Economic Impact Analysis
Virginia Department of Planning and Budget

12 VAC 30-141 –Family Access to Medical Insurance Plan (FAMIS): Utilization Review of High Drug Thresholds
Department of Medical Assistance Services
September 7, 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

Pursuant to Item 324 H of the 2003 Appropriations Act, the proposed changes permanently implement a utilization review program for the use of high numbers of prescription drugs by non-institutionalized Family Access to Medical Insurance Plan (FAMIS) fee-for-service recipients. The proposed changes have been implemented under emergency regulations since June 2004.

Estimated Economic Impact

The proposed regulations establish permanent utilization review requirements in cases where FAMIS fee-for-service recipients use high numbers of prescription drugs. Item 324 H of the 2003 Appropriation Act mandates the Department of Medical Assistance Services (DMAS) to require prior authorization of prescription drugs for FAMIS non-institutionalized recipients when more than nine unique prescriptions have been prescribed within a 180-day period.

Individual dispensing pharmacies do not have access to all the information on drugs that may be dispensed through other pharmacies. Also, utilization review of such cases requires case-by-case analysis of the recipients' drug profiles by a trained pharmacist, as it cannot be computerized. With the proposed changes, when the 10th drug is prescribed, a retrospective drug utilization review is triggered. If the 10th drug contraindicates with the other drugs, the prescribing physician is notified and is requested to respond. Furthermore, if the 10th prescription indicates a level one drug-to-drug interaction, prior authorization is required.

Currently, there are 7,232 FAMIS children affected by the proposed changes. DMAS estimates approximately 2% (145) to 5% (362) of the recipients to have a 10th prescription within the 180-day period and trigger the retrospective utilization review. Of these cases, approximately 6 to 12 cases are expected to involve a drug contraindication in which case the dispensing pharmacist may have to make a phone call to the prescribing physician and the prescribing physician may have to respond to a written notice, possibly avoiding a prescription error. Finally, very few of these 6 to 12 cases are expected to involve a level one drug-to-drug interaction triggering a prior authorization, as DMAS has not been aware of any such cases within the affected population.

Required retrospective and prospective utilization reviews are conducted through a contractor for an estimated cost of $27,000 (state and federal) per year. One of the main benefits of the proposed change is the reduced potential for drug overuse, fraud, and abuse. DMAS expects to save $15,000 to $150,000 in state and federal shares of drug reimbursements annually by the review of excess utilization cases. Also, recipients with high utilization of drugs are often very sick children. A review of their complete drug profiles may prevent some drug contraindications, overdoses, and inappropriate dosages and consequently reduce the potential risks to health and safety of these children.

Businesses and Entities Affected

The proposed regulations apply to 7,232 FAMIS enrollees, 27,000 medical providers, and 1600 pharmacy providers.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed regulations may increase the demand for labor by the contractor to perform 145-362 expected utilization reviews. Since only 6 to 12 cases may require an action by the pharmacists and the prescribers, no significant employment effect on medical and pharmacy providers is expected.

Effects on the Use and Value of Private Property

No significant effect on the use and value of private property is expected.