

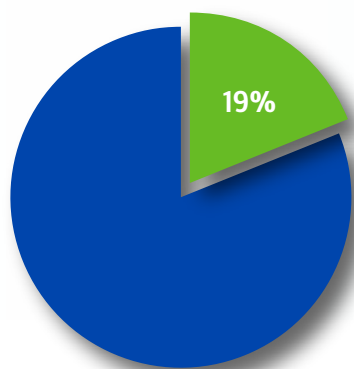


Focus on Pharmacy Management

PHYSICIAN DISPENSING

Introduction

The National Council on Compensation Insurance (NCCI), the largest provider of workers' compensation and employee injury data and statistics in the nation, released a study on prescription drugs as a significant driver of workers' compensation medical costs, and the impact of price and utilization changes on those costs. The August 2011 study showed that pharmacy costs are 19% of total workers' compensation medical costs.



SOURCE: NCCI

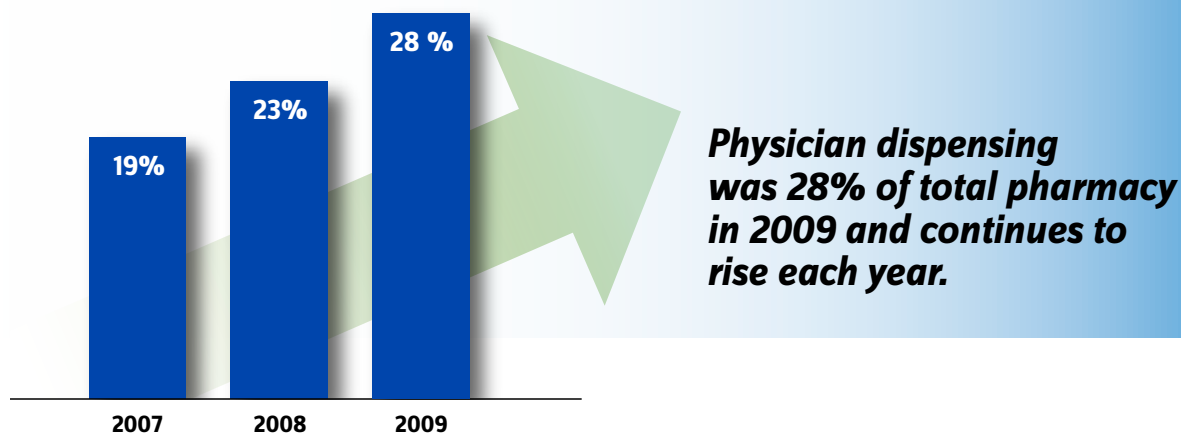
**Pharmacy costs account for
19% of total workers'
compensation medical costs.**

Effective pharmacy management has economic payoffs by reducing the incidences of overpayment of medical expenses. However, the benefits of effective pharmacy management has proven to be more than just financial – there are tragic human costs that can result from lack of oversight. Many work-related injuries involve managing chronic pain through the use of powerful narcotics. Without careful and thorough utilization management, abuse in this area is on the rise, and the impact on the health of injured workers – addiction or death – is devastating.

CorVel's Focus on Pharmacy Management series illuminates the many facets of this challenging issue. Each article shares best practices, tools and approaches payors may use to mitigate potentially devastating exposure in their risk program.

This article aims to inform readers on the potential risks of allowing injured workers to receive medications through unmanaged channels of dispensing.

Historically, physician prescribed medications were dispensed through a local retail or mail order pharmacy. When the utilization of drugs was shown to be a significant cost driver in workers' compensation in the NCCI's drug study of 2003, employers and payors responded accordingly by enlisting pharmacy benefit management companies (PBMs), establishing PPOs, and by implementing other cost containment measures - focused almost exclusively on tackling utilization retrospectively - in an attempt to contain rising drug costs.



Unmanaged Drug Dispensing

The NCCI's drug study of 2011 showed significant increase in the growth of physician dispensed drugs in almost every state. Further, the study showed that the states with the highest physician dispensing rate also experience the highest drug costs per claim.

The rise in alternative drug dispensing channels, such as physician dispensing and workers' compensation specialty pharmacies, means that payors have a significant gap in their ability to effectively manage utilization, drug costs and potential abuse. This is largely because these alternative channels most often are not visible to PBMs, in which the industry has relied to manage pharmacy exposure. From a claims management perspective, traditional cost containment strategies are typically retrospective and can be too late, triggered by dollars expended rather than the nature of the risk.

Why Physician Dispense

Unlike other systems where this does not occur, under workers' compensation physicians are increasingly dispensing prescriptions in their offices to their patients during office visits. Physicians support this practice for various reasons:

Convenience: In office is more convenient than a pharmacy.

Compliance: Convenience leads to better patient compliance.

Quality: Compliance and direct physician control leads to better outcomes.

Profit: The physician captures a new revenue stream.

Physicians who do not dispense directly to patients in their offices may choose to refer patients to a specialty workers' compensation pharmacy. This is an especially popular channel with the most powerful narcotics as physicians typically do not want to stock these drugs to avoid issues of theft and abuse. Other medications dispensed via this channel are those less frequently ordered and thus less likely to be stocked in office.

Specialty Workers' Compensation Pharmacies

Specialty workers' compensation pharmacies represent a growing industry. In addition to physician referrals, these pharmacies are often introduced to claimants by their attorneys. The most common rationale to support their use is convenience, as home delivery of the medications is made via next day delivery. Delays in processing medications at retail pharmacies is another rationale frequently cited. These pharmacies collect payment directly from the insurance companies/payors.

Management Reporting Impact

These alternative channels of dispensing through the physician or specialty workers' compensation pharmacies are often unregulated and not integrated into the payor's workers compensation program management. Most, if not all, of these alternative transactions are not accessible or transparent to stand alone PBMs, which are usually only able to track traditional point of sale retail pharmacy dispensing.

Many payors believe they have sufficient data to control their pharmacy exposures through their PBM when, in fact, they have a limited data and few tools at their disposal to proactively manage costs and quality of patient care. Without an integrated PBM and bill review platform that captures 100% of pharmacy transactions, regardless of dispensing channels such as physician dispensing, payors struggle to manage these transactions and the underlying exposures they represent.

Though patients may accrue some benefits from the logistical conveniences of receiving medication during an office visit or delivered to their homes, they can lose the advantage of having the dispensing of their medications overseen by their workers' compensation program that has comprehensive data and an incentive to achieve the best possible outcome.

Financial Impact

In 2010, NCCI identified a sudden and significant growth in the share of workers' compensation drugs dispensed by physicians, who are prescribing more drugs as well as more expensive drugs. This study confirms increased physician dispensing directly to patients and correlates increased physician dispensing with increased drug costs per claim.

Because of the potential for large profits, office managers and the physicians they serve are easy targets of repackagers and the third party vendors who facilitate the business, especially in a time of economic uncertainty and declining reimbursements overall. These financial incentives cause experts to worry about conflict of interest as physicians may dispense medications that needlessly drive up the cost of patient treatment.

Moreover, due to overall economies of scale, the cost per unit of the same drug dispensed by a traditional retail pharmacy is lower than that dispensed by a physician. Pharmacies dispense larger quantities of drugs in each transaction, or may be part of a Pharmacy Benefit Manager (PBM) network. PBMs have the ability to negotiate lower prices from manufacturers when buying in bulk, and approve the use of generics and other less expensive drugs that are equally effective. Traditional retail pharmacies pass these cost savings on to payors of workers' compensation programs. An integrated PBM program can provide regular management reporting detailing provider prescribing patterns and drug usage by injured workers to identify incidences of waste or abuse.



Physician Dispensing Increases Costs

- ***Inflated pricing***
- ***More prescriptions***
- ***Potential for duplicate medications***

Manage The Entire Exposure

As the cost of prescriptions, especially high-risk narcotic medications, drives up the costs of workers' compensation claims, payors need to develop a management system that provides a view of patient care to help them get control of cases of misuse and abuse. A robust system would provide an integrated and transparent view of all physician bills, pharmacy bills through all channels of dispensing, ongoing utilization review, reporting and analysis, with a clearly defined strategy for proactively and effectively monitoring narcotics.

Conclusion

These integrated PBM and bill review program capabilities help payors ensure injured worker safety and reduce expenses. Without the visibility into physician dispensed or alternate pharmacy transactions, it is almost impossible to proactively manage care and control costs. Comprehensive data is key for powering an effective utilization review program to mitigate risks and costs. Early and effective intervention at the first signs of misuse or abuse is critical for preventing addiction and loss of life.

Comprehensive, Integrated Pharmacy Management

100% visibility into all pharmaceutical transactions. While payors work to increase network penetration, they should also make sure to have visibility into alternative dispensing methods so they can manage their entire exposure.

A strategic view of physician behavior. Programs need to know who writes prescriptions and their channels of dispensing, monitors their behavior, and reports on patterns of provider behavior. Incent physicians to comply with standards of care and to work within the managed care guidelines.

Fully integrated claims data. Proactive management of patients' treatment, supported by advanced technology, algorithms, and precise processes and protocols. Identify and manage risk. Intervene early and often to mitigate risks, costs and damages.

In this increasingly costly and complex healthcare environment, payors need to have tools and strategies necessary to govern an effective workers' compensation program and provide the best quality of care and outcomes for their patients. CorVel brings a unique solution to pharmacy management through our integrated platform of bill review, PPO and PBM. The very nature of our core business ensures CorVel captures 100% of clients' pharmacy transactions in a timely and actionable manner. We have industry leading experience in pharmacy management and offer a comprehensive program for physician medication reviews.

Please visit www.corvel.com to learn more, or contact your CorVel representative for additional information.

Source: National Council on compensation Insurance | www.ncci.com