

# DRUG FORMULARY

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Montana Department of  
**LABOR & INDUSTRY**

# FORMULARY OVERVIEW

- Formularies in healthcare
- Drug formularies as applied to workers' compensation
- IAIABC guidance
- Formulary research
- MED data



# TYPES OF DRUG FORMULARIES

Open: An open formulary is a list of all FDA approved prescription drugs but does not indicate a status of any drug

- would not have any effect on utilization or cost of prescription drugs.

Closed: A closed formulary is a list of FDA approved prescription drugs with a drug status indicated for the drugs

Ex. ODG

Preferred Drug List (PDL): A PDL is a list of prescription drugs that are preferred in workers' compensation

- Drugs on the PDL must be prescribed before prescribing a non-PDL drug

Ex. WA

Source IAIABC 2016

# EVALUATION PRIORITIES

- Goals of formulary implementation and intended impact on stakeholders
- Existing statutory and regulatory structure
- Formulary design and maintenance
- Implementation strategy
- Administrative costs to implement, maintain, educate, and evaluate
- Current or needed review or pre-authorization process
- Medical dispute resolution process
- Stakeholder input and priorities

# FORMULARY GOALS OR OUTCOMES

- **Reduce prescriptions of potentially dangerous drugs to injured workers**
  - OxyContin #1 drug in MT WC representing 13.6% of spend and #6 in prescriptions written
  - Montana spends more on Schedule II in WC than region and countrywide
- **Decreasing the length of disability and increasing return-to-work rates**
  - Public policy on WC in MT
  - Studies relate time opioid usage and longer duration
- **Cost savings**
  - Cost savings should be secondary consideration to improved outcomes for injured workers. [Mark Pew 2015](#)
  - Many studies show that there is potential cost savings with implementation of a drug formulary
  - MT already uses generics, mail order, and has negligible amounts of physician dispensing
- **Effect on litigation**
  - Will a formulary increase litigation
  - Monitor though dispute resolution process



# EXISTING STATUTORY STRUCTURE

- **§ 39-71-727 MCA**
  - Insurer is only liable for generic-name drugs if the generic is the therapeutic equivalent of the brand-name
- **24.29.1529 ARM**
  - Pricing for generic and brand-name drugs
    - Brand name – AWP – 10% + \$3
    - Generic – AWP – 25% + \$3
- **§ 39-71-704 (3) (a)**
  - The department shall establish by rule evidence-based utilization and treatment guidelines for primary and secondary medical services

# FORMULARY DESIGN AND MAINTENANCE

- **Should be based on medical evidence**
  - We believe must be ...
- **Ideally, simple and easy to maintain**
  - Ease of use, cost, and maintenance considerations
  - Update process for the formulary
- **Type of formulary - Proprietary, commercial, or hybrid**
  - Broad application or specific to only types of drugs or drug classes
- **How the formulary applies to injured worker**
  - Ex – ODG listing of drugs in WC with “Y” or “N” status
  - Ex – ACOEM is condition specific
- **Interaction with Montana Utilization and Treatment Guidelines**
- **Dispute resolution process**
- **Application to injuries**
  - New claims immediately
  - Grace period for legacy claims
  - Transition if outside the guidelines
- **Administrative costs to evaluate, implement, educate and maintain**

# MORPHINE EQUIVALENT DOSAGE (MED)

## Why an MED

- Differences in how opioids work in the body makes an apples-to-apples comparison of opioids difficult
- MED is a numerical standard to compare most opioids
- It helps to create an understanding of the potency of medications

Source: Optum

## Some of the standards

- ODG
  - Up to 50 - Caution
  - 50-75 - High Risk
  - 75-100 - Extreme Risk
  - 100+ - Limit Exceeded
- CDC
  - 50 is Caution
  - 90 is No
- ACOEM - 50
- Washington - 120
- California
  - 80 is Caution





# STATES WITH WC FORMULARIES

## ALL ARE OUTPATIENT FORMULARIES

- **Earliest Drug Formularies:**
  - Washington – May 2004
    - Proprietary PDL / formulary
  - North Dakota – mid-2006
    - Proprietary closed formulary
  - Texas – September 2011
    - ODG
  - Ohio – September 2011
    - Proprietary closed formulary
- **Recent Drug Formularies:**
  - Delaware – September 2013
    - Proprietary PDL
  - Oklahoma – February 2014
    - ODG
  - Nevada – Winter 2015
    - ACOEM
  - Tennessee – Jan-Feb 2016
    - ODG
  - Arizona – October 2016
    - ODG



# STATE COMPARISON

State Name	Monopolistic Yes / No	Type of Formulary	Tied to U & T Y/N /Type	MED	Legacy Claims	How Often Updated	First Fill Yes/No & How
Washington	Yes	Proprietary PDL	Y/Proprietary	120	2 years	Quarterly	Yes / 30 days
North Dakota	Yes	Proprietary	N/ODG	No limit	included	Semi-annual	Yes / 30 days
Texas	No	ODG	Y/ODG	100 caution over 50	2 years	Monthly	Yes / 7 days
Ohio	Yes	Proprietary	Y	200 / 8 days	2-6 months	Periodically - 7 total since inception	Yes / 10 days
Delaware	No	Proprietary	N		N/A	Not defined	
Oklahoma	No	ODG	Y/ODG	100 caution over 50	Y	Monthly	Yes / Prior auth must be approved within 3 days or is approved
Tennessee	No	ODG	Y/ODG	100 caution over 50	N/A	Monthly	Yes / must be presented within 7 days
Arizona	No	ODG	Y/ODG	100 caution over 50	Yes	Monthly	Yes / 7 days
Nevada	No	ACOEM	Y/ACOEM	50	N/A	Not defined	



# STATES LOOKING AT A DRUG FORMULARY

- **Recent Legislation/Regulations Proposing Formularies:**
  - California mandates by 2017
    - AB 1124
  - North Carolina study on WC formulary
    - HB 897
  - New York
  - New Mexico
  - Arkansas
  - Louisiana
  - Nebraska
  - Montana (SB 292 from 2015 did not pass)
    - LMAC in 2016



# CONSIDERATIONS

- **Develop a formulary or borrow state developed formulary**
  - Ongoing maintenance
    - Resources
    - Cost
  - Evidence based
- **Possibly a Schedule II only proprietary formulary**
- **Purchase a commercial formulary**
  - ODG – Work Loss Data
  - ACOEM – Reed Group
- **Montana to incorporate an opioid guideline into current MT Guidelines**
  - ACOEM
  - CDC
  - Other options
- **Is current hybrid utilization and treatment guidelines still the best option for MT**



# RECOMMENDATION

1. LMAC support for department to develop team to investigate a drug formulary for Montana WC
  - DLI staff
  - DLI Medical Director
  - LMAC
  - Insurer / Claims examiner
  - Injured worker attorney
  - Provider
  - Pharmacy
2. Request legislation in 2017 supported by LMAC authorizing the department to, by rule, establish a workers' compensation drug formulary (all drugs or Sch II)
  - Study team to review considerations to determine what is the best fit for MT
3. Up to 18 study options, make decisions, and implement
  - team to review the variables and provide a final recommendation to LMAC
  - Provide updates and receive feedback throughout the process



# QUESTIONS

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