



SB 87 FOLLOW UP

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANSEN

ISSUE BRIEF

SUMMARY

This issue brief summarizes the actual and projected General Fund savings as compared to the estimated fiscal note savings for Senate Bill 87 “Preferred Prescription Drug List Revisions” from the 2009 General Session. Actual General Fund savings for SB 87 in FY 2009 were \$12,500 or 10% less than anticipated and are currently estimated at \$10,900 or 1% less than projected for FY 2010.

Additionally, this issue brief summarizes Total fund savings since the beginning of the preferred drug list. The preferred drug list (PDL) program began in FY 2008 with SB 42 “Preferred Prescription Drug List” from the 2007 General Session. Cumulative total fund savings overall for the PDL program since FY 2008, were 29% below anticipated savings for FY 2009 and are projected to be 1% above anticipated savings for FY 2010. Some of the difference in savings can be explained by the difference in the number of approved drug classes and having a full year for the prior authorization requirement.

OBJECTIVE

This issue brief provides an update to the Legislature on the implementation of SB 87 passed during the last General Session. This brief also summarizes the cumulative savings for FY 2009 and FY 2010 since SB 42 from the 2007 General Session.

DISCUSSION AND ANALYSIS

Senate Bill 87 “Preferred Prescription Drug List Revisions” from the 2009 General Session removed the automatic physician override to the existing preferred drug list in the Medicaid program. Physicians must now obtain a prior authorization in order for a client to receive a non-preferred rather than an approved preferred drug. A preferred drug list is used as a default, preferred prescription or medical supply for certain diseases. Clients use these preferred drugs unless they are found to be ineffective for the client.

The SB 87 fiscal note savings estimate was \$430,200 total funds for FY 2009 and \$5,162,100 total funds for FY 2010. The actual total fund savings for SB 87 have been \$40,000 or 9% less than anticipated in FY 2009 due to a lag in new claims requiring a prior authorization and \$69,100 or 1% more than anticipated in FY 2010. The PDL savings from SB 87 are shown in the table below:

SB 87	Total Funds		General Fund	
	FY 2010 (est.)	FY 2009	FY 2010 (est.)	FY 2009
Savings	\$ (5,231,200)	\$ (390,200)	\$ (1,494,200)	\$ (113,400)
Fiscal Note	\$ (5,162,100)	\$ (430,200)	\$ (1,474,300)	\$ (122,900)
Savings (Above)/ Below Fiscal Note	\$ (69,100)	\$ 40,000	\$ (19,900)	\$ 9,500

The Department began implementation of the PDL Program on October 1, 2007 with two drug classes as per direction from SB 42 from the 2007 General Session. As of December 1, 2009 the Department had 37 drug classes approved for use on the PDL.

SB 87 increased Total fund savings to the Preferred Drug List program by 6% in FY 2009 to \$7,322,700 and is projected to increase savings by 53% in FY 2010 to \$15,112,100. By comparing these savings to the combined

fiscal notes from SB 87 and SB 42, Total fund savings for FY 2009 were \$2,939,400 or 29% less than anticipated and are projected to be \$118,100 or 1% more than anticipated for FY 2010.

The savings for FY 2009 and FY 2010 on drug classes implemented thus far as compared to the original fiscal note savings estimate are detailed in the chart below:

Preferred Drug List Program	Total Funds		General Fund*	
	FY 2010 (est.)	FY 2009	FY 2010 (est.)	FY 2009
Market Shift Savings	\$ (12,589,100)	\$ (5,014,500)	\$ (3,595,800)	\$ (1,457,200)
Secondary Rebates	\$ (2,731,900)	\$ (2,549,000)	\$ (780,300)	\$ (740,700)
Administrative Expenses	\$ 208,900	\$ 240,800	\$ 59,700	\$ 77,300
Total Savings	\$ (15,112,100)	\$ (7,322,700)	\$ (4,316,400)	\$ (2,120,600)
Fiscal Note Estimated Savings				
SB 42	\$ (9,831,900)	\$ (9,831,900)	\$ (2,743,800)	\$ (2,743,800)
SB 87	\$ (5,162,100)	\$ (430,200)	\$ (1,474,300)	\$ (122,900)
Total Estimated Savings	\$ (14,994,000)	\$ (10,262,100)	\$ (4,218,100)	\$ (2,866,700)
Estimated Savings (More)/Less Than Anticipated	\$ (118,100)	\$ 2,939,400	\$ (98,300)	\$ 746,100

*The federal match rate changed unexpectedly starting October 1, 2009 due to ARRA since the SB 42 fiscal note. Using Total Funds makes for a more consistent comparison of savings.

The Department intends to implement additional drug classes as they are reviewed by the Pharmacy and Therapeutics Committee. On average one new drug class is added to the PDL monthly. These additional drug classes are projected to provide additional savings to the State.