

**PERFORMANCE
AUDIT OF MEDICAID
PRESCRIPTION DRUG
PURCHASING**

**SCOPE AND OBJECTIVES
FEBRUARY 11, 2009**



STATE OF WASHINGTON
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REVIEW COMMITTEE

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Why a JLARC Performance Audit of Medicaid Prescription Drug Purchasing?

The Joint Legislative Audit and Review Committee (JLARC) included in its 2007-09 Work Plan a performance audit of the Medical Assistance program's use of the state preferred drug list and its impact on the program's prescription drug expenditures.

Background

Creation of the State Preferred Drug List

In 2003, the Legislature passed SB 6088 which, among other requirements, directed the Medical Assistance program within the Department of Social and Health Services, the Health Care Authority, and the Department of Labor and Industries to develop a state preferred drug list (PDL). The purpose of the PDL is to guide practitioners in prescribing medications that have been selected based on clinical evidence of their safety, efficacy, and effectiveness. The legislation directed the agencies to:

- Ensure less expensive generic drugs are substituted for brand name drugs when the quality of care is not diminished;
- Adopt rules governing practitioner endorsement and use of the preferred drug list;
- Prohibit reimbursement for ineffective drugs; and
- Provide for reasonable exceptions to the list.

The Medical Assistance program and the other two agencies have jointly created and implemented the state preferred drug list as required and continue to expand and update the PDL as medications and needs change.

Medical Assistance Prescription Drug Purchases and Costs

JLARC directed staff to focus the performance audit on the Medical Assistance program's use of the preferred drug list. For the Medical Assistance program, the preferred drug list applies to fee-for-service clients who have their prescriptions filled at retail pharmacies also referred to as "point of sale" purchases. In state fiscal year 2007, retail pharmacies filled more than 7.4 million point of sale prescriptions for Medical Assistance program clients – 78 percent of the point of sale prescriptions purchased by all three of the agencies that use the state preferred drug list. The cost to the Medical Assistance program in FY 2007 for these prescription drugs was \$211 million in state dollars and \$195 million in federal dollars – 69 percent of the total payments made by the three agencies for point of sale prescription drugs.

Study Scope

The JLARC performance audit will examine the creation and implementation of the state preferred drug list and the impact the list has had on Medical Assistance prescription drug purchases and costs.

Study Objectives

The performance audit will seek to answer the following questions:

- 1) What is the process for determining which prescription drugs are on the state preferred drug list? How does the state Medical Assistance program participate in this process?
- 2) To what extent do practitioners prescribe drugs which are included on the preferred drug list? How often do practitioners request exceptions to the preferred drug list?
- 3) What efforts does the state Medical Assistance program make to encourage or require practitioners to use the state preferred drug list?
- 4) How has use of the state preferred drug list impacted Medical Assistance prescription drug costs?
- 5) How do actual prescription drug costs compare to historical cost assumptions used to develop the DSHS-Medical Assistance budget?

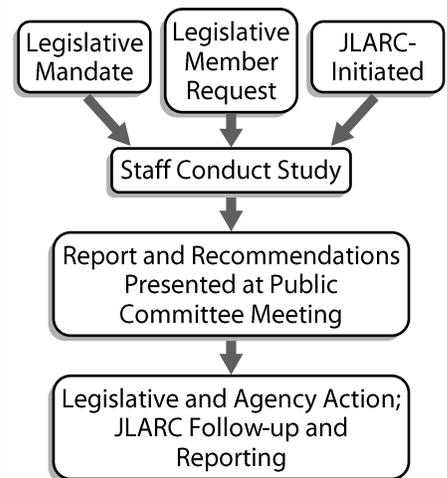
Timeframe for the Study

Staff will present the preliminary report in May 2009, and the proposed final report in June 2009.

JLARC Staff Contact for the Study

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JLARC Study Process



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources? For example:
 - Is JLARC the most appropriate agency to perform the work?
 - Would the study be nonduplicating?
 - Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?