

Fiscal Estimate - 2023 Session

Original Updated Corrected Supplemental

LRB Number 23-4976/1	Introduction Number AB-0654	
Description utilization management controls for prescription drugs to treat mental illness under the Medical Assistance program		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	
<input checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Costs	
<input type="checkbox"/> Create New Appropriations		
Local:		
<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities	
1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Counties <input type="checkbox"/> Others	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
Fund Sources Affected		
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	Affected Ch. 20 Appropriations 20.435(4)(b), 20.435(4)(o), 20.435(4)(gm)	
Agency/Prepared By DHS/ Michael Schmitz (608) 267-2955	Authorized Signature Andy Forsaith (608) 266-7684	Date 12/13/2023

Fiscal Estimate Narratives

DHS 12/13/2023

LRB Number	23-4976/1	Introduction Number	AB-0654	Estimate Type	Original
Description utilization management controls for prescription drugs to treat mental illness under the Medical Assistance program					

Assumptions Used in Arriving at Fiscal Estimate

This proposal prohibits the Department from imposing utilization management controls for prescription drugs under the Medicaid program that are used for treatment for a serious mental illness. Utilization management controls are defined in this bill as a set of formal techniques used by a health carrier or prescription drug utilization entity that are designed to evaluate prescription drug medical necessity, appropriateness, efficacy, or efficiency, including prior authorization and step therapy protocols. For this fiscal estimate, the Department is evaluating the impact on the antipsychotic drug class, which would most likely be used for treatment of a serious mental illness.

The Department operates a supplemental rebates program which encourages providers to utilize prescription drugs on a preferred drug list (PDL). A PDL is a list of outpatient drugs that states encourage providers to prescribe over others as a mechanism for negotiating higher supplemental rebates from drug manufacturers. In Wisconsin, ForwardHealth makes recommendations to the Wisconsin Medicaid Pharmacy Prior Authorization (PA) Committee on whether certain PDL drugs should be preferred or non-preferred. If a drug is non-preferred, it may still be covered with an approved PA request. In exchange for incentivizing utilization of preferred prescription drugs, the Department receives supplemental rebates from drug manufacturers, which reduce state and federal costs for Medicaid pharmacy services. This bill limits the Department's ability to manage antipsychotic prescription drugs through the PDL.

There are various impacts that this bill would have on the Wisconsin's Medicaid pharmacy program, some known and others unknown. The only known impact is that, under the provisions of the bill, the Department would no longer be able to direct utilization to the most cost-effective and clinically appropriate products in the antipsychotic drug class. This would result in an estimated \$17.7 million annual loss in supplemental rebates program revenue from drug manufacturers for antipsychotic drugs. Subsequently, due to the loss of program revenue from supplemental rebates, the state and federal government would need to cover the costs. This annual cost is estimated at \$7.1 million GPR and \$10.6 million FED.

It is unknown how utilization could change under this bill, but the Department estimates that utilization of drugs used to treat severe mental illness would increase due to the revocation of utilization management controls such as prior authorization. In state fiscal year 2023 the Department's gross expenditures, prior to application of rebate savings, for antipsychotic drugs was \$136.5 million all funds (AF). While the Department is not able to precisely estimate the impact the provisions of the bill would have on utilization, for a sense of scale, should the provisions of this bill lead to a 10% increase in antipsychotic drug utilization, Medicaid costs could increase by approximately \$13.7 million AF per year. Another unknown is that without the Department being able to direct providers to cost-effective and clinically appropriate antipsychotic drugs on the PDL, providers could prescribe more expensive prescription drugs without associated improvement in clinical outcomes. This could lead to an increase of costs for the Medicaid program without an increase in utilization.

In summary, the Department estimates that the provisions of this bill would result in an annual loss of \$17.7 million in supplemental pharmacy rebates program revenue, which would increase the annual cost of operating the Medicaid pharmacy program by \$7.1 million GPR and \$10.6 million FED. The Department estimates that this bill would further increase Medicaid pharmacy program costs due to increased utilization of drugs used to treat severe mental illness and increased prescribing of non-preferred drugs; however, due to the many unknown impacts of this bill, the overall fiscal estimate is indeterminate.

Long-Range Fiscal Implications