

**Michigan Department of Community Health**

***PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT***

**A Report To The House and Senate Appropriations Subcommittees on Community Health**

**May 15, 2005**

**Michigan Department of Community Health (MDCH)  
 PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

**Executive Summary**

Section 1622 of Public Act 349 of 2004 stipulates requirements for the MDCH's *pharmaceutical best practice initiative*. This initiative includes maintenance of the Michigan Pharmaceutical Products List identifying preferred drug products covered for MDCH pharmacy programs. The Michigan Pharmaceutical Products List was implemented in 2002 to encourage physicians to prescribe preferred products that are safe and clinically effective – but yet cost-effective for both the beneficiaries using them and the state taxpayers paying for them. The list does not deny beneficiaries access to needed medication, since prescribers may request authorization for a non-preferred drug by providing an appropriate medical justification.

MDCH is submitting this report to the members of the House and Senate Subcommittees on Community Health and the House and Senate fiscal agencies in compliance with provisions at Section 1622 (g). Required reporting items are summarized below followed by topics covered in this report.

Required Reporting Items	Findings
(1) Products grandfathered as preferred drugs and the population groups to which they apply.	Grandfathered products are listed on page 4.
(2) Strategies to improve drug prior authorization	<p>The department continues to work with both the prescriber and pharmacy communities to streamline its preferred drug list and prior authorization process.</p> <p>During 2004, a web-based prior authorization pilot was completed. This capability is now available to providers statewide.</p> <p>Other electronic technologies supported by the department include (1) access of the Michigan Pharmaceutical Products List by wireless data devices and (2) ePrescribing initiatives.</p>

**Report Outline**

**I. BACKGROUND**

- A. Appropriation Act Requirements at Section 1622
- B. MDCH Pharmacy Benefit Programs
- C. Michigan Pharmaceutical Product List of Preferred Drugs

**II. PHARMACY REPORTING REQUIREMENTS AT SECTION 1622**

- A. Grandfathering Provision
- D. Strategies to Improve Pharmacy Prior Authorization

**III. CONCLUSION**

**Michigan Department of Community Health (MDCH)**  
**PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

**I. BACKGROUND**

**A. Appropriation Act Requirements at Section 1622**

The Michigan Department of Community Health (MDCH) is submitting this report to comply with provisions at Section 1622 (g) of Public Act 349 of 2004. This section stipulates the department must provide a report to the members of the House and Senate appropriations subcommittees on Community Health and the House and Senate fiscal agencies, which:

- Identifies prescribed drugs that are grandfathered
- Assesses strategies to improve the drug prior authorization process.

**B. MDCH Pharmacy Benefit Programs**

MDCH administers *fee-for-service* pharmacy benefits for Medicaid, Children's Special Health Care Services (CSHCS), Adult Benefit Waiver 1 (ABW1), Maternal Outpatient Medical Services (MOMS), and Elder Prescription Insurance Program (EPIC). Also, the department administers a *managed care carve-out* for psychotropic and AIDS/HIV (i.e., antiretroviral and protease inhibitor) prescriptions provided by capitated health plans. *First Health Services Corporation* is MDCH's contracted pharmacy benefit manager (PBM). First Health provides pharmacy claims processing services, prospective and retrospective drug utilization review, post-payment audits, provider help lines, manufacturer rebate administration, and prior authorization. However, MDCH still retains responsibility for policy and coverage decisions.

**C. Michigan Pharmaceutical Product List of Preferred Drugs**

Since 2002 MDCH has maintained a single, comprehensive drug coverage list (formulary) called the *Michigan Pharmaceutical Products List*. This list identifies *preferred* products within sixty of the drug categories covered by MDCH pharmacy programs. The preferred drug approach is designed to encourage physicians to prescribe products that are safe and clinically effective – but yet cost-effective for both the beneficiaries using them and the state taxpayers paying for them.

**Pharmacy and Therapeutics Committee – Clinical Effectiveness and Safety**

A Pharmacy and Therapeutics (P&T) Committee maintains the *Michigan Pharmaceutical Products List*. The committee identifies (1) *best in class* drugs based on safety and clinical effectiveness and (2) the need for *grandfathering*. The *grandfathering* policy provides an exception process to expedite payment of non-preferred drugs for individuals already successfully stabilized on them.

**Economic Analysis and Manufacturer Rebates**

Once the best in class products are identified, an economic analysis identifies the daily cost of each product (net of manufacturer rebates available through federal Medicaid statutes). Next, manufacturers are approached regarding their willingness to provide supplemental rebates in addition to rebates available under the federal program. Starting 2003, the department's PBM began negotiating manufacturer supplemental rebates on a multi-state basis. Currently, eight states pool their collective purchasing power – Michigan, Vermont, New Hampshire, Alaska, Nevada, Minnesota, Hawaii, and Montana. Kentucky and Tennessee are expected to join the pool upon receipt of CMS approval. If manufacturers offer supplemental rebates, a second analysis is conducted to determine which products within a class are given a *preferred* status. Preferred drugs are listed on the *Michigan Pharmaceutical Product List* without prior authorization.

**Prior Authorization for Non-Preferred Products**

The Michigan Pharmaceutical Product List does not deny patients access to drugs. A drug not on the preferred drug list can be obtained through prior authorization. This process includes the beneficiary's prescriber providing an appropriate medical justification for the non-preferred drug.

**Michigan Department of Community Health (MDCH)**  
**PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

**II. PHARMACY REPORTING REQUIREMENTS AT SECTION 1622**

**A. Grandfathering Provision**

The grandfathering policy allows payment of non-preferred drugs for beneficiaries successfully stabilized on therapy already being paid by MDCH. During calendar year 2004, one drug Crestor, a cholesterol-lowering product, was added to the list of grandfathered drugs. As products changed to a preferred status, they were deleted from grandfathering.

Also, enactment of Public Act 248 of 2004 changed the grandfathered list. This act, which amends the Social Welfare Act, stipulates certain drugs are exempt from Medicaid prior authorization – such as: antidepressants and antipsychotics, previously listed on the grandfathered list. Table 1 lists grandfathered products along with their drug classes. Products summarized on Table 2 were designated as grandfathered, but are now preferred and available without prior authorization.

**Table 1: Grandfathered Products on the Michigan Pharmaceutical Product List**

General Class	Specific Drug Class	Sample Drugs	Comments
Antibiotics & Anti-Infectives	Hepatitis C	Rebetol Peg-Intron Intron A Infergen Rebetron Roferon-A	
Asthma – Allergy Drugs	Leukotriene Inhibitors	Zyflo	
Cholesterol Lowering Drugs	Antilipemic Agents	Crestor	
Diabetic Drugs	Oral Hypoglycemics – Thiazolidinediones	Avandia	
Gastrointestinal Drugs	Nausea Agents – Oral	Emend	
Miscellaneous Migraine Agents	Serotonin Receptor Agonists	Amerge Axert Frova Maxalt MLT Maxalt Relpax	

**Table 2: Deleted Grandfathered Products**

General Class	Specific Drug Class	Sample Drugs	Comments
Cardiac Drugs	Platelet Inhibitors	Aggrenox	Now preferred
Central Nervous System Drugs	Alzheimer's Disease	Aricept	Now preferred
Central Nervous System Drugs	Anti-Depressants - Selective Serotonin Reuptake Inhibitors (SSRIs)	Celexa Effexor Luvox Prozac Zoloft	Now preferred
Central Nervous System Drugs	Atypical Antipsychotics	Geodon Zyprexa Zydis	Now preferred
Diabetic Drugs	Oral Hypoglycemics – Biguanide & Biguanide Combinations	Glucophage XR Glucovance	Generics now available as preferred
Gastrointestinal Drugs	Nausea Agents – Oral	Kytril	Now preferred

**Michigan Department of Community Health (MDCH)**  
**PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

**D. Strategies to Improve Pharmacy Prior Authorization**

**Electronic Access to the Preferred Drug List**

The department continues to ensure that the Michigan Pharmaceutical Products List is available to ePocrates systems. Using hand-held devices (e.g., Palm OS), ePocrates software integrates pharmaceutical clinical information with formularies from health plans across the nation. Other participating Michigan health plans include Aetna, Blue Cross/Blue Shield of Michigan, CIGNA, Health Alliance Plan, HealthPlus, M-Care, Molina Healthcare of Michigan, Physicians Health Plan, and Priority Health.

Another technology under review is *ePrescribing* - the electronic transmission of prescriptions between physician offices, pharmacy benefit managers, and pharmacies. A Southeast Michigan e-Prescribing Initiative was recently announced. This initiative is a collaboration of General Motors, Ford, DaimlerChrysler, Henry Ford Health System, Blue Cross Blue Shield of Michigan, and Health Alliance Plan. The department is closely monitoring this effort and encouraging its health plans to participate.

*ePrescribing is designed not only to help save money on health care costs, but also eliminate the handwritten prescriptions sometimes blamed for fatal medication mistakes.*

Source: AP/Washington Post, 2/9/2005

**Web-Based Prior Authorization**

During 2004, a web-based prior authorization pilot was completed by the department's PBM First Health Services Corporation. Their system named *Web PA* allows prescribers (or their designees) to electronically submit prior authorizations and check the status of requests. *Web PA* customizes logic to fit the unique requirements of the requested drug and avoids additional follow-up for requestors. *Web PA* is available to any healthcare providers in Michigan.

**Healthcare Provider Liaison Meetings**

To provide on-going feedback, the Department is holding liaison meetings with all types of health care providers, including pharmacies.

**III. CONCLUSION**

MDCH is continuing to pursue the following goals for the Pharmaceutical Best Practices Initiative.

- Clinical quality as the basis for decisions
- Access for beneficiaries to medically necessary and clinically appropriate medications
- Effective and efficient use of computer resources
- Communication, education, and involvement of the provider and beneficiary communities
- Ongoing assessment, monitoring, and problem resolution