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Generics

Study Examines Potential Medicaid Savings By Ending Consent for Generic Rx Switches

BOSTON—A study released July 7 which examined how quickly consumers switched from brand-name drugs to generic equivalents following patent expiration found that state Medicaid programs could expect to save \$100 million by eliminating patient consent requirements for three top-selling medications that are approaching patent expiration.

The authors of the study noted that state lawmakers have relatively few tools available to influence Medicaid enrollees' prescription drug use, and suggest that "by adopting policies that encourage the substitution of generic drugs after patents expire, states may greatly reduce costs without compromising quality."

The study, funded by the pharmacy benefits firm and drug store chain CVS Caremark, looked at the generic substitution of the cholesterol drug simvastatin for branded Zocor over six quarters beginning in June 2006 when Zocor's patent expired. The review of Medicaid claims data looked at how quickly Medicaid recipients moved to the generic equivalent medications under different state scenarios.

All states have adopted generic substitution laws but they vary from state to state. Some states have adopted mandatory generic substitution laws while others give pharmacists more discretion by allowing, but not requiring, pharmacists to substitute generics.

In addition, the study found, some states require patients to offer prior consent prior to the substitution of a generic.

"Requiring patients to provide consent prior to generic substitution led to an approximately 25% reduction in generic substitution," the study's lead author, Dr. William H. Shrank, said in a statement. Shrank, an assistant professor in the Division of Pharmacoepidemiology at Brigham and Women's Hospital in Boston and the Harvard Medical School, said that during the six consecutive quarters reviewed, the study determined that states could have saved almost \$20 million if the substitution from Zocor to the chemically identical simvastatin were made more quickly for that one medication.

The study was published in the July issue of the journal *Health Affairs*. The study, "State Generic Substitution Laws Can Lower Drug Outlays Under Medicaid," is the result of CVS Caremark's previously announced three-year collaboration with Harvard University and Brigham and Women's Hospital to research pharmacy claims data to better understand patient behavior around medication adherence and appropriate medication use.

Major Rx Patent Expirations Ahead

"This study has important implications. We determined states can stem the rising cost of medications paid for by Medicaid programs by modifying statutes to make it easier to replace brand name medications with generics," added Troyen A. Brennen, the executive vice president and chief medical officer of CVS Caremark.

"There are many brand medications that will lose their patent protection over the next several years and, as a consequence, we will see the introduction of generic equivalents for these brand medications," he said. "In particular, we can expect significant activity with the upcoming patent expirations of Lipitor,

Plavix and Zyprexa over the next eighteen months.”

The study determined that state Medicaid programs can save more than \$100 million on those three drugs alone by adopting regulations that allow pharmacists to make a change following the patent expiration, without requiring direct patient approval.

The study found that states that instituted rules requiring patient consent prior to generic substitution had rates of substitution that were 25 percent lower than states that did not require patient consent.

“This is action that policy makers can take immediately to save money without affecting the quality of pharmacy care,” Brennan said.

Brennan said cost containment and finding ways to better manage increasing health care costs are extremely important in the face of the current economic climate and expected expansion of state Medicaid programs resulting from federal health care reform.

Consumer Group's Comments

Marcia Hams, director of prescription access and quality for Community Catalyst, whose organization was not involved in the project, told BNA that the findings of the study are “very important” and show the cost savings to be had by state Medicaid agencies. She said the findings are especially important as states seek to provide more coverage while at the same time they are coming under pressure, primarily driven by the pharmaceutical industry, to loosen their generic substitution statutes.

She noted that there is a great deal of misunderstanding by patients who often believe that generics are not as good as brand name drugs despite the fact that they are chemically identical.

Hams said it is significant that the switch to generic not only saves money for patients and programs alike, and added that “as we see a major expansion of Medicaid programs to increase access, it is very important that we are utilizing every tool we have in order to lower costs while protecting quality.”

If state programs are forced to overspend on drugs, people will start to lose their benefits, she explained. The use of brand name drugs instead of generics are “an unnecessary cost that could endanger the program,” Hams stressed. Individuals can be cut off from eligibility and benefits under state programs when state budgets are stressed.

By Martha Kessler