

## Prescription Drug Agreements and Volume Purchasing

### Preferred Lists, Rebates, Multi-State Purchasing and Effectiveness Review of Medicine

Colorado uses combined strategies to control state prescription drug costs. These strategies include a preferred drug list (PDL), supplemental rebates, and scientific-based comparative effectiveness evaluations. The Colorado PDL and supplemental rebate program have been fully operational since 2008. The state operates a website specific to these programs at <http://www.colorado.gov/cs/Satellite/HCPF/HCPF/1197969485609> with drug lists updated July 2010.<sup>1</sup>

The Colorado Department of Health Care Policy and Financing reported the following: "In January 2007, Governor Ritter signed an executive order to implement a Preferred Drug List, or PDL, for Medicaid. The PDL promotes clinically appropriate utilization for pharmaceuticals in a cost-effective manner. Colorado began using a preferred drug list and collecting supplemental rebates in 2008, one of the final ten states to do so. The Colorado Medicaid program PDL exempts mental health, HIV and cancer drugs from any preferred drug list or prior authorization or evaluation process."

The Colorado Department of Health Care Policy and Financing, in September 2009 report said: "Overall, the cost containment strategies set forth in the PDL process have been a success in cost avoidance without sacrificing clinical efficacy and safety. As a result, the Colorado Medicaid program has seen over \$4 million in cost avoidance measures for February – December 2008." The results were greatest in the treatment classes for acid reflux disease (proton pump inhibitors), cholesterol lowering drugs (statins) and stimulants, which together accounted for \$3.3 million in cost avoidance. "Approximately 77 percent of the cost avoidance was obtained through supplemental rebate negotiations. This may indicate that additional savings from generic utilization could be pursued. The PDL saved Medicaid \$9.3 million in its second year, FY 2008-09. Twenty drug classes are on the PDL."

In April 2010, Colorado added a PDL category for "Antipsychotic Medications," listing 12 brand and generic products, six of which are classified as "preferred." To review clinical effectiveness, Colorado uses its own Pharmacy and Therapeutics (P&T) Committee. The committee performs clinical reviews of drug classes, and then makes recommendations to manage the Medicaid Preferred Drug List. Colorado uses the clinical resources provided by the Drug Effectiveness Review Project (DERP) described in the full issue brief; the state is a member in 2010.

Colorado is one of 23 states that have not joined a multi-state purchasing pool for Medicaid.

1. Colorado Department of Health Care Policy and Financing, Preferred Drug List (PDL) (Denver, Colo.: CDHCPF, March 23, 2010); <http://www.colorado.gov/cs/Satellite/HCPF/HCPF/1197969485609>.

2. Colorado Department of Health Care Policy and Financing, 2009 Annual Report of the Colorado Department of Health Care Policy and Financing (Denver, Colo.: CDHCPF, November 2009).

3. The Medicaid guidelines state, "The medication choice for individual patients is solely based on the prescriber's assessment of clinical circumstances and client needs. This guideline is not intended to interfere with clinical judgment, but is intended to help provide consistent high quality, cost effective care. If a client is currently stabilized on a non-preferred atypical antipsychotic, a prior authorization will be approved for up to two years." See <http://www.colorado.gov/cs/Satellite/HCPF/HCPF/1197969485609>.



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