Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Health Care Committee

HB 1645

Brief Description: *Establishing a drug utilization review program.*

Sponsors: *Representatives Schual-Berke, Campbell, Edmonds, Alexander and Skinner.*

Brief Summary of Bill

- *Establishes a Drug Utilization and Education Review Committee to advise the Department of Social and Health Services on the creation and implementation of a prospective and retrospective drug utilization review program and a prior authorization process for prescription drugs for the Medical Assistance Program.*
- *Provides criteria for the utilization review program, and specifies conditions for placing drugs on prior authorization.*

Hearing Date: *2/9/01*

Staff: *John Welsh (786-7133).*

Background:

The Department of Social and Health Services administers the state Medical Assistance program (Medicaid) providing health care services to low-income individuals including prescription drugs. Federal law requires that all drugs be covered from manufacturers who have signed a rebate agreement.

DUE COUNCIL: Federal and state rules require the establishment of a Drug Utilization and Education (DUE) Council to advise the department on drug utilization review activities, provider and patient profiles, adoption of standards and treatment guidelines for drug therapy; to provide interventions targeted toward therapy problems; and to produce an annual report. Federal and state rules require a membership of practicing health care professionals of from 8 to 10 members, at least one-third to fifty-one percent of which must be physicians or pharmacists, including one advanced registered nurse practitioner and one physician assistant.

UTILIZATION REVIEW: A department rule establishes a process for prospective and retrospective drug utilization and claims reviews. All pharmacy providers are required to (1) obtain patient allergies, idiosyncracies, or chronic condition; (2) screen for potential drug therapy problems; and (3) counsel the patient consistent with federal and state laws. The rule also establishes a retrospective drug utilization reviews to identify patterns of fraud and abuse; gross overuse; or inappropriate or medically unnecessary care among providers and individuals receiving benefits. The department also performs periodic sampling of claims to determine if drugs are inappropriately dispensed and billed, and can take corrective action against providers.

PRIOR AUTHORIZATION: A department rule establishes a prior authorization process to evaluate drugs to determine their prior authorization status, and may consult with the DUE Council and health providers. A drug manufacturer may provide background data on drugs, product package information, and any pertinent clinical studies. Criteria for evaluating a drug includes whether the drug is less-than-effective; has a favorable risk/benefit ratio; like other drugs; whether there is a less costly therapeutic alternative; and its potential for abuse. The department must update the list of drugs not requiring prior authorization. Manufacturers may seek a review of formulary decisions by writing the department Medical Director.

Summary of Bill:

DRUG UTILIZATION AND EDUCATION COMMITTEE: A Drug Utilization and Education Committee is established composed of 11 members to include three physicians, three pharmacists, one advanced nurse practitioner, three client advocates, and one pharmoeconomic expert to serve for staggered three-year terms. Professional members are appointed from lists submitted by respective professional organizations.

UTILIZATION REVIEW: The committee is to advise and make recommendations to the department: (1) on rules for implementing a state and federally related prospective and retrospective drug utilization review program; (2) on the implementation of this program in the state; and (3) on drug utilization review criteria. In addition, it must establish a process for utilization review and periodically recommend modifications in the program, and provide a period for public comment.

Prospective utilization review uses criteria, before a drug is dispensed, to screen for potential drug problems related to therapeutic duplication, drug-disease contraindications, drug-drug interactions, incorrect dosages or duration of treatment, drug-allergy interactions, and clinical abuse or misuse. Retrospective drug utilization program uses the department's drug claims data to identify patterns of fraud and abuse, gross overuse or underuse, and inappropriate or medically unnecessary care.

A pharmacist may not alter the prescribed outpatient drug therapy without a new prescription by the physician and with the approval of the patient.

PRIOR AUTHORIZATION: The Drug Utilization Review Committee is to advise and make recommendations to the department on rules for outpatient prescription drug prior authorization; the drug prior authorization review process; on covered outpatient

prescription drugs for prior authorization; and on modifications of the prior authorization process.

The prior authorization program includes a requirement for obtaining approval or denial of a drug within 24 hours after receipt of a prior authorization request. In emergencies, a 72-hour supply of prescribed drugs shall be dispensed and paid for by the department. The committee may review any drug to develop recommendations on placing the drug on prior authorization, giving primary consideration to clinical efficacy and patient care. Cost effectiveness may also be considered if it would not jeopardize beneficiary access to clinically efficacious prescription drugs.

In reviewing any drug for prior authorization, the committee shall adhere to the following conditions: (1) a consideration of whether the drug is likely to be medically appropriate or necessary, or likely to result in adverse medical outcomes; (2) the potential impact on patient care and the potential fiscal impact; and (3) the total cost of treating the condition including nonpharmaceutical costs. The committee must afford interested parties an opportunity for oral presentations before the committee. The committee must make a formal recommendation to place a drug on prior authorization, supported by an analysis demonstrating the expected impact on clinical care received by beneficiaries, and its impact on physicians and the Medical Assistance Program. The department must provide a written decision, specifying its reasons which cannot be based on costs alone. The department is required to develop a grievance mechanism to hear appeals of department decisions to place a drug on prior authorization. Aggrieved parties are entitled to an administrative hearing.

Appropriation: *None.*

Fiscal Note: *Not Requested.*

Effective Date: *Ninety days after adjournment of session in which bill is passed.*