



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 250 of the 131st G.A.

**Date:** November 4, 2015

**Status:** As Introduced

**Sponsor:** Reps. Sprague and Driehaus

**Local Impact Statement Procedure Required:** No

**Contents:** Regarding Medicaid pharmacy utilization management programs and prior authorization requirements for certain opioids

### State Fiscal Highlights

- **Prior authorization.** The Ohio Department of Medicaid (ODM) might realize a decrease in the number of opioid prescriptions and pills dispensed, which could result in a direct decrease in prescription costs and possible indirect decreases in treatment costs. These savings could be in the millions of dollars. A portion of any savings would be federal.
- **Prior authorization.** ODM currently has a vendor that performs prior authorizations and this vendor would perform the additional prior authorizations required under the bill. There would be an increase in administrative costs as a result of these additional prior authorizations, but according to ODM the current contract would not likely be amended to account for these costs. However, costs relating to future contracts might increase as a result.
- **Pharmacy utilization management program.** The Managed Care Organization (MCO) currently have some measures in place to address drug utilization, so any potential increase in costs for implementing a pharmacy utilization management program would depend on what activities are currently conducted and the number of individuals that would be considered to have high risk medication regimens. There might be an indirect decrease in costs if the implementation of this program led to reduced treatment costs.

### Local Fiscal Highlights

- **Prior authorization.** Public hospitals might realize an increase in administrative and adjudication costs relating to prior authorization requirements for certain drugs prescribed in conjunction with emergency room treatment. The increase would ultimately depend upon the prior authorization process that is established by ODM (i.e., is the prior authorization required to be done by email, verbally, by fax, etc.) and how many prior authorizations are required.

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## Detailed Fiscal Analysis

### Prior authorization requirements for certain opioids

The bill establishes prior authorization requirements for certain opioid drugs prescribed to Medicaid recipients. Specifically, the bill prohibits the Medicaid Program from covering certain prescribed drugs that are controlled substances containing an opioid unless the Medicaid provider who prescribes the drug first obtains prior authorization in accordance with procedures adopted by the Medicaid Program. These requirements apply to the following drugs that are controlled substances containing an opioid:

- A prescribed drug (1) that is not for treatment of chronic pain, a terminal condition, or a progressive disease that may reasonably be expected to result in a terminal condition and (2) the amount to be dispensed exceeds the amount necessary for the recipient's use in a single ten-day period;
- A prescribed drug that is for a Medicaid recipient who has been diagnosed with chronic pain and both of the following are true: the dose or doses exceed a morphine equivalent dose of 80 milligrams a day and the recipient has received one or more other prescriptions for a controlled substance containing an opioid in the past three consecutive months and the sum of the doses exceeds a morphine equivalent dose of 80 milligrams a day;
- A prescribed drug that is for a Medicaid recipient in conjunction with the recipient's treatment in an emergency department and all of the following are true: the amount to be dispensed exceeds the amount necessary for use in a single 72-hour period; the drug is not intended to treat pain associated with cancer, a terminal condition, or a progressive disease that, in the normal course of progression, may reasonably be expected to result in a terminal condition; and the drug is not an antidepressant or antipsychotic, administered or dispensed in a standard tablet or capsule form and is prescribed by a physician certified in a managed care agreement to provide care as a psychiatrist, or by a psychiatrist practicing at a certified community mental health services provider.

The bill requires the Ohio Department of Medicaid (ODM) to adopt one or more procedures that Medicaid providers must use to obtain prior authorization for these drugs. One procedure must require ODM to consider whether the provider reviewed any information related to the recipient in the Ohio Automated Rx Reporting System (OARRS) in accordance with State Board of Pharmacy standards and procedures regulating the provider's profession. The bill also establishes requirements pertaining to these prior authorization procedures that apply to each category of prescription drug covered by the bill.

The bill authorizes ODM to contract with a person to perform prior authorization determinations. ODM is also required to disapprove a prior authorization under certain circumstances such as if ODM is aware that the recipient has previously altered or forged a prescription or has engaged in other fraudulent activity for the purpose of obtaining controlled substances containing opioids. The bill sets additional requirements on Medicaid managed care arrangements relating to prescription drugs that contain opioids.

### **Fiscal impact**

According to ODM, Medicaid pharmacy claims do not contain a diagnosis; nor do claims indicate whether or not a prescription was written in an emergency department. Therefore, the bill's prior authorization requirements would be necessary for any short-acting opioid written for longer than a 72-hour supply. There is currently a vendor that performs prior authorizations and this vendor would perform these additional prior authorizations as well. ODM believes there could be an increase in administrative costs, but the current contract would not likely be amended to account for them. However, costs relating to future contracts might increase as a result of additional prior authorizations.

There could be a decrease in the number of opioid prescriptions and pills dispensed under the Medicaid Program.<sup>1</sup> This could result in a direct decrease in prescription costs and possible indirect decreases in treatment costs. In calendar year 2014, ODM spent \$58.2 million for opioid drugs. Depending on the magnitude of the impact in Ohio, there could be savings in the millions of dollars. A portion of any savings would be federal. For those enrolled in traditional Medicaid, LSC assumes the standard federal reimbursement rate of 64% would apply. For those enrolled in Group VIII (i.e., Medicaid expansion), LSC assumes the federal reimbursement rate would be 95% in CY 2017, 94% in CY 2018, 93% in CY 2019, and 90% in CY 2020 and thereafter.

According to the Ohio Hospital Association (OHA), public hospitals might realize an increase in administrative and adjudication costs relating to prior authorization requirements for certain drugs prescribed in conjunction with emergency room treatment. OHA stated that hospitals and other providers are reimbursed for services rendered under Medicaid; however, the costs associated with prior authorization would likely be absorbed by the hospital/provider. The increase would ultimately depend upon the prior authorization process that is established (i.e., is the

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<sup>1</sup> Restrictions and/or prior authorization requirements placed on opioid drugs has led to a decrease in the number of opioid prescriptions dispensed in Maine. The Maine Medicaid Program implemented restrictions on opioid prescriptions and the following occurred: there was a 17% drop in the number of patients that took opioids from 2012 to 2013; and the number of pills dispensed was reduced 27%. These restrictions included requiring Medicaid patients with chronic pain to demonstrate that alternative pain therapies were tried, opioid prescriptions for acute pain were limited to an initial 15-day supply, and two refills totaling 30 days were allowed with prior authorization. Lastly, a second opinion was needed for certain patients if more than 45 days of opioids were required.

prior authorization required to be done by email, verbally, by fax, etc.) and the number of prior authorizations required.

### **Pharmacy utilization management program**

The bill requires each contract between ODM and an MCO to implement and administer a pharmacy utilization management program for Medicaid recipients who have high risk medication regimens, meaning the recipient has been prescribed at least one controlled substance containing an opioid and at least one benzodiazepine within a single 12-month period. The bill specifies that in administering the pharmacy utilization management program, the MCO must employ or contract with appropriate professionals, including pharmacists, to review high risk medication regimens for clinical appropriateness. The bill further specifies that the pharmacy utilization management program can include or be separate from a coordinated services program.

### **Fiscal impact**

MCOs currently have some measures in place to address drug utilization, so any potential increase in costs would depend on what activities are currently conducted and the number of individuals that would be considered to have high risk medication regimens. There might be an indirect decrease in costs if the implementation of this program led to reduced treatment costs.