



## Executive Summary

State and federal officials have continuously expanded the scope of Medicaid over the last 4 decades, creating a challenge for managing expenditures in a difficult economic environment. Even though prescription medicines account for only about 9% of all Medicaid expenditures,<sup>1</sup> officials have concentrated on such prescription cost-containment measures as prior authorization requirements, preferred drug lists (PDLs), and other means to control the growth of Medicaid spending. New research, including a series of articles published in a special issue of the *American Journal of Managed Care*, suggests that restricting access to medicines may be a poor strategy for controlling costs, may lead patients to discontinue their medication therapy altogether, and may increase health disparities among minorities. The findings of these studies are summarized below.

A study by Headen and Masia entitled “Exploring the Potential Link Between Medicaid Access Restrictions, Physician Location, and Health Disparities” found that physicians who write a high percentage of Medicaid prescriptions practice in areas that are predominantly nonwhite.<sup>2</sup>

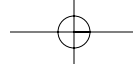
- Nearly 60% of nonwhites live in areas where physicians are likely to be influenced by Medicaid policy decisions on preferred drugs.<sup>2</sup>
- Because physicians affected by Medicaid PDLs often change their prescribing habits for their entire practice, the effects of such lists may reverberate throughout minority communities.<sup>2</sup>

A study by Virabhak and Shinogle entitled “Physicians’ Prescribing Responses to a Restricted Formulary: The Impact of Medicaid Preferred Drug Lists in Illinois and Louisiana” found that Medicaid PDLs cause significant spillover to non-Medicaid patients.<sup>3</sup>

- Patients not covered by Medicaid in high Medicaid practices are significantly less likely to receive medicines not favored by their state’s Medicaid program.<sup>3</sup>
- Given the minority composition of Medicaid practices, PDLs can be expected to have a significant impact on minorities.<sup>3</sup>

A study by Lichtenberg entitled “The Effect of Drug Vintage on Survival: Micro Evidence From Puerto Rico’s Medicaid Program” has shown that policies that raise average drug vintage are associated with higher mortality rates.<sup>4</sup> A second study by Lichtenberg entitled “Effect of Access Restrictions on the Vintage of Drugs Used by Medicaid Enrollees” analyzed pharmacy claims data to determine the extent to which PDLs have impacted the vintage of medications used by Medicaid patients.<sup>5</sup>

- PDLs led to a statistically significant increase in drug vintage in 6 key therapeutic areas for Medicaid versus non-Medicaid patients.<sup>5</sup>
- Increased drug vintage disproportionately affects blacks and Hispanics, and therefore may increase disparities in access to the latest treatments.<sup>5</sup>



Access restrictions that lead to medication discontinuation and switching may negatively impact patient health and increase Medicaid costs.<sup>6</sup> Wilson and colleagues reported their findings on this issue in the article entitled “Medicaid Prescription Drug Access Restrictions: Exploring the Effect on Patient Persistence With Hypertension Medications”.

- In one state, implementation of a PDL for antihypertensive medications led to a statistically significant increase in the likelihood of patients discontinuing therapy—after controlling for other important factors.<sup>6</sup> Antihypertensives are among the most frequently prescribed drugs and highest payment categories in Medicaid.<sup>7</sup>

In a study by Murawski and Abdelgawad entitled “Exploration of the Impact of Preferred Drug Lists on Hospital and Physician Visits and the Costs to Medicaid” when studying one state, the authors found that Medicaid PDLs may shift costs to other areas of healthcare, offsetting the intended savings and possibly resulting in cost increases.<sup>8</sup>

- After implementation of a PDL, inpatient hospital visits increased 37% to 42%, outpatient hospital visits increased 35% to 41%, and physician visits increased 66% to 78%; the hospital outpatient and physician visit increases were statistically significant in the first 6 months.<sup>8</sup>

These 6 studies support the conclusion that PDLs may indeed increase healthcare costs and cause health disparities through access restrictions. More studies are needed to further confirm these findings.

#### REFERENCES:

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