

## PRESCRIPTION DRUG INITIATIVES - OTHER STATES

This memorandum provides updated information on initiatives begun in other states to control prescription drug costs and to expand access to pharmaceutical benefits.

A number of states have implemented or are in the process of implementing strategies to control prescription drug costs, primarily for the state Medicaid program but also for other health insurance programs. States are also developing initiatives to improve consumer access to lower cost prescription drugs. Attached as Appendix A is a National Academy for State Health Policy chart showing various state strategies to control costs and improve consumer access. Attached as Appendix B is a National Academy for State Health Policy chart showing more detailed information for the various strategies utilized by states to control the cost of prescription drugs.

### SELECT INITIATIVES TO REDUCE PRESCRIPTION DRUG COSTS

Strategies being discussed most recently among states to lower prescription drug costs have involved the development of preferred drug lists (PDLs) and negotiating supplemental rebates from prescription drug manufacturers. These strategies have been implemented in Florida, Maine, Michigan, and Vermont. Many more states are considering these strategies to reduce prescription drug costs.

State programs to control prescription drug costs by developing preferred drug lists and negotiating supplemental rebates from manufacturers for the state Medicaid program involve:

1. State approval of the initiative.
2. Approval of a state plan amendment from the Centers for Medicare and Medicaid Services allowing prior authorization and supplemental rebates.
3. Development of a preferred drug list generally by an appointed committee or board. See Appendix C.
  - a. All drugs are separated into therapeutic classes.
  - b. A reference drug is chosen from within each class. The reference drug is effective therapeutically and yet reasonably priced.
  - c. The reference drug is placed on the preferred drug list.
  - d. Other drugs in the same class priced less than the reference drug are placed on the preferred drug list.
  - e. Other drugs in the same class priced higher than the reference drug are considered for placement on the preferred drug list if the drug manufacturer agrees to provide supplemental rebates to lower the

price of its drug to the same level as the reference drug.

- f. Other drugs in the same class are excluded from the preferred drug list and are available to consumers only if the consumer receives authorization from the state Medicaid program before the prescription is filled.
4. In addition to state Medicaid programs, a number of states are considering including state employee health insurance groups and other private health insurance groups in the prescription drug purchasing pool.
5. A number of states are also considering partnering with other states to enlarge the purchasing pool to potentially increase supplemental rebates and lower pharmacy benefit management costs.

### CONSUMER ACCESS INITIATIVES

Thirty-four states have implemented or are in the process of implementing initiatives to improve consumer access to lower prescription drug prices. Programs in Maine and Vermont offer their programs to the elderly and disabled with incomes of up to 400 percent of poverty and to others under 300 percent of poverty without prescription drug coverage or with inadequate prescription drug coverage. The program requires a Section 1115 waiver from the federal Centers for Medicare and Medicaid Services. The program provides a discount card to eligible individuals for use when purchasing prescription drugs which enables the individual access to the lower-priced drugs that are available to the state's Medicaid program. The state contributes 2 percent of the cost of each prescription for each eligible individual in the program. Administrative costs of the program are paid for by an enrollment fee charged to each individual in the program.

### NATIONAL LEGISLATIVE ASSOCIATION ON PRESCRIPTION DRUG PRICES

A national legislative organization has been formed to assist states in addressing issues involving prescription drug costs. It began as a collaborative effort among the New England states but has recently expanded to be available to all states. Its purpose is to share information among the states on strategies that are effective in controlling prescription drug prices and to consider the possibilities of developing state partnerships for purchasing prescription drugs.

### LEGAL CHALLENGE

Although many states are implementing these initiatives to reduce the cost of prescription drugs and to improve consumer access to lower cost prescription

drugs, the pharmaceutical industry has begun a legal action against the federal government to preclude it from approving state plans involving these types of initiatives. The federal court has not yet taken action in the lawsuit. Attached as Appendix D is an August 26, 2002,

*Washington Post* article by Ceci Connolly discussing issues relating to these initiatives.

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