



# Workers Compensation and Prescription Drugs: 2016 Update

Presented by:

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Associate Actuary

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# Major Topics Covered

- The estimated Accident Year 2014 prescription drug share of WC medical costs
- The impact of price and utilization changes on prescription drug costs
- Potential prescription drug cost savings from a drug formulary
- Controlled substances and Physician dispensing
- Brand name and generic drugs

## Recent WC Rx Findings

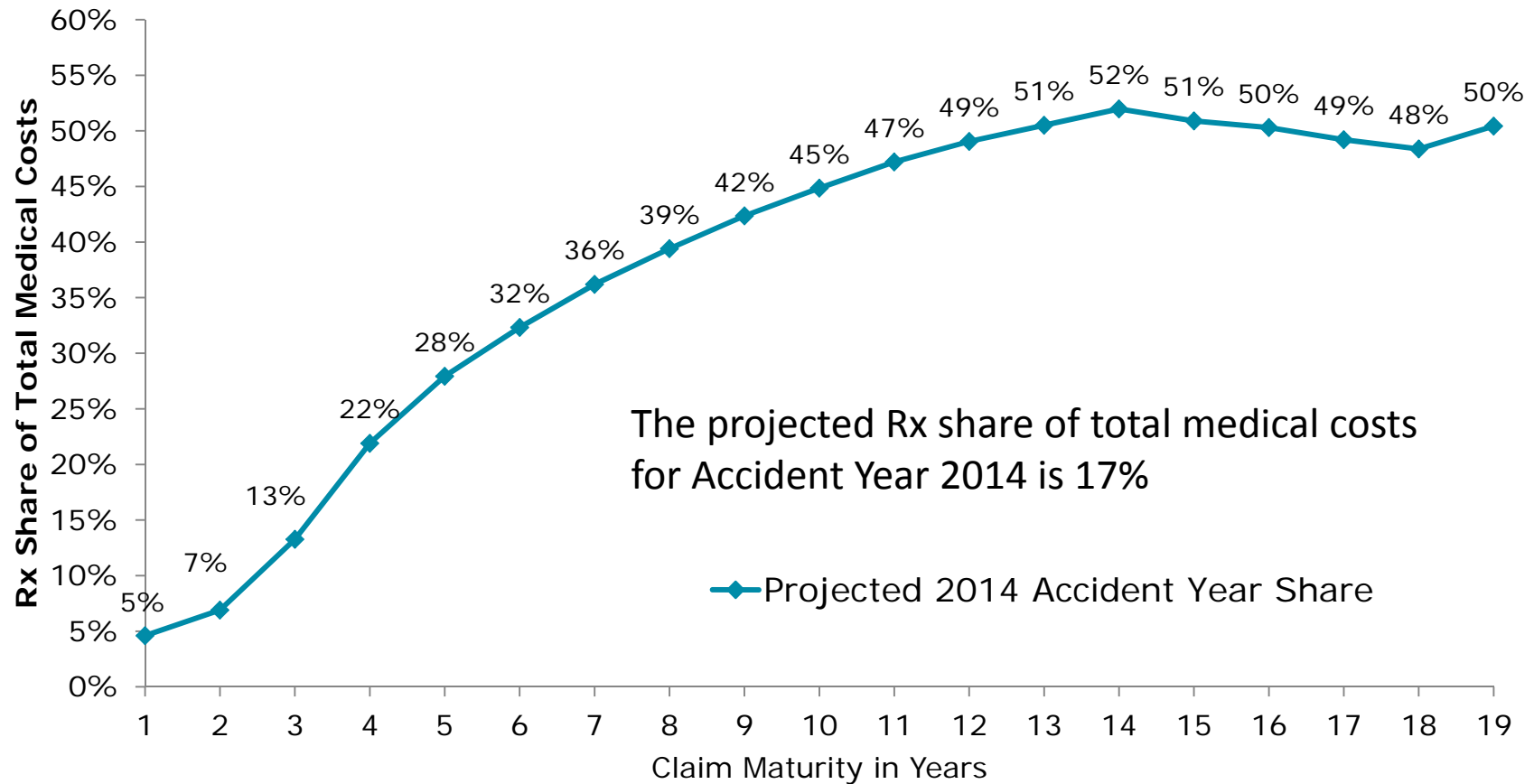
- Rx prices increased 11% in 2014. This is substantially higher than the 10-year average increase of 4%.
- Rx utilization declined by 4%. This kept the growth in Rx costs per active claim to 6% in 2014.
- Controlled substances prices increased 16% in 2014 while utilization was down 7%.
- Both physician-dispensed Rx prices and utilization increased 4% in 2014.
- The share of generic Rx costs increased in 2014 due to increases in prices and utilization.





# The Big Picture

# The Incremental Rx Share of Total Medical Costs Increases Rapidly as Claims Age

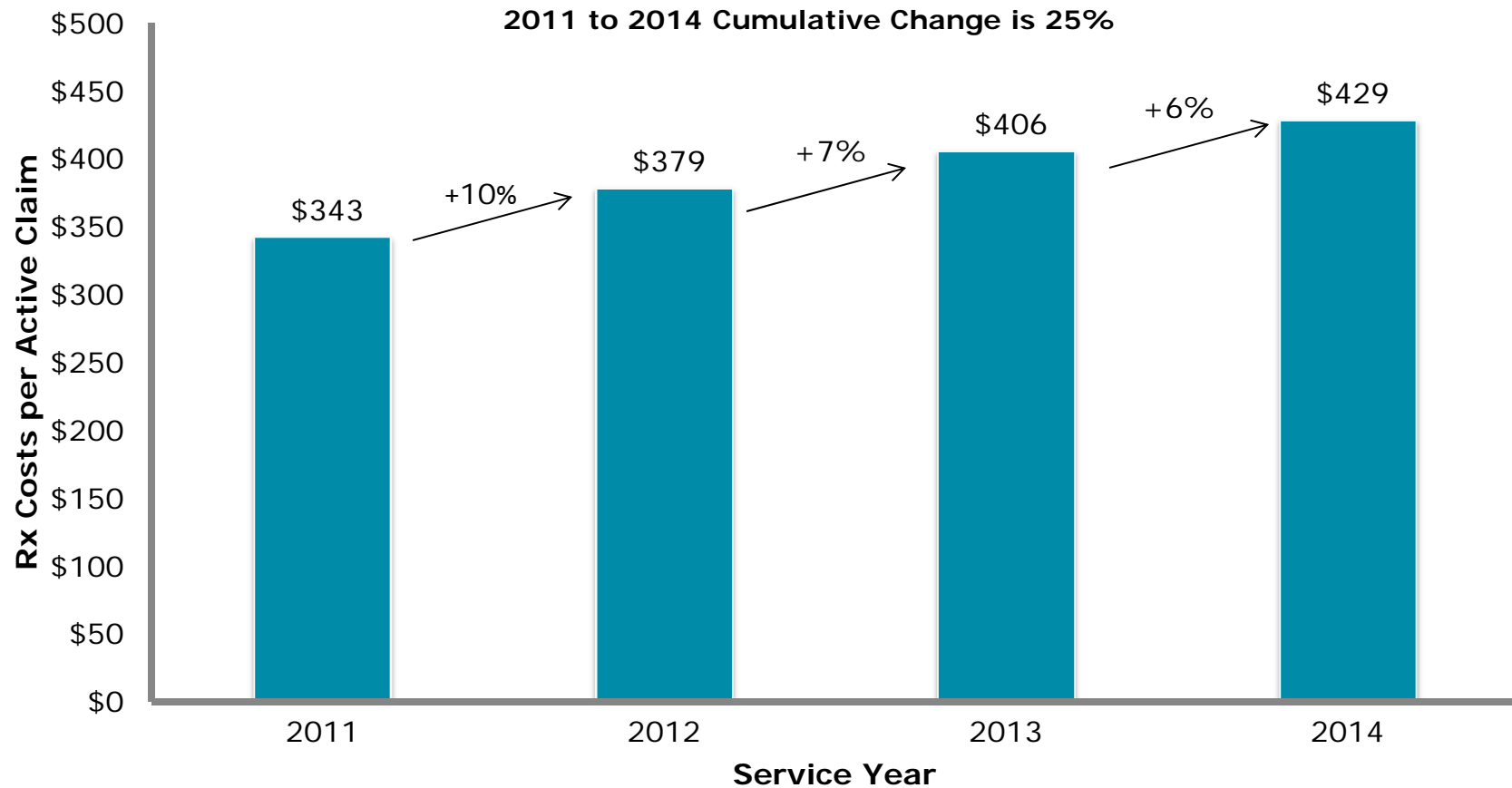


NCCI analysis based on Medical Data Call, for prescriptions provided in Service Years 2011 to 2014. Rx shares shown are the projected shares for Accident Year 2014. For example, we project that Rx will be 22% of medical costs paid in 2017 for injuries that occurred in 2014. Data used with permission.

## Cost = Price x Utilization

- **Cost**—the total dollars paid per claim
- **Price**—what is paid for an individual service
- **Utilization**—the intensity of services provided per claim
  - The number of units (tablets, capsules, etc.) of Rx provided per claim
  - The mix of Rxs provided on a claim, e.g., OxyContin versus Ibuprofen

# Rx Costs per Active Claim Continue to Grow



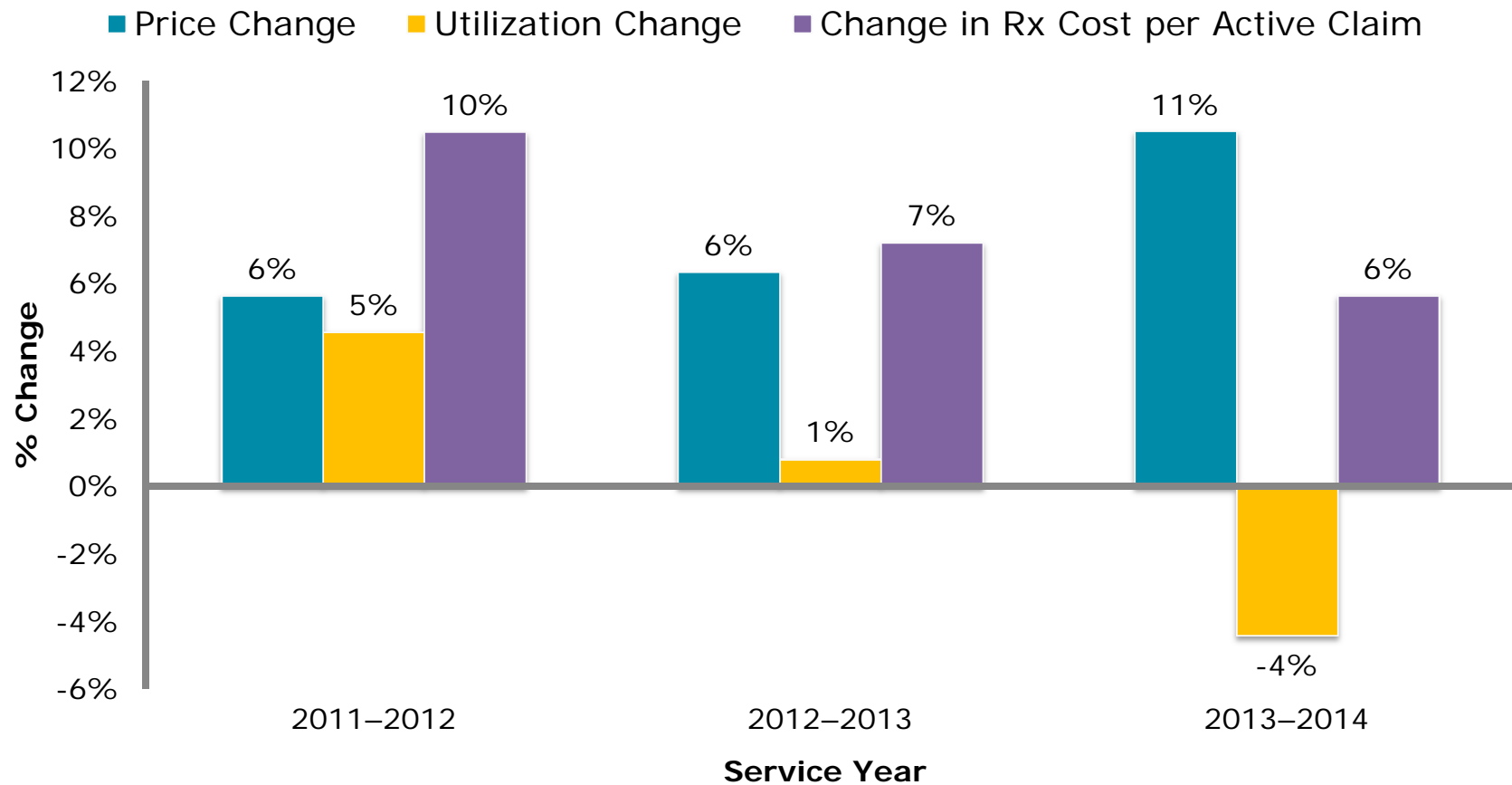
NCCI analysis based on Medical Data Call, for prescription drugs with a National Drug Code (NDC) provided in Service Years 2011 to 2014. Active Claim is a claim with at least one medical service during the service year. Data used with permission.





# Rx Prices Increased 11% and Utilization Decreased 4% in 2014

## All Rx: Changes in Price, Utilization, and Rx Cost per Active Claim

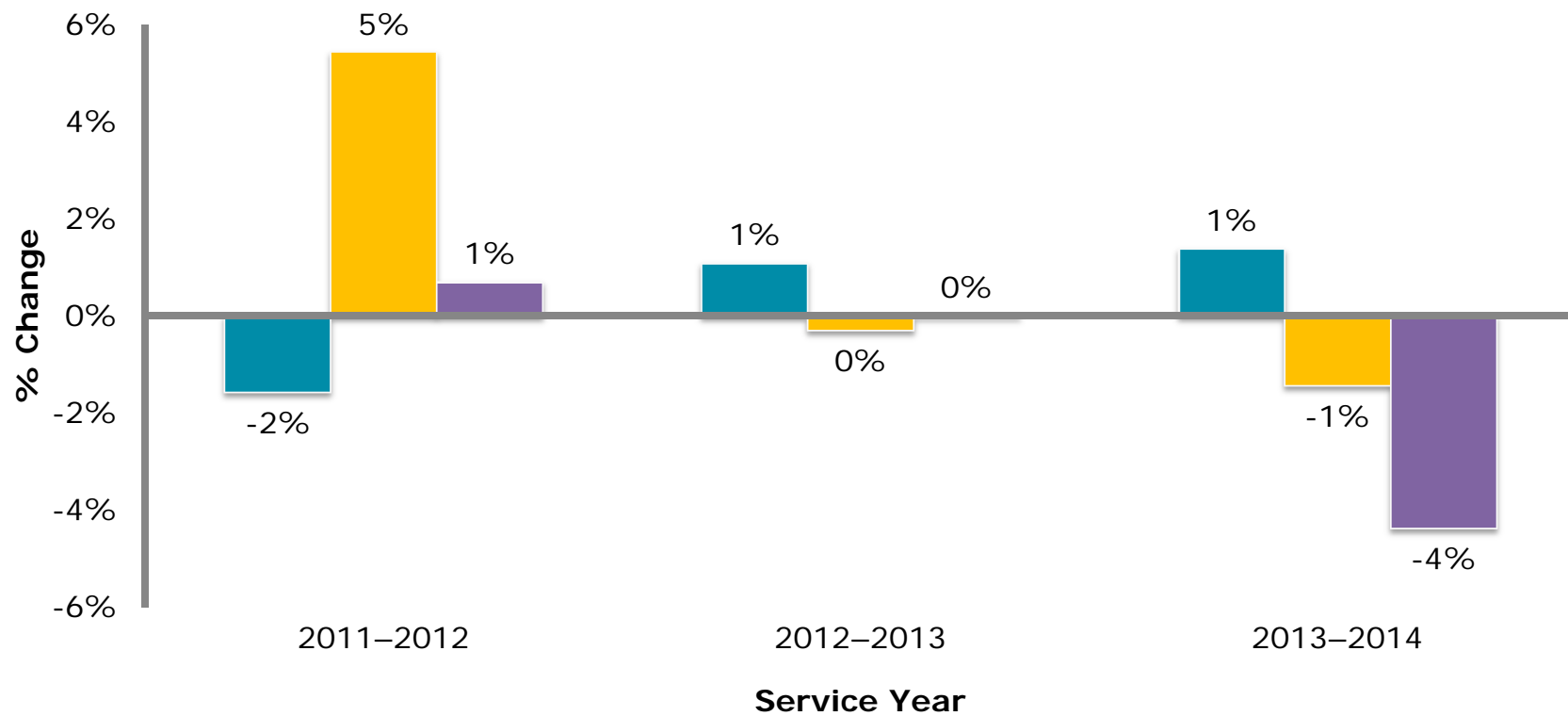


NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2011 to 2014. Price changes are based on a Fisher index. Data used with permission.



# Rx Utilization Components

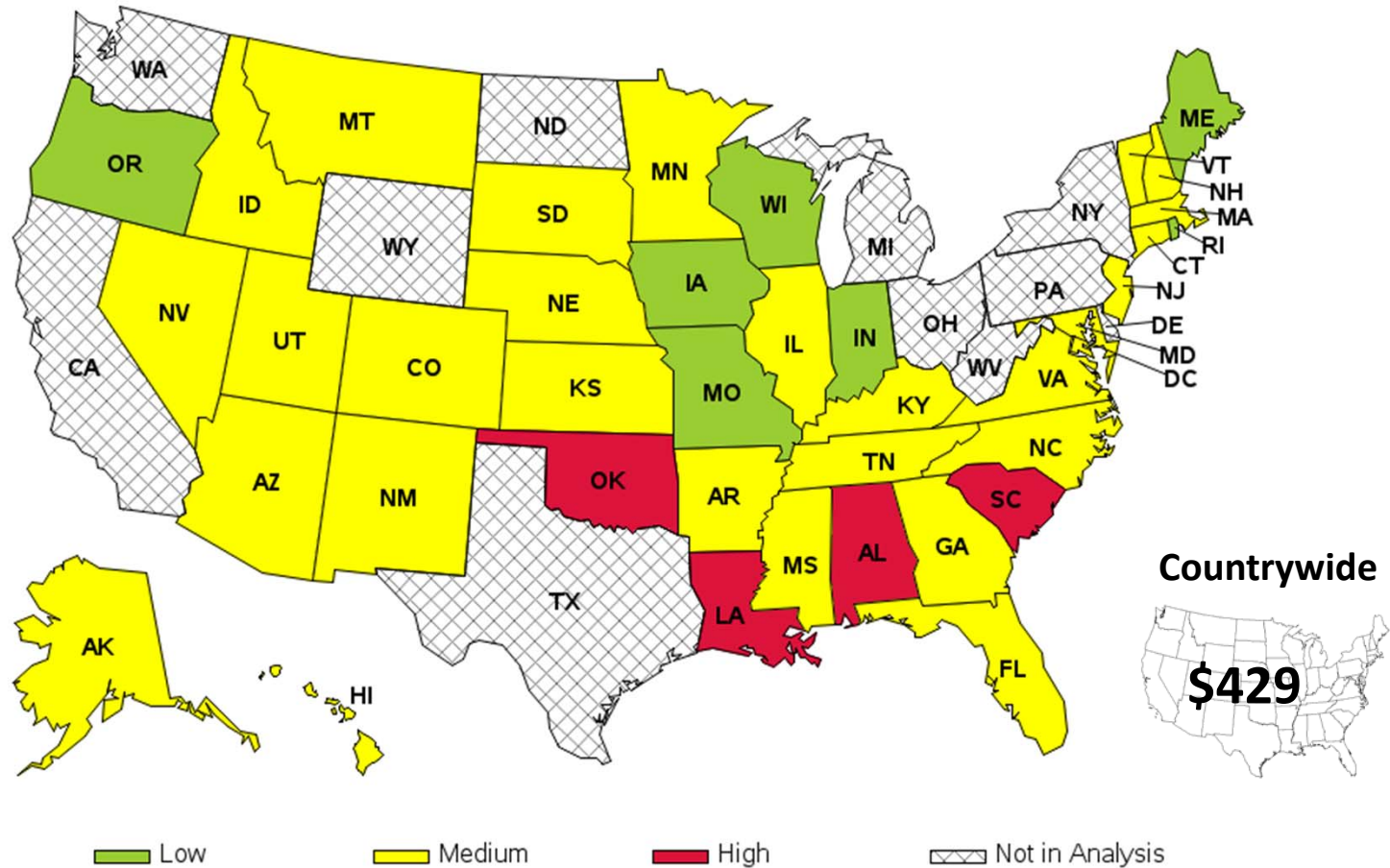
- Mix of Drugs Prescribed
- Share of Active Claims Receiving a Prescription
- Prescriptions per Active Claim With at Least One Prescription



NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2011 to 2014. Data used with permission.

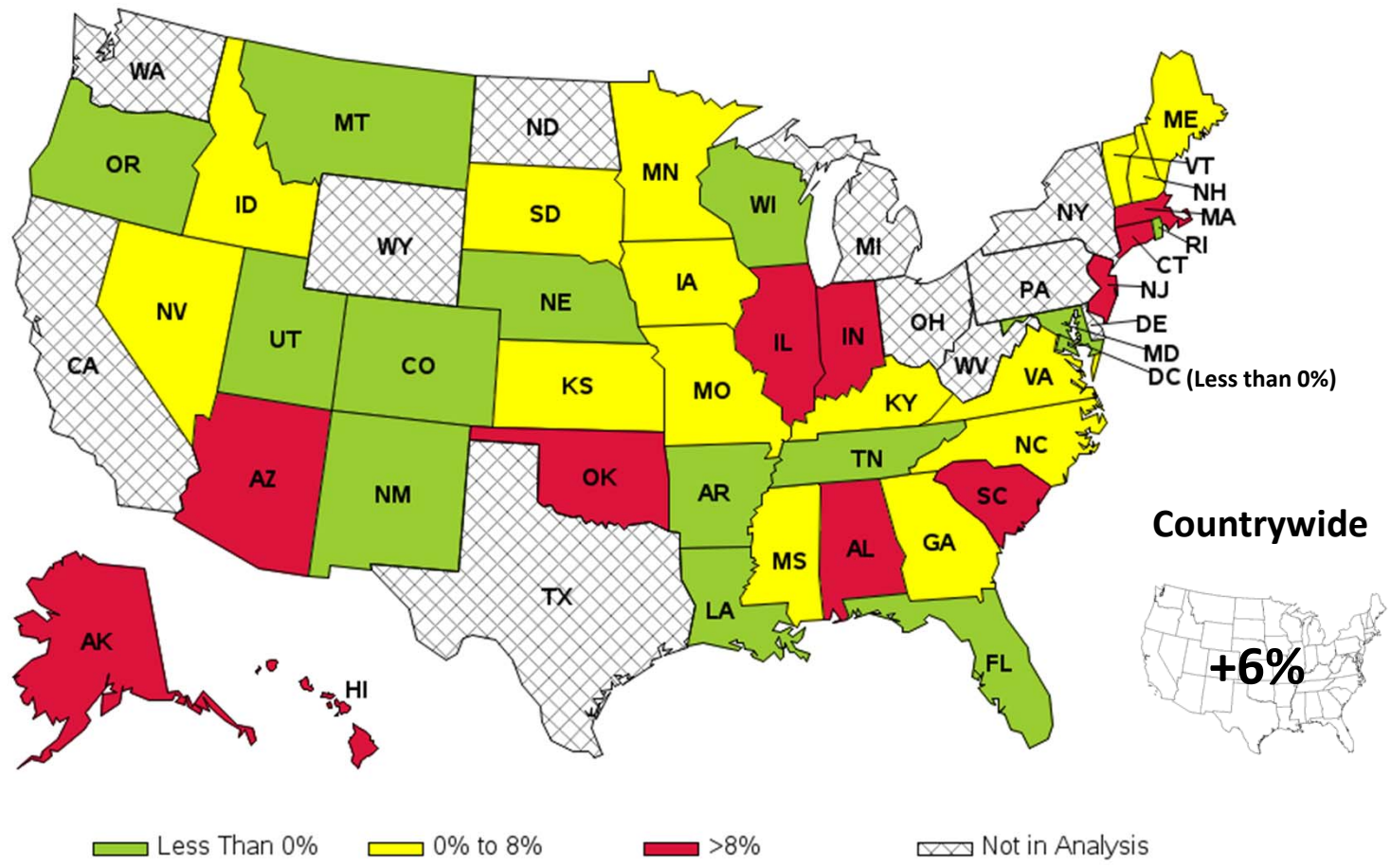


# 2014 Rx Costs per Active Claim



NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Year 2014. High > \$582 and Low < \$202. Ranges are based on the arithmetic mean  $\pm$  one standard deviation. Data used with permission.

# 2014 Change in Rx Costs per Active Claim

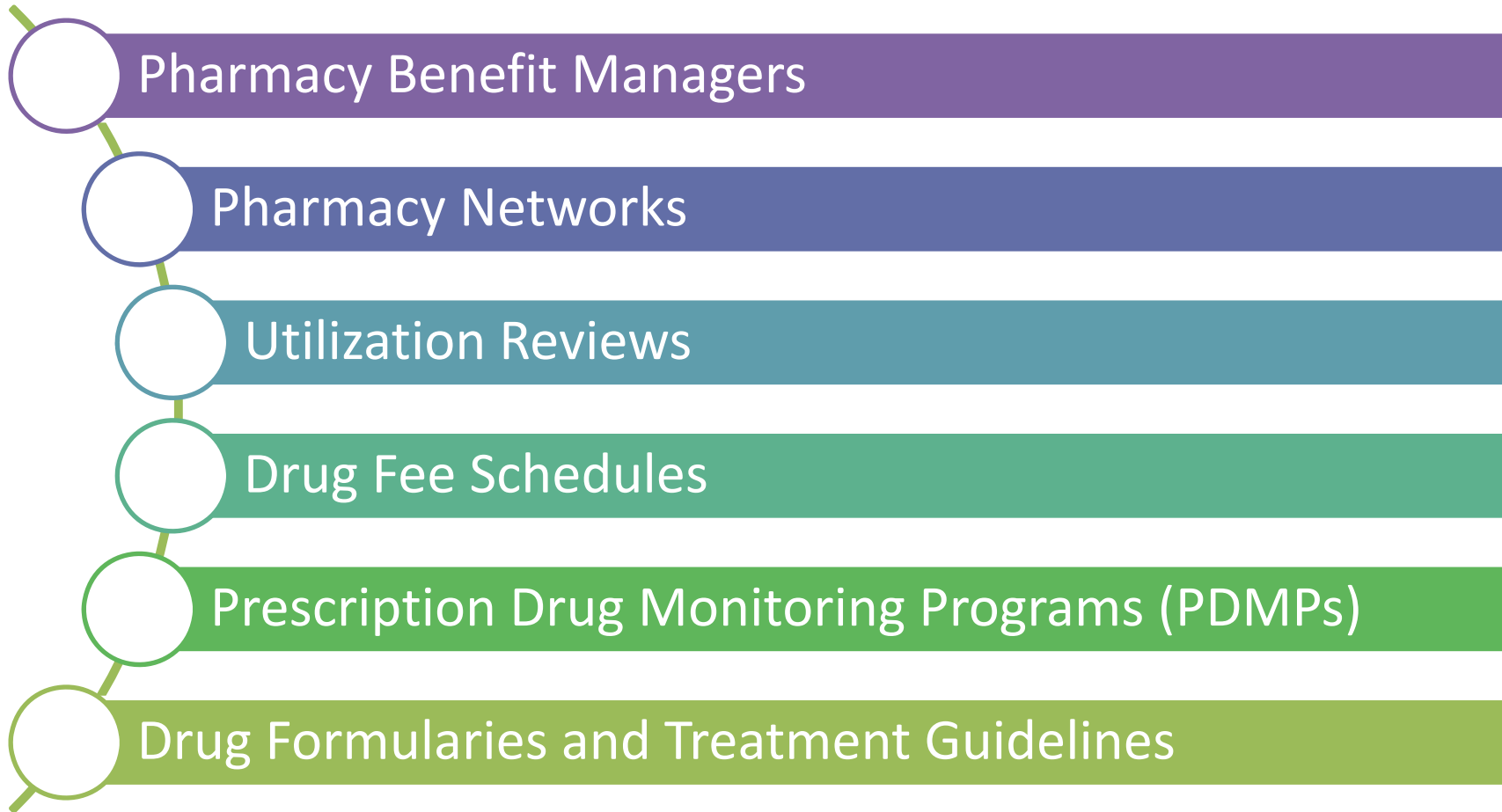


NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2013 to 2014. Data used with permission.



# Rx Cost Containment

# Rx Cost Containment



# Closed Drug Formulary

- A closed formulary is a list of drugs with an associated reimbursement status
- For example, for ODG (adopted by TX, OK, and in 2016 TN):

Status	Description
Y	Preauthorized for use
N	Not allowed, or needs authorization
*	Both Y and N are possible depending on intended purpose

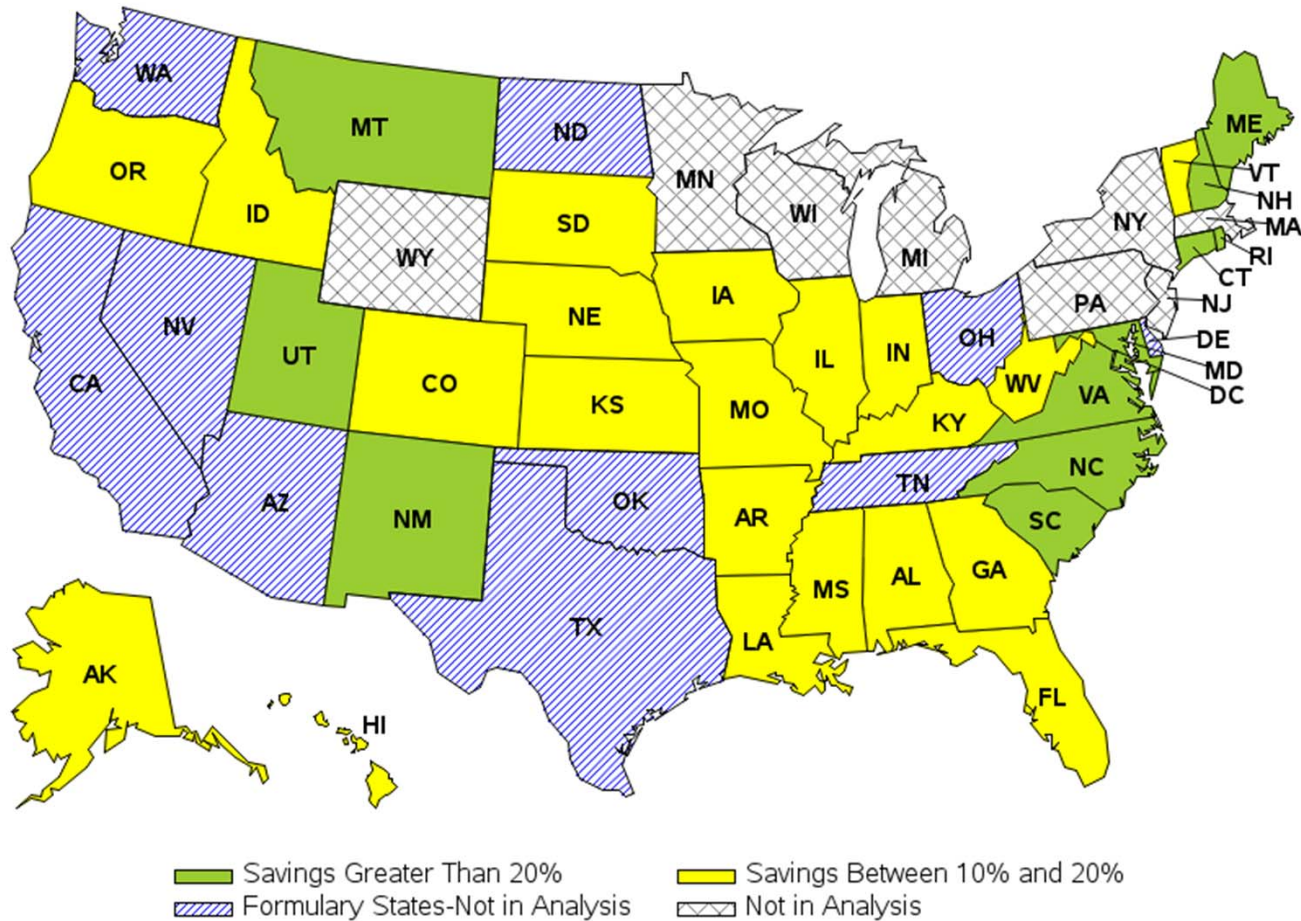
- On average, 24% of drug costs and 17% of prescriptions in a service year are for N drugs
- The intent of formularies is to use evidence-based guidelines in order to:
  - Reduce over prescribing (opioids in particular)
  - Maximize healing and improve return-to-work outcomes
  - Contain drug costs

The Official Disability Guidelines (ODG) Drug Formulary is a product of the Work Loss Data Institute.



# ODG Formulary Could Reduce WC Rx Costs by 10% or More

## Potential Rx Cost Savings From ODG Formulary



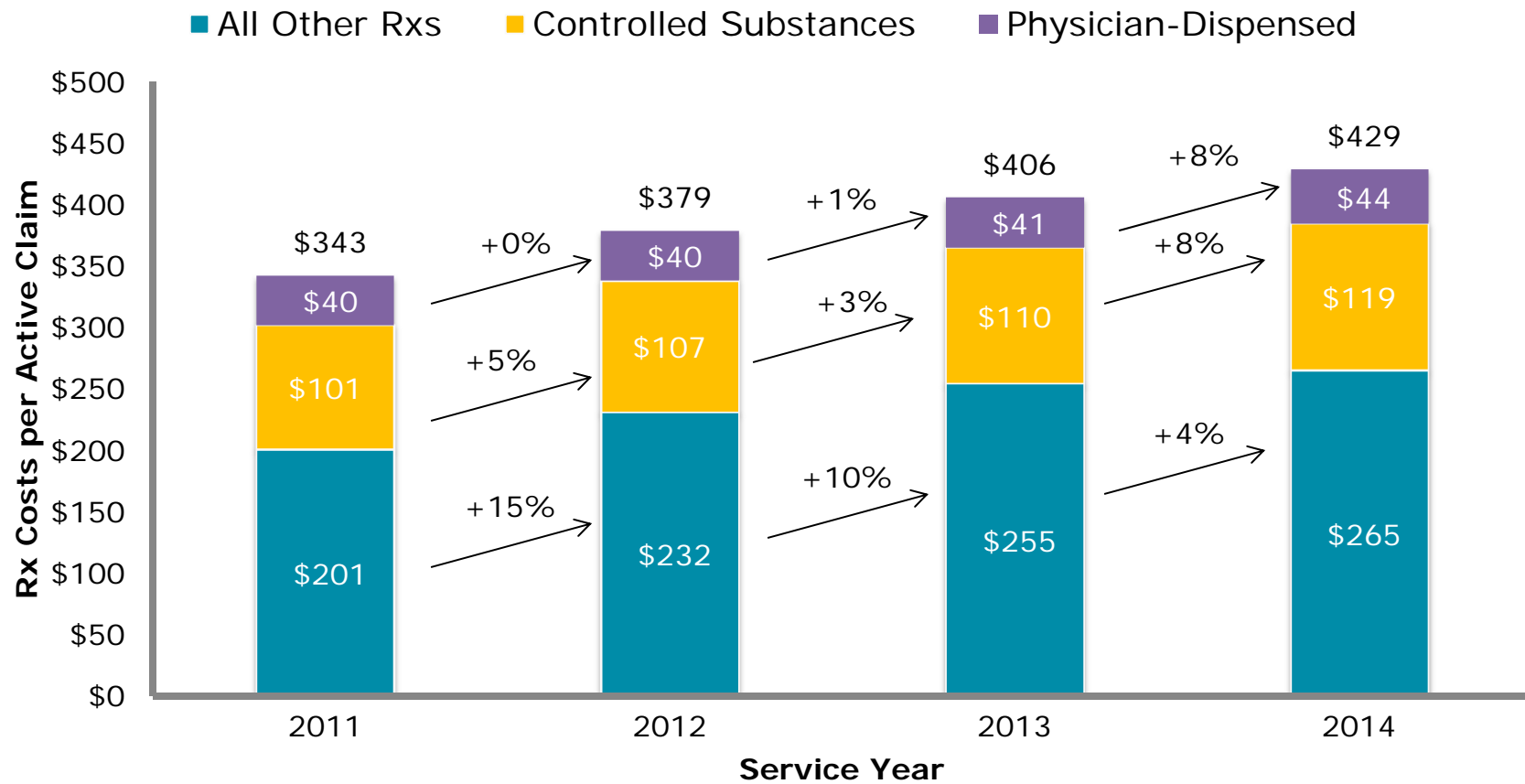
NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Year 2014. The Official Disability Guidelines (ODG) Drug Formulary is a product of the Work Loss Data Institute. Data used with permission.





# Controlled Substances and Physician Dispensing

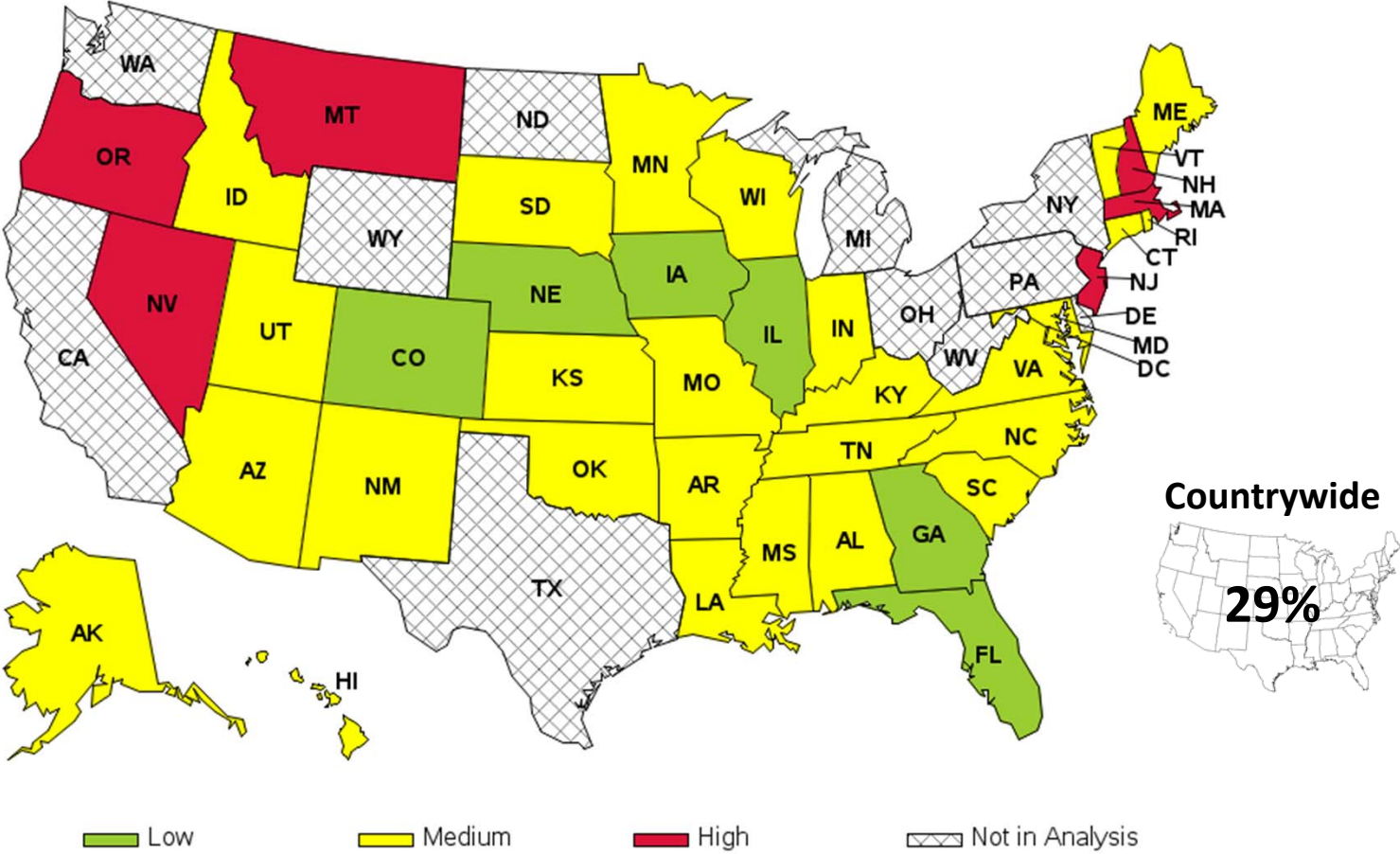
# Rx Costs per Active Claim Continue to Grow



NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2011 to 2014. Controlled substances are Rxs classified as Schedule 2 and 3 by the Drug Enforcement Administration, not dispensed by a physician. Physician dispensing includes controlled substances. Data used with permission.



# 2014 Controlled Substances' Share of Rx Costs

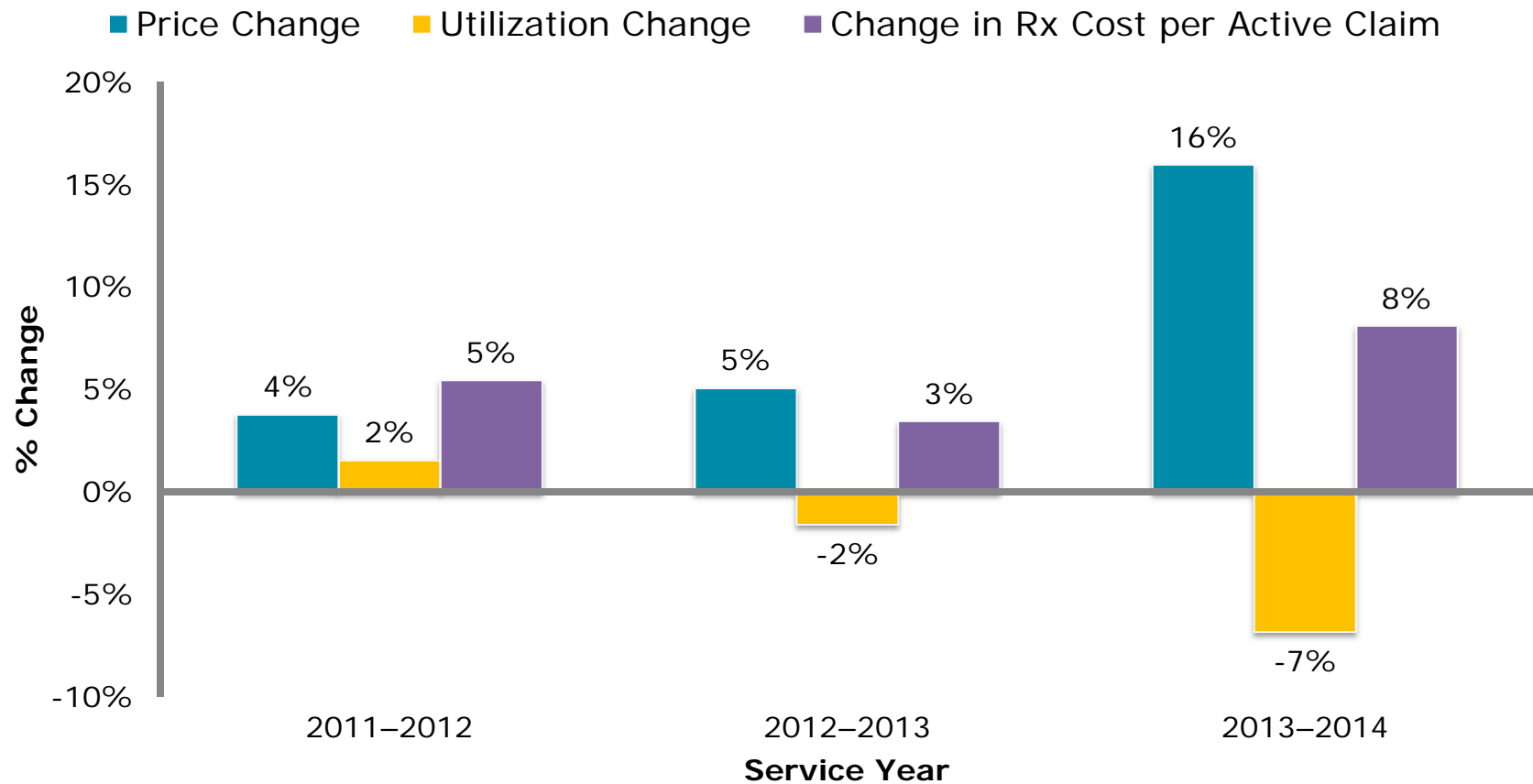


NCCI analysis based on Medical Data Call, for controlled substances with an NDC provided in Service Year 2014. Controlled substances are Rx's classified as Schedule 2 and 3 by the Drug Enforcement Administration. High > 35.0% and Low < 22.5%. Ranges are based on the arithmetic mean ± one standard deviation. Data used with permission.



# Controlled Substances Prices Increased 16% and Utilization Decreased 7%

Controlled Substances: Changes in Price, Utilization, and Rx Cost per Active Claim

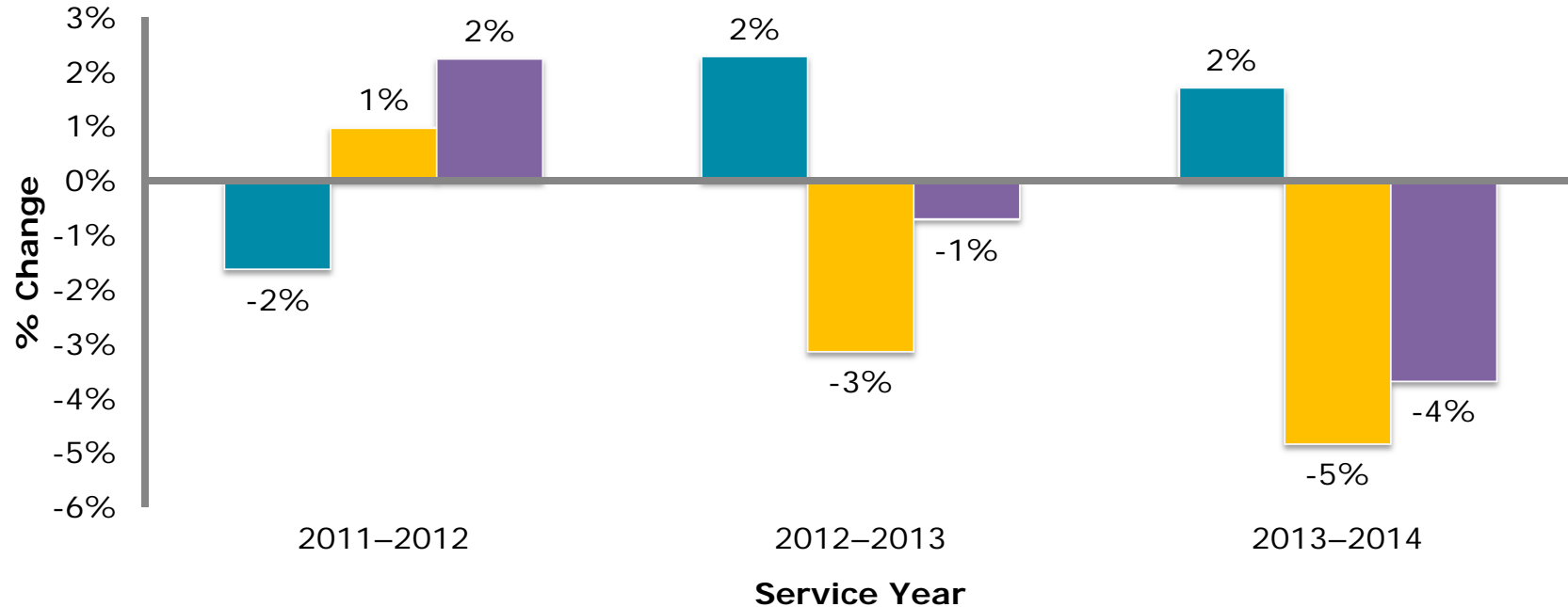


NCCI analysis based on Medical Data Call, for controlled substances with an NDC provided in Service Years 2011 to 2014. Controlled substances are Rx's classified as Schedule 2 and 3 by the Drug Enforcement Administration, not dispensed by a physician. Price changes are based on a Fisher index. Data used with permission.



# Controlled Substances' Utilization Components

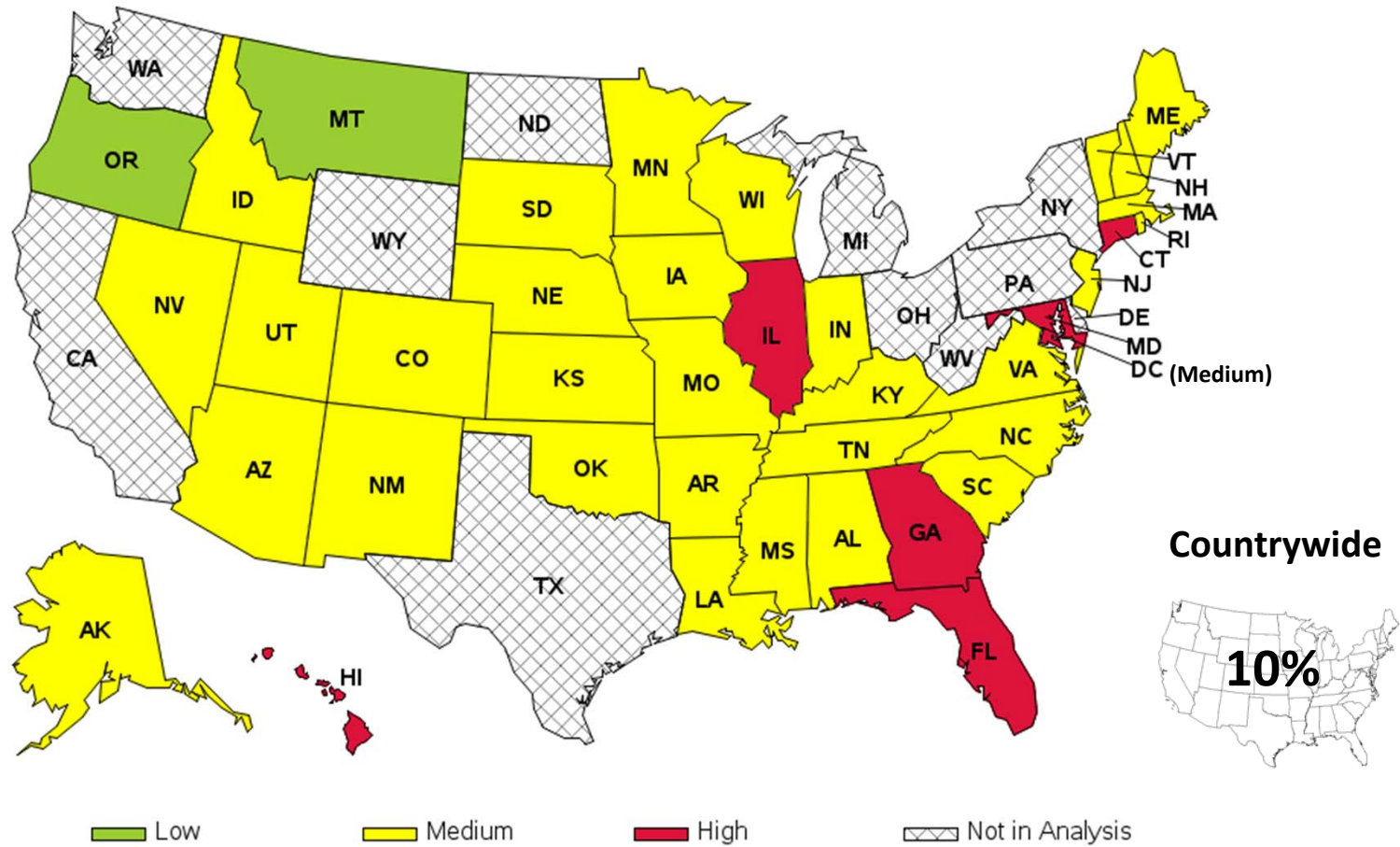
- Mix of Drugs Prescribed
- Share of Active Claims Receiving a Prescription
- Prescriptions per Active Claim Receiving at Least One Prescription



NCCI analysis based on Medical Data Call, for controlled substances with an NDC provided in Service Years 2011 to 2014. Controlled substances are Rx's classified as Schedule 2 and 3 by the Drug Enforcement Administration, not dispensed by a physician. Data used with permission.



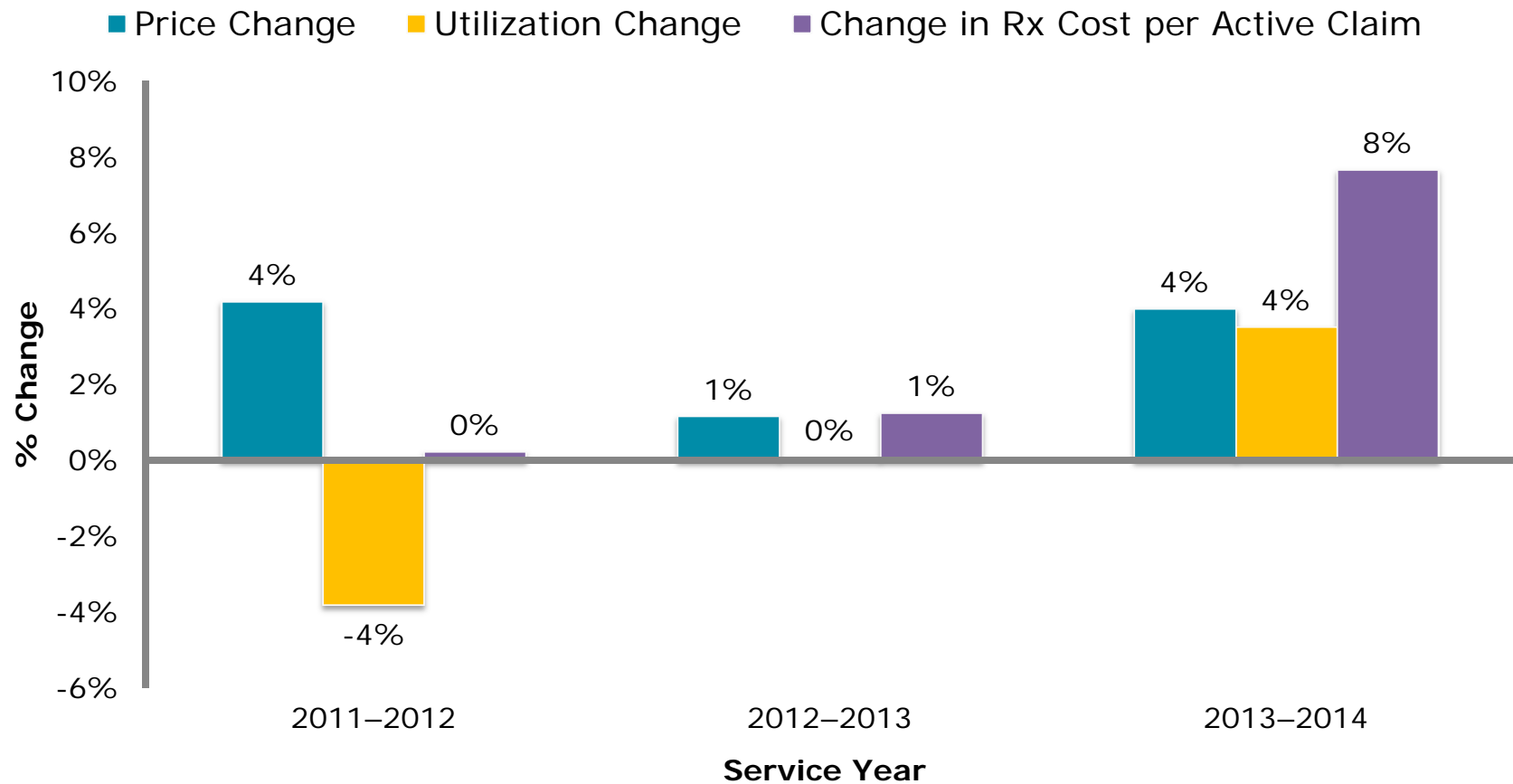
# 2014 Physician-Dispensed Share of Rx Costs



NCCI analysis based on Medical Data Call, for physician-dispensed prescriptions with an NDC provided in Service Year 2014. High > 16.2% and Low < 1.7%. Ranges are based on the arithmetic mean ± one standard deviation. Data used with permission.

# Both Physician-Dispensed Rx Prices and Utilization Increased 4% in 2014

Physician-Dispensed Rx: Changes in Price, Utilization, and Rx Cost per Active Claim

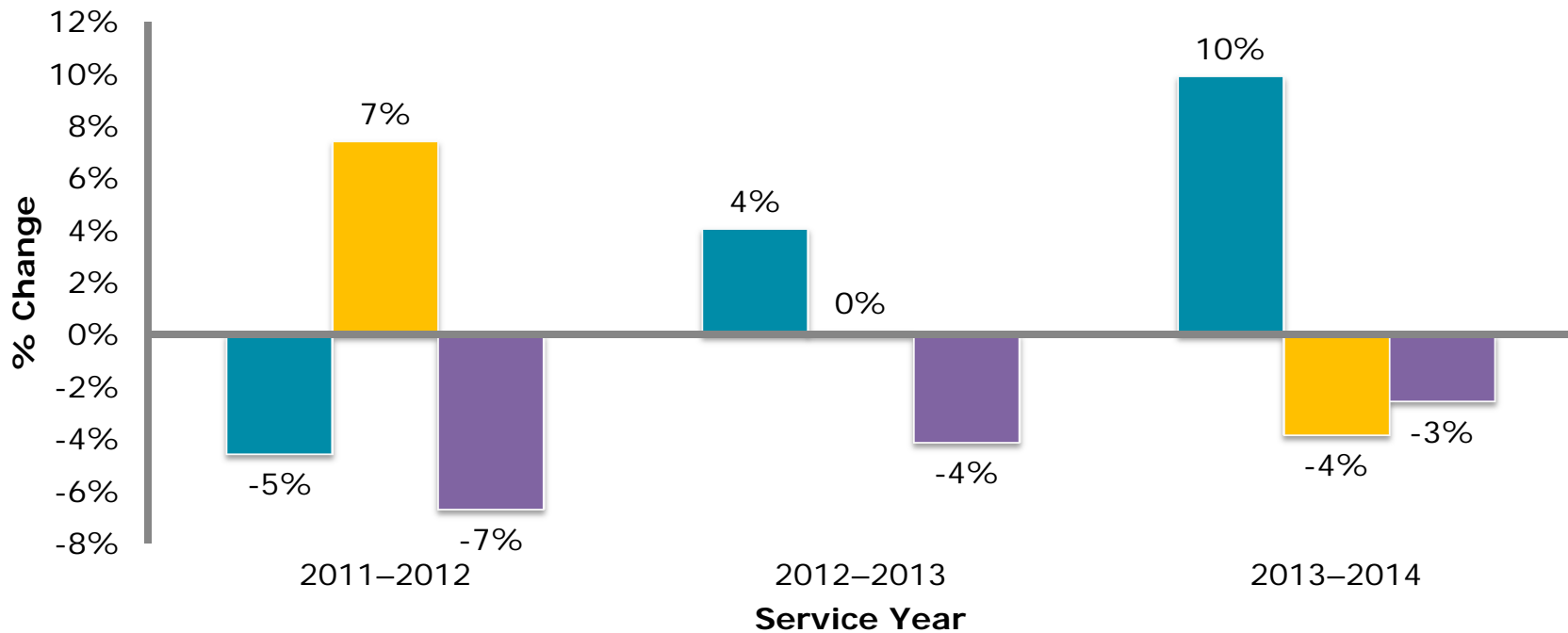


NCCI analysis based on Medical Data Call, for physician-dispensed prescriptions with an NDC provided in Service Years 2011 to 2014. Price changes are based on a Fisher index. Data used with permission.



# Mix of Rx's Is a Major Contributor to Utilization for Physician Dispensing Utilization Components

- Mix of Drugs Prescribed
- Share of Active Claims Receiving a Prescription
- Prescriptions per Active Claim Receiving at Least One Prescription



NCCI analysis based on Medical Data Call, for physician-dispensed prescriptions with an NDC provided in Service Years 2011 to 2014. Data used with permission.







# Top Drugs in Workers Compensation

# Top Drugs by Cost

Drug Name	Brand Name/ Generic	Therapeutic Class	2013 Cost Ranking	2014 Cost Ranking	2014 Share of Total Rx Costs
OXYCONTIN	Brand Name	Analgesics	1	1	6.2%
LYRICA	Brand Name	CNS Drugs	2	2	5.5%
GABAPENTIN	Generic	CNS Drugs	4	3	4.7%
OXYCODONE-ACETAMINOPHEN	Generic	Analgesics	9	4	3.8%
CELEBREX	Brand Name	Antiarthritics	6	5	3.4%
DULOXETINE HCL	Generic	Psychotherapeutic	132	6	2.9%
LIDOCAINE	Generic	Anesthetics	24	7	2.9%
MELOXICAM	Generic	Antiarthritics	8	8	2.8%
HYDROCODONE-ACETAMINOPHEN	Generic	Analgesics	7	9	2.7%
OXYCODONE HCL	Generic	Analgesics	14	10	2.0%

NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2013 and 2014. Data used with permission.



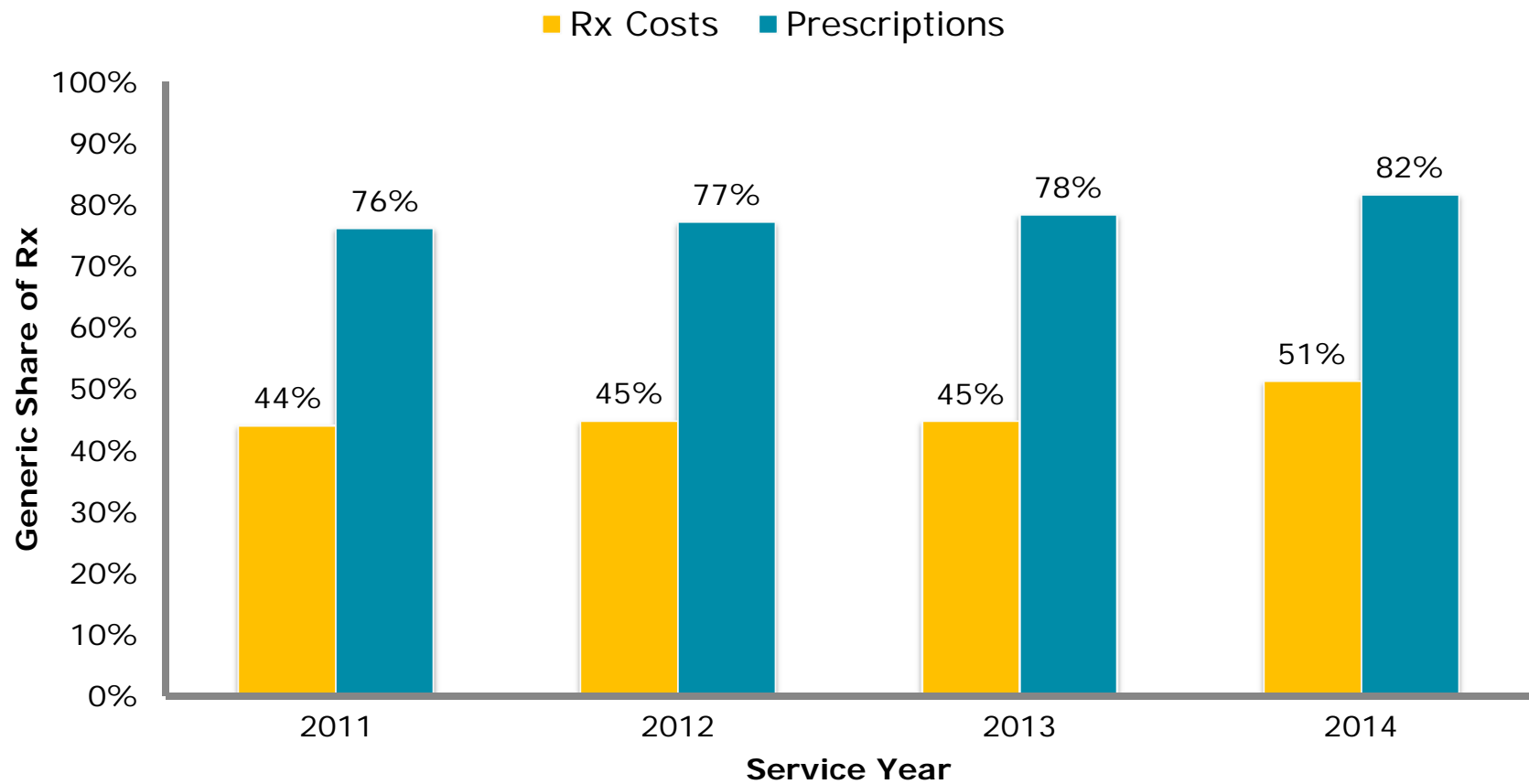
# 10 Drugs Account for More Than Half of the 2014 Total Percentage Change in Prices

Drug Name	Brand Name/ Generic	DEA Schedule	2013 Price Paid per Unit *	2014 Price Paid per Unit	2014 Change in Price Paid per Unit
OXYCODONE- ACETAMINOPHEN	Generic	II	\$1.19	\$1.61	35%
LYRICA	Brand Name	V	\$3.74	\$4.54	21%
OXYCODONE HCL	Generic	II	\$0.63	\$1.01	60%
CELEBREX	Brand Name	None	\$5.63	\$6.92	23%
OXYCONTIN	Brand Name	II	\$6.73	\$7.27	8%
DUEXIS	Brand Name	None	\$6.05	\$10.40	72%
BACLOFEN	Generic	None	\$0.65	\$1.22	86%
PERCOCET	Brand Name	II	\$7.15	\$9.18	28%
MORPHINE SULFATE ER	Generic	II	\$2.35	\$2.94	25%
IBUPROFEN	Generic	None	\$0.30	\$0.43	44%

NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2013 and 2014.  
 \*2013 price paid per unit based on 2014 NDC distribution. Data used with permission.



# Generic Share of Rx Costs and Prescriptions Both Increased in 2014



NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2011 to 2014. Data used with permission.

# Three Drugs Account for Most of the 2014 Total Percentage Change in the Generic Share of Rx Costs

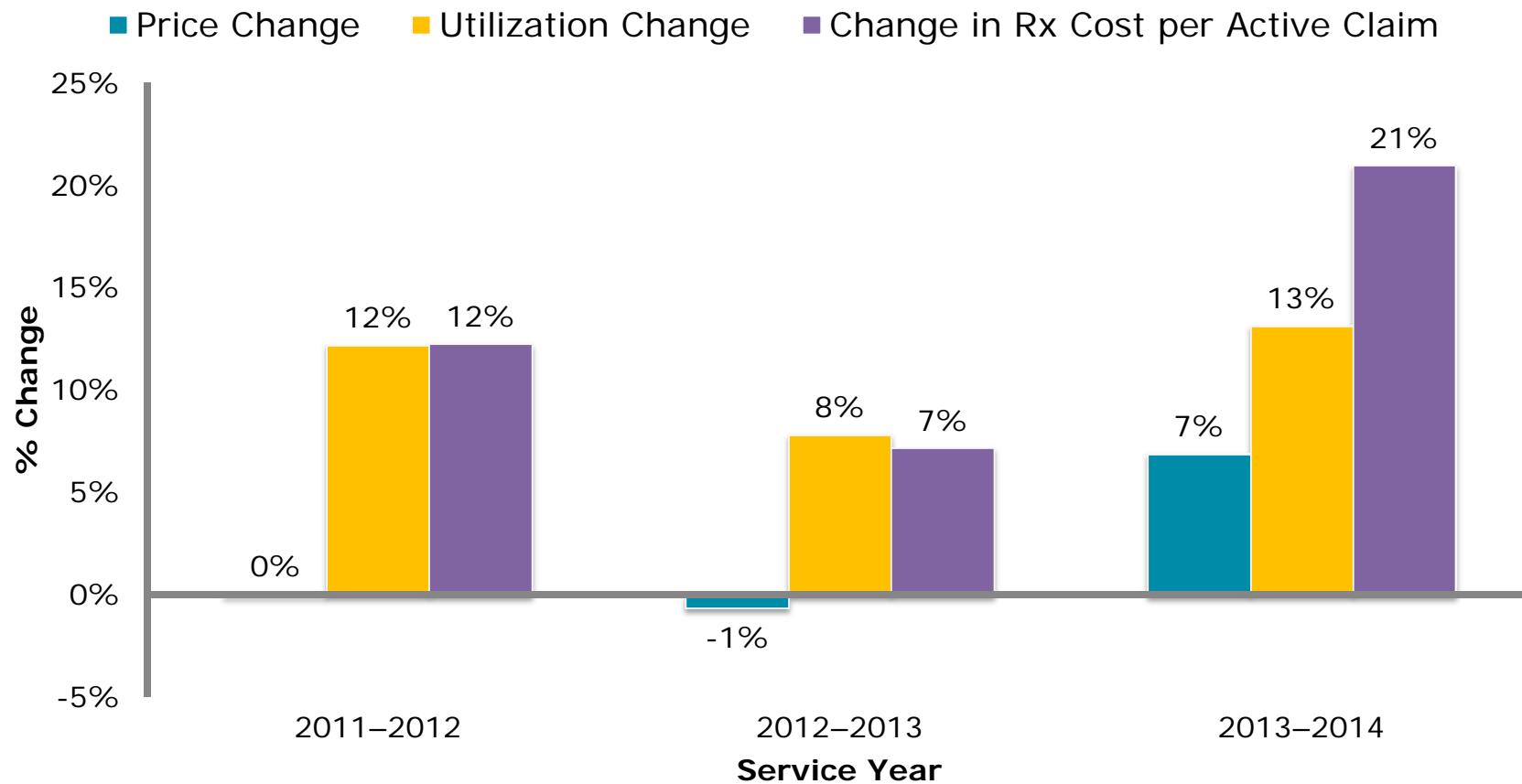
Drug Name	2013 Price Paid per Unit	2014 Price Paid per Unit	2014 Change in Price Paid per Unit	Contribution	Recent Events
DULOXETINE HCL	\$5.47	\$5.70	4%	38%	The brand name equivalent formulation's (Cymbalta) patent expired on 12/11/2013
LIDOCAINE	\$6.08	\$6.89	13%	27%	The brand name equivalent formulation's (Lidoderm) patent expired on 9/15/2013
OXYCODONE-ACETAMINOPHEN	\$0.92	\$1.61	74%	20%	Price increased

NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2013 and 2014. Data used with permission.



# Generic Rx Utilization Increased 13% and Prices Increased 7% in 2014

## Generic Rx: Changes in Price, Utilization, and Rx Cost per Active Claim

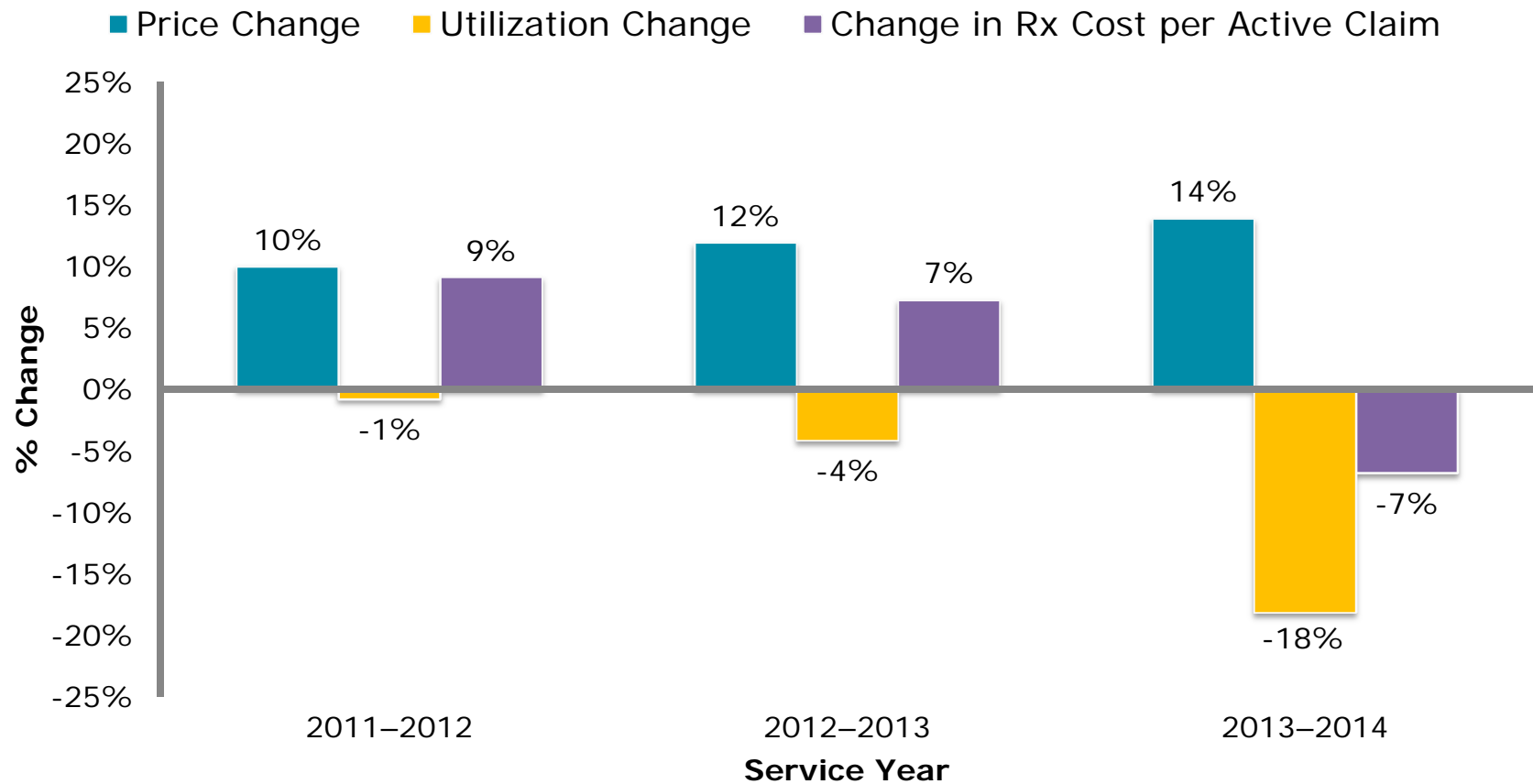


NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2011 to 2014. Price changes are based on a Fisher index. Data used with permission.



# Brand Name Rx Utilization Decreased 18% and Prices Increased 14% in 2014

## Brand Name Rx: Changes in Price, Utilization, and Rx Cost per Active Claim



NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2011 to 2014. Price changes are based on a Fisher index. Data used with permission.



## Concluding Remarks

- Rx continue to be a significant share of WC costs, largely due to increasing prices
- Legislative reform and stakeholders' concerted efforts to contain costs have contributed to dampened utilization of Rxs in WC
- Will formularies, physician-dispensing laws, and other reform efforts have the intended impact on WC experience?
- Choice of pharmacy and the role of PBMs and PDMPs are some of the emerging themes in the dynamic world of Rxs and WC







# Appendix

# NCCI Medical Data Call

- The NCCI Medical Data Call (MDC) captures transaction-level detail on medical bills processed on or after July 1, 2010, including dates of service, charges, payments, procedure codes, and diagnosis codes
- Carriers are not required to report transactions for services provided more than 30 years after the date of the injury
- NCCI collects the MDC for 43 jurisdictions\*

\*The 43 jurisdictions are AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, NE, NH, NJ, NM, NV, NY, OK, OR, RI, SC, SD, TN, UT, VA, VT, WI, and WV.



# Data Source

- For this study, the Medical Data Call experience evaluated as of March 2015 was restricted to:
  - Services provided between January 1, 2011 and December 31, 2014
  - States included are: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MN, MO, MS, MT, NC, NE, NH, NJ, NM, NV, NY, OK, OR, RI, SC, SD, TN, UT, VA, VT, and WI
- State-specific results are based on state of jurisdiction