

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6989**

**BILL NUMBER:** HB 1437

**NOTE PREPARED:** Jan 6, 2005

**BILL AMENDED:**

**SUBJECT:** Prior authorization of bronchial drugs.

**FIRST AUTHOR:** Rep. Brown T

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill prohibits a managed care organization or the Office of Medicaid Policy and Planning from requiring prior authorization for a prescription drug that is: (1) used in an outpatient setting; and (2) used to treat a life threatening acute bronchial spasm condition.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** This bill would prevent the Office of Medicaid Policy and Planning (OMPP) or a Medicaid managed care organization (MCO) that operates a drug formulary from requiring prior authorization (PA) for prescriptions for fast-acting “rescue” medications for asthma. The bill would allow the use of prior authorization for the same medications if they are used as maintenance for the condition. The fiscal impact of the bill will ultimately be dependent upon how the prohibition for prior authorization fits in with other Medicaid cost savings initiatives and administrative actions.

It is not clear if the Medicaid PA process can provide an edit to distinguish an “emergency use” prescription at this time. However, OMPP staff report that a new, more costly medication is being considered by the Medicaid Drug Utilization Review (DUR) Board for addition to the preferred drug list (PDL) with a limited use restriction of one prescription every 6 months. The potential of this contemplated DUR Board action would affect the Medicaid population not covered by the MCOs. Asthma patients covered by the MCOs would continue to be covered under the terms of the MCO’s drug formulary.

The Chronic Disease Management Program under development by OMPP in conjunction with the State Department of Health includes asthma as a condition targeted for ongoing patient management using proven

best practices to achieve lower costs with improved patient outcomes. The nationally developed best practices guidelines do not include the use of the new, more expensive prescription drug. The potential impact of this bill, if any, on the estimated cost savings targeted for the Chronic Disease Management Program asthma initiative, the Preferred Drug List, and the Managed Care Program is not known at this time.

Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Copayments for these prescriptions should only be an issue for certain adults since copayments are prohibited for children's prescriptions. Indiana statutes also require participation in Medicaid managed care for specified populations in counties in which the waivers are approved by CMS.

**Explanation of State Revenues:** See *Explanation of State Expenditures*, above, regarding federal financial participation in the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration, Office of Medicaid Policy and Planning, and possibly the Indiana State Department of Health.

**Local Agencies Affected:**

**Information Sources:** Melanie Bella, Assistant Secretary, Office of Medicaid Policy and Planning, 317-233-4455.

**Fiscal Analyst:** Kathy Norris, 317-234-1360.