

# Controlling Pharmacy Cost

June 22, 2011

# Agenda

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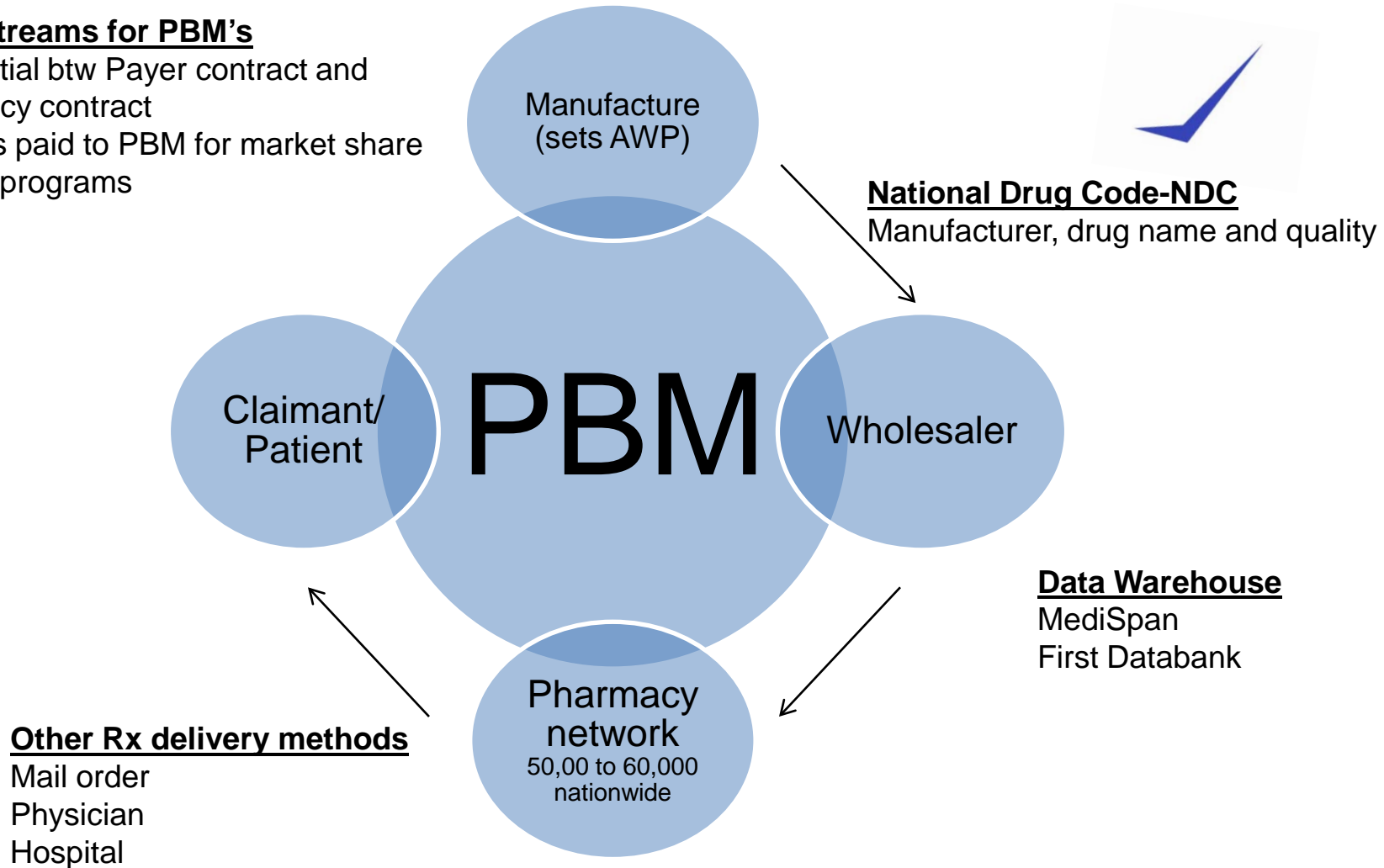
- ✓ Pharmacy Benefit Manager Model
  - ✓ Pharmacy Landscape
  - ✓ PBM Tools to Control Cost
  - ✓ Pharmacy Cost Trends
  - ✓ Drug Class Update
- ✓ Legislation Update
- ✓ Workers' Compensation Studies
- ✓ Rx Claim Auditing
- ✓ Questions and Answers



# Pharmacy Benefit Manager

## Revenue streams for PBM's

- Differential btw Payer contract and Pharmacy contract
- Rebates paid to PBM for market share
- Clinical programs



# Pharmacy Landscape Update

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- ✓ Rx expenditures nationally are increasing by 5-7% annually
  - ✓ Price, utilization and cost
  - ✓ Age of claim
  - ✓ Prescribing patterns and distribution paths
- ✓ Is AWP going away?
  - ✓ Recap of AWP lawsuit
  - ✓ How PBM's handled the AWP mitigation
- ✓ Increased use of narcotics
- ✓ Drug Testing
- ✓ Physician Dispensing



## NCCI Rx Study Key Findings

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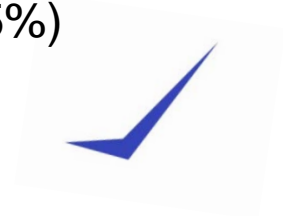
- ✓ Physician-dispensed drugs rose dramatically in 2008
  - ✓ 25% of all drugs were dispensed from physicians
- ✓ Three-fourths of workers' compensation repackaged drug costs originate from physicians
- ✓ Rx share of total workers' compensation medical costs is 18%
- ✓ Past two years price change was the dominant factor affecting per-claim workers' compensation Rx cost increases. Utilization change appears to be once again the dominant factor
- ✓ OxyContin® has become the top prescribed (in terms of paid dollars) workers' compensation prescription drug.



# PBM Focus to Control Cost

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- ✓ Network pricing – state fee schedule (20%) and contract (25%)
- ✓ Network compliance / Network penetration
  - ✓ Third Party Billers
- ✓ Utilization Management (prospective, concurrent and retrospective)
- ✓ Prior authorization programs
- ✓ Clinical Programs
  - ✓ Step Therapy, Physician Outreach Pharmacy Review
  - ✓ Formulary management
  - ✓ Generic conversion



# Drug Review

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## Top Drug Classes

- Pain medications
- Muscle relaxants
- Antidepressants
- Anti-inflammatory
- Sleep-Aids

## Top Prescribed Medications

- OxyContin
- Lyrica
- Gabapentin (Neurontin)
- Hydrocodone
- Celebrex
- Lidoderm
- Cymbalta
- Fentanyl
- Ambien
- Lexapro

# Opioids - Synthetic versions of Opium


Brand name	Generic name
OxyContin	Oxycodone hydrochloride
Durgesic	Fentanyl*
Dolphine	Methadone*
Avinza	Morphine sulfate*
Kadian	Morphine sulfate*
MS Contin	Morphine sulfate*
Methodone	Hydrochloride*
Opana ER	Oxymorphone hydrochloride*
Exalgo	Hydromorphone hydrochloride
Butrans	Buprenorphine Transdermal system

\* Indicates drug is available generically

# Risk Evaluation and Mitigations Strategy

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***In concert with the White House plan, the Food and Drug Administration (FDA) is announcing a new risk reduction program for all extended-release and long-acting opioid medications.***



- ✓ Opioids are synthetic versions of opium that are used to treat moderate and severe pain.
- ✓ FDA experts say extended-release and long-acting opioids—including OxyContin, Avinza, Dolophine, Duragesic, and eight other brand names—are extensively misprescribed, misused, and abused, leading to overdoses, addiction, and even deaths across the United States.
- ✓ May 16, 2011, the FDA met with members of the Industry Working Group (IWG) and other sponsors of Long Acting and Extended Release opioid drugs. The purpose of the meeting was to discuss the next steps in implementing:
  - ✓ 1) Prescriber training
  - ✓ 2) Medication Guides
  - ✓ 3) REMS assessment plan
  - ✓ 4) Administrative requirements

## Federal Employees' Compensation Act

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- ✓ New policy implements the following actions for claimants prescribed fast-acting fentanyl products -- such as Actiq and Fentora -- for noncancerous injuries:
  - ✓ The claims examiner should release a letter to the treating physician outlining the new policy and requesting an updated treatment plan that does not include the drug within 30 days.
  - ✓ If the physician responds with an indication that a fast-acting fentanyl product is appropriate treatment, the case should be reviewed in detail in conjunction with the physician's response and the claims examiner should respond based on the information specific to the case and again request the physician to choose an alternative treatment regimen "since OWCP will cease payments for any fast-acting fentanyl product."
  - ✓ After notice has been provided and authorization for alternative treatment regimens has been extended, payment for all fast-acting fentanyl products for claimants without a work-related cancer condition will cease.

# Top Workers' Compensation Drug classes

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## NSAID

- ✓ Used as first line treatment for most injuries
- ✓ Most medications are available as a generic or Over the Counter (OTC)
- ✓ Celebrex – Cox 2 inhibitor \$\$



## Anticonvulsants

- ✓ Used for the treatment of seizures and neuropathic pain
- ✓ Top drugs
  - ✓ Lyrica \$\$, Depakote\*, Topamax\* and Neurontin\*

## Antidepressants

- ✓ Used to treat depressant and neuropathic pain
- ✓ Costs are trending down
- ✓ Top drugs
  - ✓ Cymbalta, Effexor\*, Lexapro

# Legislation Impact on Pharmacy

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- ✓ Pending legislation will require Narcotics to be tracked by the state
- ✓ CA changing reimbursement rates for physician-dispensed medication
- ✓ NY and 3 other states increased Pharmacy fee schedules
- ✓ Fee schedules were not adjusted for AWP lawsuit
- ✓ TX implementing ODG guidelines (form of an injury-specific formulary)

What changes could impact Pharmacy Costs:

- ✓ Update of Fee Schedules to represent market
- ✓ States with a generic mandate allow for a penalty to be enforced
- ✓ Allow payers to direct care

# How does physician dispensing effect pharmacy costs

WCRI - would a change in law help?

- ✓ HB 5603 – same price fee schedule for doctors as pharmacies
  - ✓ vetoed by governor
- ✓ Physician dispensing increased
  - ✓ 14% from 2007 to 2008
- ✓ Medications were 4 times higher
- ✓ 65% of drugs dispensed were pain medications



State	Cost per claim
Louisiana	\$700
Florida	\$545
Texas	\$470
North Carolina	\$468
New York	\$450
California	\$380 <small>*down 13% since legislation change</small>

# Other

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## Medicare Set-aside Allocations (MSAs)

- ✓ 2006, MSA's grew exponentially overnight
- ✓ April 9, 2009 CMS memo mandating that the preferred method of drug pricing was the use of average wholesale price and that there would be no discounting for things such as patent expirations or off-label indications

## ✓ Bath Salts – Synthetic Stimulant

- ✓ MDPV and mephadone
- ✓ Ingredients are banned in several states - AL, FL , GA, TN, NC, ID, KN, LA, NJ, NY, OH, UT,VA, WA, WV, ND and some towns of PA and CO
- ✓ Provides a cocaine and ecstasy-type high
- ✓ Also sold as plant food
- ✓ Most common side effect is teeth grinding

# Health Care Expenditures

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**Health Industry has over \$71 billion in improper payments  
Fraud, waste and abuse accounts for btwn 3-15% of annual expenditures**

- ✓ 2003 legislation mandated a pilot project for auditing by Recovery Audit Contractors (RAC)
  - ✓ Goal to improve claims integrity
  - ✓ Project highlighted overpayments of \$980m – major causes:
    - ✓ Invalid prescriber (NPI, DEA)
    - ✓ Improper format
    - ✓ Terminated drugs
- ✓ 2006 mandated RAC implementation for Medicaid and Medicare
- ✓ April 2011 full implementation

# Rx Claim Auditing

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*Fiduciary responsibility to manage cost proactively for stakeholders is a key driver*



## Monitoring plan performance against Rx claim data

- Pricing Analysis – AWP discounts and fees
- Network Penetration – Integrating pharmacy claim history from multiple sources
- Pharmacy Program Design and Structure
- Physician Dispensing – HCPCS codes
- Mail Order Performance
- State Regulation/Compliance
- Fraud and Abuse

# Pharmacy Claims Audit Process Overview

## Plan Information

Essential is ability to:

- 1) *Identify areas in contract language that are subject to financial audit*
- 2) *Distill complex plan coverage documentation into accurate and productive audit criteria*

## Actual Rx Claims Data

To minimize the resource demands on clients, Rx Auditing company utilizes both paid pharmacy claim data available through client's processors, and copies of invoices from client files during the audit period

## Financial Review Module

Searches claims for outliers deviating from contract terms, including:

- *Ingredient cost calculations*
- *Administration fees*
- *Dispensing fees*
- *AWP Neutrality Adjustment*
- *Applicable state sales taxes*
- *Rebate payments*

## Plan Benefit Review Module

Searches paid pharmacy claims for errors due to incorrect application of plan rules, including:

- *Injured worker eligibility*
- *Drug coverage – First fill formularies and injury-specific formularies*
- *Pharmacy/injured workers' billing and utilization spikes*
- *High use of controlled substances*
- *Review of utilization management (day's supply limits, quantity limits, high drug costs)*
- *Review of prior authorization requirements*
- *Review for duplicate claim submissions*
- *Other customized edits (such as refill limitations in other retail pharmacies, etc.)*

# Summary

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- ✓ Full Rx cost-management strategy employing vendor and data analysis
- ✓ Informed negotiation
- ✓ Opportunity to create process and quality improvements to the pharmacy program by providing ongoing analysis of program delivery hot spots, including but not limited to:
  - ✓ Pricing performance
  - ✓ Plan management
  - ✓ Drug trends
  - ✓ State Compliance



# Thank You

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