



## Fiscal Estimate Narratives

DHS 3/26/2025

LRB Number	25-1254/1	Introduction Number	AB-0054	Estimate Type	Original
<b>Description</b> utilization management controls for antipsychotic prescription drugs under the Medical Assistance program					

### Assumptions Used in Arriving at Fiscal Estimate

This proposal prohibits the Department from imposing utilization management controls for antipsychotic prescription drugs under the Medicaid program. Utilization management controls are defined in this bill as a set of formal techniques used by a health carrier or prescription drug utilization management 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.

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 use to encourage providers to prescribe over others as a mechanism for negotiating higher supplemental rebates from drug manufacturers. In Wisconsin, ForwardHealth makes recommendations to 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 \$16.7 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 \$6.6 million GPR and \$10.1 million FED. The provisions of this bill are also incidentally applicable to the SeniorCare program. However, an analysis of antipsychotic prescription drug utilization in the SeniorCare program suggests payments for prescription drugs under this classification are very low, so for the purposes of this estimate a net loss in supplemental rebates for both Medicaid and SeniorCare is reported below, though the impact on SeniorCare is largely cost neutral.

It is unknown how utilization could change under this bill, but the Department estimates that utilization of antipsychotic drugs under Medicaid but not SeniorCare would increase due to the revocation of utilization management controls such as prior authorization. In state fiscal year 2024 the Department's gross expenditures, including SeniorCare, prior to application of rebate savings, for antipsychotic drugs was \$120.2 million all funds (AF). While the Department is unable 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 \$12.0 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 \$16.7 million in supplemental pharmacy rebates program revenue, which would increase the annual cost of operating the Medicaid pharmacy program by \$6.6 million GPR and \$10.1 million FED. The Department estimates that this bill would further increase Medicaid pharmacy program costs due to increased utilization of antipsychotic drugs 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