



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bills 986 and 987 (as introduced 5-8-18)

Sponsor: Senator Dave Hildenbrand

Committee: Appropriations

Date Completed: 5-10-18

CONTENT

During fiscal year 2001-02, the then-Department of Community Health (now a part of the Department of Health and Human Services or DHHS) implemented a Medicaid pharmaceutical cost containment program known as the Michigan Best Practices Initiative. The State developed a Medicaid preferred drug list (PDL), allowing certain medications judged most effective to be on the PDL without requiring prior authorization from the State's pharmacy benefits manager. Drugs not on the PDL could be placed on the PDL if manufacturers offered the State supplemental rebates on top of the Medicaid rebates already negotiated with the Federal government.

Certain medications were exempted by budgetary boilerplate from prior authorization. These included antidepressants, atypical antipsychotics, anticonvulsants, and drugs used by organ donation recipients.

Public Acts 248 and 250 of 2004 codified these budgetary policies in statute, with slight changes, through amendments to the Social Welfare Act and Public Health Code. Among the changes were additional prior authorization exemptions for certain antianxiety drugs, other behavioral health drugs, HIV/AIDS drugs, and cancer medications, to go along with the exemptions for antidepressants, atypical antipsychotics, anticonvulsants, and organ donation medications.

Senate Bills 986 and 987 would amend the Social Welfare Act and the Public Health Code, respectively, to permit the DHHS to exclude from the preferred drug list drugs that are not subject to prior authorization.

MCL 400.109h (S.B. 986)
333.9709 (S.B. 987)

FISCAL IMPACT

The DHHS, in its budgetary materials and in discussions, has noted that the legislation would not alter the process by which Medicaid clients obtain pharmaceuticals. Instead, the legislation would allow the Department to try to achieve reduced net prices on certain medications exempted from prior authorization by seeking supplemental rebates from manufacturers in order to have the medications placed on the PDL. Any non-prior authorization medication specifically prescribed to a Medicaid client would continue to be available to that client whether or not the medication was placed on the PDL. The FY 2018-19 DHHS budget, as proposed by the Governor and adopted by the Senate, assumes \$14.1 million Gross and \$5.0 million GF/GP savings from enactment of this proposal through statutory changes reflected in these bills.

The House-passed FY 2018-19 DHHS budget assumes \$16.9 million Gross and \$6.0 million GF/GP. Each of these estimates is reasonable; at this point, the Senate Fiscal Agency would project savings of \$5.0 million GF/GP if the bills were enacted.

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.