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How state-mandated formularies impact costs

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November 12, 2016

By Tracey Walker

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State-mandated formulary provision experiences higher pharmacy costs and lower medication use, according to a poster presented recently at the Academy of Managed Care Pharmacy (AMCP) Nexus meeting, October 3-6, in National Harbor, Maryland.

In 2011, when the Florida legislature created the state's [Medicaid Managed Care \(SMMC\)](#) program, one of the requirements for participating managed care organizations (MCOs) was to use a state-mandated formulary drug list ([PDL](#)), rather than allowing plans to maintain their own formulary, as was previously allowed.

Increase Font

To understand the impact of this change, researchers at the Express Scripts Lab studied changes in prescription drug utilization and plan costs among Florida Medicaid members required to use the state-mandated PDL and compared them to members enrolled in a similar Medicaid managed care health plan in a different state, where no such state-mandated PDL policy existed.



Ward

"To ensure we fairly compared utilization changes across health plans, we applied a methodology known as a [one-to-one greedy matching algorithm](#) to match patients on demographic, health, and Medicaid coverage-related variables," says Krista Ward, senior director, government programs, Medicaid, Express Scripts.

There were three items that stood out in the findings:

- 1) A 13% decrease among generic drug use and a 50% increase in branded medication use in the post-policy period when compared to pre-policy period.

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2) A more than 45% increase in overall plan drug costs in the post-policy period, which was largely driven by a near 49% increase in branded drug costs.

3) A higher proportion of brand drugs switching from non-formulary status pre-implementation to formulary status in the post-implementation period in the Florida plan: 79% compared to just 1% in the comparison plan.

"What these findings say to us is that the state-mandated formularies could have the unintended consequences of driving up the use of more-expensive brands, while dec incentivizing the use of lower-cost generics," says Ward. "This could lead to much higher drug costs for the health plans driven predominately by more-expensive drugs and not because more beneficiaries were using medications. When compared to a state Medicaid program that allows managed Medicaid health plans the flexibility to manage the formulary, we can surmise that flexibility may go a long way in helping health plans and state save money."

State regulations should permit participating plans to leverage utilization management strategies, including MCO managed formularies, to control costs and advocate for appropriate, cost-effective therapy, according to Ward.

"States may be able to prevent any unforeseen effects on medication use and plan costs with mandated formularies by considering drug utilization changes among beneficiaries and health plan financial viability," she says.

TAGS	AMCP	Drug costs	drug costs	Express Scripts	formulary provision	Medicaid
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state-mandated formulary		utilization management	Pharmacy			

Tracey Walker

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