



COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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DIRECTOR

February 12, 2004

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MEMORANDUM

TO: The Honorable Vincent F. Callahan, Jr.
Chairman, House Appropriations Committee

The Honorable John H. Chichester
Chairman, Senate Finance Committee

The Honorable Harvey B. Morgan
Chairman, Joint Commission on Health Care

FROM: Patrick W. Finnerty 

SUBJECT: Status Report on the Implementation of a Medicaid
Preferred Drug List Program

Item 325 ZZ of the 2003 Appropriations Act directed the Department of Medical Assistance Services (DMAS) to establish a preferred drug list (PDL) program no later than January 1, 2004. The required savings to the Medicaid pharmacy program is approximately \$18 million in general funds annually (\$9 million general funds in state fiscal year 2004). The language directs DMAS to:

- Form a Pharmacy and Therapeutics Committee, between eight and 12 members, with a ratio of physicians to pharmacists of 2:1. This committee will recommend: (1) therapeutic classes to be included in the preferred drug list; (2) appropriate exclusions for certain medications; and (3) appropriate grandfather clauses when prior authorization would interfere with established complex drug regimens.
- Develop the PDL program with input from physicians, pharmacists, pharmaceutical manufacturers, patient advocates, and other stakeholders.

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- Ensure that the PDL program's cost effectiveness is based on the safety and clinical effectiveness of a drug first. The program should also include provisions for emergency supply of prescribed drugs, timely prior-authorization procedures, expedited review of denials, and comprehensive consumer and provider education.
- Work with the Department of Mental Health, Mental Retardation, and Substance Abuse Services to consider utilizing a preferred drug list for its non-Medicaid clients.

As required by the budget language, DMAS submitted a report to the Senate Finance and House Appropriations Committees on April 1, 2003 outlining the design of the program. This memorandum provides a status report on activities that have taken place subsequent to the April 1 report, the June 16 memorandum, and the September 1 memorandum. We are pleased to announce that the PDL program was implemented on January 5, 2004.

PDL Program

The impetus for Virginia's implementation of a PDL program for its fee-for service Medicaid clients was the growing cost of the Medicaid prescription drug program. Since 1997, Virginia's expenditure rate for prescription drugs has substantially outstripped spending on other components of the Medicaid program. The prescription drug costs have increased 111 percent since 1997, from \$201 million to \$425 million. Unlike many commercial plans, Medicaid is required to give access to all FDA approved drugs.

A PDL program is a type of prior authorization plan that divides Medicaid covered prescription drugs into two categories: those that require prior authorization before they can be dispensed, and those that do not. While there are many classifications of drugs that are not subject to the PDL or prior authorization, a PDL contains a wide range of generic and brand name products. The major goal of a PDL program is to educate physicians to not prescribe the more expensive drugs to treat patient illnesses when alternative medications are available that provide the same therapeutic benefit but at a lower price.

All critical decisions about the PDL program are made by the Pharmacy and Therapeutics (P&T) Committee. These decisions include which therapeutic classes to include or exclude from the PDL program, the clinical efficacy of classes under review, the schedule for implementation of the program, appropriate prior authorization procedures, clinical criteria, and other pharmacy initiatives. The P&T Committee has

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met monthly in order to ensure that the PDL program was implemented in a safe, clinically effective, and cost effective manner.

The P&T Committee recommended a “phased-in” approach to implementing the PDL program in January, April, and July 2004. The goal of this “phased-in” transition process is to minimize the impact of the program on the Medicaid clients and providers. The P&T Committee determined that the review process for PDL inclusions would include at least two steps. The first step is that the Committee will determine, based on clinical evidence, whether a therapeutic class or a subset of the class is eligible for the PDL program. The second step will be for the P&T Committee to review the supplemental rebates offered by the pharmaceutical companies for the therapeutic class under review and determine which drugs meet both the clinical requirement and the “best” price.

The Department and the PDL Contractor (First Health Service Corporation) worked with the affected pharmaceutical manufacturers in obtaining the supplemental rebate contracts. Manufacturers were cooperative in terms of providing competitive pricing and following contracting guidelines. As a result, the Department was able to obtain the needed supplemental rebate contracts and meet our timelines. Attachment 1 outlines the phase in schedule for the first 13 classes effective January 2004 and Attachment 2 provides the additional 11 classes that are proposed for implementation in April 2004. The proposed 13 therapeutic drug classes for July 2004 will be discussed at the February 9, 2004 meeting.

By July 2004, the P&T Committee will have reviewed the top 50 therapeutic classes based on overall expenditures except those that have initially been excluded from the program (such as antipsychotics and anti-convulsants), and anti-depressants. Those classes that are primarily generic based will be handled through the proposed MAC (maximum allowable cost) pricing program.

On February 10, 2004, the Department received approval of its PDL program state plan amendment and its supplemental rebate contracts from the Centers for Medicare and Medicaid Services (CMS).

Public Input

The April 1st report noted that DMAS had met with over 30 different groups of stakeholders to solicit input into the design of the PDL program. DMAS has continued to meet with various groups on a regular basis. In addition, DMAS has established a specific section on its website (www.dmas.state.va.us) at which stakeholders can receive notices and information about the PDL program (e.g. P&T Committee meeting notices). Stakeholders also can access documents related to the PDL, including presentations and

reports, a listing of the P&T Committee meetings and minutes, clinical information, educational materials, and other pertinent information. Moreover, DMAS established a dedicated e-mail address (pdlinput@dmas.state.va.us) for interested parties to submit comments, concerns, or information (over 100 inquiries have been received through this dedicated email).

At each P&T Committee meeting, more than 50 representatives from pharmaceutical companies, providers, advocates, and provider associations attend. The agenda for each P&T Committee meeting allows time for presentations on the clinical aspects of the therapeutic classes under review. Pharmaceutical companies and other various groups have made presentations to the Committee. Written comments also are accepted and copies are provided to P&T Committee members.

DMAS has also established a PDL Implementation Advisory Group. This group which meets every eight (8) weeks, includes representatives of pharmaceutical manufacturers, providers, and advocates, and provides advice to the agency regarding the implementation of the PDL program. The advisory group was of particular assistance in the area of provider and consumer education and the process for prior authorization of non-preferred drugs.

Provider and Consumer Education Efforts

DMAS, along with its contractor, First Health, and various stakeholders, have conducted an extensive provider and consumer education effort to ensure that the initial implementation of the PDL program went as smoothly as possible. To date, the following activities have taken place:

- A Medicaid Memorandum, as well as a follow-up post card, was mailed to all providers regarding the PDL program, which provided information on the PDL and prior authorization procedures.
- Information, in English and Spanish, was sent to all recipients, which included a letter and a Frequently Asked Question Sheet.
- A major education effort was undertaken to train providers and pharmacists across the state, which included regional trainings and targeted trainings to health systems and provider associations.
- An extensive pre-testing of the new PDL program was conducted with community and long-term care pharmacists.
- High volume Medicaid prescribers and pharmacists received individual telephone contacts to ensure that the PDL program was well understood.

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We will continue to submit status reports to you in the coming months to keep you abreast of the implementation of the PDL program. In the interim, should you have any questions or wish to discuss this issue, please feel free to contact me at (804) 786-8099.

/pwf

Enclosures

cc: The Honorable Phillip A. Hamilton
The Honorable William C. Wampler, Jr.
The Honorable Jane H. Woods
David Hallock
Joe Flores
Susan Massart
Kim Snead

ATTACHMENT 1

**VIRGINIA MEDICAID
PREFERRED DRUG LIST
PHASE-IN SCHEDULE FOR FIRST 13 DRUG CLASSES
Effective January 2004**

Soft edits start January 5, 2004 for the following drug classes

Phase 1 – Hard edits on January 19, 2004

ACE Inhibitors

ARBs

Non-dihydropyridine Calcium Channel Blockers

ARBs/Diuretics

ACE inhibitors/diuretics

Dihydropyridine Calcium Channel Blockers

ACE Inhibitors/Calcium Channel Blockers

Inhaled Corticosteroids

Beta-Adrenergics: Short-Acting

Beta-Adrenergic: Nebs

Beta-Adrenergics: Long-Acting

Phase 2 – Hard edits on January 26, 2004

Sedative Hypnotics

Low-Sedating Antihistamines

Nasal Steroids

Low-Sedating Antihistamines/Decongestants

Phase 3 – Hard edits on February 2, 2004

Proton Pump Inhibitors

Phase 4 – Hard edits on February 16, 2004

Statins

Beta-blockers

H2 receptor antagonists

Phase 5 – Hard edits on February 23, 2004

COX-2 inhibitors

For more information or questions contact:

First Health Services' Clinical Call Center

800-932-6648 - telephone

800-932-6651- fax

ATTACHMENT 2

On January 6, 2004, the Department of Medical Assistance Services' Pharmacy and Therapeutics (P&T) Committee selected the following products for the Preferred Drug List for April 2004. Please note that executed contracts by the respective manufacturers and the Department must be completed by February 4, 2004. If the contract is not executed by February 4, 2004, the P&T Committee retains their right to review the class again at the P&T's February 9, 2004 meeting.

Draft P&T Committee minutes for the January 6, 2004 meeting will be posted no later than January 20, 2004.

Category Name	Preferred Drugs
2ND GENERATION SULFOINYLUREAS	GLYBURIDE
	GLIPIZIDE
	GLYBURIDE MICRONIZED
	GLIPIZIDE ER

ALPHA-GLUCOSIDASE INHIBITORS	PRECOSE
(ORAL ANTIDIABETIC)	GLYSET

ANALGESIC - NSAIDS	IBUPROFEN
	NAPROXEN
	NABUMETONE
	MOBIC
	DICLOFENAC SODIUM
	NAPROXEN SODIUM
	INDOMETHACIN CAPSULE
	ETODOLAC
	SULINDAC
	OXAPROZIN
	KETOROLAC TROMETHAMINE
	PIROXICAM
	DICLOFENAC POTASSIUM
	INDOMETHACIN CAPSULE SA
	DIFLUNISAL
	KETOPROFEN CAPSULE
	FLURBIPROFEN
KETOPROFEN CAP24H PEL	
TOLMETIN SODIUM	
FENOPROFEN CALCIUM	
MECLOFENAMATE SODIUM	

BIGUANIDE COMBINATIONS	GLUCOVANCE
(ORAL ANTIDIABETIC)	AVANDAMET

	METAGLIP
BONE OSSIFICATION SUPRESSION AGENTS	ACTONEL
HYPOGLYCEMICS, BIGUANIDE TYPE	METFORMIN HCL
(ORAL ANTIDIABETIC)	METFORMIN HCL ER
LEUKOTRIENE MODIFIERS	SINGULAIR
	ACCOLATE
MEGLITINIDES	STARLIX
(ORAL ANTIDIABETIC)	
ONYCOMYCOSIS ANTIFUNGALS	LAMISIL
SEROTONIN RECEPTOR AGONISTS	IMITREX
	IMITREX KIT
	IMITREX NASAL
	IMITREX VIAL
	MAXALT MLT
	MAXALT
THIAZOLIDINEDIONES	ACTOS
(ORAL ANTIDIABETIC)	AVANDIA