submitting a prior authorization request. The prior authorization process is required for non-preferred drugs and preferred drugs with conditions.

III. Pharmaceutical and Therapeutics Committee Recommendations

The P&T Committee is in agreement that the current PDL process for diabetic drugs is effective. The P&T Committee will continue to review new drug products and existing products on an annual and as needed basis for safety, efficacy, and cost effectiveness. To the extent that cost savings can be realized without compromising the care of Medicaid members, the Department should continue to operate the PDL process in a prudent, cost effective manner.

The P & T Committee recommendation is to not allow open access for drugs prescribed for the treatment of diabetes listed on the PDL. There are no indications patient care has been compromised due to the Preferred Drug List, however savings have been realized. Pharmaceuticals alone will not adequately treat diabetes; the non-pharmacological aspects of treatment, such as exercise, nutrition, and education, must be promoted as well. The committee supports examination, improvement, and refinement of these modalities.

The Iowa Medicaid P&T Committee appreciates the opportunity to make these cost containment recommendations to the Council on Human Services.

Susan Purcell, R.Ph, CGP	Matthew Osterhaus, R.Ph.	Bruce Alexander, R.Ph., Pharm.D., BCPP
Carole A. Frier, D.O.	Hayley L. Harvey, DDS, MS	Mary Larew, M.D.
Priscilla Ruhe, M.D.	Dallas Sanders, PA-C	Charles Wadle, D.O.