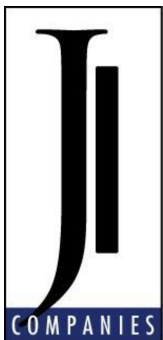
CM2: An Integrated Approach to Managing Prescription Drugs in Workers' Compensation



Francis Fey
President/CEO

Joseph Paduda
Principal

What We'll Cover

- Industry's views on managing drug spend:
  - Drivers.
  - Solutions.
- Where the industry is heading:
  - Consolidation of script processing and management.
  - Clinical management.
- One company's experience:
  - JI Companies' Drug Management Program.
  - Results.

2006 Survey of Pharmacy Management in Workers' Comp

- In-depth survey of decision makers and implementers at 21 payers:
  - Sponsored by Cypress Care, Inc.
- Ranged from very large national players to state funds to TPAs to employers:
  - Range of 2005 Rx payout $3 million - $147 million.
  - Respondents' total Rx expenditure - $1.02 billion.
  - 20% of total est. Workers' Compensation Rx spend.
- Focus:
  - Assessing awareness and level of concern.
  - Defining the problem.
  - Identifying solutions.
  - Assessing program results.

Problem - Rx Cost Increases Averaged 6.5% Over 2005

- It's getting better…for some payers.
- Rx cost ranged from decrease of 8% to increase of 20%:
  - Lowest increase at sophisticated payers.
- 2005 increased 10% over prior year; 2004-12%; 2003-18%.
- Inflation attributed to:
  - Higher utilization.
  - Physician behavior.
  - Over-use of pain medications e.g. OxyContin®, Actiq®.
  - Off-label use.
  - Higher unit prices.
    - Medicare Part D.

How Big A Problem?

- **Drugs as a key component of medical expense:**
  - Medical is now 59% of WC claims cost and rising 3x faster than overall medical inflation.
- **14.5% of workers comp medical expenses are for drugs:**
  - **18.5% in TX** (JI results were 16% in 2005, 15% in 2006).
- Viewed as "more significant than other medical cost issues" (3.5):
  - One respondent said Rx issues were "much more" important; six did last year.
- Senior management is paying attention (91%).
- Projected to become remain important over the next 12-24 months.
- Policyholders are more concerned than last year.

What's Different This Year?

- Inflation rate is down dramatically over prior years.
- More payers' Pharmacy Benefit Manager (PBM) are processing **all** scripts.
- Overall respondents are much more:
  - Aware.
  - Knowledgeable.
  - Current.
  - Insightful.
- Despite significant AWP increases last year, better managed programs actually reduced their drug spend:
  - 5 - 8% increase in AWP for many drugs after Medicare Part D implementation 1/06.
  - 100% increase in Actiq® AWP during 2006.

What is Driving WC Drug Costs?

- "Really the issue is utilization, we need better ways to truly figure out how to get folks tapered off meds and get providers to stop prescribing for so long."
- A "lack of understanding (of the WC pharmacy process) on the part of the payers…the industry is not partnering with PBMs effectively to take advantage of the information, but they expect the info anyway."
- "We still see a lot of off-label drugs prescribed; while we see a tremendous turnaround in OxyContin®, newer ones like Actiq® and Fentora® are showing up; the types of meds they are using just do not make sense."
- "It comes down to dealing with physicians; they are the ones who are writing the scripts based on pharmacy company marketing or just giving the claimant what they ask for…"

Price

- 13 respondents believe low fee schedules and discounts reduce total drug costs.
- 4 don’t, and 3 believe price is a short-term or partial solution.
- Looking deeper – most respondents were not enthusiastic about low fee schedules’ impact on costs; they are “A part of the solution”, not “The Solution”.

Who Is Responsible?

- Treating physicians received highest rank (4.3):
  - Eleven respondents had MDs ranked or tied for first.
  - Consistent with 2005.
  - Supported by narrative responses.
- PBMs (3.6) and Internal Staff (3.8) also considered very responsible (2005 was 4.0).
- Policyholders not viewed as responsible (2.5):
  - Conflicts somewhat with narrative mentions of importance of educating clients and customers.

Why Are PBMs Processing All Scripts?

- More efficient - lower cost per transaction for payers.
- Enables redirection to network pharmacy.
- More accurate reporting - penetration, cost per script, cost per claim.
- Identifies non-compliant pharmacies:
  - Use of third party billers.
  - Resubmission of previously-rejected scripts.
- Provides comprehensive view of patient drug utilization.

Why Clinical Management?

- The Problem – Utilization:
  - Too many drugs are being prescribed at physician's offices for.
  - Too many patients for.
  - Too long.
- The Solution:
  - Payers are looking to PBMs to do a better job of managing utilization.
  - Without adding to adjuster workload.

DUR Programs – The "State Of The Art" Today

- Predominant model is "generic" Drug Utilization Review (DUR) comprised of system edits to catch early refills, duplicates, etc.:
  - State-specific due to jurisdictional allowances and restrictions.
  - Wildly overstated results (illusionary benchmarks).
- Less than 100% of scripts are captured by the system.
- Prior Authorizations (PA) are rarely rejected by the adjuster:
  - But take a lot of time.
- Potentially problematic claims require physician review.
  - Which is rarely done.
- Physician education is just starting:
  - Will take careful analysis over a long time.

The Next Phase of Clinical Management

- Three Levels of Clinical Management :

  1. Individual prescription:
     - Bringing a physician into the PA process.
     - Provides adjuster with clinical recommendations on specific prescriptions.
  2. High cost claimant:
     - Review of entire medical records by physician.
     - Provides recommendations on entire drug treatment program.
  3. High cost prescribers:
     - Identify prescribers whose prescribing patterns appear to contradict best practices, provide them with their data, track results.

JI Companies

- Administrator of workers comp and group health programs for employers in public and private sector.
- In-house Utilization Management, Case Management & Medical Bill Review.
- Outsourced PBM and prescription management.
- Strengths:
  - Quantitatively oriented – clients expect and we document our impact and results.
  - Demonstrated expertise in claims and cost management.
  - Operationally excellent.
  - Utilized a workers comp PBM since 2000.

Why We're Interested In And Focused On Drug Costs

- Client demands.
- Need to stay in front of market issues.
- Medical expenses are more than 68% of claims costs in Texas and accelerating rapidly:
  - Texas' medical costs are 74% higher than average (WCRI).
  - Drugs are >16% of total medical cost (18.5% or more w/out mgmt.).
  - Drugs are the **biggest** contributor to medical inflation.
- Overuse of drugs complicates return to work:
  - Dependency issues.
  - Rehab issues.
  - "Disability mindset."

What We've Done

- Integrated a WC PBM into operations and managed care service offerings:
  - Worked closely with our PBM to maximize penetration and script capture.
  - Provided PBM online access to full claims information.
- Consolidated all script processing at PBM:
  - Paper bills, retail, mail order, third party billers.
- Put in place both an "enhanced" clinical pharmacy authorization (CPA) and a clinical pharmacy review (CPR) program.
- Review high prescribers for peer-to-peer consults:
  - Adding as criteria for newly implemented WC provider networks.

Why?

- Without all drug data, you do not have an accurate/complete picture.
- Specific issues with too many narcotic fills for too long for specific claimants without any clear path to resolution.
- High cost claimants can be really high cost – 40% of costs for claims more than 4 years old are from drugs.
- 1/3 of claims dollars are for services rendered three or more years after the claim occurs.
- Medicare requires WC payers to set aside funds to pay those bills.

How We've Done It

- Identified key clients likely to be supportive.
- Researched claims data to identify potential problems.
- Worked with our PBM to develop a program that:
  - Captures all scripts - mail, retail, paper, third-party billers.
  - Works in different jurisdictions.
  - Will provide us with solid legal justification for actions.
  - Is clinically sound and robust.
  - Delivers meaningful results that can be, and are, documented and reported.

Addressing Individual Scripts
"Enhanced" Clinical Pharmacy Authorization Process

- Pharmacy Authorization (PA) "target" list is developed by PBM (Cypress Care) and JI.
- Initial scripts for "target" drugs are allowed to be filled.
- PBM system flags "target" script for Enhanced PA process.
- Goal is for treating provider to comply with recommendations of PBM clinician.
- Subsequent medications monitored to determine impact.

"Enhanced" Clinical Pharmacy Authorization Overall Results[1]

- 72 cases Q1/Q2 2007.
- 33% impact rate:
  - Future meds were denied due to no medical necessity, or
  - Prescribing physician agreed to discontinue.
- **Hard dollar** savings to clients of $6,830 per claim (annual):
  - Total client savings of $162,300 (annual) on investment of $21,600.
  - Total Program **ROI 7.5:1** (annual).

Source: [1]Cypress Care Data and JI Claim Data

“Enhanced” Clinical Pharmacy Authorization

- “Target” Drugs reviewed included:
  - Fentanyl Citrate: 65% of which 31% modified or denied.
  - OxyContin®: 22.5% of which 20% modified or denied.
  - Compounds: 12.55% of which 56% modified or denied.

ECPA - Case Example 1
"Failed" Surgery Back Injury Case[1]

- Claim: ****0600119:
  - DOI: 02/15/2006.
  - Injury:
    - Compensable fracture of femur; unrelated post-polio syndrome.
  - Drug:
    - Duragesic Patch®.
  - Result:
    - MD anticipated meeting pre-injury status within one month of the discussion, so agreed to one month to wean from medication.
  - Annual Rx Savings: $9,065.64.
  - Annual Total Medical Savings: $.*

Source: [1]Cypress Care Data and JI Claim Data

ECPA - Case Example 2
Lingering Case - Long-term Drug Usage[1]

- Claim: ****9500002:
  - DOI: 10/26/1994.
  - Injury:
    - Low back and leg pain, earlier WC injury.
  - Early 2007 Activity:
    - Patient currently taking Avinza®, OxyContin® and Lorcet® (Hydrocodone/apap).
    - Attorney involvement after questions on meds.
  - Results:
    - Physician reviewer determined the drugs were not likely needed for that injury; not related.
    - Treating physician agreed, Avinza® terminated, Lorcet® decreased.
  - Annual Rx Savings: $12,288.
  - Annual Total Medical Savings: $.*

Source: [1]Cypress Care Data and JI Claims Data

ECPA - Case Example 2
Lingering Case - Long-term Drug Usage[1]

- Claim: ****9500002:
  - DOI: 10/26/1994.
  - Injury:
    - Low back and leg pain, earlier WC injury.
  - Early 2007 Activity:
    - Patient currently taking Avinza® (OxyContin®) and Lorcet® (Hydrocodone/apap).
    - Attorney involvement after questions on meds.
  - Results:
    - Physician reviewer determined the drugs were not likely needed for that injury; not related.
    - Treating physician agreed, Avinza® terminated, Lorcet decreased.
  - Annual Rx Savings: $12,288.
  - Annual Total Medical Savings: $.*

Source: [1]Cypress Care Data and JI Claims Data

Addressing High Cost Claimants
Clinical Pharmacy Review Process

- Cypress Care's data analysis identifies "red flag" claimants based on total dollars/month on prescribed drugs.
- Cypress Care's clinical staff reviews each file to identify duplicate therapies, potential harmful drug interactions, possible over dosage and/or fraud and abuse.
- Cypress Care's staff contacts adjuster re: following up with the treating provider.
- JI Adjuster gives OK.
- Cypress Care's physician contacts treating provider to discuss patient's history and treatment plan, provide information about possible alternative therapies, and attempt to obtain treating provider's commitment to modify drug treatment.
- If successful, letter sent out to provider documenting agreement.
- If unsuccessful, Cypress Care's physician documents conversation and provides recommendation to adjuster for adjuster's further action.
- Ultimately…It's always up to the adjuster.

Clinical Pharmacy Review Results[1]

- 61 cases reviewed Q1/Q2 2007, average 5 drugs per case:
  - Oxycodone versions - 53% of reviews.
  - Fentanyl - 32% of reviews.
  - Sleep aids (e.g. Lunesta®, Ambien®) - 25% of reviews.
- 70% impact rate (actual contact with and agreement by treating provider).
- Annual Savings: $10,559 per case:
  - Total Program **ROI 8:1** (annual).

Source: [1]Cypress Care Data and JI Claim Data

CPR - Case Example 1
The Complex, Complicated Patient[1]

- Claim: ****9800002:
  - DOI: 06-12-1998.
  - Injury: Patient with significant co-morbidities (spinal stenosis, multiple sclerosis [MS]), chronic neck condition, post-laminectomy syndrome.
  - Cervical HNP - Failed surgery; MS affecting treatment; chronic pain & depression.
  - Patient currently treated by pain management center and other physicians taking 11 drugs:
    - **5 WC**: Lorcet® (Hydrocodone), Avinza® (Morphine), Soma® (Carisoprodol), Prozac® (Fluoxetine), Neurontin® (Gabapentin).
    - **6 non-WC**: Valium®, Depakote®, Buspirone, Calcitriol®, Copaxone®, Zocor®.
  - Process - medical records reviewed, additional research on MS care, contacted treating physician - initially not cooperative.
  - Results:
    - Recommended/provider agreed to termination of all WC medications (weaning process).
    - Recommended transfer of patient to provider with specific expertise in MS.
  - Annual Rx Savings: $12,297.
  - Total Life of Claims Savings: $. *

Source: [1]Cypress Care Data and JI Claim Data

CPR - Case Example 2 Unnecessary Multiple Drugs[1]

- Claim: ****9100186:
  - DOI: 11/8/1990.
  - Injury:
    - Initially elbow injurycervical injury with RSD and chronic pain - included Reactive Fibromyalgia/Myofascial Syndrome, depression, sleep disturbance.
  - Drugs:
    - Glucosamine, Indomethacin, Lexapro®, Lidoderm Patch®, Prilosec®, Soma®, Baclofen®, Colace®, Xanax®, Vicodin®, Desyrel®.
  - Results:
    - Treating physician agreement that 5 were approved for administration, 3 were unrelated (Glucosamine, Prilosec®, Indomethacin), 3 were to be discontinued (Lexapro®, Soma®, Xanax®).
  - Annual Rx Savings: $11,879.76.
  - Total Life of Claim Savings: $ * (20+ year life expectancy).

Source: [1]Cypress Care Data and JI Claim Data

Physician Outreach

- Process:
  - Cypress Care staff analyzed data to identify specific providers who prescribed brand where generic was available.
  - Sent 65 letters with supporting documentation detailing findings:
    - 38 distinct providers received letters.
    - Not judgmental or accusatory.
    - Requested feedback from specific providers to PBM.
- Track future prescribing activity to evaluate results.

Physician Outreach Results

- 19 responses from 38 providers (50% response rate).
- 16% agreed to change to generic.
- 32% refused to change to generic.
- Overall, high compliance with generic requirement (73% of all scripts are for generics).

JI - Our Next Steps

- Provide more and better reporting to clients.
- Enroll more clients:
  - Competitive advantage for JI in the marketplace.
- Expand ECPA “target” list to include more drug types and specific drugs:
  - **Ondansetron** - for nausea/vomiting, but specifically for cancer patients; being used for WC patients.
  - **Kadian**® - morphine; usage is increasing and is being suggested as an alternate to some of the other opioids.
  - **Avinza**® - morphine, extended release.
  - **Opana**® - oxymorphone hydrochloride – opioid.
- Determine next steps with high-utilizing physicians:
  - Direct more patients to specific physicians (WC HCN capability).
  - Pharm find other info from adjusters.
  - Physician discussions.
  - Remove from preferred list or network.

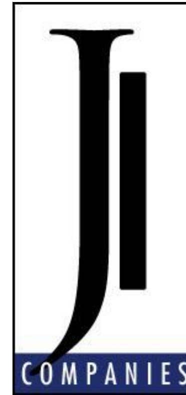
Success Measures

- Concrete claim management tools for troublesome claims.
- Lower drug cost per claim.
- Lower total medical claim cost for targeted claims.
- Client acceptance.
- Competitive differentiator.

Conclusions

- Prescription drug costs are the fastest growing component of medical expense in workers compensation claims.
- Effective tools do exist to mitigate cost increases.
- Applying clinical expertise to drug management delivers tangible, quantifiable results.

Thank You



Francis Fey

512-427-2301

www.jicompanies.com

Joe Paduda
203-314-2632
www.healthstrategyassoc.com