

## Pharmacy Management

### Holding Down Costs Through a Fully Integrated Model

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Prescription drug costs have increased sharply over the last two decades and today make up nearly 20 percent of the total medical spend of an average workers' compensation claim.

The rise in pharmacy costs has been marked by several significant trends, including an increase in the use of narcotics, which now comprise approximately 25 percent of total pharmacy spend and have a substantial impact on the duration and cost of claims. In addition, according to the National Council on Compensation Insurance (NCCI), utilization is a more significant driver of overall prescription cost increases than price, and physician dispensing plays an important role in utilization increases.

To address these challenges, pharmacy management must be a priority in a managed care program. Insurance carriers/third party administrators (TPAs) need a broad set of strategies to ensure the most appropriate drugs are prescribed, drugs are dispensed through cost-effective channels and injured workers avoid prescription drug dependency. These strategies require strong controls from the first day of the claim, including intervention with providers.

In this **PMA Executive Briefing**, the first of three on pharmacy management, I'll look at two of the primary strategies for controlling pharmacy costs—*managing the mix of drugs (formulary)* prescribed to injured workers and *managing the channels* through which workers obtain drugs. In subsequent issues,

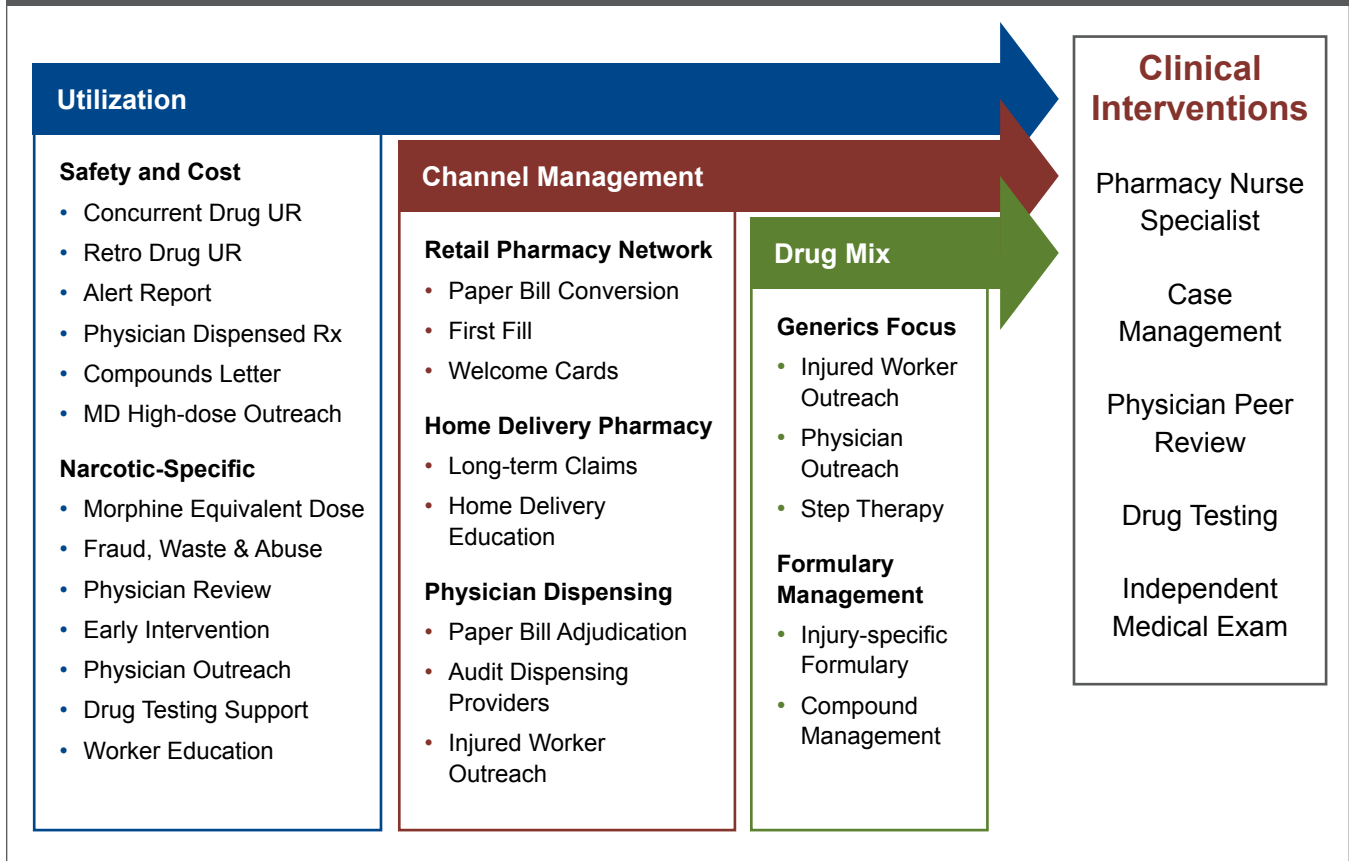
### Prescription Drug Cost Trends

#### What's driving prescription drug costs in the workers' compensation industry?

In a 2013 prescription drug study update, the NCCI reported:

- Prescription costs per claim continue to grow
- Utilization is a major driver of total cost changes
- The share of Rx costs for physician-dispensed drugs continues to increase
- Narcotics account for 25% of drug costs
- More than 45% of narcotics costs are for drugs with Oxycodone HCL as an active ingredient

## Key Pharmacy Solutions – *Integrated Approach*



I'll address the third primary strategy, utilization management, including opioid-usage, and physician dispensing of drugs.

### Fully Integrated Approach to Pharmacy Management

In an overall pharmacy management program, Pharmacy Benefit Managers (PBMs) serve as valuable vendor partners for carriers/TPAs.

PBMs are prescription drug experts who play key roles, including:

- managing a formulary
- processing and paying prescription drug bills
- negotiating discounts and rebates
- monitoring for inappropriate patterns of prescription drug usage—and alerting the carrier/TPA

But dependence on a PBM to control pharmacy costs is not enough. To achieve maximum costs savings, a carrier/TPA should take ownership of and drive the results of the pharmacy program by crafting a *comprehensive* program. That includes employing pharmacy nurse specialists who serve as a crucial bridge with the PBM and claims adjusters to help ensure appropriate drug regimens for injured workers.

Pharmacy management also needs to be fully integrated in the claims process, with the claims adjuster, case manager, bill review specialist and PBM working as a cohesive team. Each serves a unique role, helping ensure controls and alerts are in place from day one of an injury.

## Formulary Management

Central to controlling costs is managing the mix of drugs that can be prescribed to injured workers—*formulary management*. While a standard formulary for occupational injuries can be used, injury-specific formularies based on the nature of the injury or body part may be more effective. Several states are choosing to release guidelines regarding formularies and some have their own formularies.

Formularies can be customized to:

- Include or exclude medications
- Limit dispensing time frame or number of fills
- Fit an injured worker's specific needs
- Meet acute and chronic, limited formulary criteria
- Include or exclude certain prescribers
- Create alerts with clinical specialist assessments

Utilizing lower cost but effective options is a big part of formulary management. It is important to encourage generic brand usage and alternative methods before “stepping up” to a costly brand, higher dosage or narcotic medication. A process should be in place so when physicians prescribe a brand medication and the injured worker presents it at a pharmacy, the pharmacist contacts the physician to discuss generic conversion.

It is also important to address the exponential growth of compounding drug use, a practice in which a licensed pharmacist or physician creates a tailor-made medication for a patient. Typically used for pain management, compounds may be necessary due to a patient's allergies, but off-the-shelf medication is often appropriate.

## Value of Pharmacy Nurse Specialists

Effective carriers/TPAs are now employing *pharmacy nurse specialists (PNS)* as part of their managed care/claims staff. These registered nurses are 100 percent dedicated to ensuring injured workers utilize appropriate prescription drug regimens and avoid narcotics dependency.

Pharmacy nurse specialists need to be fully integrated with the carrier/TPA's claims staff. Using specialized clinical skills and expertise, PNS perform critical tasks, including:

- Identifying and addressing over-utilization and inappropriate use
- Using a portfolio of intervention strategies to prevent or remedy prescription drug dependency problems, including:
  - Outreach to injured workers' medical providers to reduce negative prescribing patterns and facilitate therapeutic alternatives
  - Pharmacist drug reviews
  - Drug testing and monitoring
  - Peer-to-peer reviews

Pharmacy clinical interventions are designed to drive better medical outcomes for injured workers, reduce fraud potential and avoid/address substance abuse by injured workers.

Compounding pharmacies often are adept at overcoming obstacles for payment, but end-to-end interventions can help control their high costs. These include setting cost thresholds, using specialist review at the point of sale and sending retrospective physician letters to justify a drug's use.

## Channel Management

Managing the channels, or the ways injured workers obtain prescription drugs, is critical to controlling costs. The program should capture comprehensive data to help identify opportunities to better control more costly dispensing channels. The key is to align the diagnosis with the appropriate channel.

An effective channel management program includes a focus on three key areas:

- Home Delivery Pharmacy, with strategies including:
  - *Educating injured workers on the benefits of home delivery for longer-term medication needs.* Home delivery of 90-day supplies achieves considerable cost savings if an injured worker needs long-term medication. In addition, it's easier to control overall utilization and safety through this channel.
- Retail Pharmacy Network, with strategies including:
  - *Injured worker outreach.* Injured workers are encouraged to use network pharmacies by educating them on the benefits, including

safety controls and communicating their responsibility in helping to hold down costs.

- *Paper bill conversion.* Eliminating paper bills with an aggressive and ongoing outreach process reduces costs and decreases fraud potential.
- *Utilization management strategies, including point of sale and retrospective interventions, and narcotics utilization oversight.*
- Physician Dispensing, including reducing/eliminating prescriptions filled by a medical provider.

In the next two **PMA Executive Briefings**, I'll examine two key areas affecting overall pharmacy costs—utilization controls, in particular, opioid usage, and the channel of physician dispensing.

PMA Companies series of **Executive Briefings** explores the strategies necessary to effectively manage medical costs of workers' compensation claims today. These include integrated occupational health and wellness, early intervention, case management, bill review, pharmacy management, narcotics utilization and physician dispensing.

## About the Author



**John Santulli, Executive Vice President, PMA Companies,** leads PMA's customer-focused service functions all integrated under a single umbrella including Claims, Managed Care, and Risk Control Departments and third-party administrators PMA Management Corp. and PMA Management Corp. of New England. With over 30 years of workers' compensation expertise, Mr. Santulli has held leadership positions in the field as well as key operational departments such as underwriting, distribution management, claims and services across PMA. A graduate of Gettysburg College, he has a Chartered Property Casualty Underwriting (CPCU) designation.