

**California Department of Health Care Services
Proposed Trailer Bill Legislation**

Prior Authorization for Continuation of Drug Therapy

FACT SHEET

Issue Title: Prior Authorization for Continuation of Drug Therapy. The Department of Health Care Services (DHCS) proposes, effective January 1, 2026, to 1) require Medi-Cal members to obtain a drug removed from the contracted drug list (CDL) through the prior authorization process rather than allow Medi-Cal members to continue obtaining the drug if they have a 100-day history; and 2) eliminate the requirement for a public hearing when a drug is removed from the CDL and instead allow DHCS to provide at least 60 calendar day written notice to Medi-Cal members and stakeholders that the drug is no longer on the CDL.

Background: DHCS plays a critical role in managing the Medi-Cal program, particularly in determining which drugs are included on the Medi-Cal CDL. Drug manufacturers may have their products placed on the CDL through contracts with Medi-Cal, in which they agree to provide additional state supplemental rebates beyond what is required by federal law. DHCS, in consultation with the Medi-Cal Contract Drug Advisory Committee, evaluates drugs for inclusion on the CDL based on criteria such as safety, efficacy, cost, potential for misuse, and the essential medical need for the drug.

As part of its ongoing oversight, DHCS also manages the process for drugs that may be removed from the CDL. If a drug is considered for removal from the CDL, Medi-Cal notifies Medi-Cal providers (pharmacies and prescribers), members, and other stakeholders through the monthly Medi-Cal Rx CDL bulletin, which also contains contact information in the event there are questions or concerns with DHCS' removal decision. After removal from the CDL, Medi-Cal members may still access the medication without prior authorization if it is still prescribed and the Medi-Cal member has a 100-day history of use (known as continuing care status), which limits DHCS' ability to promptly reduce costs for these drugs since the Department will no longer receive state supplemental rebates. This continuing care status policy, although enacted many years ago, was significantly utilized for the purpose of mitigating temporary implementation challenges during the initial launch of Medi-Cal Rx. As DHCS resumes normal operations for Medi-Cal Rx through reinstatement and in light of increased pharmacy cost growth, it is necessary to adjust the continuing care status policy to enable appropriate utilization management consistent with the core objective of the Medi-Cal CDL and in alignment with other states.

Justification for the Change: The proposal allows DHCS to control the spend of drugs without state supplemental rebates while simultaneously preserving

access to care through utilization management controls, including prior authorization requirements. Medi-Cal members may still obtain the drug through the prior authorization process based upon medical necessity and may still exercise their rights to a state fair hearing if the prior authorization is denied (Welfare and Institutions Code Sections 14105.33 (r) and (s), 14105.38 and 14105.436(j)).

Estimate Issue # and Title: PC 209: Prior Auth. For Continuation of Drug Therapy