



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 832 (as introduced 11-5-03)
Sponsor: Senator Bev Hammerstrom
Committee: Health Policy

Date Completed: 3-24-04

CONTENT

The bill would amend the Social Welfare Act to prohibit the Department of Community Health (DCH), if it developed a prior authorization process for prescription drugs as part of the pharmaceutical services offered under the medical assistance program administered under the Act, from requiring prior authorization for the following single source brand name, multiple source brand name, or other prescription drugs:

- A prescription drug that was classified as an antianxiety, anticonvulsant, antidepressant, or antipsychotic central nervous system drug in the most recent publication of "Drug Facts and Comparisons" published by the facts and comparisons division of J.B. Lippincott Company.
- A prescription drug that was cross-indicated for an antipsychotic central nervous system drug exempted above according to the most recent publication of "American Psychiatric Press Textbook of Psychopharmacology", "Current Clinical Strategies for Psychiatry", "Drug Facts and Comparisons", or any other similar publication approved by the DCH.
- A prescription drug that was prescribed for the treatment of mental disorders that met criteria specified in the most recent diagnostic and statistical manual of mental disorders published by the American Psychiatric Association.
- A prescription drug that was approved by the Federal Food and Drug Administration (FDA) for the treatment of human immunodeficiency virus (HIV) infections or the complications of the HIV or acquired immunodeficiency syndrome (AIDS); cancer; organ replacement therapy; or hepatitis C.

If the publications were amended after the bill's effective date, the DCH would have to determine whether those changes would apply to the prescription drugs exempt from the prior authorization process under the bill. In making this determination, the DCH would have to consider whether the amendments furthered the goal of the exemption of those categories of prescription drugs from the prior authorization process.

The bill would define "prior authorization" as a process implemented by the DCH that conditions, delays, or denies the delivery of a particular pharmaceutical service upon application of predetermined criteria by the DCH or its agent for that service. The process could require a prescriber to verify with the DCH or its agent that the proposed medical use of a prescription drug being prescribed for a patient meets the predetermined criteria for a prescription drug that is otherwise covered under the Act, or requires a prescriber to obtain authorization from the DCH or its agent before prescribing or dispensing a prescription drug that is included on a preferred drug list or that is subject to special access or reimbursement restrictions.

“Cross-indicated” would mean a drug that is used for a purpose generally held to be reasonable, appropriate, and within community standards of practice even though the use is not included in the FDA’s approved labeled indications for that drug.

Proposed MCL 400.109h

Legislative Analyst: Julie Koval

FISCAL IMPACT

The Michigan Pharmaceutical Best Practices Initiative was implemented in FY 2001-02 after language was included in the annual appropriations act for the Department of Community Health (Sec. 2204 of Public Act 60 of 2001) allowing the Department to propose changes to pharmacy policies for Medicaid recipients not enrolled in Medicaid HMOs. Nearly \$43 million in savings was assumed in the FY 2001-02 budget due this provision, and it is believed that the savings have largely been achieved.

Beginning in FY 2003-04, the Department of Community Health appropriations act (Public Act 519 of 2003) included language requiring the Department to continue its practice of placing all atypical antipsychotic medications on the Medicaid preferred drug list, thereby exempting those drugs from prior authorization requirements of the Michigan Pharmaceutical Best Practices Initiative.

Senate Bill 832 would include on the list of prescription drugs to be exempted from prior authorization requirements not only atypical antipsychotics, but effectively all prescription drugs used for the treatment of mental disorders. In addition, prescription drugs used for the treatment of HIV/AIDS, cancer, organ replacements, and Hepatitis C also would be exempted from prior authorization requirements.

As a result, this bill would limit the Department’s ability to control through the prior authorization process the use of, and therefore expenditures for, prescription drugs for Medicaid clients.

The bill would have no fiscal impact on local units of government.

Fiscal Analyst: Dana Patterson

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