



Medicaid Prescription Drug Purchasing: Preferred Drug List

Proposed Final Report

Joint Legislative Audit & Review Committee
July 22, 2009

John Bowden, JLARC Staff



What is the State Preferred Drug List?

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- The state preferred drug list (PDL) is a joint effort by the DSHS, the Health Care Authority (HCA), and the Department of Labor and Industries (L&I).
- The PDL is a list of prescription drugs selected to save money and ensure the safety, efficacy, and effectiveness of dispensed drugs.
- The PDL applies only to fee-for-service, point-of-sale prescriptions – those dispensed by retail pharmacies.

Audit Results Summary



Has DSHS complied with statutory requirements in creating and using the PDL?

Yes

Has use of the PDL resulted in Medicaid prescription drug cost savings?

Yes

However, specific PDL cost savings cannot be calculated.

Is a separate process for estimating savings still needed for budget development purposes?

Not any more

DSHS Has Complied with Statutory Requirements



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- Analyze drug utilization for potential cost savings;
- Ensure the safety and effectiveness of drugs included on the PDL;
- Adopted rules governing practitioner endorsement of the PDL and substitution of preferred drugs for non-preferred drugs; and
- Provided for reasonable exceptions to the PDL through the use of “dispense as written.”

The PDL Has Produced Medicaid Prescription Drug Cost Savings



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- Calculating specific PDL cost savings is not possible due to:
 - Concurrent cost containment efforts
 - Market and population factors affecting costs
 - Challenges with cost savings methodologies
- However, JLARC identified six indicators that the PDL has produced Medicaid drug cost savings.

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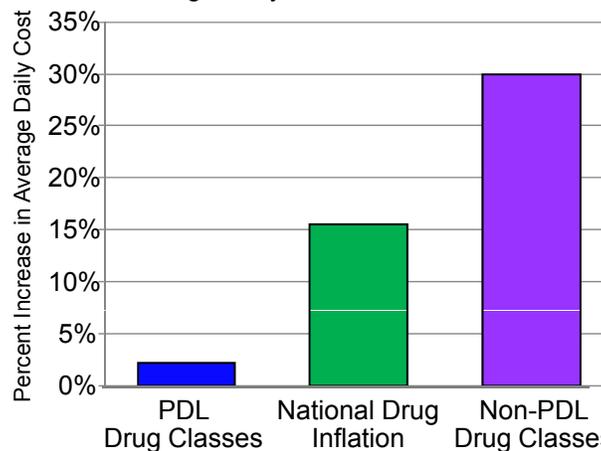
PDL Drug Cost Increases at Slower Rate than Other Drugs



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Increase in Average Daily Costs from FY 2003 to FY 2008



Source: JLARC analysis of HRSA data and U.S. Bureau of Labor national drug inflation statistics.

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Additional Indicators that the PDL has Produced Medicaid Drug Cost Savings



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- The 28 PDL drug classes accounted for nearly half of all Medicaid fee-for-service drug expenditures in FY 2008.
- The percentage of prescriptions filled using preferred drugs is increasing.
- The use of “dispense as written” is decreasing.
- The state received \$6.6 million in supplemental rebates for drugs on the PDL in FY 2008.
- The percentage of prescriptions filled using generic drugs is increasing.

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PDL Cost Saving Estimates are No Longer Needed for Budget Purposes



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- Legislative fiscal committee, OFM, and DSHS staff no longer consider PDL cost savings separately in forecasting Medicaid drug expenditures.
- Additional savings from adding new drug classes to the PDL are not likely to be significant.

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