Workers Compensation and Prescription Drugs: 2016 Update

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Why Are Prescription Drugs an Important Topic in WC?

- The projected prescription drug (Rx) share of total workers compensation (WC) medical costs for Accident Year 2014 is 17%
  - Rx averages approximately 45% to 50% of annual medical costs for active claims older than 10 years
- Rx payments reported through NCCI’s Medical Data Call were over $1 billion in 2014
- Rx is among the most active subjects of legislative activity in WC
- In 2014, Rx price inflation was higher than overall medical price inflation
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
Recent Activity Regarding Rx in WC

- Drug Formularies
- Limitations on Physician Dispensing and Repackaged Drugs
- Opioid Treatment Plan/Agreement and Drug Adherence
- Choice of Pharmacy
- Medical Conditions Resulting From WC Prescription Drugs Are Compensable
- Pharmacy vs. PBM (Pharmacy Benefit Manager)
The Incremental Rx Share of Total Medical Costs Increases Rapidly as Claims Age

The projected Rx share of total medical costs for Accident Year 2014 is 17%

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.

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Cost = Price \times Utilization

- **Cost**—the total dollars paid per claim
- **Price**—what is paid for individual services
- **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

2011 to 2014 Cumulative Change is 25%

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.

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Rx Prices Increased 11% in 2014

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 ± one standard deviation. Data used with permission.

Countrywide

$429
Rx Cost Containment

- Pharmacy Benefit Managers
- Pharmacy Networks
- Utilization Reviews
- Drug Fee Schedules
- Prescription Drug Monitoring Programs (PDMPs)
- Drug Formularies and Treatment Guidelines
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):

<table>
<thead>
<tr>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
<td>Preauthorized for use</td>
</tr>
<tr>
<td>N</td>
<td>Not allowed, or needs authorization</td>
</tr>
<tr>
<td>*</td>
<td>Both Y and N are possible depending on intended purpose</td>
</tr>
</tbody>
</table>

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.
Potential Rx Costs 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.

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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.

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States With a Decrease in 2014 Rx Costs per Active Claim

NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2013 and 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.
NCCI analysis based on Medical Data Call, for prescription drugs with an NDC provided in Service Years 2013 and 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.
Controlled Substances Prices Increased 16%

NCCI analysis based on Medical Data Call, for controlled substances 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. Price changes are based on a Fisher index. Data used with permission.

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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 Rxs classified as Schedule 2 and 3 by the Drug Enforcement Administration, not dispensed by a physician. Data used with permission.

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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 Rxs 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.

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Physician-Dispensed Rx Utilization Increased 4% in 2014

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 Rxs 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.
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.

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Top Drugs in Workers Compensation
### Top Drugs by Cost

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

- **DULOXETINE HCL** is the generic formulation of Cymbalta. Cymbalta’s patent expired on 12/11/2013. Cymbalta’s rank changed from 3rd to 47th between 2013 and 2014.

- **LIDOCAINE** is the generic formulation of Lidoderm. Lidoderm’s patent expired on 9/15/2013. Lidoderm’s rank changed from 5th to 34th between 2013 and 2014.
## 10 Drugs Explain More Than Half of the 2014 Change in Prices

<table>
<thead>
<tr>
<th>Drug Name</th>
<th>Brand Name/ Generic</th>
<th>DEA Schedule</th>
<th>2013 Price Paid per Unit*</th>
<th>2014 Price Paid per Unit</th>
<th>2014 Change in Price Paid per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>OXYCODONE-ACETAMINOPHEN</td>
<td>Generic</td>
<td>2</td>
<td>$1.19</td>
<td>$1.61</td>
<td>35%</td>
</tr>
<tr>
<td>LYRICA</td>
<td>Brand Name</td>
<td>5</td>
<td>$3.74</td>
<td>$4.54</td>
<td>21%</td>
</tr>
<tr>
<td>OXYCODONE HCL</td>
<td>Generic</td>
<td>2</td>
<td>$0.63</td>
<td>$1.01</td>
<td>60%</td>
</tr>
<tr>
<td>CELEBREX</td>
<td>Brand Name</td>
<td>None</td>
<td>$5.63</td>
<td>$6.92</td>
<td>23%</td>
</tr>
<tr>
<td>OXYCONTIN</td>
<td>Brand Name</td>
<td>2</td>
<td>$6.73</td>
<td>$7.27</td>
<td>8%</td>
</tr>
<tr>
<td>DUEXIS</td>
<td>Brand Name</td>
<td>None</td>
<td>$6.05</td>
<td>$10.40</td>
<td>72%</td>
</tr>
<tr>
<td>BACLOFEN</td>
<td>Generic</td>
<td>None</td>
<td>$0.65</td>
<td>$1.22</td>
<td>86%</td>
</tr>
<tr>
<td>PERCOCET</td>
<td>Brand Name</td>
<td>2</td>
<td>$7.15</td>
<td>$9.18</td>
<td>28%</td>
</tr>
<tr>
<td>MORPHINE SULFATE ER</td>
<td>Generic</td>
<td>2</td>
<td>$2.35</td>
<td>$2.94</td>
<td>25%</td>
</tr>
<tr>
<td>IBUPROFEN</td>
<td>Generic</td>
<td>None</td>
<td>$0.30</td>
<td>$0.43</td>
<td>44%</td>
</tr>
</tbody>
</table>

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 Rx Utilization Increased 13% in 2014

Price Change | Utilization Change | Rx Cost Change per Active Claim

2011–2012: 12% 12%
2012–2013: 8% 7%
2013–2014: 7% 13% 21%

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.

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Brand Name Rx Utilization Decreased 18% in 2014

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.

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Generic Shares of Rx Costs and Prescriptions Both Increased in 2014

<table>
<thead>
<tr>
<th>Service Year</th>
<th>Rx Costs</th>
<th>Prescriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>44%</td>
<td>76%</td>
</tr>
<tr>
<td>2012</td>
<td>45%</td>
<td>77%</td>
</tr>
<tr>
<td>2013</td>
<td>45%</td>
<td>78%</td>
</tr>
<tr>
<td>2014</td>
<td>51%</td>
<td>82%</td>
</tr>
</tbody>
</table>

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

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### 3 Drugs Explain Most of the 2014 Change in the Generic Share of Rx Costs

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

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