
THIRD READING

Bill No: AB 1437
Author: Irwin (D) and Quirk-Silva (D)
Amended: 4/13/23 in Assembly
Vote: 21

SENATE HEALTH COMMITTEE: 12-0, 6/21/23

AYES: Eggman, Nguyen, Glazer, Gonzalez, Grove, Hurtado, Limón, Menjivar,
Roth, Rubio, Wahab, Wiener

SENATE APPROPRIATIONS COMMITTEE: 7-0, 9/1/23

AYES: Portantino, Jones, Ashby, Bradford, Seyarto, Wahab, Wiener

ASSEMBLY FLOOR: 75-0, 5/25/23 - See last page for vote

SUBJECT: Medi-Cal: serious mental illness

SOURCE: Alliance for Patient Access
California Access Coalition
Psychiatric Physicians Alliance of California

DIGEST: This bill requires the Department of Health Care Services to automatically approve a Medi-Cal prescription refill for a drug for serious mental illness for 365 days after the initial prescription is dispensed.

ANALYSIS:

Existing law:

- 1) Establishes the Medi-Cal Program, administered by the Department of Health Care Services (DHCS), under which qualified low-income individuals receive health care services. [WIC §14000 et seq.]
- 2) Establishes a schedule of benefits under the Medi-Cal program, including prescription drugs, subject to the Medi-Cal contract drug list and utilization controls. [WIC §14132]

- 3) Authorizes prior authorization as one of the utilization controls that may be applied to Medi-Cal services. Defines “prior authorization” as approval by a DHCS consultant, of a specified service in advance of the rendering of that service based upon a determination of medical necessity; and, includes authorization for multiple services which are requested and granted on the basis of an extended treatment plan where there is a need for continuity in the treatment of a chronic or extended condition. [WIC §14133]
- 4) Requires DHCS to ensure the timely and efficient processing of authorization requests by providing a response by telephone or other means of telecommunication within 24 hours of the receipt of an authorization request; and, to the extent permitted by federal law, providing for the dispensing of at least a 72-hour supply of a covered drug in an emergency situation, as defined by federal regulation. [WIC §14133.37]

This bill:

- 1) Requires a Medi-Cal prescription refill for a drug for serious mental illness to be automatically approved for a period of 365 days after the initial prescription is dispensed if the following conditions are met:
 - a) The prescription is for a person 18 years of age or over; and,
 - b) The person is not within the transition jurisdiction of the juvenile court.
- 2) Defines “serious mental illness” as a mental disorder that is identified in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders and that is severe in degree and persistent in duration, presents a major risk to the person’s health and well-being, causes behavioral functioning that interferes substantially with the primary activities of daily living, and results in an inability to maintain stable adjustment and independent functioning without treatment, support, and rehabilitation for a long or indefinite period of time. Includes, but is not limited to, schizophrenia, post-traumatic stress disorder, bipolar disorder, other major affective disorders, or other severely disabling mental disorders.

Comments

- 1) *Author’s statement.* 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. This bill will make essential changes to the process of refilling anti-psychotic medications for Medi-Cal patients, thus improving medication access for California's most vulnerable populations.

- 2) *Serious mental illness among low-income adults in California.* According to a July 2022 report by the California Health Care Foundation, in 2019, while 3.9% of adults in California experienced a serious mental illness, those with low incomes are disproportionately affected. For those below 100% of the federal poverty level (FPL), 8.5% experienced a serious mental illness; for those with incomes between 100% and 199% of FPL, 6% experienced a serious mental illness. The impact is also disproportionately borne by Black and American Indian/Alaskan Natives with incident rates at 5.3% and 6.8% respectively. Despite these numbers, less than 4% of adults received any specialty mental health services in 2019 from Medi-Cal. Specialty mental health services are services provided by the county to Medi-Cal recipients with moderate to severe mental illness. The report also indicated that medication adherence for persons with serious mental illness on Medi-Cal is an issue: 57% of adults enrolled in Medi-Cal who were prescribed antipsychotic medications for schizophrenia remained on them for at least 80% of their treatment period, though this is just slightly lower than the 60% national average.
- 3) *Impact of prior authorization on medication adherence.* Several studies have evaluated the impact of prior authorization on Medicaid beneficiaries with severe mental illness. For example, a 2015 issue brief from USC Schaeffer Center for Health Policy & Economics summarizing three peer reviewed studies on Medicaid formulary restrictions, including prior authorization, found that such formulary restrictions increased overall Medicaid spending for people with serious mental illness, as well as increased the likelihood that the individuals would be hospitalized, incarcerated, or homeless. A June 2009 study in the journal *Psychiatric Services* compared medication access problems among psychiatric patients in ten state Medicaid programs. The most common access problems were not being able to access clinically indicated medication refills or new prescriptions because they were not covered or approved, prescribing a medication not clinically preferred because clinically indicated or preferred medications were not covered or approved, and discontinuing medications as a result of prescription drug coverage or administrative or management issues. California was among the states with the lowest rates of reported medication access problems, though 32.4% of the recipients reported at least one access problem.

- 4) *Medi-Cal Rx*. On January 7, 2019, Governor Newsom issued EO N-01-19, which directed the state to take action to reduce the cost of prescription drugs and required DHCS to transition outpatient Medi-Cal prescription drug services to the fee-for-service delivery system under a single statewide system, known as Medi-Cal Rx. The Medi-Cal Rx system began operating in January of 2022. Under Medi-Cal Rx, the state's contracted vendor, Magellan Medicaid Administration, Inc., is responsible for providing claims administration, providing utilization management, administering drug rebate services at DHCS's direction, providing drug utilization review, and operating a call center for providers and beneficiaries. DHCS remains responsible for developing the Medi-Cal pharmacy policy, including the contract drug list and prior authorization, negotiating supplemental drug rebates, developing reimbursement methodologies, overseeing a drug utilization review process, and maintaining the pharmacy network. The contract drug list is DHCS's preferred set of covered drugs and includes drugs for which there is a current state supplemental drug rebate agreement in place. Most drugs on the list do not have a prior authorization requirement.
- 5) *Current Medi-Cal procedures for prior authorization of drugs*. Medi-Cal providers have five ways to submit prior authorization requests, one of three different online portals, fax, or mail. The contract with Magellan requires prior authorization determinations to be completed within 24 hours. According to recent data provided by DHCS, Magellan is currently in complete compliance with this requirement. The determination is based on the provider's documentation of medical necessity and a prior authorization determination is complete once the provider is notified whether the prior authorization is approved, deferred, modified, or denied by DHCS. The online portals permits providers to add additional information as needed.

During the early implementation of Medi-Cal Rx, many prior authorization requirements were waived, particularly for drugs which enrollees were already using that did not previously require a prior authorization (but did once Medi-Cal Rx was implemented). Prior authorization requirements were also waived, for a limited period of time, for drugs for which an enrollee had approved via prior authorization, before the transition to Medi-Cal Rx. This limited time period varied – in many cases prior authorizations were waived for a 180 day transition period, and in other cases, DHCS allowed for an extensions of existing prior authorizations for three months to one year. More recently, DHCS provided a list of drugs eligible for an extended prior authorization period of up to five years for certain maintenance medications for chronic conditions. DHCS has also indicated that some drugs may be excluded from

prior authorization requirements entirely at some time in the future. These policies are all subject to change at any time by DHCS. This bill provides a floor for drugs used to treat adults with serious mental illness that would preclude another required prior authorization for 365 days after the initial prescription is dispensed.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, this bill has unknown, potentially significant costs to the Medi-Cal program to the extent the provisions of this bill would result in higher utilization of prescription drug benefits.

SUPPORT: (Verified 8/22/23)

Alliance for Patient Access (co-source)
California Access Coalition (co-source)
Psychiatric Physicians Alliance of California (co-source)
Cal Voices
California Chronic Care Coalition
California Coalition for Mental Health
California Consortium of Addiction Programs and Professionals
California Council of Community Behavioral Health
California Life Sciences
California Professional Firefighters
California State Association of Psychiatrists
Connection Coalition
Depression and Bipolar Support Alliance California
Mental Health America of California
National Association of Social Workers, California Chapter
PathPoint
Schizophrenia & Psychosis Action Alliance
Steinberg Institute
The California Association of Local Behavioral Health Boards and Commissions
The Kennedy Forum

OPPOSITION: (Verified 8/22/23)

None received

ARGUMENTS IN SUPPORT: Co-sponsors Alliance for Patient Access, California Access Coalition, and Psychiatric Physicians Alliance of California write that ensuring adults in Medi-Cal with serious mental illness have access to

their prescribed medications is an essential element in avoiding negative health outcomes. Studies of state Medicaid programs found psychiatric patients' lack of access to these medications contributes to a higher rate of negative outcomes for this population including increased emergency room visits, hospitalizations, homelessness or incarceration. In addition, these negative outcomes are further exacerbated across racial and ethnic demographics. They also point out the impact this bill would have on individuals experiencing homelessness or at risk of homelessness stating that medication adherence is instrumental in stabilizing patients with serious mental illness, which in some cases, can prevent homelessness and in others, can assist patients in transitioning into housing. They state that provisions of this bill will make it easier for individuals experiencing homelessness to receive medication refills if their medications are lost or stolen, which is a persistent issue in this community.

Supporters, Cal Voices point out that individuals with serious mental illness who are also living in poverty face additional barriers to medication adherence such as limited access to transportation, internet or cell phone services, in addition to a mental health workforce shortage that can make it difficult to get an appointment with a provider. All of these factors can make it more difficult to refill a prescription when prior authorization is needed.

ASSEMBLY FLOOR: 75-0, 5/25/23

AYES: Addis, Alanis, Alvarez, Arambula, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Juan Carrillo, Wendy Carrillo, Cervantes, Chen, Connolly, Megan Dahle, Davies, Dixon, Essayli, Flora, Mike Fong, Vince Fong, Friedman, Gabriel, Gallagher, Garcia, Gipson, Grayson, Haney, Hart, Holden, Hoover, Irwin, Jackson, Kalra, Lackey, Lee, Low, Lowenthal, Maienschein, McCarty, McKinnor, Muratsuchi, Stephanie Nguyen, Ortega, Pacheco, Jim Patterson, Joe Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Sanchez, Santiago, Schiavo, Soria, Ta, Ting, Valencia, Villapudua, Waldron, Wallis, Ward, Weber, Wicks, Wilson, Zbur, Rendon

NO VOTE RECORDED: Aguiar-Curry, Jones-Sawyer, Mathis, Papan, Wood

Prepared by: Jen Flory / HEALTH / (916) 651-4111
9/5/23 9:42:37

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