DEPARTMENT OF AUDITS AND ACCOUNTS

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February 27, 2019

Honorable Ben Watson
Chairman, Senate Health and Human Services
320-B CLOB
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 158 (LC 33 7622)

Dear Chairman Watson:

This bill amends Article 7 of Chapter 4 of Title 49 to allow Medicaid recipients to have access to the same antiretroviral regimens used to treat human immunodeficiency virus and acquired immune deficiency syndrome (HIV/AIDS) as those included in the formulary established for the Georgia AIDS Drug Assistance Program (ADAP). The bill limits the Department of Community Health's (DCH) use of utilization management tools (including, but not limited to, preferred drug lists, prior authorizations, or step edits) for such regimens. In addition, the bill requires DCH to submit any necessary Medicaid State Plan amendments in order to meet these requirements. The bill does not provide an effective date.

Estimated Costs of Limitations on Utilization Management
The cost of limiting utilization management tools for HIV/AIDS positive Medicaid recipients is an estimated $12.9 million in state funds (total funds: $39.5 million). The cost estimate consists of two parts: 1) the increase and/or decrease in costs associated with changes in utilization of certain drugs, and 2) the loss of the supplemental rebate provided by drug manufacturers.

Costs of Changes in Utilization
As shown in Table 1, DCH anticipates increased utilization of brand-name, cocktail drugs if the prior authorization requirement (and other utilization management methods such as step edits) is removed. Utilization estimates are based on actual claims data for the Medicaid population with an HIV/AIDS diagnosis. The estimated changes in utilization assume that there would be an increased preference for the brand name drugs over other drugs, which would increase costs by an estimated $26 million.

Table 1. Estimated Utilization Changes and Fiscal Impact, LC 33 7622

Drug Name	% Increase/Decrease in Utilization	Fiscal Impact
Brand Name, Cocktail Drugs		
Descovy	5.00%	$4,408,169
Prezcobix	10.00%	9,637,192
Genvoya	5.00%	7,893,007
Complera	5.00%	7,566,246
Subtotal		**$29,504,614**
Other Drugs		
Viread	-2.50%	($1,289,956)
Lamivudine	-2.50%	(52,340)
Abacavir (ABC)	-2.50%	(77,916)
Prezista	-5.00%	(36,696)
Reyataz	-2.50%	(2,029,975)
Subtotal		**($3,486,884)**
Total		**$26,017,731**

In addition to the increase in drug costs, the department would experience an estimated $13.4 million in rebate losses due to the removal of prior authorization. The department indicated that drug manufacturers will no longer be incentivized to provide the supplemental rebates.

Table 2. Estimated Costs of Utilization Changes and Rebate Loss, LC 33 7622

Costs	Federal Funds	State Funds	Total Funds
Utilization Costs	$17,530,747	$8,486,984	$26,017,731
Rebate Loss	9,058,907	4,385,597	13,444,504
Total SFY 2020	**$26,589,654**	**$12,872,581**	**$39,462,235**

Sincerely,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/st