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Prescription-drug costs account for one of the fastest-growing components of workers' comp medical expenditures in the United States.

In response, the pharmacy-benefit-management industry has expanded to address workers' comp payers' concerns.



The PBM Solution

BY MINDY W. TORAN

For years, pharmacy-benefit-management companies have addressed the cost and utilization of prescription drugs in the group health arena. As one of the fastest-growing components of health-care costs in the United States, prescription-drug costs accounted for approximately 10 percent of health-care expenditures in 2006, and are expected to increase to nearly 15 percent of total national health-care spending by 2011, according to the Centers for Medicare and Medicaid Services, a division of the U.S. Department of Health and Human Services.

In the workers' compensation arena, prescription drugs accounted for approximately 15 percent of workers' comp medical expenses—or \$5 billion—according to Health Strategy Associates LLC, a Madison, Conn.-based consulting firm specializing in managed-care and health-cost containment. In retrospect, injury rates are on a steady decline of about 3 percent to 5 percent per year, while the severity, or medical cost, of claims is increasing significantly—particularly for claims that involve time away from work. In fact, medical costs comprise almost

60 percent of workers' comp claims expenditures, reports HSA's *Fourth Annual Survey Report on Prescription Drug Management in Workers' Compensation*.

"Prescription drugs are the fastest-growing component of workers' comp medical expenses, yet they are the least managed part of medical expenditures," says Joseph Paduda, a principal at Health Strategy Associates. While price increases are a key contributor to drug-cost increases, the most significant driver is the level of patients' utilization.

"As a result, we're seeing a significant increase in the number of entities, including workers' comp payers, third-party administrators and self-insured employers, trying to mitigate these expenses," Paduda says.

One of the major ways in which payers are addressing these issues is through the use of pharmacy-benefit managers. Since the early '90s, a growing number of PBMs have emerged to focus specifically on the workers' comp industry. In addition, a number of group-health PBMs have developed integrated programs to address workers' comp cost concerns.

Putting Data to Work

For companies such as Cigna/Intracorp, Aetna and Express Scripts, which manage pharmacy benefits on both the group-health and workers' comp sides, access to integrated pharmacy data significantly enhances the pharmacy-benefit-management process.

Last year, Cigna introduced its Workers' Compensation Pharmacy Benefit Management solution, which combines Cigna Pharmacy Management's clinical pharmacy expertise with Intracorp's workers' comp medical management capabilities. The resulting integrated drug utilization review program houses both group health and workers' comp prescription claims in the same system, which provides a systematic review of drug-use patterns and cost data.

"This allows us to mitigate patient health and safety issues and potentially more than double fee-schedule savings by further reducing inappropriate drug use and fraud," says Betsy Robinson, assistant vice president for product management and development at Intracorp in Philadelphia.

"For the past 10 years, I've worked both sides of the house—group health and workers' comp," says Charlotte Perkins, chief human resource officer at Performance Food Group, a Richmond, Va.-based national food service distribution company with more than 7,000 employees. "In my evaluation, it made no sense that a prescription that cost \$35 under group health may cost \$100 under workers' compensation. Cigna was the first company willing to sit down with us, listen to what we had to say and work with us to find a sensible solution."

PFG implemented Cigna's program in July 2006 and has already seen a 27 percent reduction in workers' comp pharmaceutical costs. "We worked closely with both Cigna and Intracorp to develop an integrated pharmacy network that employees could use for both workers' comp and group health prescriptions. One of the main benefits is that employees no longer have to pay out-of-pocket for prescription drugs when they're injured on the job and wait to be reimbursed under their workers' comp benefits. We provide them with a prescription card they can use immediately upon reporting an injury to a safety manager, which also enables us to create a timely first report of injury and get claims into the system sooner," Perkins says.

Express Scripts, a St. Louis-based PBM, is also leveraging its success in the group health market through its Express Comp unit. Since 1992, Express Comp has provided workers'

comp PBM services, with a specific focus on the safety and health of injured workers.

"The upward trend in workers' comp prescription costs comes at a time when the number of work-related accidents and injuries has actually declined," says Vickie Wheeler, senior director of workers' comp at Express Comp. "PBMs focus on controlling costs and making sure patients receive the appropriate medications at the appropriate time. Payers can save at least 20 percent to 25 percent on hard drug costs through network pharmacy discounts, as well as an additional 25 percent to 30 percent of soft savings from the use of formularies and clinical programs geared to the workers' comp market."

Intracorp's Robinson adds, "In order to be successful, you need to control both unit costs and utilization. While controlling unit costs and providing network discounts can bring significant savings, you also need to look at point-of-sale opportunities at the retail/pharmacy level, which includes looking at the script before it's dispensed."

Better Management

According to Dana Felthouse, president of the Pharmacy Benefit Management Institute in Scottsdale, Ariz., "PBM programs make sure the right clinical protocols are followed and ensure that the most beneficial drugs are being provided. In addition, they can help direct patients to generic drugs, when medically appropriate, which helps manage the use of medications and curbs the rate of drug-cost increases.

"PBM information systems and point-of-service systems have become more sophisticated in recent years and are better able to support workers' comp concerns," Felthouse says. "Issues such as eligibility verification, electronic claims adjudication, network contracting, formulary management and drug-utilization review programs have become more advanced and are better able to address payers' concerns."

While the focus on pharmacy network discounts below state fee schedules has been a primary concern of workers' comp PBMs, many have begun focusing more on drug-utilization-review and clinical-management programs as a means of controlling costs.

"Most PBMs were originally focused on providing discounts to network payers to mitigate pharmacy costs," says Jim Andrews, vice president of pharmacy operations at Cypress Care, an Atlanta-based PBM focusing on the workers' comp, auto and Medicare set-aside markets. "We're now looking to manage

pharmacy costs over and above network discounts, focusing on comprehensive clinical management that provides the right drug at the right time for the right price and, ultimately, gets people back to work."

Indeed, a strong clinical-management program "can significantly drive down utilization which, in turn, drives down medical costs and gets patients back to work sooner," says Nick Page, vice president of pharmacy and clinical services at PMSI, a Tampa, Fla.-based workers' comp PBM and specialty medical services and equipment provider. "Clinical-management programs can intervene with physicians, where appropriate, and encourage the sharing of information with physicians and pharmacists involved in patient care."

The prevention of dangerous drug interactions, avoiding duplicate prescriptions and the detection of fraud and abuse of pharmaceuticals are some of the main components of drug utilization-review programs.

"DUR provides a significant second tier of savings for our PBM program," says PFG's Perkins. "An integrated DUR program, in which group health and workers' compensation prescription claims are housed within the same system, can flag such potential problems as dangerous drug interactions, early refills, duplicate prescriptions, therapeutic duplication or misallocation of pharmacy payments between group health and workers' comp."

According to Nancy Eid, a principal specializing in the areas of pharmacy and workers' comp at Mercer, "Workers' comp pharmacy is an area of health care that remains largely unmanaged. The growth of the workers' comp PBM market represents an opportunity to begin to focus on this issue and begin to manage and control these costs."

While the nature of the workers' comp industry has made it difficult to address the management of pharmacy costs, largely due to jurisdictional issues and differences in the way network discounts are applied in group health versus workers' comp, there is ample opportunity for change, says Eid. "Plan sponsors are just beginning to carve out workers' comp pharmacy as a portion of their medical expenditures and are starting to contract directly with workers' comp PBMs, which is a step in the right direction to managing their costs and utilization."

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