

Managing Pharmaceuticals in the California & Montana Workers' Compensation Systems

Alex Swedlow
California Workers' Compensation Institute
October 14, 2015

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Exhibit 2

CWCI: BACKGROUND

Established in 1964;

Private, nonprofit organization of insurers and self-insured employers;

Dedicated to improving the California workers' compensation system
through four primary functions:

- Education
- Information
- Representation
- Research

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Areas of CWCI Rx Research

Changing Role of Rx in Workers' Compensation

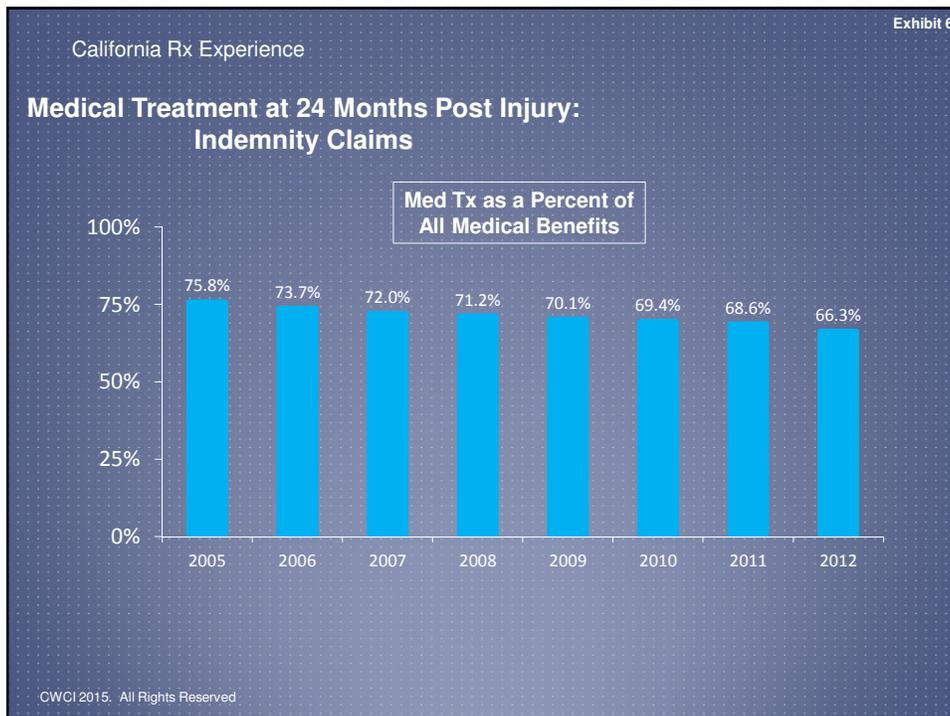
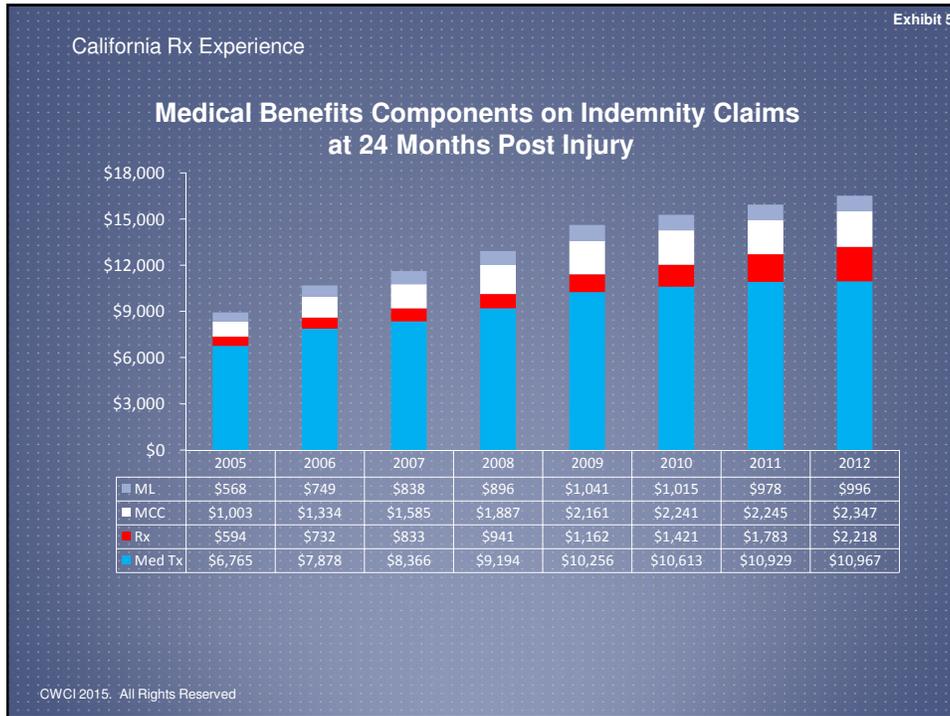
- Opioids & Pain Management
- Sole Source (Brand) v. Multi-source (Generic)
- Physician Dispensing
- Compound Drugs

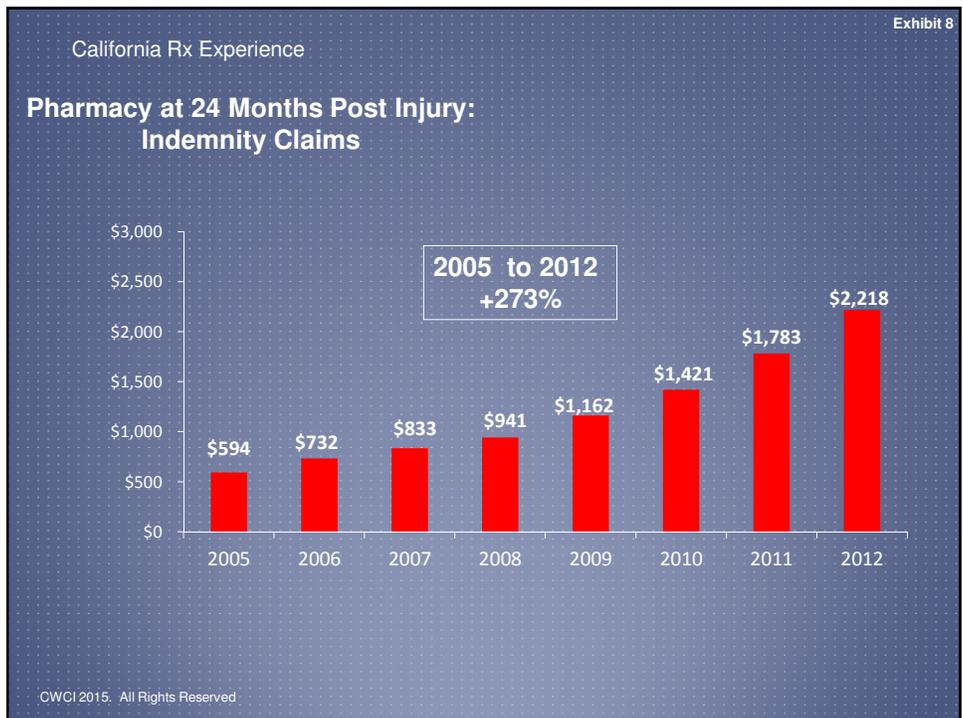
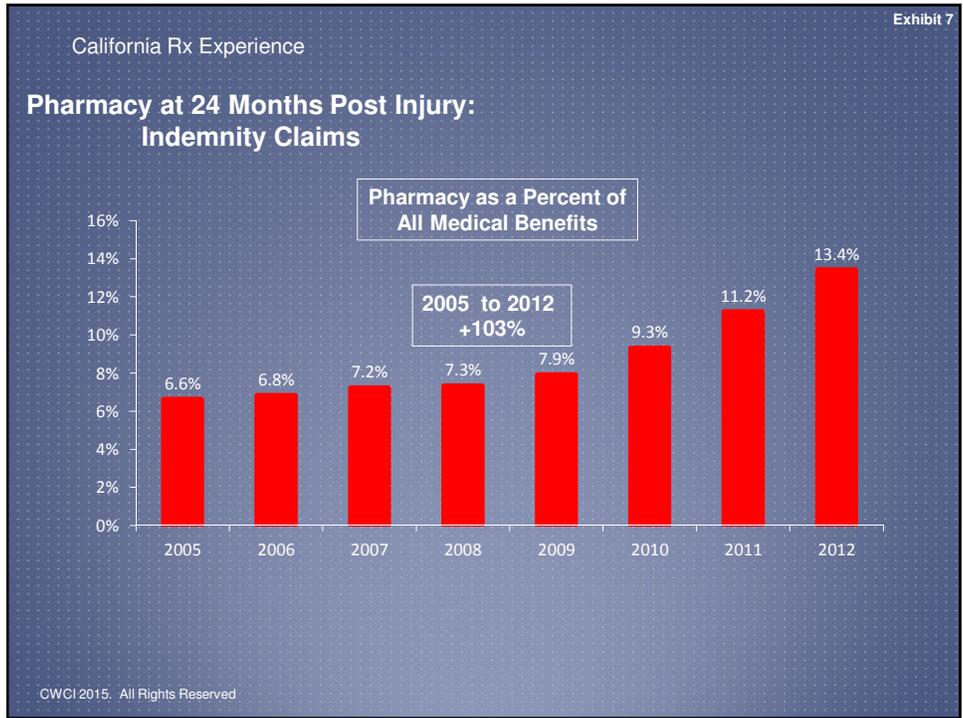


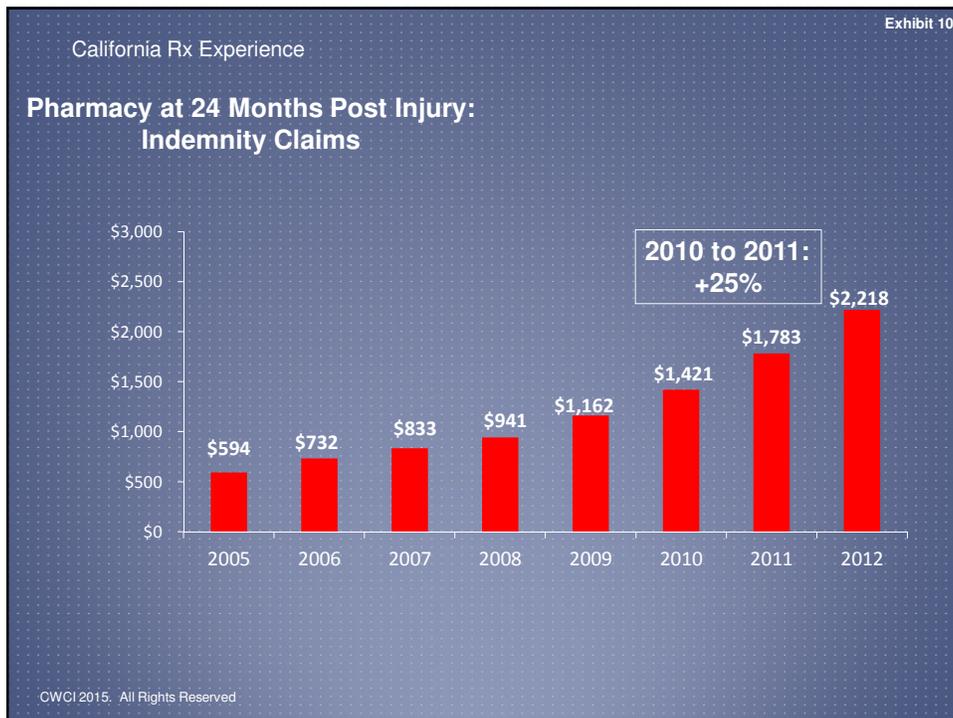
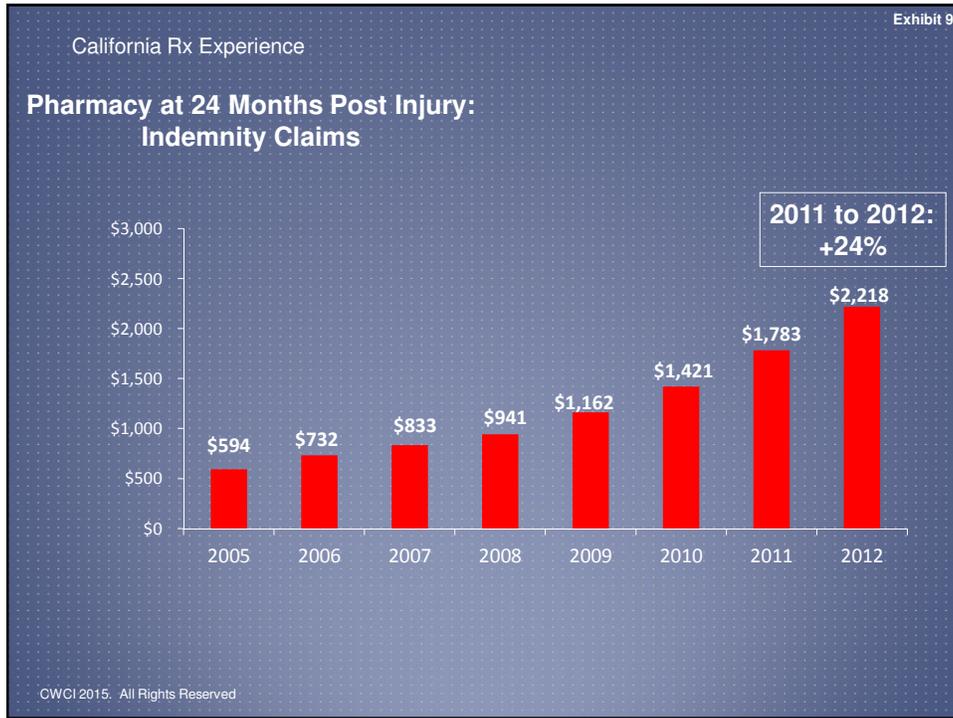
Managing Pharmaceuticals in Workers' Compensation

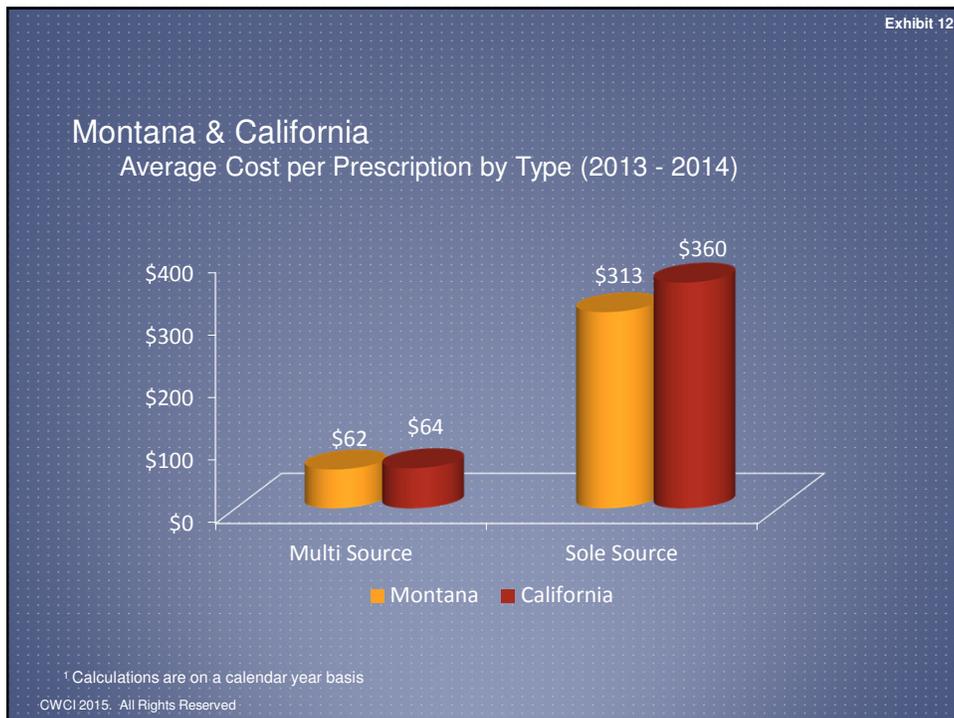
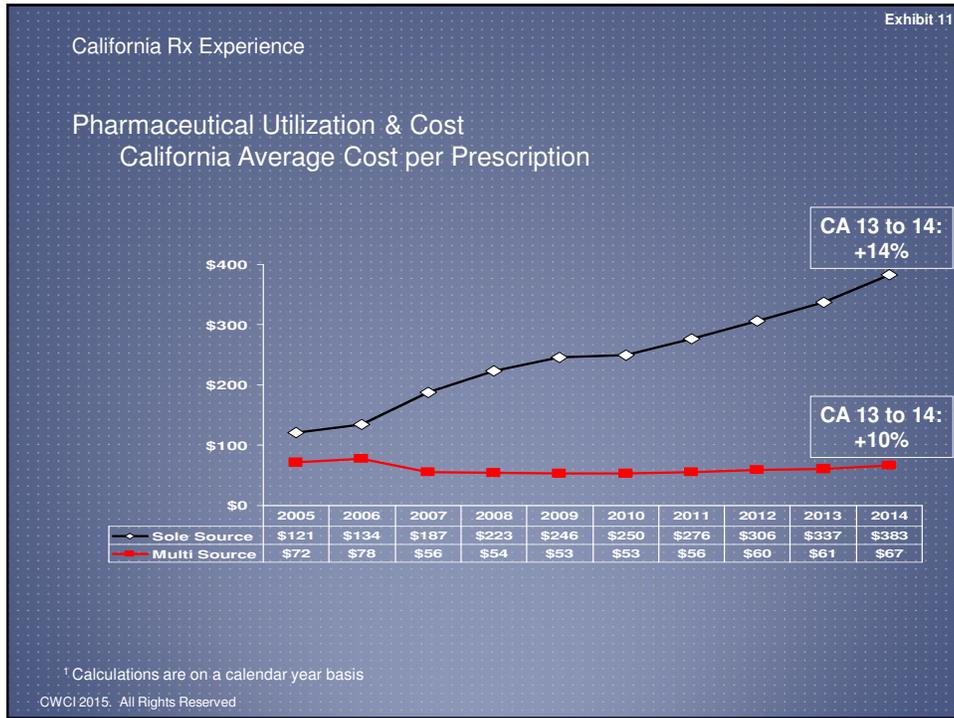
National WC History of Pharmacy Controls

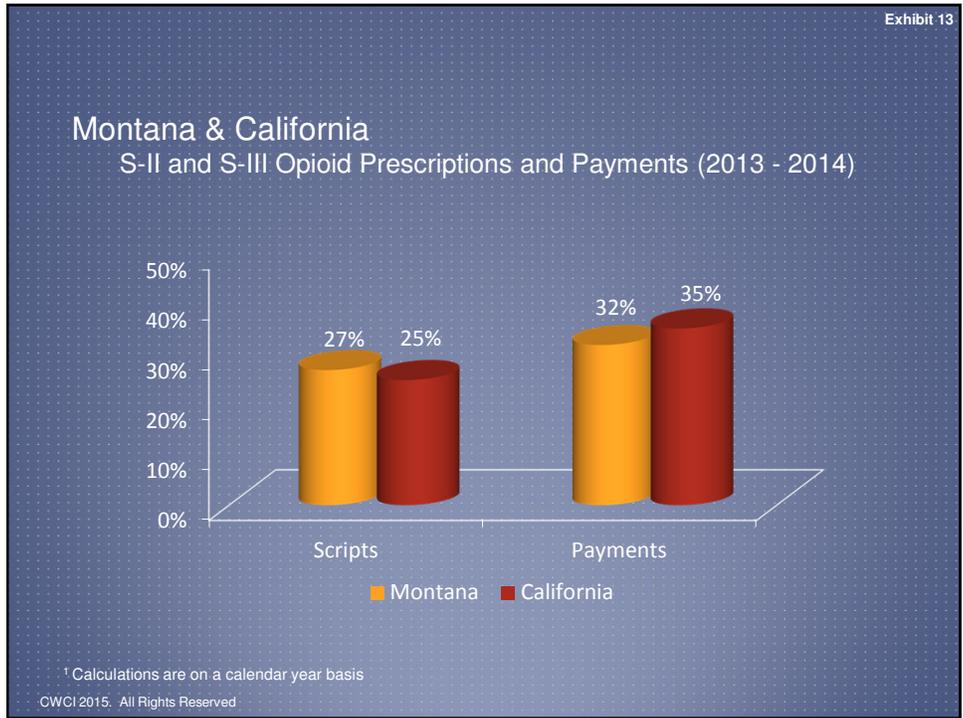
- Fee Schedules
- Pharmaceutical and Pain Management Guidelines
- Restrictions on Physician Dispensing & Compound Drugs
- Dispute Resolution (Utilization Review)
- Prescription Drug Monitoring Programs (PDMP)
- Formularies









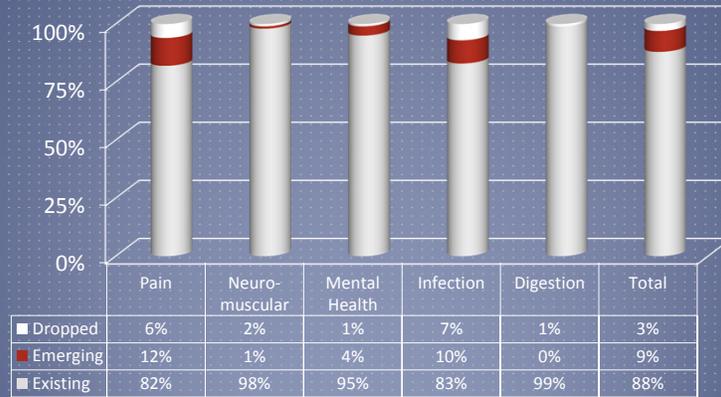


- Exhibit 14
- ### National Issues in Controlling Pharmacy Utilization and Cost
- Changing mix of existing and emerging brand and generics
 - Physician in-office dispensing¹
 - Fluid Pricing
 - Increasing opioid strength
 - Opioid dispensing patterns
 - The missing piece: drug formularies
- ¹ N/A in Montana
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Exhibit 15

Issues in Controlling Pharmacy Utilization & Cost

Emerging & Exiting Pharmaceuticals

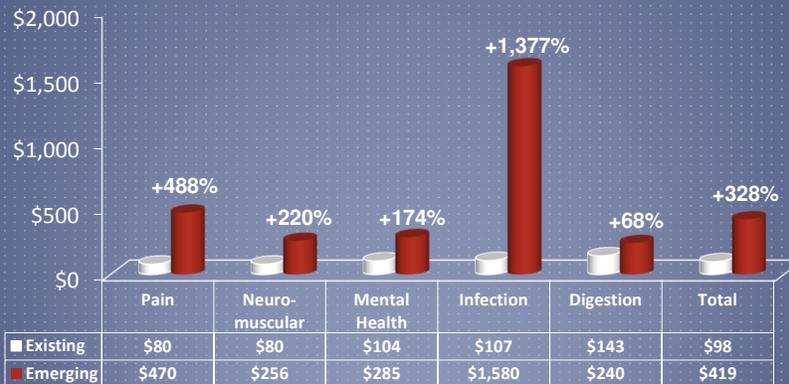


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Exhibit 16

Issues in Controlling Pharmacy Utilization & Cost

Average Cost Comparison: Existing & Emerging Pharmaceuticals



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Exhibit 17

Issues in Controlling Pharmacy Utilization & Cost

California Physician-Dispensed Repackaged Drugs: Injured Worker Outcomes

Claims with and without PDRD

- Average Medical Benefits
- Average Indemnity Benefits
- Average Paid TD Days
- Incremental Effects per PDRD

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CWCI Research Brief
Differences in Outcomes for Injured Workers Receiving Physician-Dispensed Repackaged Drugs in the California Workers' Compensation System

Joe Scudiero, MSP
Laurie B. Gardner, MS, MPH, PhD
CWCI Research, LLC

February 2013

Background
Physician-dispensed medications have become commonplace in medical care delivery for injured workers within the workers' compensation system. The practice has been controversial for more than 10 years. Claims of reduced access to prescription services and impaired compliance with pharmacy prescriptions leading to improved medical and disability outcomes are often challenged by legislators that an alternative mechanism (such as drug dispensing to financial benefit). In the California workers' compensation system, between 2002 and 2010, physician-dispensed repackaged drugs climbed to almost 55 percent of all independent prescriptions and nearly 60 percent of independent drug prescriptions.¹ In a small case study of dispensing patients, Wang reported that as of 2011, over half of all pharmacy prescriptions in the California workers' compensation system were all physician-dispensed, the highest reported level across the 16 states under review.²

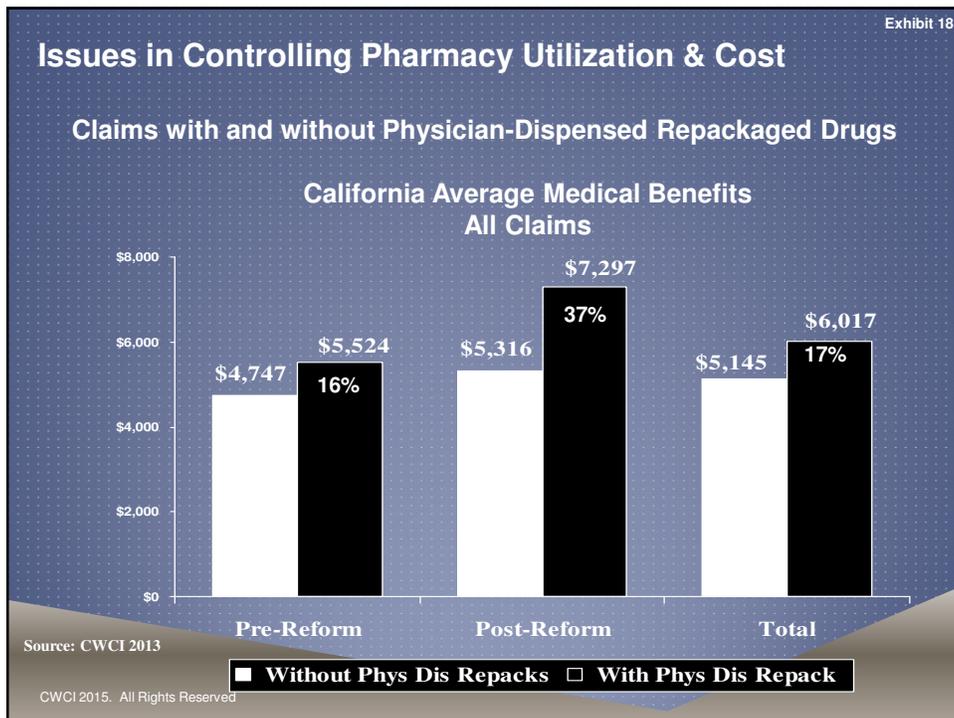
In California, the financial incentive for a physician to dispense medications to injured workers directly from their office has been influenced by rules controlling the fee schedule. Effective January 1, 2010, California set the maximum reimbursable allowance for pharmacy services and drugs at the Medi-Cal rates, which at the time were at least 10 percent below the average wholesale price (AWP).³

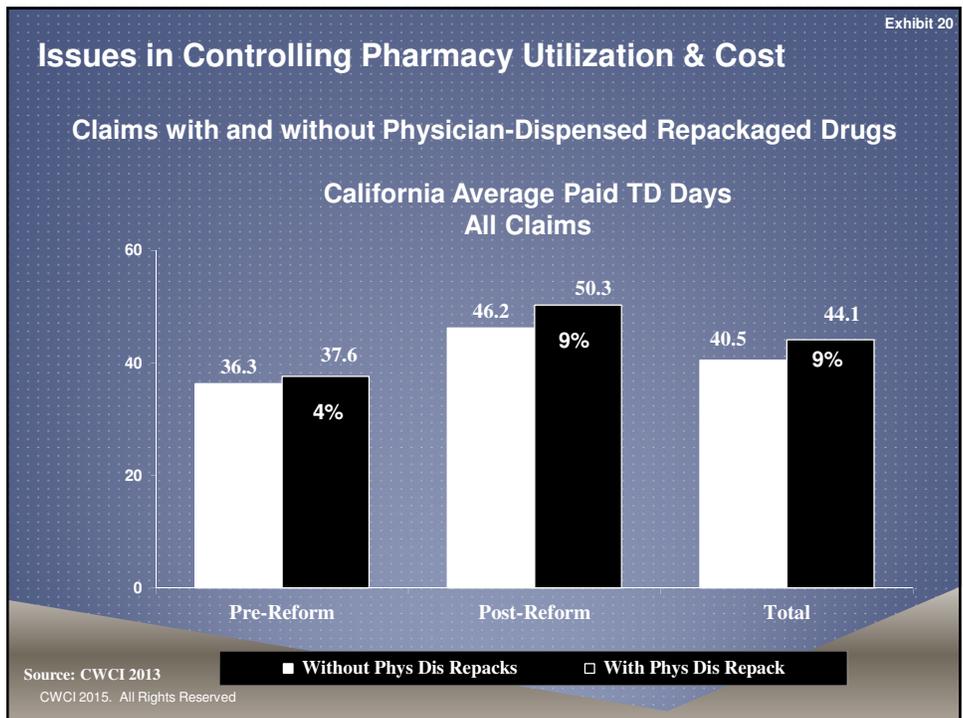
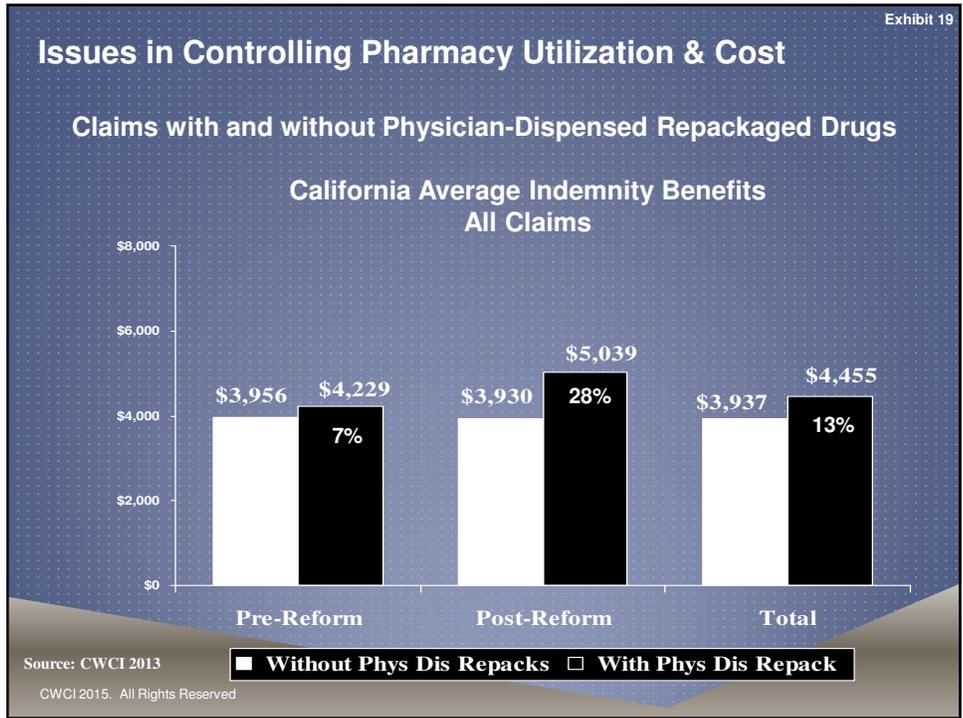
¹ Scudiero, J., Gardner, L. (2010). "Controversial Use of Dispensing in the California Workers' Compensation System." Research Report, September 2010.
² Wang, S. "Pharmacy Dispensing in Workers' Compensation." Workers' Compensation Research Institute, 2012.
³ Ibid.

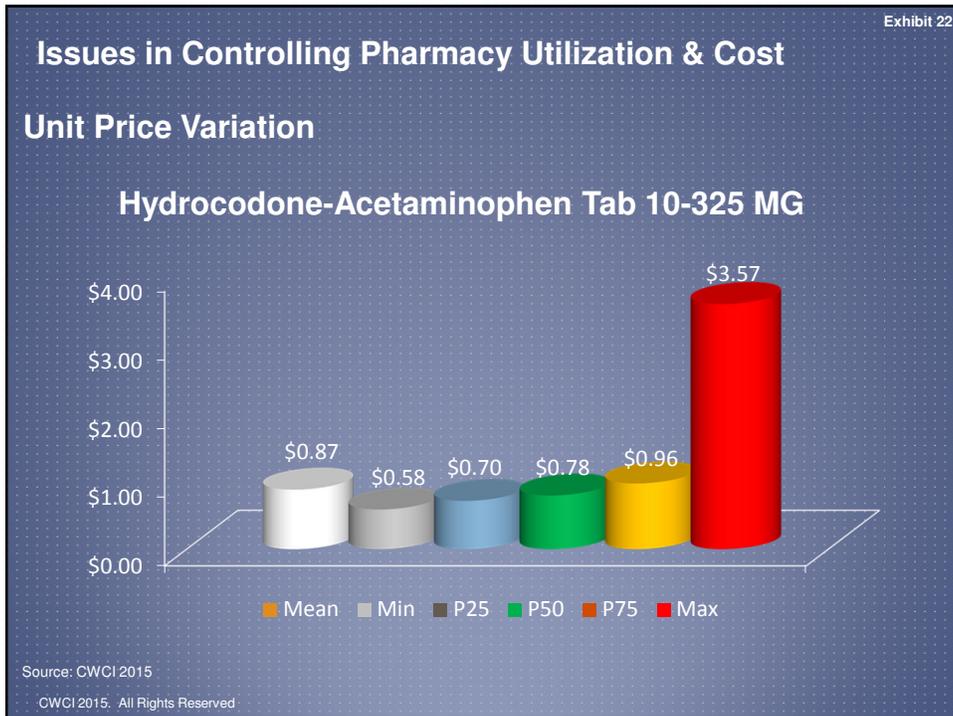
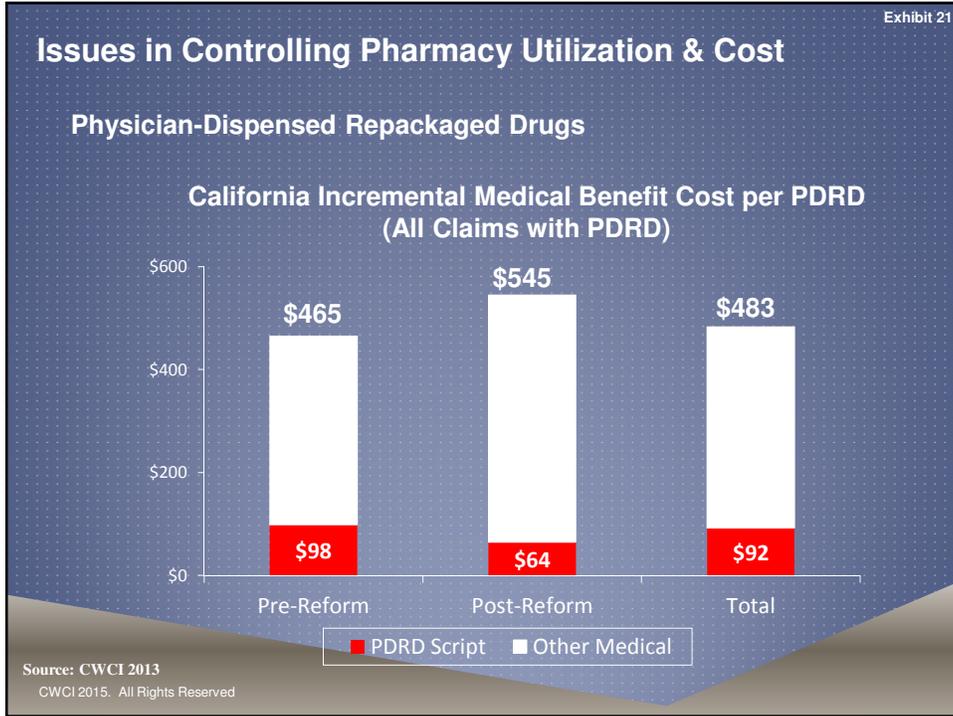
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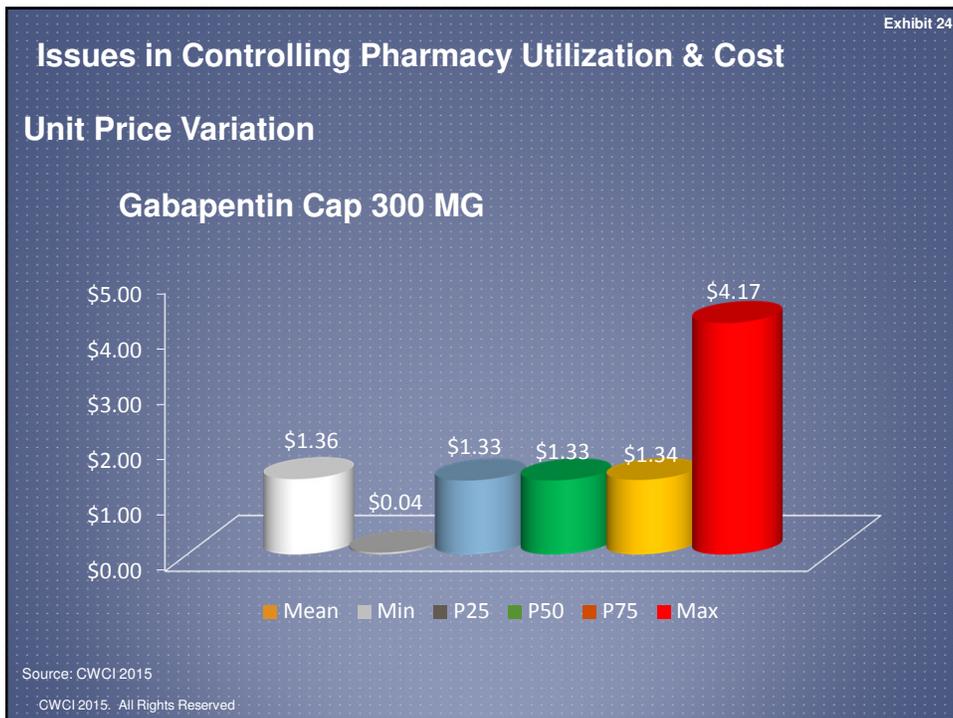
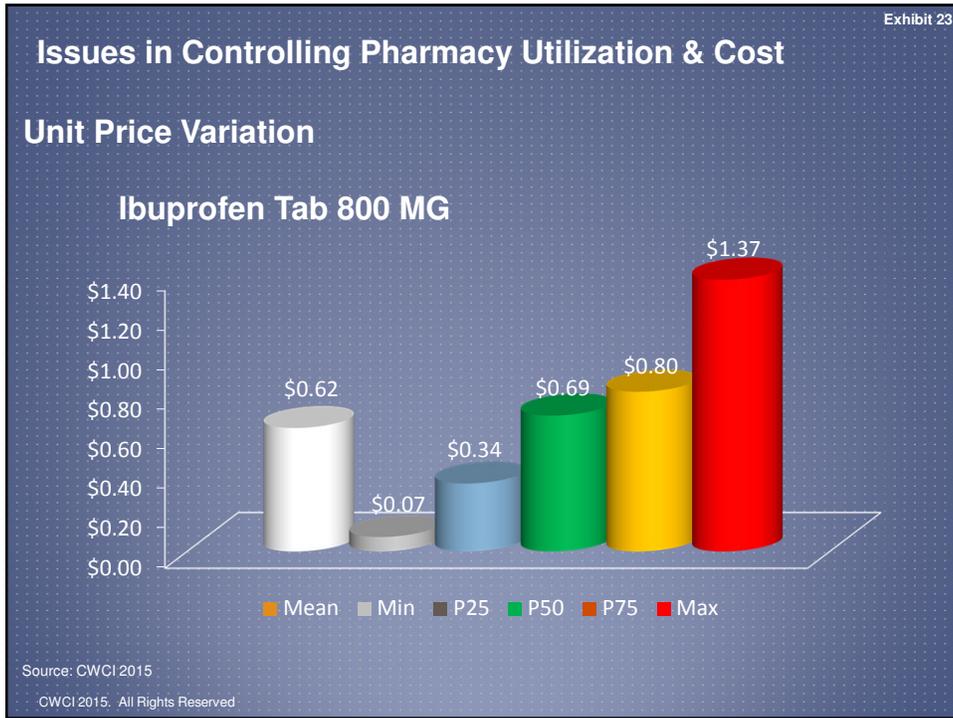
Source: CWCI 2013

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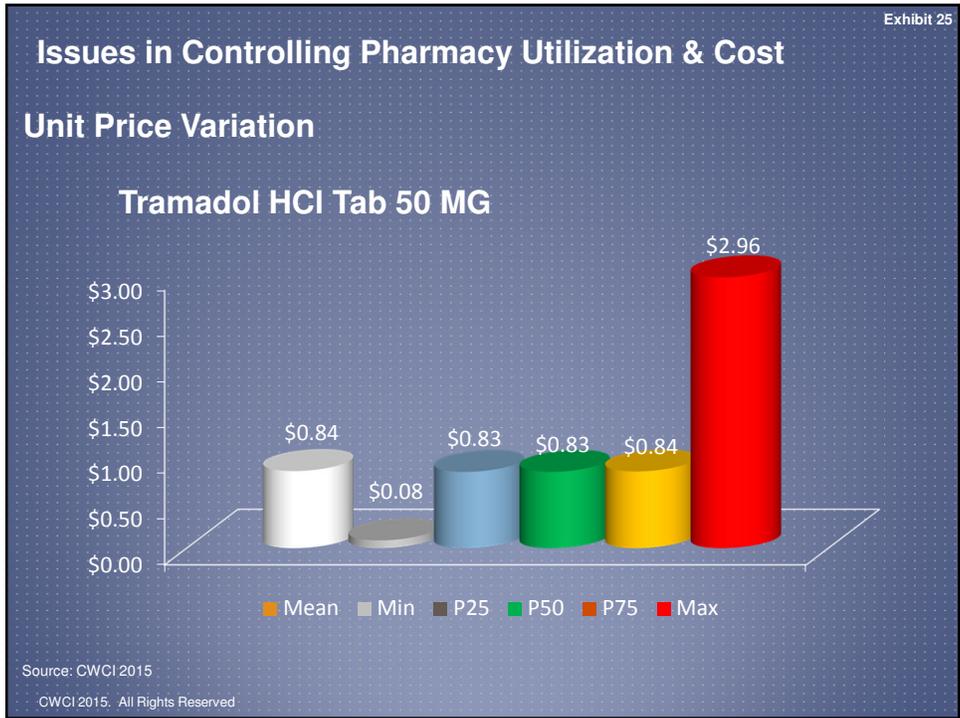


Exhibit 26

CWCI Montana State Fund Formulary Study: Inclusive v. Exclusive Design

How a Formulary Can Control Unit Price

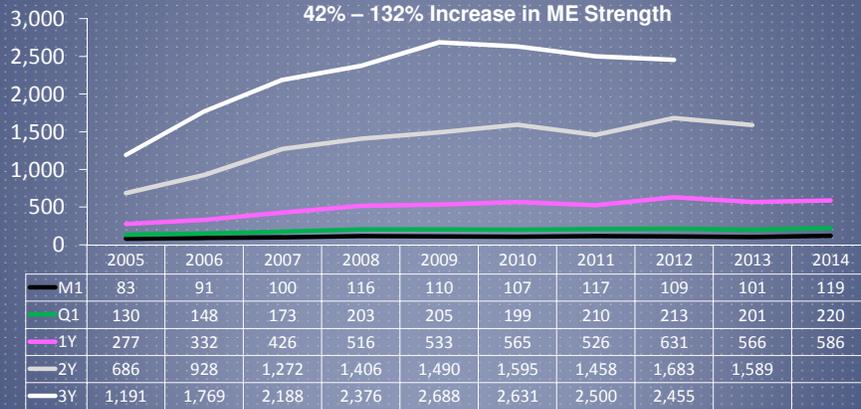
Tramadol HCl Tab 50 MG Substitution Options

Status	Manufacturer	Avg Cost	Avg Cost
		Per Script	Reduction
Tramadol (Formulary)	Manufacturer #1	\$190	\$0
	Manufacturer #2	\$23	\$167
	Manufacturer #3	\$18	\$172
	Manufacturer #4	\$12	\$177
	Manufacturer #5	\$8	\$181
	Weighted Alternatives	\$16	\$174
	Tramadol (Non-Formulary)	Manufacturer #1	\$190

Source: CWCI 2014
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Issues in Controlling Pharmacy Utilization & Cost Increasing Opioid Strength

California Average Cumulative Morphine Equivalents
California 2005 - 2014



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Issues in Controlling Pharmacy Utilization & Cost

Physicians servicing Montana State Fund Injured Workers with High Levels of Opioid Prescriptions

The top 25 (2% of total) physicians order:

- 47% of S-II and S-III opioids and
- 60% of the associated costs

Prescriber	Percent of Scripts	Percent Paid
NPI #1	8.49%	9.2%
NPI #2	6.69%	7.7%
NPI #3	3.51%	6.1%
NPI #4	2.18%	4.0%
NPI #5	2.99%	3.8%
NPI #6	1.96%	3.3%
NPI #7	2.15%	2.2%
NPI #8	1.50%	1.8%
NPI #9	1.72%	1.7%
NPI #10	0.28%	1.7%
NPI #11	2.31%	1.6%
NPI #12	1.26%	1.6%
NPI #13	1.32%	1.5%
NPI #14	0.59%	1.5%
NPI #15	0.73%	1.4%
NPI #16	1.24%	1.4%
NPI #17	0.81%	1.2%
NPI #18	1.46%	1.2%
NPI #19	0.92%	1.1%
NPI #20	1.22%	1.0%
NPI #21	1.12%	1.0%
NPI #22	0.30%	1.0%
NPI #23	0.53%	0.9%
NPI #24	1.16%	0.8%
NPI #25	0.77%	0.8%
Sub-Total	47.2%	59.6%

Source: CWCI 2014

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Issues in Controlling Pharmacy Utilization & Cost

California Passes AB 1124: The WC Drug Formulary

- A.B. 1124 was adopted by the state legislature in the final moments of its 2015 session.
- The bill, introduced and shepherded through the legislative process by Assembly Member Henry Perea, D-Fresno
- Establishes an evidence-based prescription drug formulary for California's workers comp system
- Implementation by July 1, 2017.
- Additional states consider formulary adoption

Source: CWCI 2015

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Issues in Controlling Pharmacy Utilization & Cost

The Missing Piece In Rx Control: Formularies

CWCI Study: Analysis of Express Scripts Drug Utilization and Payments of the Montana State Fund: January 2012 through June 2014

Data:
 192,162 filled prescriptions from 12/12 – 06/14
 \$21M in payments

- Why consider a formulary?
- Inclusive v. exclusive design
- Considerations on:
 - Quality of Care
 - Sole and Multi-source options
 - Pain Mgt & opioids
 - Unit price
 - Est. system-wide savings



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CWCI Montana State Fund Formulary Study: Inclusive v. Exclusive Design Considerations

Public Policy Decisions: Implications on setting a formulary

Trade offs:

- Inclusive or exclusive formulary design impacts range of choices:
 - S-II and S-III opioids and opioid strength
 - Brand v. generic options

Drug Type	Scripts	Pcnt of Scripts	Total Paid	Pcnt Paid	Avg Paid/Script	Avg Days Supply	Avg Unit Price
Generic	154,233	80.3%	\$9,611,703	44.8%	\$62	24.5	\$2.50
Multi-Source Brand	2,420	1.3%	\$923,952	4.3%	\$382	28.7	\$10.80
Single-Source Brand	35,509	18.5%	\$10,925,315	50.9%	\$308	28.1	\$10.29
Grand Total	192,162	100%	\$21,460,970	100%	\$112	25.2	\$4.04

Source: CWCI 2014

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CWCI Montana State Fund Formulary Study: Inclusive v. Exclusive Design Considerations

Restricted Drugs by Utilization Measure and Drug Category

Measure/Category	Total MT Sample
Prescriptions	189,663
Payments (\$M)	\$21M

Note: Approximately 1% of the prescriptions were eliminated from the formulary model due to incomplete data

Source: CWCI 2014

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CWCI Montana State Fund Formulary Study: Inclusive v. Exclusive Design Considerations

Restricted Drugs by Utilization Measure and Drug Category

Measure/Category	Total MT Sample	Texas Applied to MT	
		Restricted	Percent of Total
Prescriptions	189,663	37,446	20%
Payments (\$M)	\$21M	\$7.3M	34%

Note: Approximately 1% of the prescriptions were eliminated from the formulary model due to incomplete data

Source: CWCI 2014

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CWCI Montana State Fund Formulary Study: Inclusive v. Exclusive Design Considerations

Restricted Drugs by Utilization Measure and Drug Category

Measure/Category	Total MT Sample	Texas Applied to MT		Washington Applied to MT	
		Restricted	Percent of Total	Restricted	Percent of Total
Prescriptions	189,663	37,446	20%	63,780	34%
Payments (\$M)	\$21M	\$7.3M	34%	\$14M	68%

Note: Approximately 1% of the prescriptions were eliminated from the formulary model due to incomplete data

Source: CWCI 2014

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CWCI Montana State Fund Formulary Study: Inclusive v. Exclusive Design Considerations

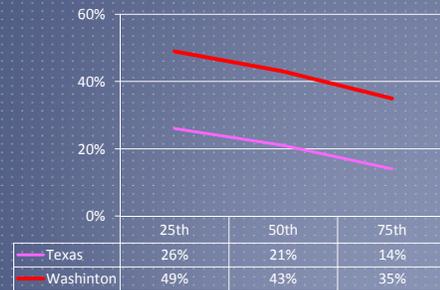
Public Policy Decisions: Implications on setting a formulary

- Range of alternatives Rx pricing:
 - Mean
 - Minimum
 - 25th
 - 50th
 - 75th
 - Maximum

Source: CWCI 2014
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CWCI Montana State Fund Formulary Study: Savings Potential

Est. Pcnt Savings



Est. System-Wide Savings (\$000s)

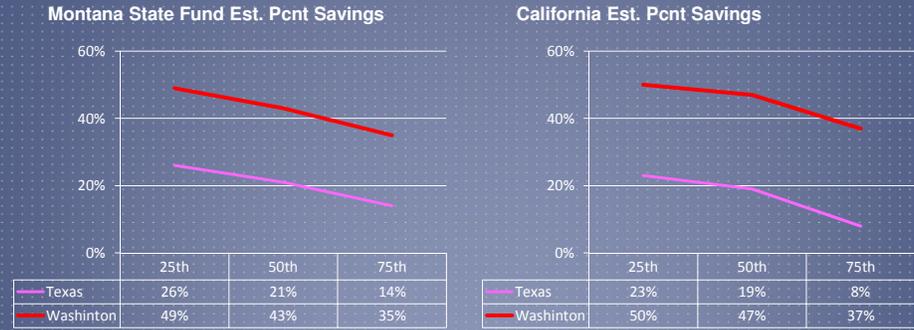


Potential Savings Range:
14% – 49% or
\$1.9M - \$4.5M

Note: Estimates are based on system-wide medical benefit spend of \$75.4M and Rx at 12.3% of medical benefits (\$9.3M)

Source: CWCI 2014
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Montana State Fund & California Formulary Outcomes: Comparative Savings



Source: CWCI 2014
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Montana State Fund Formulary Analysis

Public Policy Considerations of a State Mandated Formulary

- Avoiding the false choice of quality of care v. cost
- Inclusive v. exclusive design
- Impact on
 - Quality of Care
 - Sole and multi-source options
 - Pain Mgt & opioids
 - Unit price
 - System-wide utilization and cost savings

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