

Fiscal Note

BILL # HB 2449

TITLE: ~~mental health conditions; medications; prohibitions~~ NOW: medication; authorization; mental illness

SPONSOR: Montenegro

STATUS: House Engrossed

PREPARED BY: Chandler Coiner

Description

The bill, as engrossed by the House, would prohibit the Arizona Health Care Cost Containment System (AHCCCS) from implementing prior authorization requirements or certain step therapy protocols for drugs prescribed to members 18 years or older to treat certain mental disorders. It would also require the Pharmacy and Therapeutics Committee within AHCCCS to review any newly-approved drug for the treatment of a serious mental health condition at either its first or second meeting following the drug's approval.

Estimated Impact

We estimate that the bill would increase AHCCCS costs by between \$44 million General Fund (\$178 million Total Funds) and \$60 million General Fund (\$241 million Total Funds) annually based on information from AHCCCS. These estimates assume: 1) an increase in aggregate drug utilization, 2) a portion of members will shift from lower-cost to higher-cost drugs, and 3) the loss of certain supplemental rebates.

The magnitude of the cost increase is speculative. The actual cost would depend on the degree to which current prior authorization requirements and step therapy protocols prevent members from accessing certain prescription drug benefits, as well as the cost of drugs introduced to the market in future years.

Analysis

Prior authorization and step therapy protocols are utilization management processes commonly used by health insurers and their contractors to limit coverage of medications and services until certain requirements are met. Prior authorization requires the member to meet certain criteria before a health insurer will cover certain medications or services. These can include the presence of certain health conditions in the member, informational disclosures, and alternative treatments. A step therapy protocol specifically requires the member to take 1 or more alternative medications that fail to treat the member's condition before the insurer covers the prescribed medication.

The bill would impose limits on these processes for drugs prescribed to treat certain mental disorders for members 18 years or older. Some of these conditions include bipolar disorders, major depressive disorders, and schizophrenia. The bill would continue to allow AHCCCS to implement a step therapy for up to 1 alternative drug before covering the prescribed medication. AHCCCS is currently able to implement step therapy protocols involving multiple alternative drugs. For example, in order to receive coverage for certain non-preferred antidepressants, AHCCCS requires the member to try and fail to treat his or her condition using at least 3 of its preferred alternatives. Under this bill, AHCCCS could only require the member to try and fail using 1 of these alternative drugs.

AHCCCS anticipates the bill would increase use of prescription medications among members with a Serious Mental Illness (SMI) and may also result in shifts from lower-cost to higher-cost drugs. The agency estimates these utilization changes

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would have a cost between \$148 million and \$211 million on a total funds basis. The lower end of the estimate is based on an analysis from a consultant AHCCCS contracts with, while the higher end is based on AHCCCS' internal analysis.

We concur with AHCCCS that the bill could increase overall utilization and result in shifts to more expensive drugs, but we do not have the necessary data to evaluate the reasonableness of its estimates. We have asked AHCCCS for more detail on its specific utilization assumptions and are still awaiting a response.

AHCCCS also anticipates the bill will generate an additional \$30.1 million in total fund costs due to the loss of supplemental rebates for antipsychotics. Currently, AHCCCS is able to negotiate these optional rebates with prescription drug manufacturers via its ability to impose prior authorization and step therapy protocols on their medications. If AHCCCS' ability to implement these utilization management processes were to be limited under this bill, the agency believes that manufacturers would no longer be incentivized to offer supplemental rebates for preferred use of their antipsychotic medications. We concur with AHCCCS' assessment.

In total, AHCCCS estimates the bill would increase AHCCCS costs by between \$178 million and \$241 million Total Funds, of which between \$44 million and \$60 million would come from the General Fund.

Local Government Impact

None

3/7/24