

Final Report of the  
MEDICAID STUDY COMMITTEE

(A subcommittee of the joint  
Social Services Committees)

to the

SIXTY-FOURTH GENERAL ASSEMBLY

of the

STATE OF IOWA

Submitted February, 1971

Final Report to the Senate and House of Representatives

Social Services Committees of the 64th General Assembly, First Session

Submitted by the

MEDICAID STUDY COMMITTEE

(A subcommittee of the joint  
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The first session of the Sixty-third General Assembly in 1969 requested that the Legislative Council establish a study committee with a broad mandate to review and study the Medicaid program in Iowa. A 12-member Medicaid Study Committee set up in accordance with that request completed its work and submitted its final report on March 1, 1970, recommending some significant changes in the state's Medicaid law in order to clarify legislative intent, give the Commissioner of Social Services somewhat greater administrative flexibility within the limits of federal and state legislative guidelines, and provide a framework for systematic reports by the Commissioner to the legislature on the existing and prospective status of the Medicaid program. These recommendations, which were enacted into law during the 1970 session, appeared as Chapter 1102 of the Acts of the Second Regular Session, Sixty-third General Assembly, and are incorporated into Chapter 249A of the Code of Iowa (1971).

Believing that the existence of the 1969 Medicaid Study Committee had a favorable overall effect on the administration of the program, and that it would be desirable to have a specific legislative group in continuing contact with the Department of Social Services as the changes in the Medicaid law were implemented, the 1969 Committee also recommended the continuation of a legislative Medicaid Study Committee. The Legislative Council acted favorably on this recommendation, authorizing the establishment of a six-member committee to which were appointed Senators Earl G. Bass, Clifton C. Lamborn, and George E. O'Malley, and Representatives A. June Franklin, Joan Lipsky, and Clair Strand. Although organized as a subcommittee of the standing Social Services Committees, this body retained the title Medicaid Study Committee.

The Committee held its organizational meeting on August 20, at which time Representative Lipsky was elected Chairman and Senator Lamborn was elected Vice Chairman. Subsequent meetings were held on September 24, October 21, and December 15. The topics covered at these meetings are briefly reviewed in the following paragraphs. A matter of particular concern to the Committee has been the cost of prescription drugs under the Iowa Medicaid program, and a special discussion of this topic appears subsequently in this report.

## Review of Committee's Meetings

The August meeting was devoted largely to a general review of the current status of the Medicaid program, and of developments since the last meeting of the previous 12-member Committee. Plans were made for the later meetings of the 1970 Medicaid Committee, and several specific areas were identified with respect to which the Committee agreed to seek more information.

On September 24, representatives of Blue Cross-Blue Shield, as well as of the Department of Social Services, met with the Committee for a review of the terms of the present contract between the Department and Blue Cross-Blue Shield as Medicaid fiscal agent. Administrative procedures of both the Department and the carrier were discussed, as well as some of the policies and restrictions under which the program is conducted.

Commissioner of Social Services James Gillman met with the Committee for a short time on October 21 to discuss possible future development of the Medicaid program, particularly the feasibility of an early restoration of services to the categorically related recipient group whose eligibility was cut off in February, 1969, in the face of a serious deficit in the Medicaid appropriations. Since medical expenses can easily mean the difference between remaining primarily self-sufficient and going on a categorical welfare program for marginal income persons and families, it is to be hoped that circumstances will permit restoration of at least some Medicaid services to this group at an early date.

The balance of the October 21 meeting was devoted to an examination of the Medicaid utilization review procedures in general, and in particular the peer review procedures of several of the participating vendor groups. The previous Medicaid Study Committee's suggestion that legislators be involved as observers in the peer review process was discussed with the representatives of the various professional groups which appeared before the Committee on October 21, and views were exchanged as to the possible benefits and difficulties of such a step.

One of the main purposes of the Committee's December 15 meeting -- and one reason it was scheduled so late in the interim -- was to hear a report from Dr. Elmer M. Smith, Director of the Bureau of Medical Services, Department of Social Services, on the nature and effect of changes in federal law pertaining to Medicaid and related programs, but no such legislation was passed by the 91st Congress. However, Dr. Smith did present information regarding some changes in federal regulations pertaining to the Medicaid program which had been made during 1970, and also submitted an analysis of some of the major new proposals in the health care field at the federal level and their probable effects on Iowa. Changes in the program are anticipated during the 92nd Congress.

Another item discussed at the December 15 meeting was the submission of the monthly statistical reports prepared by the Department of Social Services on the cost, number and category of claims submitted, and certain other relevant information regarding the Medicaid program. In mid-1970, the volume and detail of these reports was increased considerably, and at about the same time increasing delays in the timely preparation of this information for distribution began to be experienced. Dr. Smith reported that he had been assured by the Department's statistics staff that efforts were being made to get the issuance of the Medicaid reports back on schedule. Committee members suggested that consideration be given to eliminating some of the additional data which had been included in the more recent reports.

Further information on the matters briefly discussed in the foregoing summaries of the Committee's meetings will be found in the minutes of these meetings. Copies of the minutes of the Committee's meetings are available from Mrs. Liz Isaacson of the House of Representatives staff, who served as Committee Secretary.

#### Cost of Prescription Drugs

As noted earlier, the cost to Iowa's Medicaid program of prescription drugs has been a matter of special concern to the 1970 Medicaid Study Committee. The Committee's predecessor had included in its final report figures showing that prescription drug costs accounted for twenty-two percent of Iowa Medicaid expenditures during the period from July 1 to December 31, 1969. Additional data prepared for the 1970 Committee by the Legislative Service Bureau, on the basis of figures provided by the Department of Social Services, showed that the proportion of prescription drug costs to total Medicaid expenditures for the first six months of 1970 was higher than during the previous six months, although this figure did drop somewhat toward the latter part of the first half of 1970.

Following a discussion of prescription drug costs and possible ways to control these costs at the 1970 Medicaid Study Committee's first meeting, Mr. R. Joe Mahrenholz of the Bureau of Medical Services staff prepared a statement on utilization review of the use of prescription drugs under Medicaid. This statement was presented to, and is attached to the minutes of, the September 24 meeting of the Medicaid Study Committee. Mr. Mahrenholz pointed out that evaluation of drug utilization really encompasses two broad topics: first, gross and dangerous overuse of drugs which nearly all authorities agree is undesirable, and second, differences of opinion among knowledgeable persons as to the desirability or effectiveness of a particular therapeutic method involving use of drugs. He summarized the manner in which the Medicaid carrier performs pre-payment drug claim review, the Department of Social Services conducts recipient utilization review, and the Department's auditors make both routine and, on occasion, special drug audits. Pharmacy peer review is carried out by the Public Assistance Committee of the Iowa Pharmaceutical Association when specific cases are referred to it by the Department.

The cost of processing prescription drug claims was also discussed. Committee members suggested that consideration be given to programming on the Medicaid carrier's computer equipment some 3,000 different drug items which would be approved for payment under Medicaid, and restricting Medicaid prescriptions to those items, so as to facilitate processing of the claims. Dr. Smith indicated that the average physician prescribes from a group of only about 100 different drugs.

In concluding his statement to the Medicaid Study Committee on September 24, Mr. Mahrenholz reported that: "In a further effort to cut down drug costs the Bureau is planning to curb the use of amphetamine products and prescription multiple vitamins. This could potentially save the program . . . \$200,000 per year. These two classes of drugs were chosen because of their low therapeutic value in relation to dollars spent and the high level of abuse noted in these classes."

The Committee's October 21 meeting, devoted primarily to discussion of peer review procedures with professional group representatives, afforded an opportunity to obtain the views of both the Iowa Pharmaceutical Association and the Iowa Medical Society as to possible methods of controlling prescription drug costs under Medicaid. The Pharmaceutical Association stressed that it stands ready to assist in seeing proper measures taken against any pharmacist who is engaged in any fraudulent practice under Medicaid (and, without identifying the individual involved, cited an instance in which it has done so), but that physicians decide what drugs Medicaid recipients should have and write prescriptions accordingly. The Medical Society representatives discussed in general some of the considerations which affect the writing of prescriptions. Both associations' representatives expressed skepticism about the desirability of requiring that Medicaid prescriptions be written on a generic basis, rather than for a particular manufacturer's product, where similar medications are available from two or more manufacturers. Committee members suggested that this procedure would enable the pharmacist to fill the prescription with the least costly brand of the item prescribed, but both the pharmacists and the doctors present on October 21 indicated that they feel it necessary to rely on the integrity and reputation of particular manufacturers.

At the Committee's final meeting of the 1970 interim, Dr. Smith reported that there had been no action by the Council of Social Services on the recommendation by the Bureau of Medical Services for removal of amphetamines and prescription vitamins from the list of drugs for which the Medicaid program pays. The Committee therefore adopted a motion, pursuant to which Chairman Lipsky addressed a letter to Miss Lois Emanuel, Chairman, and Mr. David J. Albert, Mrs. Meredith U. Deevers, Mr. David F. McCann, and Mr. Fernice W. Robbins, members of the Council of Social Services, urging early action on the recommended removal of amphetamines and prescription vitamins from the list of drugs approved for purchase through the Medicaid program. The letter also urged prompt approval of any subsequent recommendation from the Bureau of Medical Services pursuant to

a list of drugs which the U. S. Food and Drug Administration had then recently termed "ineffective". As this report is prepared for submission to the standing Social Services Committees, no reply has been received from the members of the Council of Social Services. However, the U. S. Department of Health, Education, and Welfare has halted Medicaid payment for the drugs which have been termed ineffective by the Food and Drug Administration.

### Summary

The mandate of the 1970 Medicaid Study Committee, functioning as a sub-committee of the standing Social Services Committees, was much less broad than that of the 1969 Committee which reported to the Legislative Council. The 1970 Committee has not recommended, and does not at this time consider necessary, further major changes in Iowa's Medicaid law. The 1970 Committee has viewed its role as primarily that of maintaining continuing legislative liaison with the Department of Social Services with respect to the Medicaid program, and general oversight of the implementation of the program under the law as revised in accordance with the 1969 Committee's recommendations.

It is to be noted that the first of the semi-annual reports from the Commissioner of Social Services on his evaluation of the current Medicaid program, required by section 249A.4, subsection 1, of the 1971 Code, is now due. The Committee urges that the standing Social Services Committees and the Social Services Subcommittees of the Appropriations Committees give the Commissioner's report careful consideration.

Finally, the members of the 1970 Medicaid Study Committee recommend to the standing Social Services Committees the continuation of a special joint subcommittee on the Medicaid program, with authority to meet periodically during the coming legislative interim. It is believed that the experiences of the 1969 and 1970 Medicaid Study Committees have clearly demonstrated the value of ongoing legislative liaison and oversight of this important program.