Economic Impact Analysis
Virginia Department of Planning and Budget

12 VAC 30-10 –Department of Medical Assistance Services
Drug Utilization Review
May 3, 2004

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed regulations will provide authority to the Department of Medical Assistance Services to reject or deny Medicaid claims for drugs that conflict with the criteria established by the Drug Utilization Review Board until the problem is resolved. The proposed changes have been effective since January 2004 under emergency regulations.

Estimated Economic Impact

These regulations contain rules for prospective drug utilization review (ProDUR). ProDUR was established in 1993 to review the prescription medicine order and the patient's drug therapy history prior to filling the prescription order. One of the main purposes of the review is to prevent potential drug conflicts prospectively and consequently to protect the health and safety of the patient. The types of drug therapy conflicts include drug-drug interactions, drug-disease contraindications, drug-pregnancy interactions, therapeutic duplication, drug reactions, drug-allergy interactions, incorrect dosage or duration of drug treatment, early refill, clinical abuse/misuse, etc.

The Virginia Medicaid program maintains a profile of each patient's medication history, inclusive of all claims submitted by any pharmacy provider. The claims processing system screens for potential problems against pharmacy and medical information and returns an edit (alert) on the pharmacist's computer screen when there is a drug therapy conflict. In the past, the program focused on educational and advisory interventions. However, the educational and advisory intervention approach has not been as effective as expected because of several shortcomings. These shortcomings include (1) displaying a message for the pharmacist, but not requiring a specific intervention, (2) denying a claim, but allowing provider override without intervention, and (3) displaying a message, but not explaining the exact nature of the problem. In federal fiscal year 2002, of the 462,050 early refill denials, 197,274 (43%) were overridden by dispensing pharmacists, and of the 361,252 therapeutic duplication denials, 146,814 (41%) were overridden by dispensing pharmacists. The providers overrode these conflict messages without knowing the exact nature of the problem because the system did not provide any conflict specific information.

The proposed rules will allow the Department of Medical Assistance Services (DMAS) to require an intervention by the dispensing pharmacist appropriate to the type of conflict and to deny the claim until the conflict is resolved according to the criteria established and updated by the Drug Utilization Board on an ongoing basis. Types of interventions include patient assessment, coordination of care, dosing evaluation/determination, consulting the prescriber, consulting the patient, and medication review. Following the appropriate intervention, the pharmacist may fill the prescription as is, with a different dose, with different directions, with a different drug, different quantity, with prescriber approval, change brand name drug to generic, etc., or not fill the prescription.

The Drug Utilization Board has already revised the claims system for the four most common types of conflicts (i.e. drug-drug interactions, drug-disease contraindications, therapeutic duplication, and drug-pregnancy interactions) in February 2004 under the emergency regulations, and plans to implement early refill edits in June 2004. The Board is in the process of adopting criteria for the remaining types of drug conflicts. The claims processing system will be revised to address the majority (82%) of the conflicts by June 2004 according to the criteria developed by the Board. When one of these conflicts arises, a message describes the potential problem or creates a denial and requires the pharmacist to enter an intervention and outcome

code to override the denial. For example, upon seeing an alert, the pharmacist may consult the prescriber and fill the prescription with a different drug. The key change is that the system modifications now require an intervention by the pharmacist to address the problem related to the four types of the most common conflicts. The following table describes the changes in system edits and provides the number of edits the system produced in federal fiscal year 2002.

Summary of ProDUR Edits:

Type of Conflict	***Previous Disposition***	***New Disposition***	***Total Messages (Percent of Total)***
Drug-Drug Interactions	Message Only	Provider Override	395,106 (24%)
Drug-Disease Contraindications	Message Only	Provider Override	105,670 (7%)
Therapeutic Duplication	Deny, but allow provider override for 11 drug classes	Provider override for 11 classes to include narcotics	361,252 (22%)
Drug-Pregnancy Interactions	Message Only	Provider Override	3,208 (1%)
Early-Refill 2*	Deny-provider override allowed	Call in	462,050 (29%)
Subtotal			***1,327,286 (82%)***
All other**	Mostly Message Only	Mostly Message Only	290,923 (18%)
Total			***1,618,209***

*Will be implemented by June 2004.

**Will be implemented after June 2004.

The main additional cost of the proposed changes on DMAS is related to early refill calls to the call center. DMAS' contractor for early refill calls will be paid additional compensation to answer these calls. Currently, this contract is being negotiated. Assuming that the call center will answer 197,274 calls, which is the number of calls overridden in 2002, and that the call center will receive $7 per call on average, the total cost to DMAS will be in the neighborhood of $1.4 million. The other additional cost of the proposed changes on DMAS is minimal because

the required modifications to the claims processing system are accomplished with minor programming changes. Also, these changes will utilize the services of the DUR Board that does not receive any monetary compensation for the review that is being conducted.

The other significant costs of the proposed changes fall on the dispensing pharmacists and the prescribers. Now pharmacy providers must intervene for their claims to be processed when they encounter a conflict message. For example, the system may identify a drug-drug interaction conflict, which may require the pharmacist to contact the prescriber to dispense another drug. The required interventions will introduce non-negligible time costs for pharmacists and prescribers to resolve the problem. Under certain assumptions[1], the wages for the time spent by the pharmacists and prescribers would be about $1.2 million. There may also be additional communication costs for the pharmacists and prescribers. Additionally, pharmacists may not be able to dispense some prescriptions if the problem cannot be resolved which would reduce their revenues. Moreover, the Medicaid recipients may face some delays in getting their prescription filled, or may have to make more than one trip to the pharmacy.

However, these costs and the number of delays would probably decrease overtime as prescribers learn about and gain experience with the Medicaid ProDUR edits. According to DMAS, all private insurance companies have in place a drug review procedure at least as sophisticated as the one developed by Medicaid and hence it is the standard practice for the pharmacy dispensing industry to absorb these costs.

The benefits of the enhanced drug review include a potential reduction in the number of prescriptions that would otherwise conflict with the patient's therapeutic characteristics and history. DMAS anticipates saving approximately $296,255 annually in costs of drugs that will not be dispensed due to a therapeutic conflict. In addition, there are the benefits in terms of avoided costs of medical remedies to treat complications that would have arisen from drug conflicts. Moreover, the enhanced drug review is likely to help identify drug abuse/fraud cases and save some additional monies for the Medicaid program. Finally, pharmacists may also

[1] This estimate assumes that pharmacists will need to contact the prescriber or the call center for 557,460 messages (42% of the total messages for the first five conflicts in the table), prescribers will receive 369,399 calls (42% of the total messages excluding early refill calls which will be received by the call center) from pharmacists, each call will last three minutes, one half of the calls will be placed by the pharmacists who makes $36.08 per hour and the other half will be placed by the pharmacist aide who makes $9.66 per hour, and physician assistants who makes $31.16 per hour answer all calls from pharmacies. The wage data is from the Bureau of Labor Statistics.

experience some benefits as the system helps them reduce mistakes and avoid fines, disciplinary actions, or cancellation of a license. However, due to lack of data, an estimated value for the potential total benefits is not available.

The proposed changes also include some minor changes such as updating the compendia used to identify potential drug conflicts or contraindications, adding telephonic interventions as a possibility in solving a problem, and adding that the pharmacists provide the prescriber information in the patient's profile.

Businesses and Entities Affected

These regulations may affect up to about 100,000 recipients per month, 1,600 pharmacy providers, and 27,000 medical providers.

Localities Particularly Affected

The proposed regulations are not expected to affect any locality more than others.

Projected Impact on Employment

The primary effect of proposed regulations on employment is the increased staffing needed at the pharmacies, the prescribers, and the call center to address the conflicts the claims system will identify. Under certain assumptions[2], pharmacists, prescribers, and the call center will need to devote about 55,744 hours to resolve expected ProDUR conflicts every year, which translates into approximately 27 full time positions. However, increased staffing may reduce the profitability of some pharmacies and prescribers and may cause some reduction in the number of positions. To the extent this effect is realized, the number of expected new positions should be revised downward.

Effects on the Use and Value of Private Property

The proposed regulations will increase the compliance costs for the pharmacy providers and medical providers writing prescriptions for Medicaid recipients. To the extent their future profit stream is reduced, there should be a reduction in the value of their businesses. Whether the expected reduction in value would be significant at the provider level is not known.

[2] Ibid.