State of California—Health and Human Services Agency
Department of Health Care Services

JENNIFER KENT
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

DATE: September 6, 2016

ALL PLAN LETTER 16-010

TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS

SUBJECT: MEDI-CAL MANAGED CARE HEALTH PLAN PHARMACEUTICAL FORMULARY COMPARABILITY REQUIREMENT

PURPOSE:
The purpose of this All Plan Letter (APL) is to clarify contract language for all Medi-Cal managed care health plans (MCPs) regarding the meaning of comparability of formularies and the minimum requirements for MCP formularies to be considered comparable to the Medi-Cal Fee-For-Service (FFS) Contract Drug List (CDL).

BACKGROUND:
Per the MCP contract, an MCP's formulary must be comparable to the FFS CDL, except for those drugs that are carved-out. Exhibit A, Attachment 10, Services for All Members, Pharmaceutical Services and Provision of Prescribed Drugs, of the contract describes comparable to mean that the MCP formulary must contain drugs that represent each mechanism of action sub-class within all major therapeutic categories of prescription drugs included in the FFS CDL. However, the contract does not preclude the use of utilization controls. Exhibit A, Attachment 1, Medical Decisions, of the contract requires that medical decisions, including those by sub-contractors and rendering providers, are not unduly influenced by fiscal and administrative management.[1]

POLICY:
All MCPs are required to submit their formularies to DHCS on an annual basis for review. Part of this review includes an assessment of the MCP's formulary comparability with the FFS CDL. If an MCP chooses to subject all drugs within the same therapeutic category to prior authorization (e.g., at least one drug of the same mechanism of action is not available without prior authorization, and one such drug is available on the FFS CDL), in addition to submitting its formulary for annual review, the

MCP will now be required to submit the following materials at the time of annual formulary review for at least one drug of that same mechanism of action:

[1] http://www.dhcs.ca.gov/provgovpart/Pages/MMCDBoilerplateContracts.aspx

- Clinical rationale for subjecting the prior authorization utilization control on all drugs within the individual therapeutic category with a specific mechanism of action.
- Criteria used to adjudicate the prior authorization request of the formulary option and/or how the approval criteria for the formulary option(s) differs from the non-formulary options.

This policy does not impact the MCP's ability to implement other utilization controls, some of which are referred to as Code 1 restrictions, step therapy, age or quantity limits, indication specific, duration of therapy, frequency of billing and specialty restrictions. However, prior authorization is prohibited by contract for any services related to emergency care, family planning, preventive services, basic prenatal care, and sexually transmitted disease.[2] All drugs included in the FFS CDL as a pharmacy benefit must be made available by the MCP, either as a formulary benefit or as a non-formulary benefit. If there is no alternative drug with the same mechanism of action, the MCP must have available drug(s) that are considered current standard of care and indicated for the same pharmacologic indication.

MCPs are responsible for ensuring that their delegates comply with all applicable state and federal laws and regulations and other contract requirements as well as Department of Health Care Services' (DHCS's) guidance, including applicable APLs and Dual Plan Letters. DHCS's readiness review process includes a review of each MCP's delegation oversight. MCPs must receive prior approval from DHCS for each delegate.

If you have any questions regarding this APL, please contact your Managed Care Operations Contract Manager.

Sincerely,

Original Signed by Nathan Nau

Nathan Nau Chief,
Managed Care Quality and Monitoring Division
Department of Health Care Services

[2] http://www.dhcs.ca.gov/provgovpart/Pages/MMCDBoilerplateContracts.aspx