

Date of Hearing: May 3, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

AB 1437 (Irwin) – As Amended April 13, 2023

Policy Committee: Health

Vote: 15 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill requires the Medi-Cal program to automatically approve a prescription refill for a drug for serious mental illness (SMI) for 365 days after the initial prescription is dispensed.

The automatic approval is conditioned on the prescription being for a person who is at least 18 years old and not within the transition jurisdiction of the juvenile court.

**FISCAL EFFECT:**

Potentially significant costs of an unknown amount in the Medi-Cal program for prescription drugs, to the extent automatic approval of prescription refills results in beneficiaries receiving more drugs than they would if they needed to seek re-approvals to obtain medication for SMI (General Fund (GF) and federal funds (FF)). To the extent this bill helps Medi-Cal enrollees adhere to their prescription drug regimens, and reduces the need for costlier care, some cost savings could also result.

Minor one-time administrative costs to update provider manuals and notify providers about changes required by the bill, as well as minor ongoing administrative workload reduction for fewer prescription drug reviews (GF, FF).

**COMMENTS:**

- 1) **Purpose.** This bill is sponsored by the California Access Coalition, Alliance for Patient Access, and Psychiatric Physicians Alliance of California. According to the author:

Californians who are covered by Medi-Cal and need access to anti-psychotic medications should not have to face obstacles when trying to adhere to their prescribed drug regimens. Unfortunately, studies have shown that nearly half of Medi-Cal patients with a serious mental illness diagnosis are experiencing a medication access problem leading to a negative outcome, such as loss of employment or homelessness. AB 1437 will make essential changes to the process of obtaining and refilling anti-psychotic medications for Medi-Cal patients, thus improving medication access for California's most vulnerable populations.

## 2) **Background.**

***Medi-Cal Prescription Drug Coverage.*** Effective January 1, 2022, Medi-Cal provides outpatient prescription drug coverage through a statewide system called Medi-Cal Rx, via contract with a fiscal intermediary, Magellan Medicaid Administration, Inc. Even though the majority of individuals enrolled in Medi-Cal receive health care services through a managed care plan, the statewide Medi-Cal Rx system pays directly for all prescription drugs dispensed by a pharmacy and billed on a pharmacy claim.

Medi-Cal Rx maintains a single, statewide, approved Medi-Cal contract drug list (CDL) that standardizes the Medi-Cal pharmacy benefit. Most drugs on the CDL do not have a prior authorization (PA) requirement. If a drug is not listed on the Medi-Cal CDL, it generally requires an approved PA for coverage. A prescriber's office or pharmacy can submit an electronic PA request through a portal, other electronic means, or fax. State law requires Medi-Cal Rx to respond to PA requests within 24 hours or the next business day. The Medi-Cal provider will receive a confirmation or notice of approval, deferral, modification, or denial, from DHCS.

According to DHCS, initial and reauthorization prescription PA requests are adjudicated based on documentation of medical necessity for the use of the specific medication requested. A prescriber may document medical necessity by including lab values, results of testing, treatment plan and treatment outcomes.

***Extended Duration PAs for Maintenance Medications.*** On March 23, 2023, DHCS released a policy bulletin indicating that, to reduce administrative burden while ensuring continued medication safety, it has enabled extended duration/multi-year PAs for up to five years for certain maintenance medications used for chronic conditions. This extended duration PA is provided for certain maintenance medications with a PA requirement. DHCS indicates for a maintenance medication with an approved PA or paid claims history within 15 months, it will automatically extend the prescription if a drug is eligible for extended duration PA. Antidepressants and antipsychotics are examples of classes of maintenance drugs DHCS will evaluate for extended duration PA, but the list of eligible drugs is not yet available.

## 3) **Prior Legislation.**

- a) AB 1178 (Irwin) of 2021 would have prohibited PA from being required by DHCS for a drug prescribed for the treatment of SMI for 180 days after the initial prescription was dispensed, required DHCS to automatically approve a prescription for a drug for the treatment of a SMI if the patient was previously dispensed that drug before they enrolled in the Medi-Cal program, and addressed early refills and 90-day supplies of drugs. AB 1178 was held on the suspense file of this committee.
- b) AB 3285 (Irwin) of 2020 was substantially similar to AB 1178. Due to the shortened Legislative calendar brought on by the COVID-19 pandemic, AB 3285 was not set for a hearing.