MINDER
Managing Disability

Dialogue

No excuse for overpaying for pharmaceuticals

Legislators in all jurisdictions have attempted to rein in the cost of pharmaceuticals in workers' compensation in an effort to reduce insured employers' workers' compensation premiums.

California in particular passed legislation between 2002 and 2007 to reduce pharmaceutical costs, yet expected reductions have not been forthcoming. Attention needs to focus on whether Claims Administrators have taken full advantage of this legislation and whether they could be doing more to help reduce the cost of pharmaceuticals.

Computer systems which monitor medications through the NDC can put a stop to overpaying for medications.

A recent Workers Compensation Research Institute (WCRI) study titled "*Are Physician Dispensing Reforms Sustainable?*" identified that the average price paid in California for 5mg and 10mg Cyclobenzaprine ranged from $0.35 to $0.70 per tablet (first quarter of 2010 through first quarter of 2013). An independent study of Medi-Cal pharmaceutical prices used for California Workers' Compensation identified however, that since 2009, 10mg Cyclobenzaprine has been priced at $0.10350 per tablet and as low as $0.04680, and 5mg Cyclobenzaprine has been priced at $0.15860 per tablet and has also been as low as $0.04680. This suggests that Claims Administrators have overpaid for this medication and consequently may have increased insured employers' future premiums above what they should have been, had the Medi-Cal price for Cyclobenzaprine been adhered to.

Using the same "rule of thumb" presented in the 2006 California Commission on Health and Safety and Workers' Compensation (CHSWC) study titled "*Impact of Physician-Dispensing of Repackaged Drugs on California Workers' Compensation, Employers Cost, and Workers' Access to Quality Care*" to calculate the pharmaceutical estimated incurred and estimated total costs used to set future premium rates, showed significant estimated total cost differences depending on the price paid for the 10mg Cyclobenzaprine tablet. For example, an insured employer's estimated total cost for each tablet dispensed at the correct Medi-Cal price of $0.10350 was $0.29 per tablet. For each tablet dispensed at a price of $0.35, estimated total costs increased by $0.70 to $0.99 and when dispensed at $0.70 per tablet, estimated total costs increased by $1.69 to $1.98 per tablet. This significant increase in the estimated total cost of almost 7 times is directly caused by Claims Administrators paying far more than the published Medi-Cal price.

What can Claims Administrators do to ensure they do not overpay for medications? Firstly monitor medications dispensed and secondly ensure that no more than the legislated maximum price is paid.

The California Department of Industrial Relations (DIR) website provides a medication pricing inquiry screen requiring entry of a National Drug Code (NDC) and other details taking approximately 10 seconds to obtain the price of a medication on the date it was dispensed. In addition, current pharmaceutical pricing data is available which can be loaded into a Claims Administrator's computer system or program, such as a spreadsheet. To complement the DIR's offerings, the US Food and Drug Administration (FDA) website also provides NDC inquiry and download facilities. Further to this, the FDA provides a downloadable file of suppliers of medications showing their labeler code(s) along with their company name. The labeler code is the first of three parts associated with the NDC identifying the supplier of the medication. For Claims Administrators wanting to know more about medications, the FDA offers the "Orange Book" for download which lists all FDA approved medications along with Therapeutic Equivalence Evaluations. With all this free information, California Workers' Compensations Claims Administrators have no excuse for overpaying for medications. For jurisdictions that utilize the Average Wholesale Price (AWP) to set their maximum price for a medication, Claims Administrators will need to license pricing information from sources such as Medi-Span (Wolters Kluwer Health) or Red Book (Truven Health Analytics). Both offer extensive pharmaceutical information for download into a Claims Administrator's computer system or alternatively use of the vendor's inquiry facilities.

The passing of legislation in California which set the same prices for medications regardless of dispenser (i.e. Pharmacy, Mail Order/PBM or Physician) has provided opportunities for medications to be dispensed by a physician without paying a higher price and for more accurate and timely details relating to medications being available to Claims Administrators.

The invoice a physician submits (either paper or electronic), includes services rendered at the person's medical appointment with a report outlining their current medical conditions and other pertinent information including the date of their next medical appointment. Receiving billing details on the same invoice for medications dispensed which would include the NDCs, quantities dispensed and prices charged, provides the Claims Administrator with an excellent opportunity to review the appropriateness of the medication against the diagnosis and treatment plan as well as the prices charged, all in one step. In addition there is the opportunity to review any physician treatments different from the norm (i.e. guidelines) which may be necessary so as not to interfere with any existing non-work related medical treatments under the control of the person's own physicians.

In cases of pain management and where step-therapy is used, the Claims Administrator can ensure that physician dispensed medication quantities are limited to the next medical appointment and assist in determining when the person may be able to either return to work or stay at work during their recovery. In many cases, acute pain is treated with acetaminophen (aka paracetamol) and nonsteroidal anti-inflammatories (NSAIDs) allowing a person to either stay at work or return to work earlier. At times however, narcotic analgesics may be required to control pain which blocks pain receptors to the brain, slowing the person's cognitive function and reaction times, possibly restricting their ability to either stay at work or return to work early.

Claims Administrators also have the opportunity to monitor a physician's pharmacy formulary to ensure they are dispensing medications from suppliers with the lowest or the average lowest price for a medication. Claims Administrators should never have to pay the "no substitution" price for a physician

dispensed medication. For some medications, the Medi-Cal "no substitution" price can be much higher than the regular price.

Considering Claims Administrators currently perform some form of medical bill review, to include pharmacy price and utilization verification would add minimal additional effort to the overall medical bill payment process regardless of whether the physician's invoice is received on paper or electronically.

Claims Administrators with computer systems which monitor medications through the NDC have the opportunity through physician dispensing to invoke timely automated processes based on the NDCs shown on the physician's invoice. For example, if Claims Administrators use an adaptation of the biopsychosocial and shared-decision making frameworks (i.e. collaboration) to address a stay at work (SAW) or early return to work (ERTW), a more empathetic approach to claims handling is required. This SAW/ERTW approach can be enhanced through invoking processes based on the physician's submitted NDCs which may include a pre-defined questionnaire associated with Distress and Risk focusing on somatic and emotional symptoms, a Pre-Existing Anti-Depressant Medications questionnaire which establishes whether the person is already taking anti-depressants as well as a Cultural Sensitivity questionnaire relating to a person's religious or spiritual beliefs and their cultural and language preferences. The results from these questionnaires can directly influence the medical treatment pre-authorized by the Claims Administrator as well as assist in determining when the person is likely to return to "normality". All this information directly influences the cost of the claim which in turn determines the future premiums paid by the insured employer. For Claims Administrators who do not have functionalities such as these in their computer systems, there are systems available.

Having physician dispensed medications timely billed on the same invoice as other medical services improves both transparency and accountability. This recent WCRI study has highlighted that insured employers in California may have paid higher premiums for policy periods from 2011 through 2014 caused by Claims Administrators overpaying for the 5mg and 10mg Cyclobenzaprine medications which was only brought to the attention of the workers' compensation community in 2015.

Considering that expected savings from the enacted California legislation relating to pharmaceuticals have not been forthcoming, it is only a matter of time before insured employers conduct their own studies investigating how much has been overpaid for dispensed medications and how much this overpayment may have increased their premiums since 2007. Depending on the findings from this type of study, a possible outcome could result in California Workers' Compensation insurers being forced to restate their claims costs associated with pharmaceuticals and all pharmaceutical overpayments by their Claims Administrators to be treated as an expense outside of their workers' compensation insurance portfolio.

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