THE CURRENT ENVIRONMENT

The overwhelming majority of the discussion in the area of prescription drug management focuses on prescription benefits in group health benefit programs. However, the very same issues and many others are also inherent in the area of workers’ compensation. From an employer's perspective, the cost of providing mandated workers’ compensation benefits is out of control.

The fastest growing component of workers’ compensation benefit costs is prescription drug costs. They now represent over 12% of total costs and continue to rise at a pace in excess of 20% per year. What employers don’t realize is that there are some very simple and easy steps they can take to counteract this problem. The solution lies in learning from the lessons learned in the group health area, and incorporating them into workers’ compensation.

The major difference in workers’ compensation compared to group health is that the amount of money that is at stake on each prescription is much more substantial, perhaps five to ten times as much. In group health, a great deal of time and effort is spent to save a client $2 to $3 per prescription. In workers’ compensation, we commonly see savings in the range of $25 to $50 per prescription.

Narcotics and pain medications account for over half of workers’ compensation drug costs.
The Problem – Paying the “State Rate”

For workers’ compensation prescriptions, pharmacies currently are allowed by state law to bill the risk entity up to the “state rate” if that particular state has a fee schedule in place. Nearly half of the states in the U.S. do not have a fee schedule for workers’ compensation prescriptions. In those states, pharmacies can literally charge whatever they want – and they do. These exorbitant charges are justified because of the amount of uncompensated care that pharmacies are left holding the bag for after claims for reimbursement are denied. The industry term for this is “spoilage.”

Workers’ compensation pharmacy prescription costs are just the beginning of the problem. To get around the problem of lost revenue from claim denials, many pharmacies do not even file their own claims with the workers’ compensation claims processor. They simply package and sell their claim data to third-party billers at a sizable discount. The third-party biller researches the claims, determines who is financially at-risk, re-prices the claim, and bills the responsible entity at a factor much higher than the original cost from the pharmacy.

To further exacerbate the problem, there is no claim or clinical management of the drugs that are being prescribed and processed under an employer’s workers’ compensation program. Many drugs that are clearly not workers’ compensation-related are commonly paid for under the workers’ compensation program. Also, there is no concurrent or retrospective Drug Utilization Review (DUR) evident in these programs where prescriptions are checked for interactions, safety, and efficacy.

### Cost Drivers in Workers’ Compensation

- Lack of state fee schedules
- Age of injury claim
- Per unit cost increases
- Physician prescribing patterns
- Drug repackaging physician dispensing
- Direct to consumer advertising
- Utilization intensity – more prescriptions per workers’ compensation claim
- Drug mix – trading up on drug choice
- Aging of population
- Compound drugs

Actual per unit price increases have leveled off in workers’ compensation while utilization, which is the day supply per prescription, is now considered the major cost driver. Studies have found that utilization is significantly different in developing injury claims compared to mature claims. The following chart shows key findings.
Prescription Drug Benefits in Workers’ Compensation

Longer Injury Duration = Higher Cost

Developing Claims:
- The average age of a claim was six months
- The average age of the claimant was 44.4 years old
- Generics were found to be used more often
- The most significant cost increase is seen between years one and two
- Spend per injured worker in 2011 was $520
- Nine of the top ten utilized drugs were generic

Mature Claims:
- The average age of a claim was 13.2 years
- The average age of the claimant was 55 years old
- Generics were found to be used less often
- Average price per prescription was over $200 by year 10
- Four out five top drugs by spend are brand name drugs: Oxycontin, Lidoderm, Lyrica, Cymbalta, gabapentin (g)
- Spend per injured worker in 2011 was $4,730
- Significant use of antidepressants in this category

Source: Healthcare Solutions 2012 Workers’ Compensation Cost Trend Report

Key Measures of Waste
The 2011 Express Scripts Workers’ Compensation Drug Trend Report provides in-depth analysis and perspective on the problems facing the industry. Express Scripts research found that there was:

- $2 billion of drug mix waste resulting from certain drugs being used when more appropriate or inexpensive drugs were available.
- $107 billion in provider waste from using out-of-network pharmacies and third-party billers.
- $40 billion in channel waste from using retail pharmacies instead of mail service and other dispensaries.

Discounts, which are another key feature of group health programs, often do not play a role in workers’ compensation costs. In workers’ compensation there is a lack of control over the average wholesale price (AWP) because of the very limited purchasing power to negotiate meaningful discounts. In fact, workers’ compensation pays almost 74% more than group health for the same market basket of drugs. On average, the overall effective AWP discount is about AWP -28% in group health and about AWP +25% in workers’ compensation.
Workers’ Compensation Prescription Solutions

Prescription drug management has proven to be a useful tool in reducing healthcare costs for many years in group health Care. Meaningful reductions in workers’ compensation costs are a very real possibility; however, the payer must be 100% actively involved and committed. For clients who are interested in significantly reducing the amount of money they currently spend on workers’ compensation prescription drugs, a number of state-of-the-art solutions are available.

**Savings are captured by incorporating the following:**
- Stop paying the “state rate”
- Bypass third-party billers
- Eliminate paper billers
- National network of 65,000+ retail pharmacies
- Utilize mail order program
- Utilize specialty drug vendors
- Effective clinical management

**State-of-the-art cloud-based tools are the backbone of the solution:**
- Completely electronic and paperless
- Better controls over drugs, physicians
- Efficient handling of first fills
- Efficient claim eligibility management
- Utilization reporting for managing, monitoring and measuring
- Capture workers’ compensation prescription rebates
- Stop crossover and duplication of workers’ compensation and group health claims

**POTENTIAL Managed Prescription Plan Savings (Recent Case Study)**

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