# Economic Consequences of Prior Authorization Policies in Ohio

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# Background

- In 2008 Ohio considered adoption of a prior authorization requirement for atypical antipsychotic drugs for mental health patients in the Medicaid fee-for-service program.
- Driscoll & Fleeter, an Ohio-based economics and public policy consulting firm, was contracted by NAMI Ohio to study the impact of this proposal.
- The study, whose findings are summarized here, was completed in August 2008.
- Ohio's Prior Authorization policy was adopted later in August 2008.

# Estimated Savings from Prior Authorization in Ohio

- Ohio produced a series of estimates beginning at $47 million annually and ending up at $6 million.
- The final $6 million estimate also included drugs other than atypical antipsychotics.
- There was no documentation of how the state computed any of the estimates.
- Estimated savings only accrue to the pharmacy portion of the state Medicaid budget.
- Costs of prior authorization typically occur outside of the pharmacy budget.

# Rationale for Prior Authorization

- Prior Authorization and step therapy protocols require that a patient first use a “preferred” drug (and have it prove ineffective) before they are allowed to use a non-preferred drug.
- Savings can be found because preferred drugs are typically older and less costly than newer drugs.
- Prior authorization is fairly common for treatment of physical ailments, but less common for mental health patients.

# Issues Regarding the Cost-Effectiveness of Prior Authorization for Mental Health Drugs

- Are older “first generation” antipsychotic drugs less effective in controlling patient symptoms?
- Are newer “second generation” atypical antipsychotic drugs typically better tolerated by patients and have fewer side effects?
- Is there a higher likelihood of patients remaining stable on medications that are more effective and/or better tolerated?
- Are the costs of adverse outcomes relating to “treatment discontinuity” high enough to outweigh cost savings from prior authorization?

# But Prior Authorization Is Often Used for Physical Ailments Isn't it?

- Just because Prior Authorization and Step Therapy policies are commonplace for physical ailments does not mean they are equally appropriate for treatment of mental health patients.
- There are 4 main differences in the impact of prior authorization policies on mental health patients as compared to physical health patients.

# Differences Between Prior Authorization for Physical vs. Mental Health Conditions

1. There is often less predictability in the *effectiveness* of mental health drugs on any given patient.
2. There is often less predictability in the *side effects* of mental health drugs on any given patient.

- These two factors can influence the likelihood that mental health patients will stay on their medication.

# Differences Between Prior Authorization for Physical vs. Mental Health Conditions

3. The *negative impact* of a drug that is ineffective or poorly tolerated may be *more immediate* for a severely mentally ill patient than for many patients with physical ailments.
4. Mental health patients are generally *less able to manage their own care* (e.g. make follow up appointments) than physical health patients.

- These two factors imply a *smaller margin for error* with initially prescribed antipsychotic drugs (potentially resulting in *more costly outcomes)* than is typically the case for physical health drugs.

# Ohio's Prior Authorization Program for Mental Health Drugs

- Ohio "grandfathered" patients who were established and stable users of single therapy atypical antipsychotics (these patients could stay on their current medication).
- Ohio exempted from Prior Authorization any prescriptions written for patients by a psychiatrist (allowed to prescribe non-preferred anti-depressants in the standard tablet/capsule dosage forms without prior authorization).

# Ohio's Prior Authorization Program for Mental Health Drugs

- Ohio placed some atypical antipsychotics on the Medicaid fee-for-service Preferred Drug List (PDL).
- Prior Authorization in Ohio only applied to Medicaid Fee-for-Service patients (not to Managed Care patients).
- These 4 features mitigated the adverse impact of the Prior Authorization program in Ohio upon its implementation.

# General Logic of Our Study

- Prior Authorization Policies which require patients to start with less expensive first generation drugs before they are approved for more expensive second generation drugs will lead to patients going off their medication.
- Patients who go off their medication suffer relapses of mental illness symptoms.
- Relapses of symptoms lead to adverse outcomes including hospitalization, job loss, homelessness and incarceration.
- Adverse outcomes impose costs on the system.

# Study of the Effects of Prior Authorization in Maine

- Perhaps the single most important study found was an evaluation of Maine's experience with Prior Authorization in 2003 and 2004. *("Use of Atypical Antipsychotic Drugs for Schizophrenia in Maine Following a Policy Change", Health Affairs, April 2008)*
- Research team was led by Harvard Medical School professor Stephen Soumerai.
- Main finding was that there is an 18% greater risk of a patient having a "treatment discontinuity" (more than 30 days without taking medication) as a result of Prior Authorization
- This translates into an additional 6% of patients experiencing a treatment discontinuity.

# Design of Maine Study

- Soumerai study examined the experience of patients in Maine prior to the advent of Prior Authorization and under Prior Authorization
- Experience of patients in New Hampshire over the same time frame was also studied in order to assure that any effects found in Maine were not due to some other influence besides the implementation of Prior Authorization.

# Similarities Between Maine and Ohio Prior Authorization

- Both states grandfathered established users of single therapy atypical antipsychotics
- Both states placed some atypicals on the preferred drug list
- Ohio also permitted psychiatrists to prescribe non-preferred anti-depressants in the standard tablet/capsule dosage forms without prior authorization. (Application of the findings from the Maine study were adjusted for this difference when the Ohio estimates were made.)

# Other Important Studies

- "*Clinical Outcome Following Neuroleptic Discontinuation in Patients with Remitted Recent-Onset Schizophrenia*", Michael Gitlin, et. al., American Journal of Psychiatry, November 2001.
- "*The Cost of Relapse in Schizophrenia in the United States*", Ascher-Svanum, et. al., International Society for Pharmaceutical and Outcomes research, 2005.

# Key Findings Regarding Patient Relapses and Costs

1. Prior Authorization will lead to an additional 6% of mental health patients suffering treatment discontinuities. (Sumerai)
2. 80% of those patients who go off of their medication for more than 30 days suffer a relapse. (Gitlin)
3. The marginal cost of a schizophrenia patient suffering a relapse is roughly $21,500. (Ascher-Svanum)
4. Assumption that Bipolar patient costs are 75% of schizophrenics ($16,125)

# Estimated Cost of Relapses Due to Prior Authorization in Ohio

| | Schizophrenia | Bipolar | Total |
|---|---|---|---|
| # of Fee for Service Patients | 12,000 | 24,000 | 36,000 |
| # Off of Medication (6%) | 720 | 1,440 | 2,160 |
| # Relapse (80%) | 576 | 1,152 | 1,728 |
| Relapse Cost per Patient | $21,500 | $16,125 | |
| Total Cost of Relapse | $12,384,000 | $18,576,00 | $30,960,000 |
| **Adjustment for Psychiatric Exemption (40% of patients)** | **$7,430,400** | **$11,145,600** | **$18,576,000** |

- Relapses by schizophrenia patients are estimated to cost $7,430,400
- Relapses by bipolar patients are estimated to cost $11,145,600
- Total cost of relapses due to prior authorization = $18,576,000
- Cost of relapses by severely depressed patients not calculated

# Other Costs Related to Patient Relapses

- Lost wages when mentally ill patients relapse and lose their jobs ($16,000 per person)
- Cost of emergency shelter for  a homeless person for one year ($12,000)
- Average cost of providing mental health services in a correctional institute for 1 year ($10,000)
- Average cost of housing an inmate for 1 year ($25,000)

# Administrative & Compliance Costs

- Prior Authorization will impose additional costs on medical providers in the form of documentation of appeals to use non-preferred drugs.
- In order to make Prior Authorization seem more palatable, Ohio Medicaid officials stated that they expect 90% of appeals to be approved.
- This means that for each potential instance of savings through prior authorization, there will be 9 other instances where additional administrative and compliance burdens will occur for patients whose physicians could establish an appropriate basis for using the more expensive drug.

# Net Cost of Prior Authorization In Ohio

**Summary Table: Estimated Net Cost of Prior Authorization**

| **Category** | **Annual Cost Savings** | **Annual Additional Cost** |
|---|---|---|
| Savings in Medicaid Pharmacy Cost | Less than $6 Million | |
| Additional Administrative Cost (reviewing PA requests) | | Positive but Unclear |
| Additional Compliance Cost by Providers (time spent by providers) | | Positive but Unclear |
| Medical costs of fee-for-service patients under proposed ODJFS change to PDL | | $18,576,000 |
| Medical costs of managed care patients if prior authorization plan extended to them | | $4,644,000 |
| Cost of lost wages of the severely mentally ill | | $16,000 per person |
| Average cost of emergency shelter for a homeless person for one year | | $12,000 per person |
| Average cost of providing mental health services in correctional facility for one year | | $10,000 per person |
| Average cost of housing an inmate in a correctional institute for a year | | $25,000 per person |
| **Total** | **Less than $6 Million** | **$23,220,000** |