

Preferred Drug List (PDL) Quarterly Program Statement

The Iowa Medicaid Enterprise (IME) respectfully requests that the requirement under Iowa Code 249A.20A Preferred drug list program subsection 11¹ regarding reporting savings quarterly be removed as this is no longer a measurable calculation.

The Preferred Drug List (PDL) cost avoidance has been measured since implementation (2005) through a regression model where the rate of growth of net expenditures is projected to remain the same in the post-PDL period as it was in the pre-PDL period. However, as time goes on, its accuracy diminishes. Due to the maturity of the PDL, other pharmacy program changes and the transition of Medicaid members to Managed Care Organizations (MCOs), it became necessary in 2016 to revise the process of reporting performance.

The new performance measure relies on “Compound Annual Growth Rate (CAGR)” which is the growth of Iowa’s net Medicaid Pharmacy Expenditures compared to that of National net Medicaid Pharmacy Expenditures over the reporting period. PDL performance is measured by comparing the change in Medicaid’s annual net pharmacy expenditures (combining fee-for-service plus managed care utilization and reimbursement) to the change in national Medicaid net pharmacy expenditures, adjusted for change in member months. This projection for this performance measure is reported annually (since the National Health Expenditure (NHE) report is released by the Centers for Medicare and Medicaid Services (CMS) on an annual basis). The actual is reported the following year because there is a one-year lag between the reporting of CMS’ projected and actual net expenditures. The NHE report is based on calendar year (CY) but is converted to state fiscal year (SFY).

This report is posted on the [Iowa Medicaid website](#) annually, under program information and the current report can be found [here](#) on page 3-27 of the document.

¹ Any savings realized under this section may be used to the extent necessary to pay the costs associated with implementation of this section prior to reversion to the medical assistance program. The department shall report the amount of any savings realized and the amount of any costs paid to the legislative fiscal committee on a quarterly basis.