

# Fiscal Note

**BILL #** SB 1083

**TITLE:** mental illness; medication; authorization

**SPONSOR:** Shope

**STATUS:** As Introduced

**PREPARED BY:** Chandler Coiner

## Description

The bill, as introduced, would prohibit the Arizona Health Care Cost Containment System (AHCCCS) from implementing prior authorization requirements or a step therapy protocol for drugs prescribed to members 18 years or older to treat certain mental disorders.

## Estimated Impact

Based on information from AHCCCS actuaries, we estimate that the bill would increase AHCCCS costs by \$77 million General Fund (\$308 million Total Funds) annually. This estimate assumes: 1) an increase in aggregate drug utilization, 2) a portion of members will shift from lower-cost to higher-cost drugs, and 3) the loss of certain supplemental rebates.

The magnitude of the cost increase is speculative. The actual cost would depend on the degree to which current prior authorization requirements and step therapy protocols prevent members from accessing certain prescription drug benefits, as well as the cost of drugs introduced to the market in future years.

## Analysis

Prior authorization and step therapy protocols are utilization management processes commonly used by health insurers and their contractors to limit coverage of medications and services until certain requirements are met. Prior authorization requires the member to meet certain criteria before a health insurer will cover certain medications or services. These can include the presence of certain health conditions in the member, informational disclosures, and alternative treatments. A step therapy protocol specifically requires the member to take 1 or more alternative medications that fail to treat the member's condition before the insurer covers the prescribed medication.

Under this bill, AHCCCS would no longer be allowed to implement these processes for drugs prescribed to treat certain mental disorders for members 18 years or older. Some of these conditions include bipolar disorders, major depressive disorders, and schizophrenia.

AHCCCS anticipates the bill would increase use of prescription medications among members with a Serious Mental Illness (SMI) and may also result in shifts from lower-cost to higher-cost drugs. The agency estimates these utilization changes would have a cost of \$268.9 million on a total funds basis. The following summarizes AHCCCS' assumptions regarding overall growth by category:

- 230 additional prescriptions for antidepressants.
- 10% growth within movement disorder treatments.
- 2% growth within stimulants and related agents.

(Continued)



The following summarizes AHCCCS' assumptions regarding the number of members that will shift to higher-cost drugs by category:

- 10-15% shift within antidepressants.
- 25% shift within antipsychotics.
- 25 members shift within movement disorder treatments.
- 10% shift within opiate dependence treatments.
- 3% shift within sedative hypnotics.

We concur with AHCCCS that the bill could increase overall utilization and result in shifts to more expensive drugs, but we do not have the necessary data to evaluate the reasonableness of these assumptions.

AHCCCS also anticipates the bill will generate an additional \$39.1 million in total fund costs due to the loss of supplemental rebates for antipsychotics and opiate dependence treatments. Currently, AHCCCS is able to negotiate these optional rebates with prescription drug manufacturers via its ability to impose prior authorization and step therapy protocols on the medications. If AHCCCS were to lose its ability to implement these utilization management processes under this bill, the agency believes that manufacturers would no longer be incentivized to offer supplemental rebates for preferred use of their medications. We concur with AHCCCS' assessment.

In total, AHCCCS estimates the bill would increase AHCCCS costs by \$308 million Total Funds, of which \$77 million would come from the General Fund.

**Local Government Impact**

None

2/13/24