

Michigan Department of Community Health
PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT

A Report To The House and Senate Appropriations Subcommittees on Community Health

January 2004

**Michigan Department of Community Health
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Executive Summary

Section 1622 of the appropriation act for Michigan Department of Community Health (MDCH) provides for continuance of the *pharmaceutical best practice initiative* implemented in 2002 and stipulates requirements for its operation. This initiative included establishment of a single comprehensive drug coverage list. Called the *Michigan Pharmaceutical Products List*, it identifies preferred drug products covered by MDCH pharmacy programs.

This *preferred drug* approach was designed to encourage physicians to prescribe products that are safe and clinically effective – but yet cost-effective for both beneficiaries using them and the state taxpayers paying for them. Furthermore, the list does not deny beneficiaries access to needed medication, since a prescriber can request authorization for a non-preferred drug by providing an appropriate medical justification.

MDCH is submitting this report to the members of the House and Senate Subcommittees on Community Health in compliance with provisions at Section 1622. Required reporting items are summarized below followed by an outline of the topics covered in this report.

Required Reporting Items	Findings
(1) Number of appeals resulting from the prior authorization process	<p>During calendar year 2002, there were nearly 100,000 prior authorization requests for non-preferred drugs and another 62,400 requests for other clinical criteria. Of these, 81% were approved; 16% were changed to a preferred drug; and 3% were denied.</p> <p>Based on a study period from February 2002 through December 2003, there were 2,000 denials. Eighty-seven of the denials resulted in beneficiary appeals and administrative hearings of which only one was the prior authorization denial reversed.</p>
(2) Count of patients who are hospitalized because of authorization denial	<p>Based on a study period from February 2002 through December 2003, MDCH found that no hospitalization resulted from a denial of a drug not on the <i>Michigan Pharmaceutical Products List</i>.</p>
(3) Products with grandfathered provisions to the preferred drug list	<p>Grandfathered products are listed on page 8 of this report.</p>
(4) Strategies to improve drug prior authorization.	<p>The department continues to work with both the prescriber and pharmacy communities to streamline its preferred drug list and pharmacy prior authorization. Modifications and additions have resulted to the <i>Michigan Pharmaceutical Products List</i>.</p> <p>The department's pharmacy benefits manager has implemented a fax server, which electronically "handles" faxed requests. Electronic submission and response for prior authorization is not yet available. However, development of a web-based prior authorization process is under way.</p>

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BACKGROUND

A Appropriation Act Requirements at Section 1622

The Michigan Department of Community Health (MDCH) is submitting this report to comply with appropriation act provisions at Section 1622. Section 1622 mandates continued implementation of a *pharmaceutical best practice initiative* and stipulates requirements for its operation. Further this section stipulates at subsections (g) and (h) that the department must:

Provide to the members of the house and senate subcommittees on community health a report on the impact of the pharmaceutical best practice initiative on the Medicaid community. The report shall include, but not be limited to, the number of appeals used in the prior authorization process and any reports of patients who are hospitalized because of authorization denial.

Provide a report to the members of the house and senate appropriations subcommittees on community health and the house and senate fiscal agencies identifying the prescribed drugs that are grandfathered in as preferred drugs and available without prior authorization and the population groups to which they apply. The report shall assess strategies to improve the drug prior authorization process.

B. MDCH Pharmacy Benefit Programs

MDCH is responsible for administering the *fee-for-service* pharmacy benefits for Medicaid, Children's Special Health Care Services (CSHCS), State Medical Program (now known as the Adult Benefit Waiver), Maternal Outpatient Medical Services (MOMS), and Elder Prescription Insurance Program (EPIC). Also, the department administers a *managed care carve-out* for psychotropic drugs that provides reimbursement for these products in addition to a health plan's capitation rate. Table 1 lists paid prescriptions during fiscal year 2002 for the larger programs under MDCH administration.

MDCH has contracted with a pharmacy benefit manager (PBM) *First Health Services Corporation* for pharmacy claims processing, drug utilization review, post-payment audits, provider help lines, manufacturer rebate administration, and prior authorization. However, the department still retains responsibility for policy and drug coverage decisions.

Table 1: Prescription Volume (October 1, 2001 to September 30, 2002)

MDCH Pharmacy Program	Prescriptions Paid
Medicaid (Fee-For-Service & Psychotropic Care-Out)	13,300,000
Children's Special Health Care Services	390,000
State Medical Program	430,000
Elder Prescription Insurance Program (EPIC)	640,000
Total:	14,760,000

C. Michigan Pharmaceutical Product List of Preferred Drugs

Improving the management of its drug programs is a core mission of MDCH. Under the *pharmaceutical best practices initiative*, the department's PBM monitors all prescription requests prior to dispensing to help reduce medication errors caused by drug-drug interaction, therapeutic duplication, and other inappropriate drug combinations. Also, to promote an effective prescription

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drug benefit, MDCH has implemented other management techniques commonly used by commercial insurers and managed care plans.

One such technique was the establishment a single, comprehensive drug coverage list called the *Michigan Pharmaceutical Products List*. This list identifies preferred drug products covered by MDCH pharmacy programs. The preferred drug approach was designed to encourage physicians to prescribe products that are safe and clinically effective – but yet cost-effective for both the beneficiaries using them and the state taxpayers paying for them.

Pharmacy and Therapeutics Committee

An ongoing Pharmacy and Therapeutics (P&T) Committee was formed to develop and maintain the *Michigan Pharmaceutical Products List*. Also, the department's PBM provides consultation and other supportive functions.

The initial P&T review focused on top drug classes accounting for nearly 70% of the fee-for-service Medicaid payments. Within each drug class, the committee chose the *best in class* products based on clinical effectiveness and safety.

Economic Analysis and Manufacturer Rebates

Once P&T determinations are made, an economic analysis is completed to identify the daily cost of each product (net of manufacturer rebates available through federal Medicaid statutes). Next, manufacturers with net costs higher than the *best in class* products are approached with the possibility to offer supplemental rebates in addition to the federal program. During 2003, the PBM began negotiating manufacturer supplemental rebates on a multi-state basis. This is anticipated to increase market leverage and provide additional savings.

If supplemental rebates are offered, another economic analysis determines which products within the class will be given a *preferred* status. Preferred drugs are then listed on the *Michigan Pharmaceutical Product List* without prior authorization.

Paramount to the process, the P&T Committee monitors changes made at each step to assure clinical effectiveness of the resulting preferred drug list. The P&T Committee, also, identifies any need for *grandfathering* selected medications. The *grandfather* policy provides a streamlined exception process to allow payment of non-preferred drugs for individuals already successfully stabilized on a course of therapy.

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PRIOR AUTHORIZATION FOR NON-PREFERRED PRODUCTS

The *Michigan Pharmaceutical Product List* does not deny patients access to drugs. A drug not on the preferred drug list can be obtained by prior authorization. This process includes the beneficiary's prescriber providing an appropriate medical justification for the non-preferred drug.

Prior authorization is not a new concept for MDCH programs. In fact, MDCH has successfully employed it since the early 1980s. During 2001, there were nearly 43,000 requests for prior authorizations. Examples are described below.

Prior Authorization Requirements Implemented Before 2002

- Age appropriate use of Ritalin and Retin A
- Previously patent brand name products for which an equivalent generic is available
- Appropriate dosing quantities
- Smoking cessation products
- Viagra
- Dietary supplements

A. Approval Criteria & PBM Process

During 2002 when the *Michigan Pharmaceutical Product List* was implemented, MDCH standardized pharmacy prior authorization procedures. MDCH and the P&T Committee developed the approval criteria for non-preferred drugs. The department's PBM (who is responsible for reviewing these requests) designed a process to provide rapid, timely response to requests. Typically, a prescriber requests coverage of a non-preferred drug by calling a toll-free line and 30% to 40% of the time by fax. The prior authorization call center is available 24 hours, 7 days a week; however, most telephone or fax requests are received during 8 a.m. to 10 p.m.

When a prescriber makes a request, a trained pharmacy technician initially responds to the call. Technicians are authorized to approve prior authorizations if the request meets MDCH and P&T Committee criteria. Technicians can offer covered alternatives to non-preferred drugs or transfer requests to a clinical pharmacist for further discussion with a requestor.

Only the clinical pharmacist can recommend disapproval of a request. If such a denial recommendation is made, the request is forwarded to a MDCH staff physician for another review. If the MDCH staff physician is not available, a 72-hour supply is authorized when the requested product (1) maintains continued use of a therapy or (2) meets emergency criteria. Frequently, the MDCH staff physician contacts the prescriber directly for more information or clarification.

Most telephonic requests average about three minutes for an approval and if the request has to be referred to a clinical pharmacist, the requests average five minutes.

B. Appeal Process for Denied Requests

If MDCH authorizes a denial for prior authorization, a standard Medicaid process is used to advise beneficiaries. This process includes sending the beneficiary a negative action notice, which includes information needed to appeal the decision. If the denial is for a medication, which the beneficiary is receiving at the time of the request, authorization is given for a 30-day supply to continue the medication during the appeal process.

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III. PHARMACY REPORTING REQUIREMENTS AT SECTION 1622

A. Appeals Related to Prior Authorization Denials

During calendar year 2002, there were nearly 97,500 prior authorization requests for non-preferred drugs and another 62,400 requests for other clinical reasons. Eighty-one percent (81%) were approved; sixteen percent (16%) were changed to preferred drugs; and three percent (3%) were denied.

Denials, occurring from February 2002 to December 2002, were analyzed for this report. There were approximately 2,000 denials. Of the total denials, eighty-seven resulted in beneficiary appeals and administrative hearings. Only one appeal resulted in reversal of the MDCH prior authorization denial. As shown on Table 3, most decisions were upheld or dismissed.

Table 2: Results of Beneficiary Appeals on Prior Authorization Denials (Appealed during February 2002 to December 2002)	
Denial Upheld or Dismissed	72
Appeal Withdrawn by the Beneficiary	7
Appeal Pending	7
Denial of Prior Authorization Reversed	1
Total Administrative Hearings	87

B. No Hospitalization Resulting from Prior Authorization Denials

The department reviewed hospitalizations occurring during a study period from February 2002 through December 2002. This review included examination of both admitting diagnoses for hospitalization and medications denied through prior authorization. Findings showed that the pharmacy prior authorization denials did not cause any hospitalization during this period.

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C. Grandfather Provision

MDCH developed a *grandfather* policy based on the recommendation of the P&T Committee and psychiatric medical directors of community mental health boards. This policy allows payment of non-preferred drugs for beneficiaries successfully stabilized on a course of therapy already being paid by MDCH.

The department's PBM was able to automate this policy within its claims processing system, so pharmacies were alerted that grandfathered prescriptions did not require prior authorization. Table 4 lists the grandfathered products.

Table 4: Grandfathered Products the Michigan Pharmaceutical Product List

Drug Class	Sample Drugs
Selective Serotonin Reuptake Inhibitors Anti-Depressants	Celexa Effexor Luvox Prozac Zoloft
Atypical Antipsychotics	Geodon Zyprexa Zydis
Alzheimer's Disease	Aricept
Hepatitis C	Rebetol Peg-Intron Intron A Infergen Rebetron Roferon-A
Leukotriene Inhibitors	Zyflo
Lipotropics: Other	Zetia
Platelet Inhibitors	Agrenox
Oral Hypoglycemics – Biguanide and Biguanide Combinations	Goucophage XR Glucovance
Oral Hypoglycemics – Thiazolidineiones	Avandia
Nausea Agents – Oral	Emend Kytril
Serotonin Receptor Agonists	Amerge Axert Frova Maxalt MLT Maxalt Relpax

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D. Strategies to Improve Pharmacy Prior Authorization

Prescribers

During the beginning stages of implementation, prescribers complained about long “hold” times on the prior authorization toll-free line. Appointments were scheduled with the top 125 prescribers to review concerns and to identify mechanisms to streamline procedures. Also, high volume prescribers experiencing difficulties were assigned to individual PBM pharmacists to resolve specific problems. As the process became more understood by prescribers and delays for prior authorization were corrected, complaints decreased.

Based on comments from the prescriber community, adjustments have been made to the preferred drug list and prior authorization procedures. As an example, meetings were held with the psychiatric medical directors of community mental health boards, health plans, and the department to work through issues arising from the new prior authorization requirements for mental health drugs.

Electronic submission and response for prior authorization is not yet available. However, the PBM has implemented a fax server, which electronically “handles” faxed prior authorization requests. Development of the web-based prior authorization process for prescribers is underway. Also, the department’s preferred drug list is now supported in the national Epocrates software. This software allows prescribers to easily access pharmaceutical coverage information through hand-held devices.

Pharmacies

MDCH has worked with both retail and long-term care pharmacies to streamline operational procedures related to the preferred drug list and its online claims processing system. When a beneficiary presents a non-preferred drug prescription, the PBM’s computer system alerts the pharmacy that the product requires prior authorization. The pharmacy is then able to notify the prescriber a request is need and to provide alternative preferred products for consideration.

To provide a mechanism for ongoing communications, department staff has attended Michigan Pharmacists Association workgroup meetings. Also, the department is developing a process, which will provide quarterly liaison meetings with pharmacy groups.

Beneficiaries

Written notices regarding the preferred drug list have been provided to beneficiaries.

There is no indication that access to medications has been reduced based on claims volume, average number of pharmacy claims per beneficiary, or other information. According to the department’s pharmacy benefit manager, the monthly average number of pharmacy claims for Medicaid beneficiaries receiving prescriptions has remained relatively stable. Furthermore, based on review (described in another section of this report) hospitalizations have not resulted from a prior authorization denials.

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V. CONCLUSION

MDCH is continuing to pursue the following goals for the Pharmaceutical Best Practices Initiative.

- Clinical quality as the basis for decisions
- Access for beneficiaries to medically necessary and clinically appropriate medications
- Effective and efficient use of computer resources
- Communication, education, and involvement of the provider and beneficiary communities
- Ongoing assessment, monitoring, and problem resolution