

#### **Topics Covered In Today's Discussion**

- Trends in medical payments: recent experiences in Illinois, North Carolina, and California
- General medical trends in multiple states
- Impact of physician dispensing reforms
- Interstate variation in opioid use

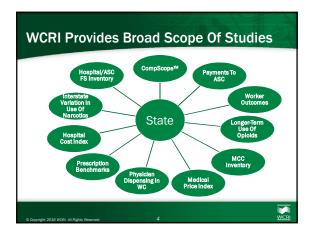
#### About WCRI And Our Mission

- Independent, not-for-profit research organization
- Mission:

"Be a catalyst for improving WC systems by providing the public with high-quality, credible information on important public policy issues."

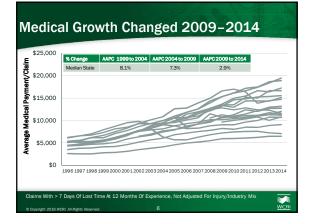
- Diverse membership support
- Peer-reviewed studies with a focus on benefit delivery
- Do not make recommendations or take positions; serve as a resource for public officials & stakeholders

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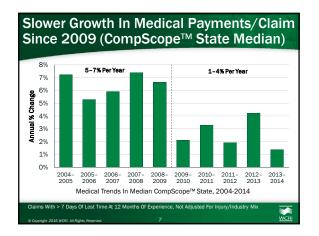






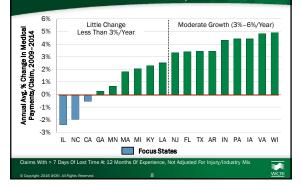




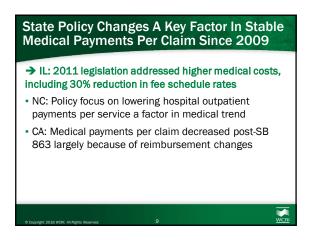


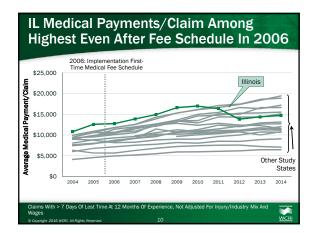


### Medical Payments Per Claim Were Fairly Stable In Half Of 18 States, 2009–2014







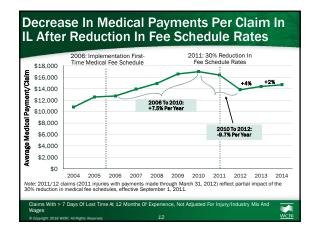




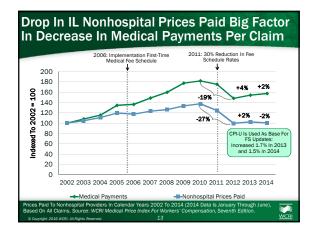
# 2011 Legislation Focused On Changes In Reimbursement To Address IL Medical Costs

Provision*	HB 1698	Prior Law
Fee Schedule Rates	Reduced by 30%	Fee schedule introduced in 2006
Regional Fee Schedules (eff. Jan. 1, 2012)	4 for nonhospital; 14 for hospital providers	29 regions
Reimbursement For Out-Of-State Treatment	The lesser of the state FS where worker resides or IL FS	The greater of 76% of charges in IL or FS in state where treatment rendered
Reimbursement Of Implants	25% above net manufacturer's invoice price	65% of charges
Key: FS: Fee Schedule * Effective For Services Delivered © Copyright 2016 WCRL All Rights Reserved.	On/After September 1, 2011 11	





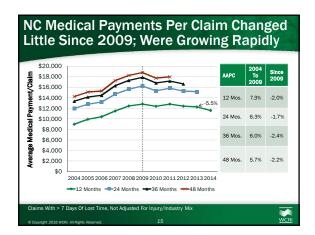


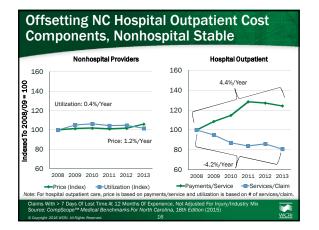




#### State Policy Changes A Key Factor In Stable Medical Payments Per Claim Since 2009

- IL: 2011 legislation addressed higher medical costs, including 30% reduction in fee schedule rates
- → NC: Policy focus on lowering hospital outpatient payments per service a factor in medical trend
- CA: Medical payments per claim decreased post-SB 863 largely because of reimbursement changes

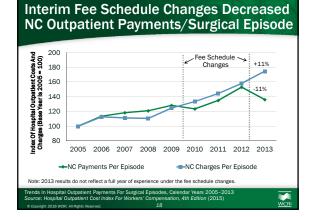


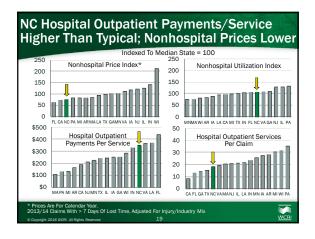




# Policy Changes Targeted Key Driver Of NC Medical Costs: Hospital Costs

- Fee Schedule Rules (effective 7/27/09) reduced hospital outpatient reimbursement rate to 79% of charges from 95% for most hospitals
- Hospital reimbursement decreases
- 2/1/13: Charges for inpatient, outpatient, and ASC services frozen at rates set by each hospital as of June 30, 2012
- 4/1/13: Frozen rates cut by 15% for outpatient services and ASCs and by 10% for inpatient
- 4/1/13: Payments for surgical implants capped at cost plus 28%







### New NC Fee Schedule Rules In Effect Beginning In 2015, Tied to Medicare

Decreasing reimbursement for hospitals and ASCs

% Of Medicare	4/1/15	1/1/16	1/1/17
Inpatient	190%	180%	160%
Outpatient	220%	210%	200%
ASC	220%	210%	200%

No separate billing or mark-ups for implantable devices

 Fee schedule rates for professional services set at 40%–95% over Medicare; increases for some services, decreases for others

> Rules For Medical roved By The Rules

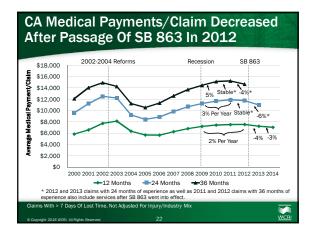
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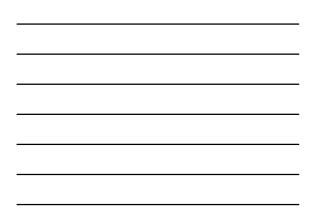
al Commission Proposed mber 17, 2014, And Appr

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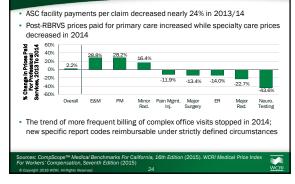


### Decrease In CA Medical Payments Per Claim May Reflect Impact Of SB 863

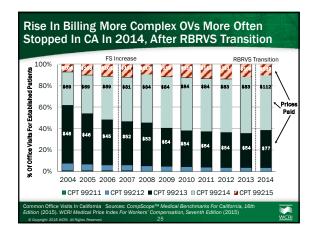
- Effective January 1, 2013:
- Decreased reimbursement for ASCs from 120% to 80% of Medicare hospital outpatient rates
- Eliminated separate reimbursement for implantable medical devices, hardware, and instruments for spinal surgeries
- Effective January 1, 2014:
- 4-year transition to RBRVS-based fee schedule began
- Independent Medical Review (IMR) process, effective July 2013 for all services, may also have contributed to decrease in payments for prescription drugs and other medical services\*

ers Compensatio whilling 30, 2015

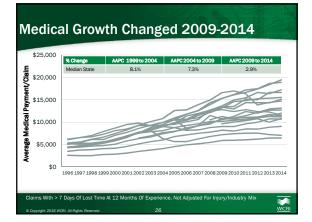




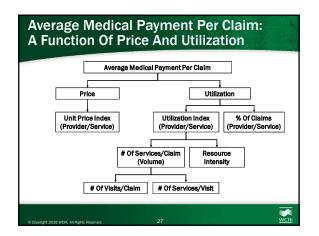




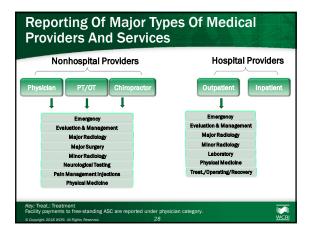










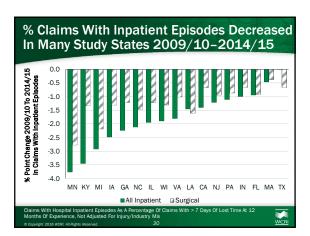




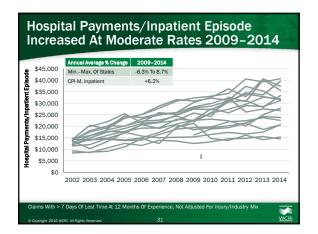
#### Some General Trends Observed In Multiple States

- Payments/Inpatient Episode: % inpatient episodes decreased between 2009 and 2014
- Facility Services: Shift in % of claims from hospital outpatient to ASC; facility payments/claim grew substantially between 2009 and 2014
- **Physical Medicine:** Shift in % of claims from hospital outpatient providers to nonhospital between 2009 and 2014
- Pain Management Injections: Number of visits per claim decreased while % of claims increased between 2003 and 2014
- Radiology: Relatively more claims had major radiology between 2003 to 2014

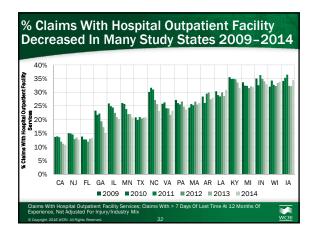
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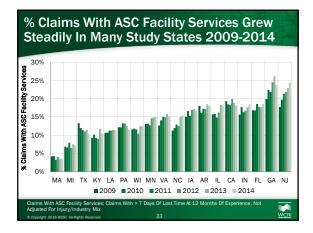




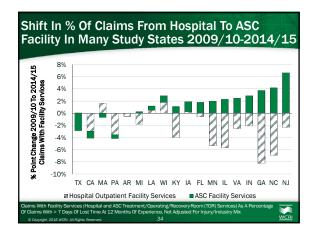




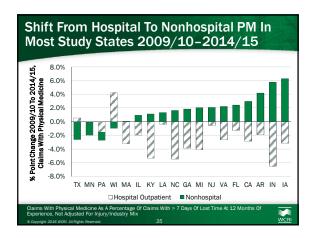




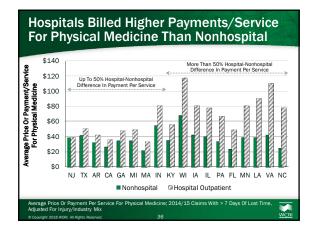




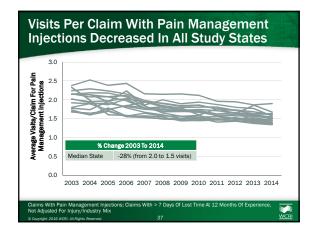




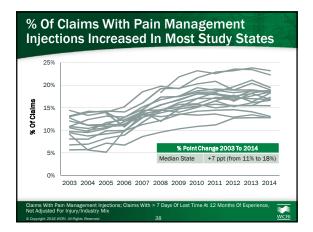




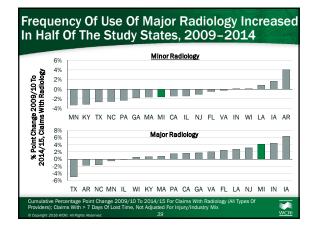








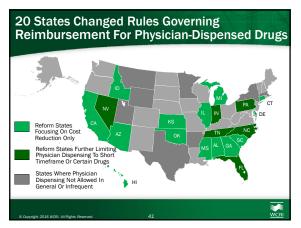






# **Topics Covered In Today's Discussion**

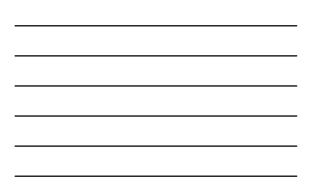
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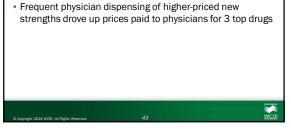
## Illustrative: In Illinois, The Same Drugs, When Physician-Dispensed, Are Much Higher Priced

Common WC Drugs	Price I	%	
Prescribed By Physicians	Physician Rx	Pharmacy Rx	Difference
Hydrocodone-acetaminophen (Vicodin®)	\$1.41	\$0.52	172%
Ibuprofen (Motrin®)	\$0.49	\$0.27	81%
Tramadol HCL (Ultram®)	\$1.55	\$0.73	114%
Cyclobenzaprine HCL (Flexeril®)	\$1.85	\$0.99	88%
Meloxicam (Mobic®)	\$5.86	\$3.19	84%
Illinois 2011/12 Claims With > 7 Days Of Lost Tin Of Physician-Dispensed Drugs (2013) © Copyright 2016 WCRI. All Rights Reserved.	ne With Prescriptions	Source: The Prevale	nce And Costs

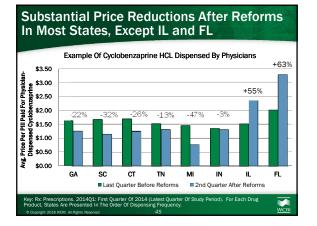


## Physician Dispensing Is More Expensive, Even After Recent Reforms

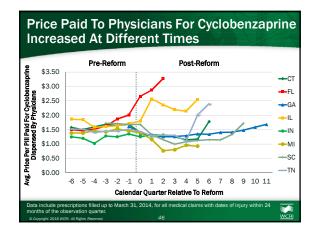
- Many physicians continued to dispense after reforms
- Price-focused reforms reduced prices, but still ~30% higher than pharmacy filling same  $\ensuremath{\mathsf{Rx}}$



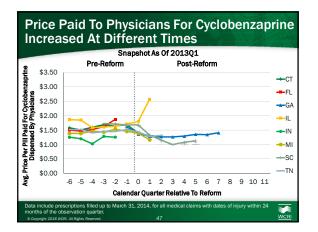
Fewer Prescriptions Filled At Offices Post-Reform, But Physician Dispensing Is Still Common Post-Reform Pre-Reform 60% -СТ % Of All Prescriptions That Were Physician-Dispensed Prescriptions 50% ---FL 40% ---GA -11 30% -IN 20% ---MI 10% -SC TN 0% -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10 11 Calendar Quarter Relative To Reform



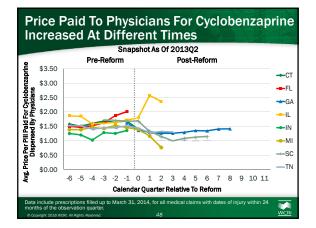




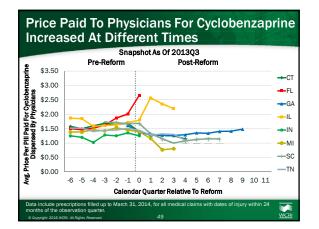




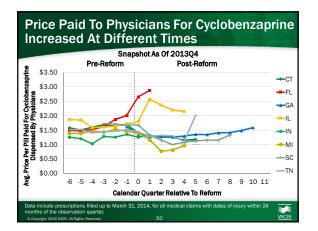




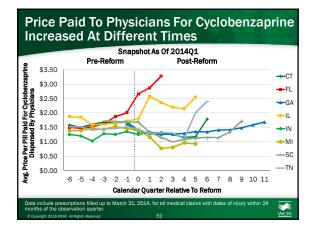




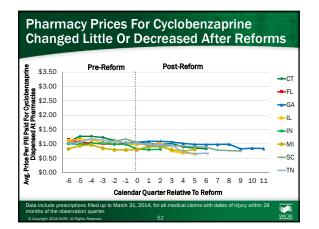


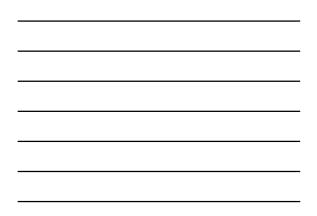








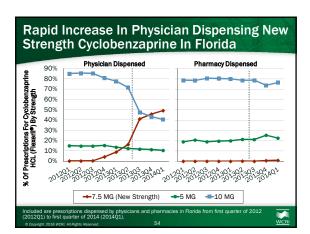




# Frequent Physician Dispensing Of New Strengths, Paid At Higher Prices

- Example of cyclobenzaprine in Florida
- 5 and 10 milligrams most common prior to introduction of new strength (7.5 milligrams)
- 7.5-milligram cyclobenzaprine dispensed by physicians in Florida before reform, large increase in frequency after reform

- New strength not seen in pharmacy-dispensed prescriptions for cyclobenzaprine
- Average wholesale price for new strength
- Higher than AWPs for existing strengths
- Assigned by manufacturer, not repackager

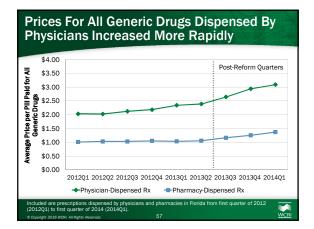



Pre-Reform (2013Q2)	Post-Reform (2014Q1)
\$3.43	\$4.11
\$1.83	\$1.75
\$1.42	\$1.29
n/a	n/a
\$1.37	\$1.38
\$0.91	\$0.93
	(2013Q2) \$3.43 \$1.83 \$1.42 n/a \$1.37



% Of Physician-Dispensed Drug That Were For New Strength, In 2014Q1	CA	FL	IL	TN
7.5 Milligrams Cyclobenzaprine HCL	55%	49%	22%	19%
150 Milligrams ER Tramadol HCL	47%	26%	41%	21%
2.5-325 Milligrams Hydrocodone-Acetaminophen	32%	n/a	11%	n/a
Lidocaine-Menthol Topical Pain Patches*	14%	21%	24%	-







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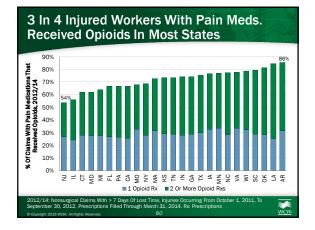
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# Amount of Opioids Decreased In Several States, Large Interstate Variations Still Persist

- 54–86% of injured workers with pain meds received opioids across 25 states
- Substantial interstate variation in amount of opioids received by injured workers, higher in LA, NY, and PA
- Injured workers received opioids on a longer-term basis in several states, highest in LA
- Sizable reductions in amount of opioids over the study period in several states

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ring From Oct arch 31, 2014





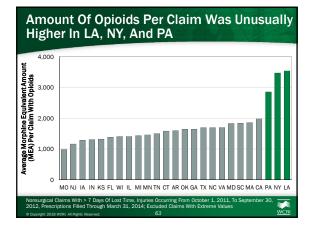
% Of Pain Medication Rx That Were For	Federal Schedule	25-State Median	25-State Range
Hydrocodone-APAP (Vicodin®)		30%	10%-46%
Tramadol (Ultram®)	IV	14%	11%-24%
Oxycodone Products (Percocet®, OxyContin®)	Ш	9%	1%-29%
All Other Opioids (Morphine, Fentanyl, Buprenorphine, etc.)	&	4%	2%-8%
Non-Opioid Pain Medications	-	41%	30%-54%

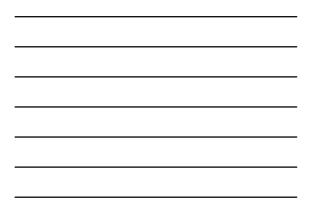


## % Pain Rx For Hydrocodone-Combination Products Dropped By 7 PPT In NY

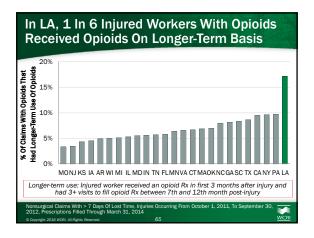
% Of Pain Medication Rx That Were For	2010/12	2012/14	% Point Change
Hydrocodone-APAP (Vicodin®), Upscheduled from III to II in 02/2013	26%	19%	-7
Tramadol (Ultram®)	11%	14%	3
Oxycodone Products (Percocet®, OxyContin®)	14%	16%	2
All Other Opioids (Morphine, Fentanyl, Buprenorphine, etc.)	10%	8%	-3
Non-Opioid Pain Medications	38%	43%	5
12/14: Nonsurgical Claims With > 7 Days Of Lost Time, tember 30, 2012. Prescriptions Filled Through March 3			



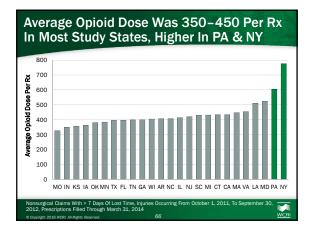




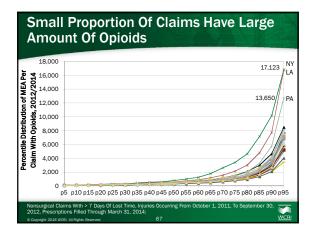
	Higher Amount Could Be Driven By Longer Duration Or Stronger Doses								
MEA per claim = Number of Rx * Ouantity *									
	Strength * Morphine conversion factor(CF)								
	Rx Fill Date	Drug Name	Morphine CF	Narcotic Stre	ength	Qty.	MEA		
	01/01/2012	Vicodin®	1	5mg		40	200		
	01/10/2012	Percocet®	1.5	10mg		60	900		
							1100		
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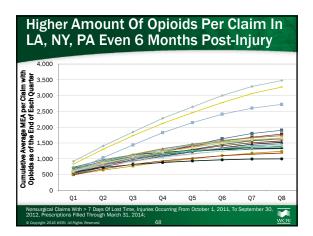






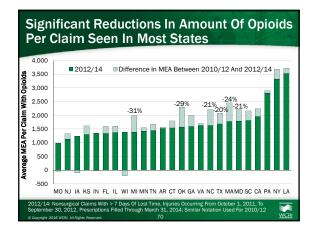








- Prescription drug monitoring programs (PDMP)
- Drug formularies
- Guidelines
- Limits on prescribing and dispensing
- Insurer and pharmacy benefit manager initiatives





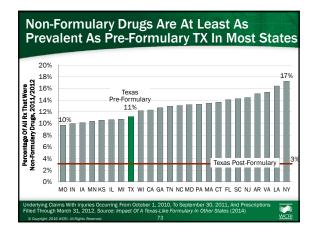
Several Reforms Coincided With Reductions In Opioids Filled Over The Study Period								
	МІ	ок	MA	NC	MD	тх		
% Decrease in Mean/Median Amount of Opioids per Claim	31%/ 20%	29%/ 13%	24%/ 14%	21%/ 5%	21%/ 0%	20%/ 20%		
PDMP	~	✓	~	✓	~			
Treatment Guidelines		~	√					
Formulary						~		
Others			Spillover effects of group health limits			Regulated pain clinics		
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### **Drug Formularies**

- List of covered drugs (includes opioids & other drugs)
- TX: adopted a drug formulary based on Official Disability Guidelines (ODG) (Sep 2011)
- 60% reduction in non-formulary opioids, and 10% reduction in all opioids (Texas Department of Insurance, 2013)
- OK, TN: adopted the ODG formulary (Nov 2014, Jan 2016)
- CA: required to establish a formulary by Jul 2017
- OH, WA, ND, DE, and NV also adopted formularies

WCR





Key Assumptions About Prescribing Practices
• To estimate potential impact of a TX-like formulary in
other states, we make the following key assumptions:

Scenario	Reduction In Non-Formulary Drug Rx	Substitution Of Non- Formulary Drugs With Formulary Drugs
A (TX Pattern)	70%	~0%
В	70%	100%
с	25%	~0%
D	25%	100%
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