

**Michigan Department of Community Health**

***PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT***

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

**August 2004**

**Michigan Department of Community Health**  
**PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

**Executive Summary**

Section 1622 of Public Act 159 of 2003 stipulates requirements for the Michigan Department of Community Health (MDCH) *pharmaceutical best practice initiative* implemented in 2002. This initiative includes the Michigan Pharmaceutical Products List that identifies preferred drug products covered for MDCH pharmacy programs.

The Michigan Pharmaceutical Products List was designed to encourage physicians to prescribe products that are safe and clinically effective – but yet cost-effective for both beneficiaries using them and the state taxpayers paying for them. The list does not deny beneficiaries access to needed medication, since a prescriber 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 in compliance with provisions at Section 1622. Required reporting items are summarized below followed by topics covered in this report.

Required Reporting Items	Findings
(1) Number of appeals resulting from the prior authorization process	<p>During calendar year 2003, there were 165,300 prior authorization requests. Requests for non-preferred drugs were 128,200 with the remainder for other clinical criteria.</p> <p>Of the non-preferred drug requests, 70% were approved; 27% were changed by prescribers to a preferred drug; and 3% were denied.</p> <p>During calendar year 2003, 6,000 of all requests were denied. One hundred-eleven (111) of the denials resulted in beneficiary appeals and administrative hearings. None of the prior authorization denials were reversed.</p>
(2) Reports of patients who are hospitalized because of authorization denial	<p>Based on a study period for calendar year 2003, MDCH found that no hospitalization resulted from a denial of a drug requiring prior authorization not on the <i>Michigan Pharmaceutical Products List</i>.</p>
(3) Products grandfathered as preferred drugs	<p>Grandfathered products are listed on page 7.</p>
(4) 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>A web-based prior authorization pilot began May 2004. First Health Services Corporation is responsible for implementation. This new system named <i>Web PA</i> allows prescribers (or their designees) to electronically submit a prior authorization and to check its status. <i>Web PA</i> customizes data entry to fit the unique requirements of the requested drug and avoids additional follow-up for requestors.</p>

**Michigan Department of Community Health**  
***PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT***

**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. PRIOR AUTHORIZATION FOR NON-PREFERRED PRODUCTS**

- A. Approval Criteria & PBM Process
- B. Appeal Process for Denied Requests

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

- A. Appeals Related to Prior Authorization Denials
- B. No Hospitalization Resulting from Prior Authorization Denials
- C. Grandfather Provision
- D. Strategies to Improve the Pharmacy Prior Authorization Process

**V. CONCLUSION**

**Michigan Department of Community Health  
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 appropriation act provisions at Section 1622 of Public Act 159 of 2003. Section 1622 mandates continued implementation of a *pharmaceutical best practice initiative* and stipulates requirements for its operation. Also, Section 1622 provides at subsections (g) and (h) that the department must:

- Provide to the members of the house and senate subcommittees on community health a report on the impact of the pharmaceutical best practice initiative on the Medicaid community. The report shall include, but not be limited to, the number of appeals used in the prior authorization process and any reports of patients who are hospitalized because of authorization denial.
- Provide a report to the members of the house and senate appropriations subcommittees on community health and the house and senate fiscal agencies identifying the prescribed drugs that are grandfathered in as preferred drugs and available without prior authorization and the population groups to which they apply. The report shall assess strategies to improve the drug prior authorization process.

**B. MDCH Pharmacy Benefit Programs**

MDCH is responsible for administering *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 prescriptions provided by capitated health plans. Table 1 lists the number of individuals served by selected MDCH pharmacy programs.

MDCH has contracted with a pharmacy benefit manager (PBM) *First Health Services Corporation*. The PBM performs pharmacy claims processing, prospective and retrospective drug utilization review, post-payment audits, provider help lines, manufacturer rebate administration, and prior authorization. However, the department still retains responsibility for policy and drug coverage decisions.

**Table 1: Individual Receiving Prescriptions for Top MDCH Prescription Programs**

MDCH Pharmacy Program	Individuals Receiving Prescription in CY 2003
1. Medicaid (Fee-For-Service & Psychotropic Carve-Out)	614,000
2. Children’s Special Health Care Services	8,100
3. Adult Benefit Waiver	35,100
4. Elder Prescription Insurance Program (EPIC)	13,200

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

Improving the management of its drug programs is a core MDCH mission. Under the *pharmaceutical best practices initiative*, the department’s PBM monitors prescription services prior to dispensing and payment. This monitoring helps reduce medication errors caused by drug-drug interaction, therapeutic duplication, and other inappropriate clinical contraindications. To promote an effective prescription drug benefit, MDCH has implemented many management techniques commonly used by commercial insurers and managed care plans.

One technique was the establishment a single, comprehensive drug coverage list (formulary) called the *Michigan Pharmaceutical Products List* in 2002. This list identifies *preferred* drugs covered by MDCH pharmacy programs. The preferred drug approach is designed to encourage physicians to

**Michigan Department of Community Health**  
**PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

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 was formed to develop and maintain the *Michigan Pharmaceutical Products List*. Also, the department's PBM provides consultation and other supportive functions. Initial P&T review focused on top drug classes accounting for nearly 70% of the fee-for-service Medicaid payments. Within each drug class, the committee chose the *best in class* products based on clinical effectiveness and safety.

The P&T Committee also identifies the need for *grandfathering* medications. The *grandfather* policy provides a streamlined exception process to allow payment of non-preferred drugs for individuals already successfully stabilized on a therapy.

**Economic Analysis and Manufacturer Rebates**

Once P&T determinations are made, an economic analysis is completed to identify the daily cost of each product (net of manufacturer rebates available through federal Medicaid statutes). Next, manufacturers with net costs higher than the *best in class* products are approached regarding their willingness to provide supplemental rebates in addition to rebates available under the federal program. During 2003, the department's PBM began negotiating manufacturer supplemental rebates on a multi-state basis. This is anticipated to increase market leverage and provide additional savings.

If manufacturers offer supplemental rebates, a second economic 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.

**II. 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.

Prior authorization is not a new concept for MDCH programs. In fact, MDCH has successfully employed it since the early 1980s. During 2001 (before implementation of the preferred drug list), there were nearly 43,000 prior authorization requests. Examples of prior authorizations (prior to the PDL) include smoking cessation products, Ritalin (for attention deficit hyperactivity disorder), and dietary supplements.

**A. Approval Criteria & PBM Process**

When the *Michigan Pharmaceutical Product List* was implemented in 2002, MDCH standardized its prior authorization procedures. MDCH and the P&T Committee developed approval criteria for non-preferred drugs. The department's PBM (who is responsible for reviewing these requests) designed a process to provide rapid, timely response to requests. Even though most requests are received between 8 a.m. to 10 p.m., the prior authorization call center is available 24 hours, 7 days a week.

When a prescriber makes a request, a trained pharmacy technician initially responds to the call. Technicians are authorized to approve prior authorizations if the request meets MDCH and P&T Committee criteria. Technicians can offer covered alternatives to non-preferred drugs or transfer requests to a clinical pharmacist for further discussion with a requestor.

Only a clinical pharmacist can recommend disapproval of a request. If a denial recommendation is made, the request is forwarded to a MDCH staff physician for further review. If the MDCH staff physician is not available, a 72-hour supply is authorized when the requested product (1) maintains

**Michigan Department of Community Health  
PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

continued use of a therapy or (2) meets emergency criteria. Frequently, the MDCH staff physician contacts the prescriber directly for more information or clarification.

Most telephonic requests average about three minutes for an approval and if the request has to be referred to a clinical pharmacist, the request time averages five minutes.

**B. Appeal Process for Denied Requests**

If MDCH authorizes a denial for prior authorization, a standard Medicaid process is used to advise beneficiaries. This process includes sending the beneficiary a negative action notice, which includes information needed to appeal the decision. If the denial is for a medication, which the beneficiary is receiving at the time of the appeal request, authorization is given for a 30-day supply to continue the medication during the appeal process.

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

**A. Appeals Related to Prior Authorization Denials**

During calendar year 2003, there were over 165,300 prior authorization requests. Requests for non-preferred drugs were 128,200 with the remainder for other clinical reasons. Of the non-preferred drug requests, 70% were approved; 27% were changed to a preferred drug; and 3% were denied.

Denials during calendar year 2003 were analyzed. There were approximately 6,000 denials – over 71% were for clinical reasons and NOT related to the preferred drug list. Of the total denials, 111 resulted in beneficiary appeals and administrative hearings. As shown on Table 3, most decisions were upheld or dismissed and there were no reversals of MDCH prior authorization denials.

**Table 2: Results of Beneficiary Appeals on Prior Authorization Denials**

	CY 2003
Denial Upheld or Dismissed	82
Appeal Withdrawn by the Beneficiary	14
Appeal Pending	15
Denial of Prior Authorization Reversed	0
Total Administrative Hearings	111

**B. No Hospitalization Resulting from Prior Authorization Denials**

The department identified prior authorization denials occurring during 2003. Beneficiaries with denials resulting from the Michigan Pharmaceutical Product List were identified and their claim history was reviewed for hospitalizations. This review included examination of both admitting diagnoses for hospitalization and the medications denied through prior authorization. Findings showed that the pharmacy prior authorization denials did not cause any hospitalization during this period.

**Michigan Department of Community Health  
PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

**C. Grandfather Provision**

The *grandfather* policy allows payment of non-preferred drugs for beneficiaries successfully stabilized on therapy already being paid by MDCH. The department's PBM automatically alerts pharmacies that grandfathered prescriptions do not require prior authorization. Table 4 lists drugs that have been included in this policy and their current standing.

**Table 4: Grandfathered Products the Michigan Pharmaceutical Product List**

<b>General Class</b>	<b>Specific Drug Class</b>	<b>Sample Drugs</b>	<b>Current Standing</b>
Central Nervous System Drugs	Anti-Depressants - Selective Serotonin Reuptake Inhibitors (SSRIs)	Celexa Effexor Luvox Prozac Zoloft	All products covered as preferred
Central Nervous System Drugs	Atypical Antipsychotics	Geodon Zyprexa Zydis	All products covered as preferred
Central Nervous System Drugs	Alzheimer's Disease	Aricept	All products covered as preferred
Antibiotics & Anti-Infectives	Hepatitis C	Rebetol Peg-Intron Intron A Infergen Rebetron Roferon-A	No change
Asthma – Allergy Drugs	Leukotriene Inhibitors	Zyflo	No change
Cardiac Drugs	Platelet Inhibitors	Aggrenox	Product covered as preferred
Cholesterol Lowering Drugs	Antilipemic Agents	Crestor	Added July 2004
Diabetic Drugs	Oral Hypoglycemics – Biguanide & Biguanide Combinations	Glucophage XR Glucovance	No change
Diabetic Drugs	Oral Hypoglycemics – Thiazolidineiones	Avandia	No change
Gastrointestinal Drugs	Nausea Agents – Oral	Emend Kytril	No change
Miscellaneous	Serotonin Receptor Agonists	Amerge Axert Frova Maxalt MLT Maxalt Relpax	No change

**Michigan Department of Community Health**  
**PHARMACEUTICAL BEST PRACTICES INITIATIVE REPORT**

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

**Prescribers**

Based on comments from the prescriber community, adjustments have been made to the preferred drug list and prior authorization procedures. As an example, meetings were held with the psychiatric medical directors of community mental health boards, health plans, and the department to work through issues arising from the new prior authorization requirements for mental health drugs.

Also, the department's preferred drug list is supported by ePocrates software. Using hand-held devices (e.g., Palm OS), this 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.

*"The ePocrates integrated formulary and drug information product gives prescribers access to on-the-spot drug information. This is essential in reducing the incidence of adverse drug events and enhancing patient medication safety."*

Source: [www2.ePocrates.com](http://www2.ePocrates.com), accessed 7/28/2004

Development of a web-based prior authorization process is underway. The department's PBM First Health Services Corporation is responsible for implementation. 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. A pilot with several large physician offices began the end of May 2004. Once feedback on the system is evaluated and necessary revisions are made, *Web PA* will be implemented statewide.

**Pharmacies**

To provide a mechanism for ongoing communications, the Department is committed to hold liaison meeting with all types of health care providers, including pharmacy. Staffing shortages and summer scheduling conflicts with the provider community have delayed pharmacy sessions until first quarter of fiscal year 2005.

**V. 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