Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-1270/1**	Introduction Number **AB-355**

Subject

Prescription drug preferred drug list; prescription drug assistance; gifts to pharmacists

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate
- ☒ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory

5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS 20.435 (4)(a) and 20.435 (4)(bm)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DHFS 5/27/2003

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Assumptions Used in Arriving at Fiscal Estimate

Currently prescription drugs are covered under the Medical Assistance program, BadgerCare, SeniorCare, the Health Insurance Risk Sharing program (HIRSP), Chronic Disease program and the AIDS/HIV drug reimbursement program. Under federal law, if pharmaceutical manufacturers enter into agreements with the U.S. Department of Health and Human Services (DHHS) to provide rebates for drugs purchased by beneficiaries enrolled in state MA programs then state MA programs must provide coverage of prescription drugs produced by these manufacturers. However, states may subject any drug covered under its MA program to prior authorization requirements, meaning that a pharmacy or physician must receive prior approval from the program before reimbursement would be available for a drug purchased by an MA recipient. Currently, DHFS uses prior authorization to encourage the use of lower cost, therapeutically equivalent drugs when appropriate. Prior authorization reduces the cost of prescription drugs by shifting market share from more expensive brand name drugs to therapeutically equivalent generic drugs within the same classification.

Under this proposal DHFS would be required to create a Prescription Drug Prior Authorization Committee to develop two Preferred Drug Lists (PDLs), one for state coverage programs and another for non-state supported health plans. To be included on either preferred drug list, manufacturers must agree to supplemental rebate agreements to avoid prior authorization of the manufacturers' drugs. The PDL for state covered programs would seek supplemental rebates in addition to the current manufacturer rebates. The PDL for non-state supported health plans would seek to establish manufacturer rebates and leverage the purchasing power of the participants to negotiate lower drug prices.

In addition, this proposal creates a new Prescription Drug Price Discount Program available to all Wisconsin residents who do not have prescription drug insurance. This new program provides individuals an opportunity to purchase prescription drugs at a lower price. This program would utilize the PDL list for non-state supported health plans to generate rebates. DHFS would be responsible for establishing drug prices. Also, under this proposal the DHFS may charge an enrollment fee of $20 to fund administration costs.

Both preferred drug lists generate savings based on the willingness of drug manufacturers to voluntarily enter into supplemental rebate agreements. Therefore, it is not possible to determine savings for either the PDL for state covered programs or the PDL for non-state supported health plans. In addition, since DHFS currently utilizes prior authorization for drugs in classes where there is generic therapeutically equivalent available drug, it is unclear how much more savings Medicaid or other state programs would generate from developing a PDL. The Medicaid savings that would be available would be in therapeutic classes where there are only brand name drugs. It is unknown to what extent these manufacturers would be willing to enter into supplemental rebates. In regards to establishment of a PDL for individuals without drug coverage, there is currently no data from other states to determine the savings a PDL would generate since drug manufacturers have been resisting signing supplemental rebate agreements for this group of individuals.

Also, based on current Medicaid policy, DHFS would be required to seek federal approval, through a Medicaid state plan amendment for obtaining supplemental rebates for Medicaid and any other programs. The state would need to demonstrate that the Medicaid population would not be disadvantaged in any way by requiring manufacturers to agree to additional rebates in Medicaid or any other prescription drug price discount program.

Establishing a preferred drug list for Medicaid could be done with existing resources. It is intended that the establishment of a PDL for non-state supported health plans would be supported by fees charged to entities that would participate in the PDL for non-state supported health plans. It is unclear whether administrative cost would be covered with these fees. Resources would have to be redeployed to establish and maintain a PDL for other state coverage programs. It is unknown what level of resources would be needed across all

state programs.

Implementation of the Prescription Drug Price Discount Program would require the Department to create a process to determine eligibility, issue to each eligible person a prescription drug card, and track drug purchasing in order to distribute the corresponding rebates back to each pharmacy. It is unknown how many individuals would enroll in a Prescription Drug Price Discount Program. Based on SeniorCare administrative costs, it is estimated that administration costs to establish a Prescription Drug Price Discount Program available to all Wisconsin residents who do not have prescription drug insurance would cost $2 million GPR to implement and approximately $6 million annually to serve 100,000 enrollees to fund the ongoing administration costs of the program. A $20 enrollment fee per recipient would generate $2 million per 100,000 enrollees per year.

Long-Range Fiscal Implications