



2015 Annual Issues Symposium

The Impact of Workers Compensation Rx Fee Schedules

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2015

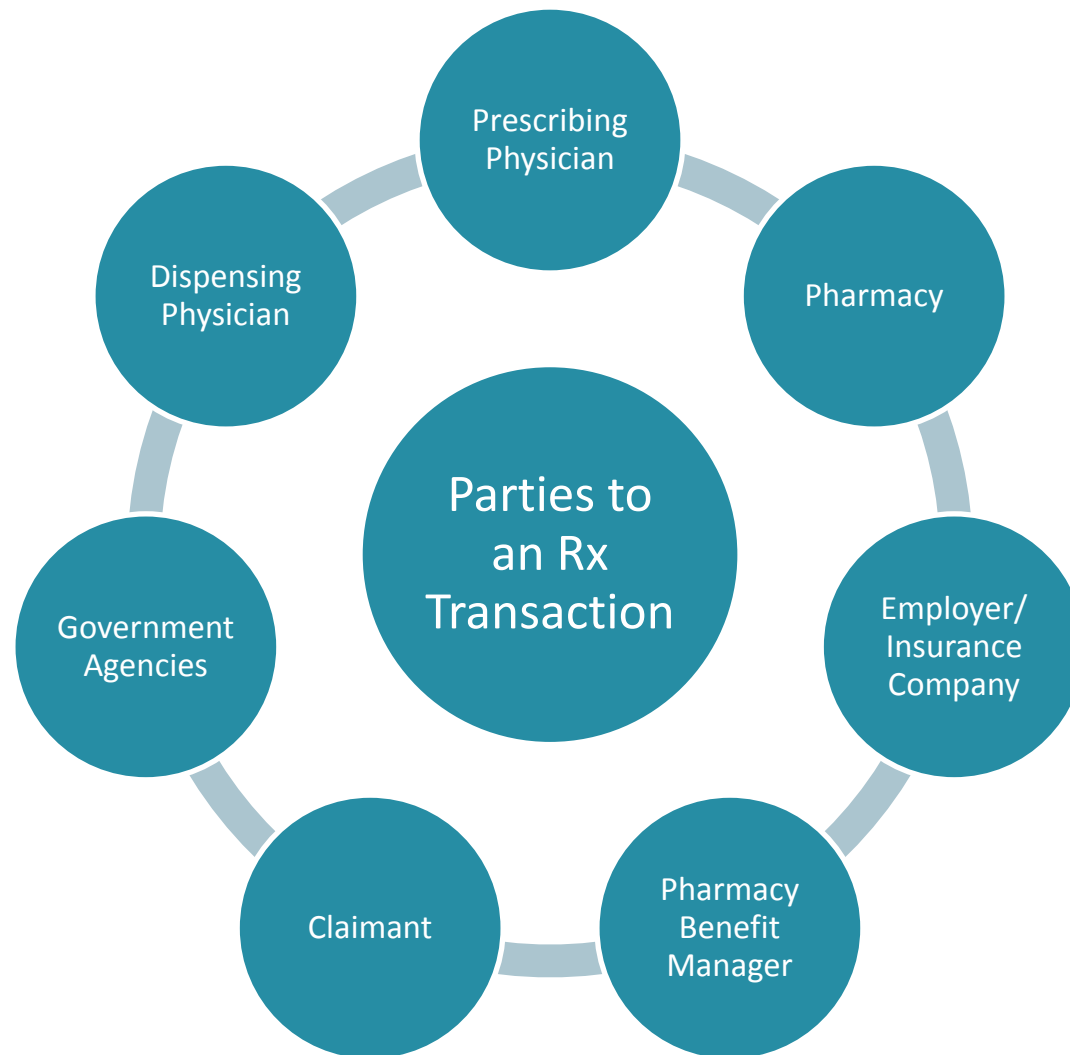
Background

- Most states have workers compensation (WC) Rx fee schedules that are based on the average wholesale price (AWP)
 - For example, a state's fee schedule might indicate that the maximum amount reimbursable for Rx's in WC is 110% of AWP plus a \$4.00 dispensing fee
- Other states either do not have an Rx fee schedule or have fee schedules that are not based on AWP
- State rules may or may not specify a source for AWP

Main Research Questions

- Do Rx fee schedules based on AWP have an effect on Rx prices paid in WC?
 - If yes, what is the impact?
- This study looks at differences in Rx **prices** across states to assess the effect of Rx fee schedules on Rx **prices** paid in WC

Multiple Parties to WC Rx Transactions



Cost, Price, and 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 Rx's provided on a claim, e.g., OxyContin versus Ibuprofen

$$\text{Cost} = \text{Price} \times \text{Utilization}$$

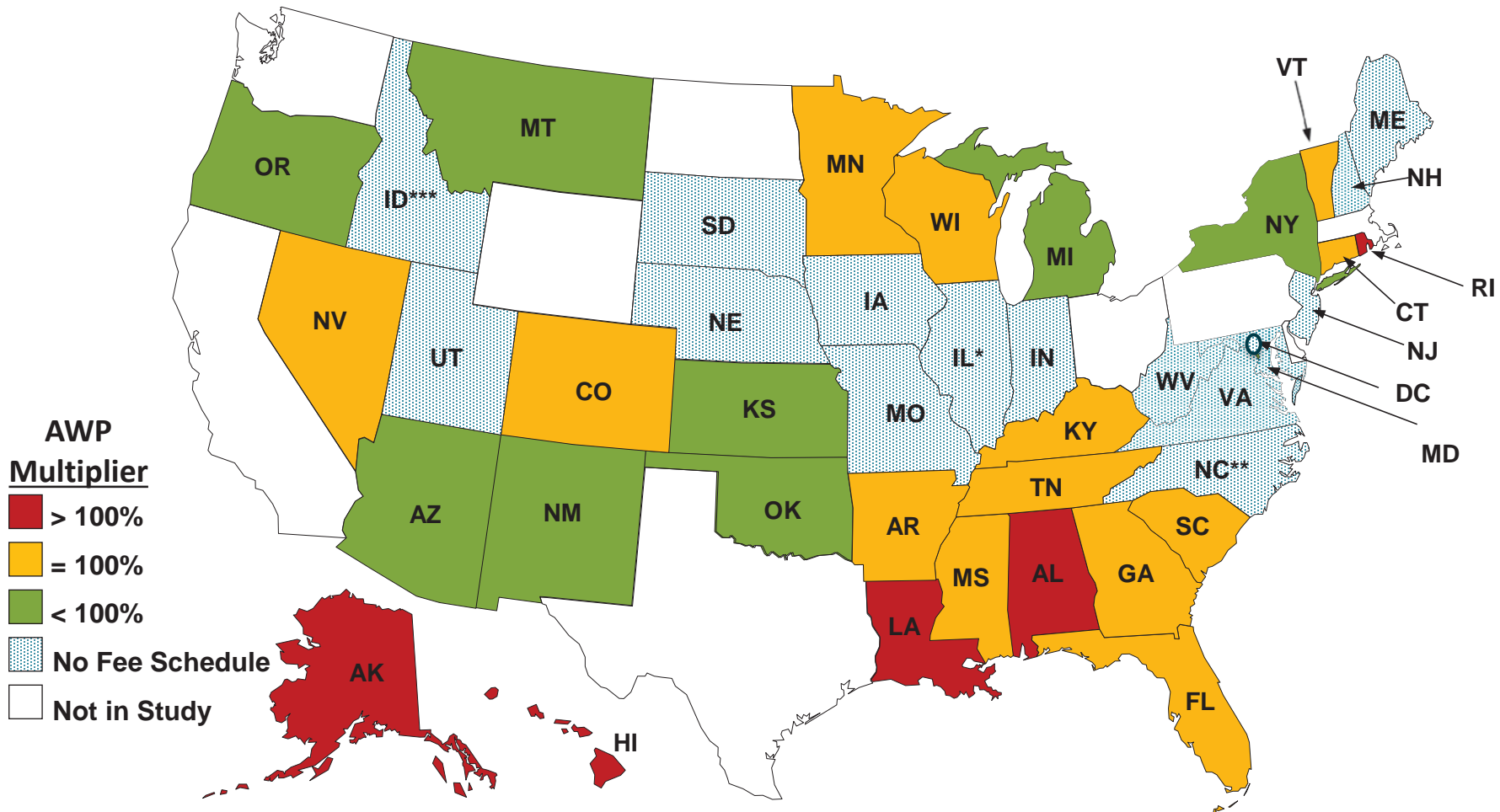
Estimated Maximum Amount Reimbursable

- Fee schedules specify the maximum amount to be reimbursed for the service provided
- AWP-based Rx fee schedules specify a Maximum Amount Reimbursable (MAR) for Rx as:

$$\text{MAR} = \text{Units} \times \text{AWP} \times \text{Multiplier} + \text{Dispensing Fee}$$

- Multipliers vary, but are in the range of 80% to 140%
- Dispensing fees vary, but are in the range of \$0 to \$12
- For this study, NCCI used First Databank data to calculate the AWP underlying the estimated MAR (EMAR) for each transaction, across all study states

Fee Schedule AWP Multipliers Range From 80% to 140%



Based on regulation rules established for pharmacy dispensing of generic medications during Service Years 2011–2013

*AWP-based fee schedule only applies to prescriptions filled outside of a pharmacy

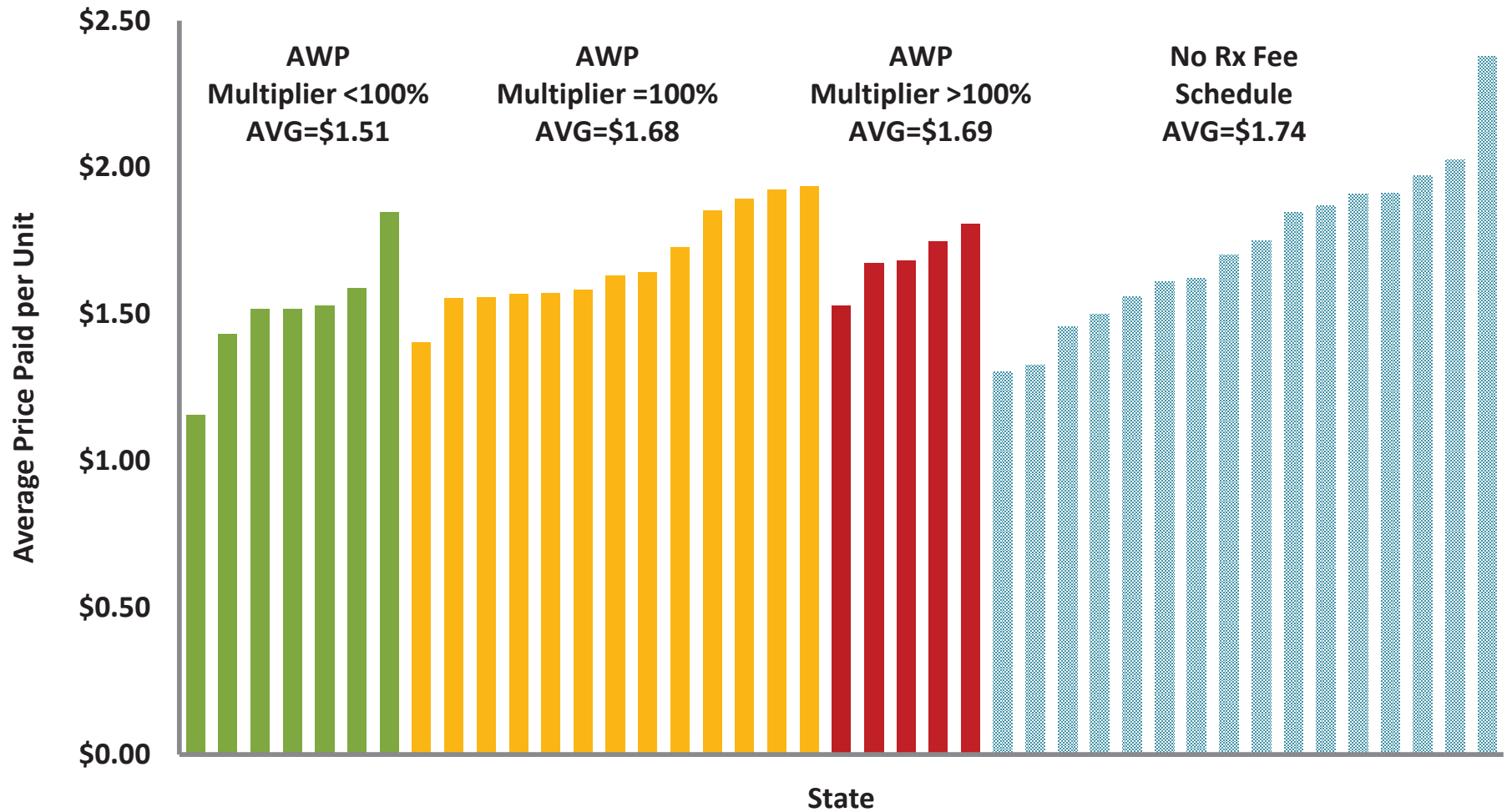
** AWP-based fee schedule established 8/7/2014

*** AWP-based fee schedule established 7/1/2013

Preliminary Findings

- States with similar WC Rx fee schedules do not necessarily have similar Rx prices
- Lower WC state Rx fee schedules seem to correspond to lower WC Rx prices
- In low-fee-schedule states, WC Rx prices are concentrated closer to EMAR
- While average Rx prices are higher in high-fee-schedule states vs. low-fee-schedule states, the differences are smaller than the multipliers might suggest
 - Discounts from fee schedules are more significant in high-fee-schedule states
- Average Rx prices in high-fee-schedule states are greater than in states without fee schedules

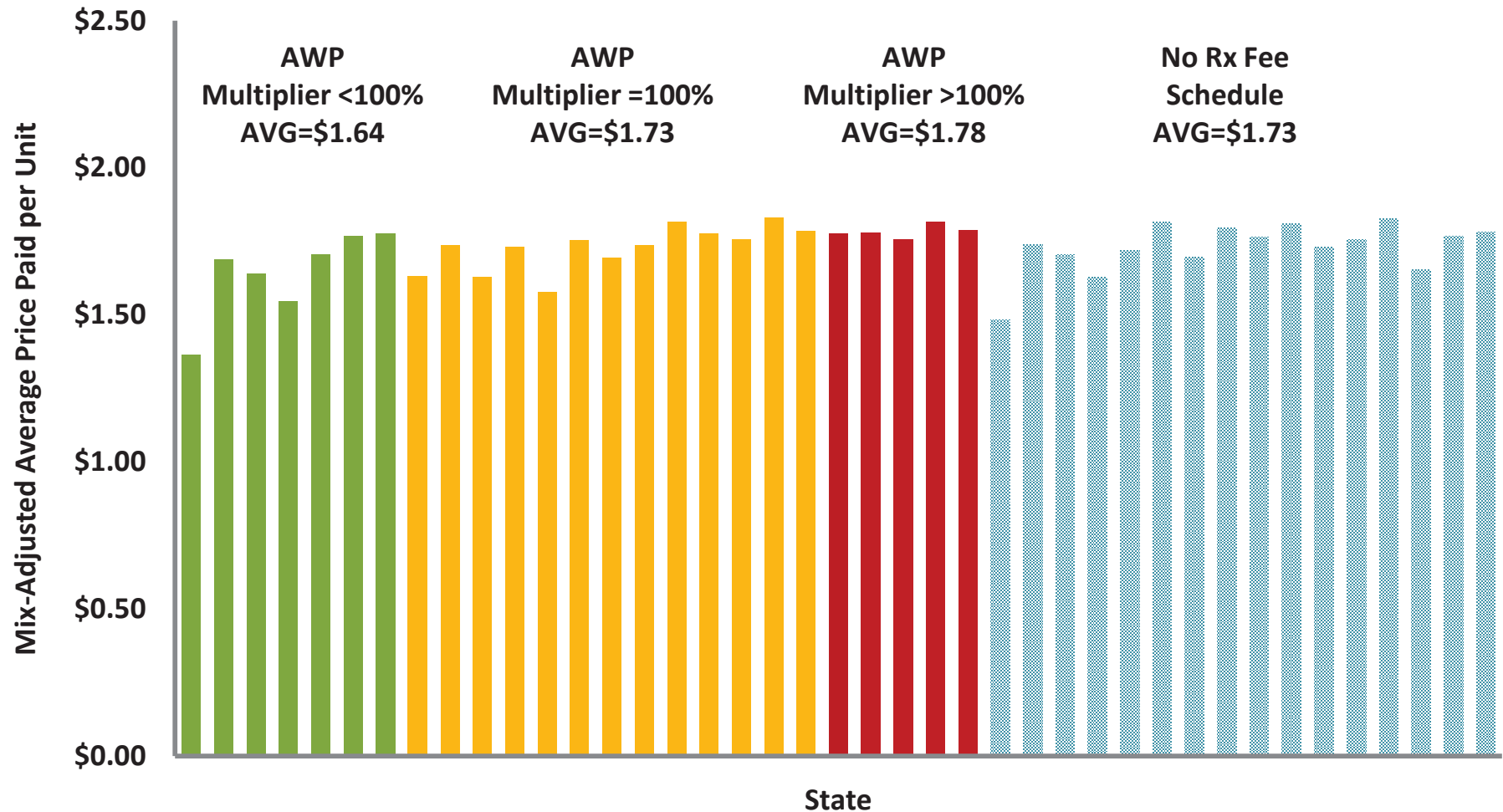
Average Rx Price per Unit Varies by State



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only



Mix-Adjusted Average Rx Price per Unit Also Varies by State, But to a Lesser Degree

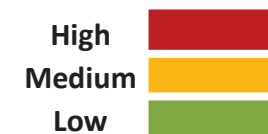


Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
 Capsules and tablets only
 Adjusted for mix of Rx's and mix of network transactions



Fee Schedules Do Not Fully Explain Rx Costs

| AWP Multiplier | State | Rx Share of Med. Costs | Avg. Rx per Claim | Avg. # of Rx Scripts per Claim | Mix-Adj. Avg. Price per Unit |
|--------------------|--------|------------------------|-------------------|--------------------------------|------------------------------|
| < 100% | A | Low | Low | Low | Low |
| | B | Low | Low | Low | Low |
| | C | High | Medium | High | Low |
| | D | High | Medium | High | Low |
| | E | Medium | Low | Low | Low |
| | F | High | Medium | High | High |
| | G | High | Medium | High | Low |
| =100% | H | Medium | Medium | Medium | Low |
| | I | Low | Low | Low | Low |
| | J | High | Medium | Medium | Low |
| | K | Low | Medium | Medium | Low |
| | L | Low | Low | Low | Low |
| | M | High | High | High | Medium |
| | N | Medium | Low | Low | Low |
| | O | Low | Low | Low | Low |
| | P | Medium | Medium | Medium | High |
| | Q | High | High | High | High |
| | R | High | Medium | High | High |
| | S | High | Medium | Low | High |
| T | Medium | Medium | Medium | High | |
| >100% | U | Low | Medium | Medium | High |
| | V | Low | Medium | Medium | High |
| | W | Medium | Medium | Medium | High |
| | X | High | High | High | High |
| | Y | High | High | High | High |
| No Rx Fee Schedule | Z | Low | Low | Low | Low |
| | AA | Low | Low | Low | Medium |
| | AB | Low | Low | Low | Medium |
| | AC | Low | Medium | Medium | Low |
| | AD | Low | Low | Low | Medium |
| | AE | Low | Low | Low | High |
| | AF | Medium | Medium | Medium | High |
| | AG | Low | Low | Low | High |
| | AH | Low | Low | Low | High |
| | AI | Medium | Medium | Medium | High |
| | AJ | Medium | Medium | Medium | High |
| | AK | Low | High | High | Medium |
| | AL | Medium | Medium | Medium | High |
| | AM | Medium | Medium | Medium | Low |
| AN | High | High | High | High | |
| AO | Low | High | High | High | |

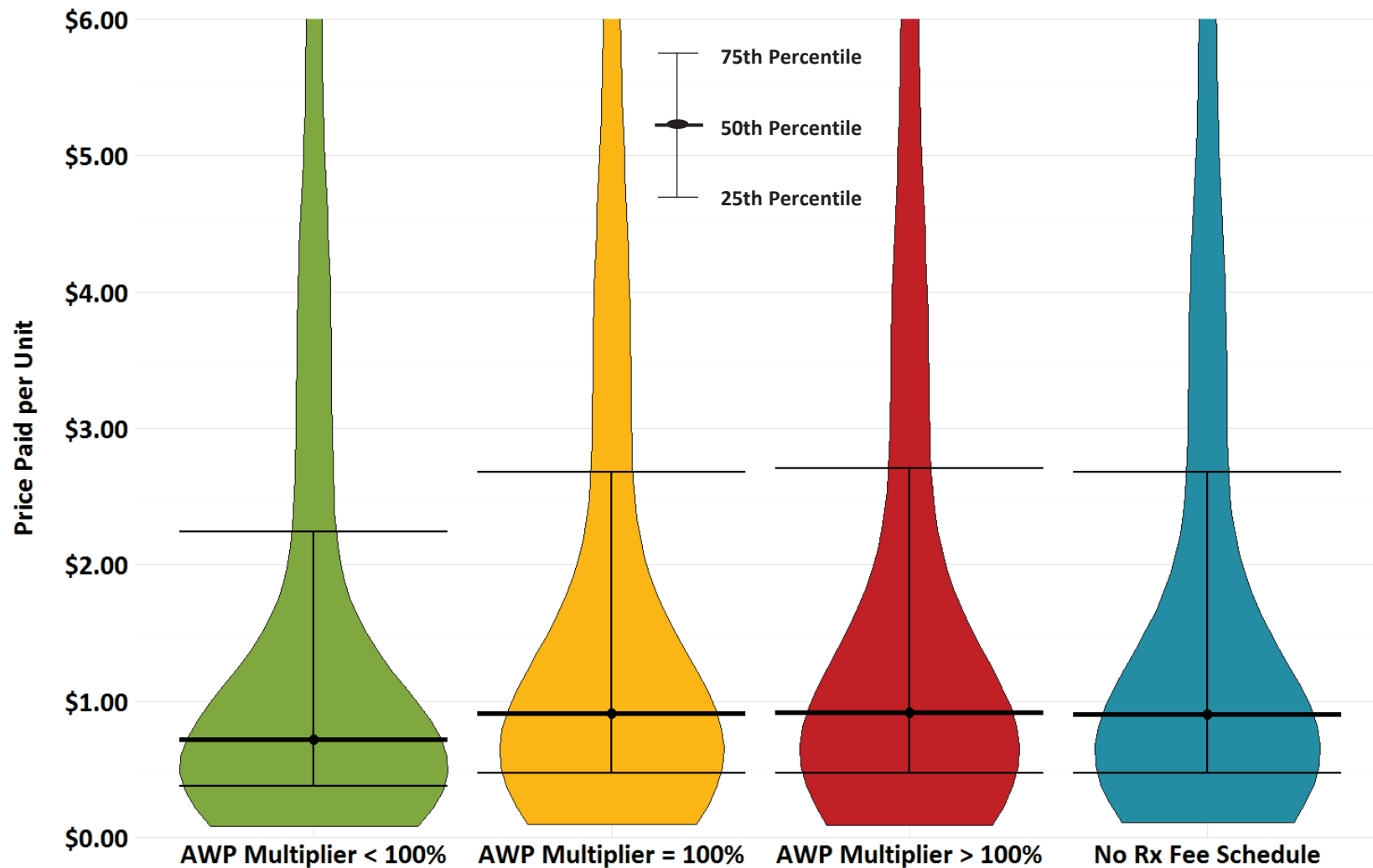


Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
 Ranges are determined by comparing individual states to the average across states
 "High" is greater than average plus 0.5 x standard deviation; "Low" is less than average minus 0.5 x standard deviation



Most WC Rx Prices Are Below \$2 per Unit

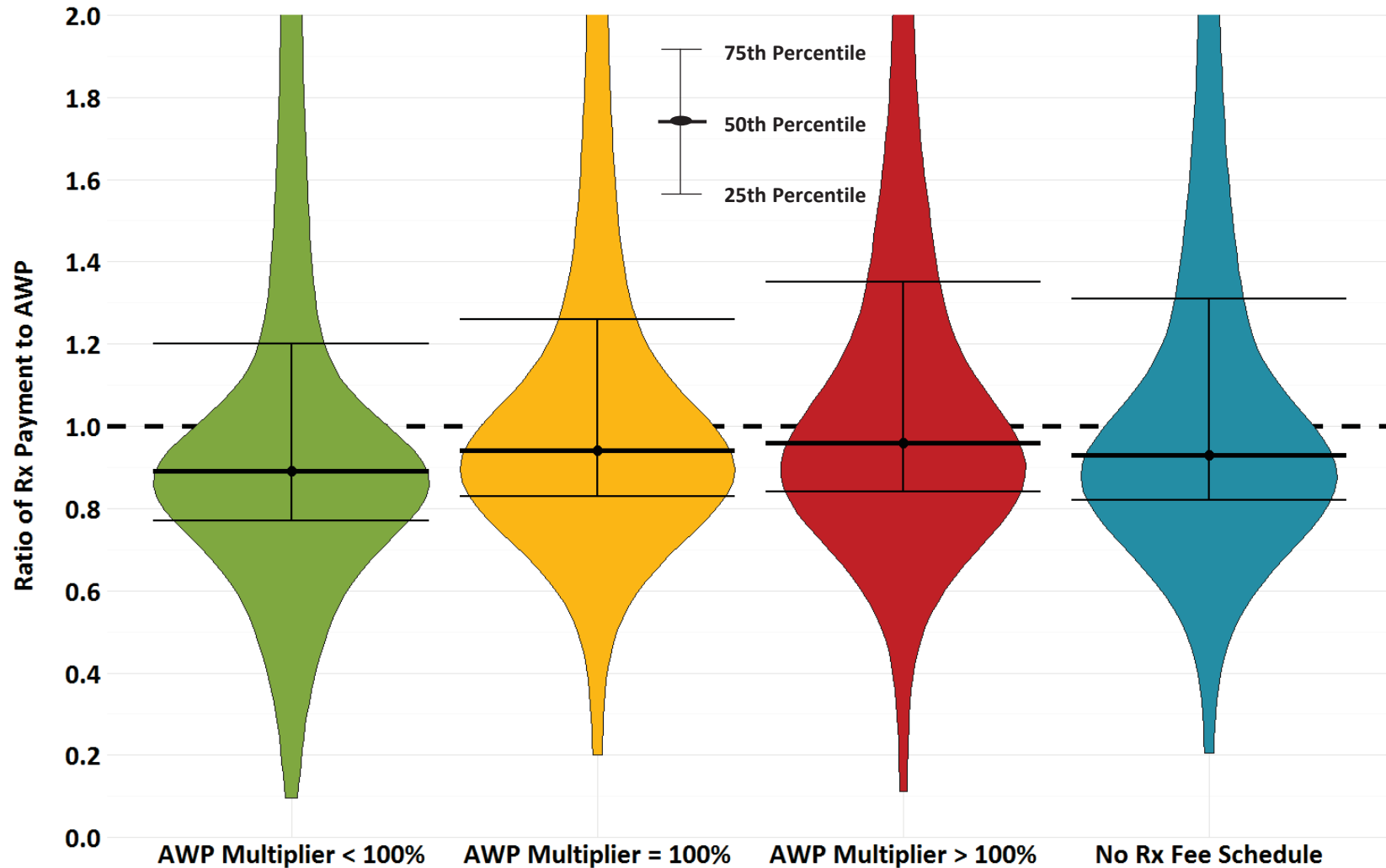
Rx Prices Paid per Unit Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of Rx's and mix of network transactions
Width of violin plot represents the concentration of transactions at each price

WC Rx Prices Are Lower in Low-Fee-Schedule States

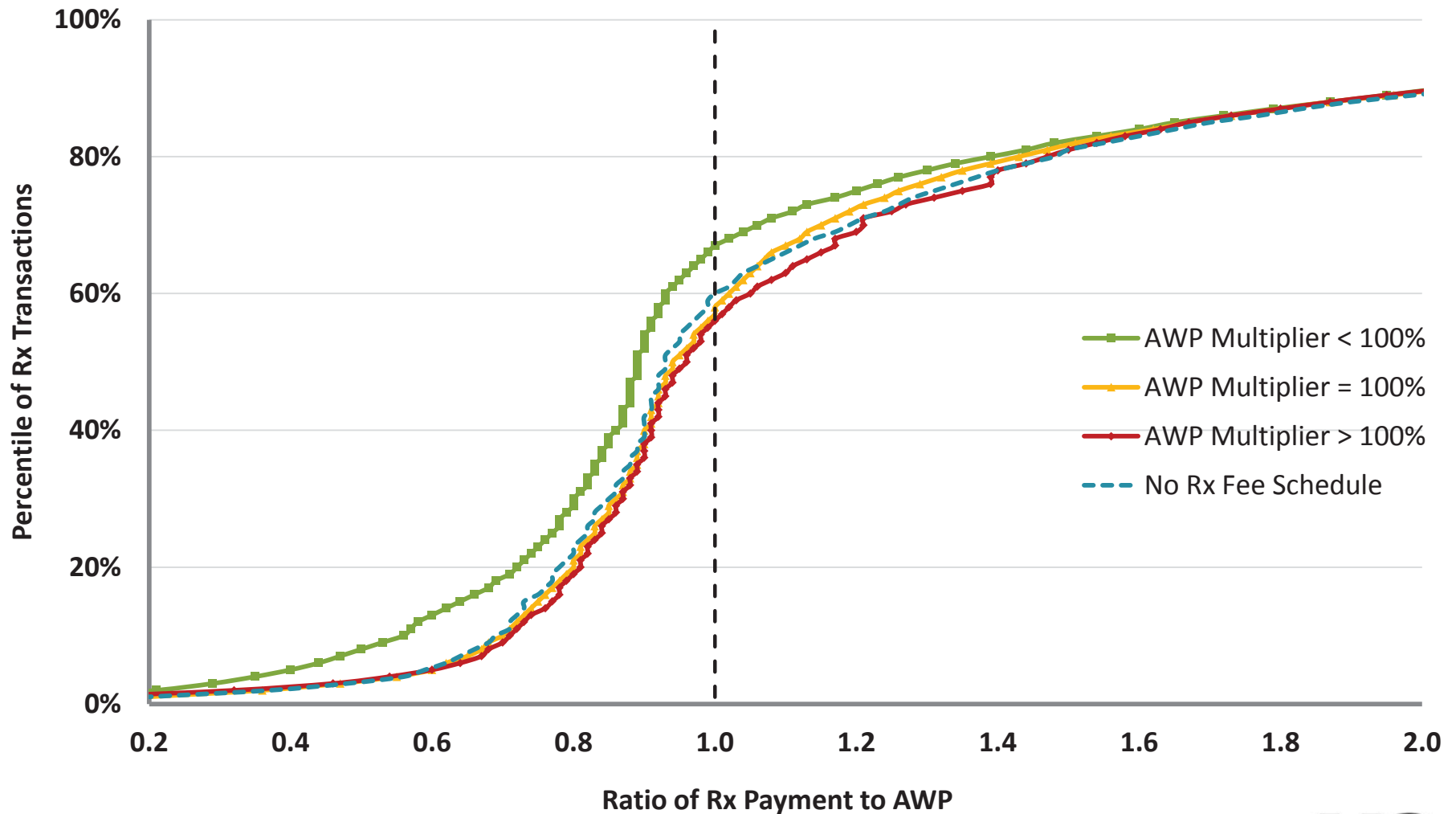
Rx Prices Paid to AWP Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of Rx's and mix of network transactions
Width of violin plot represents the concentration of transactions at each ratio

WC Rx Prices Are Lower in Low-Fee-Schedule States

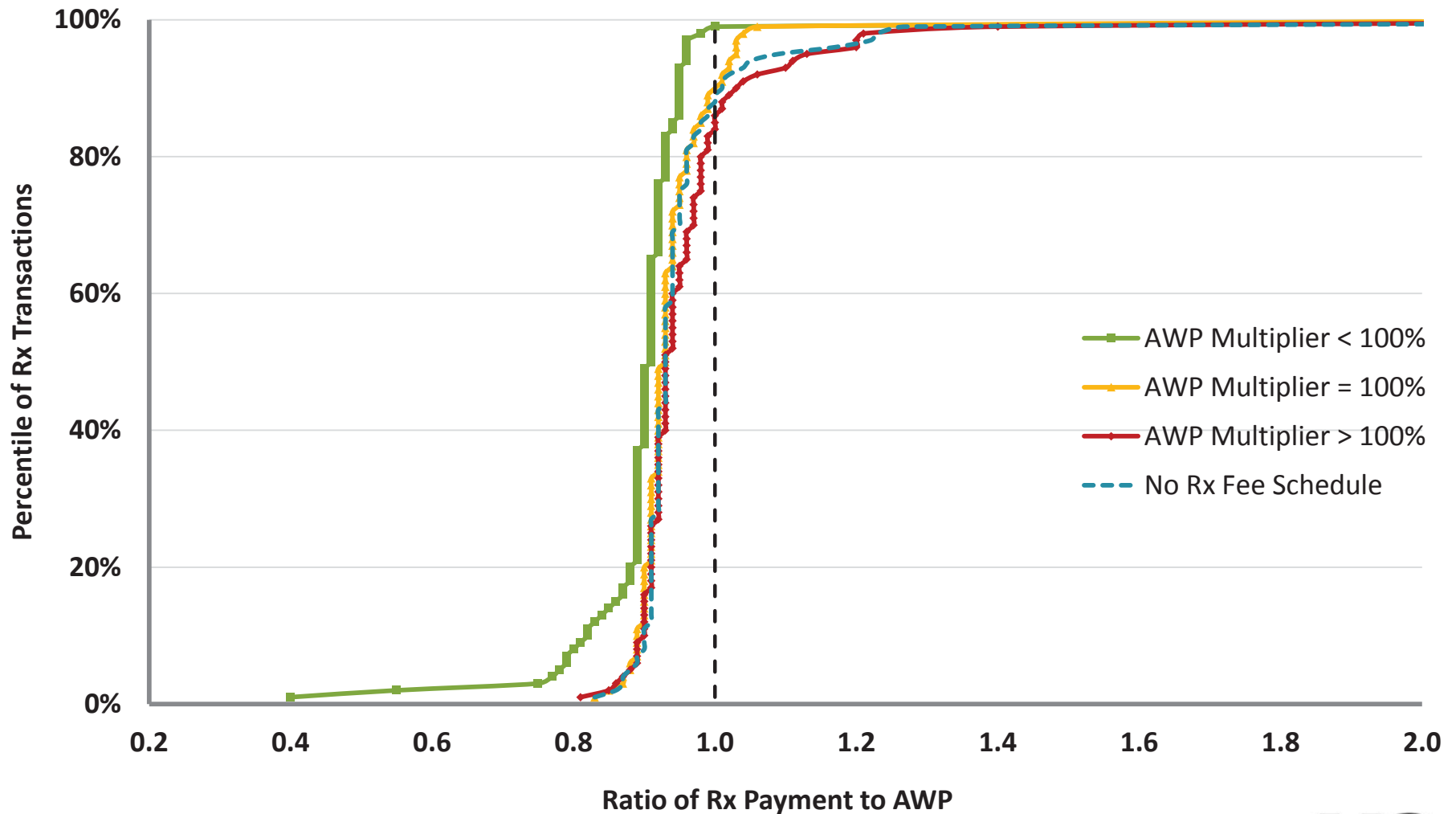
Rx Prices Paid to AWP Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of Rx's and mix of network transactions

Celebrex* Prices Are Lower in Low-Fee-Schedule States

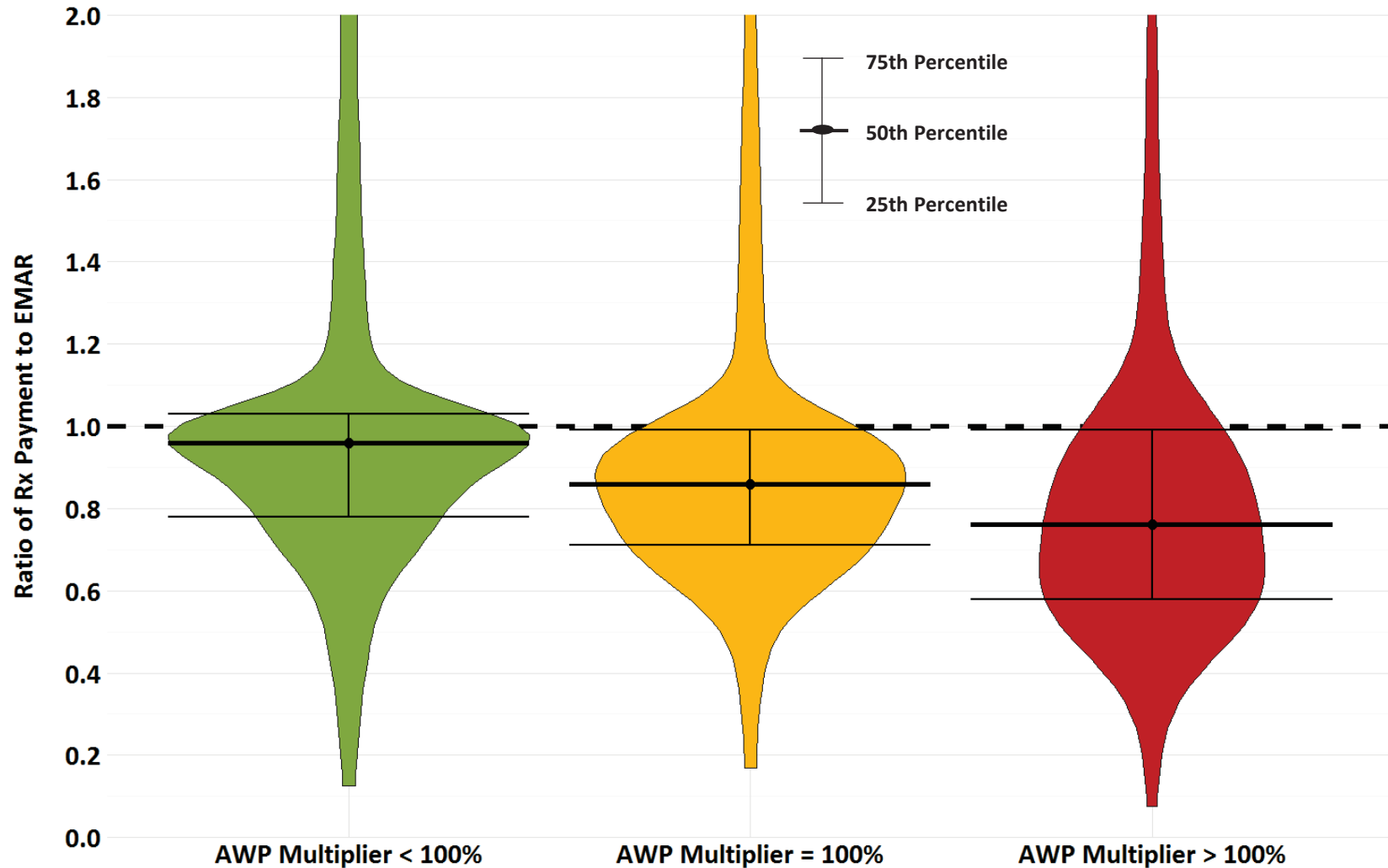
Rx Prices Paid to AWP Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
*NDC 00025152531 : CELEBREX 200 MG CAPSULE

In Low-Fee-Schedule States, WC Rx Prices Are Concentrated Close to EMAR

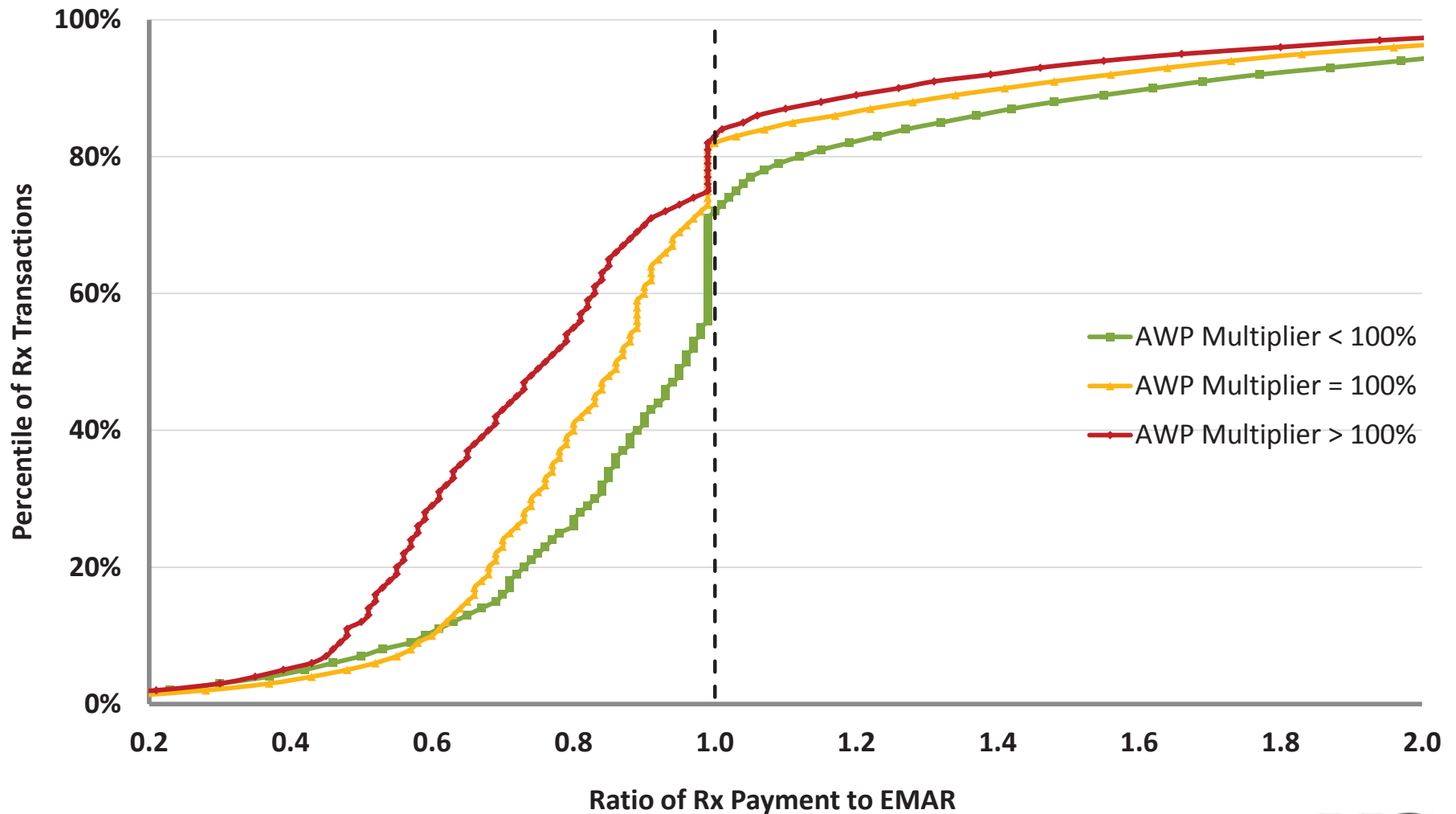
Rx Prices Paid to EMAR Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of Rx's and mix of network transactions
Width of violin plot represents the concentration of transactions at each ratio

In Low-Fee-Schedule States, WC Rx Prices Are Concentrated Close to EMAR

Rx Prices Paid to EMAR Distribution

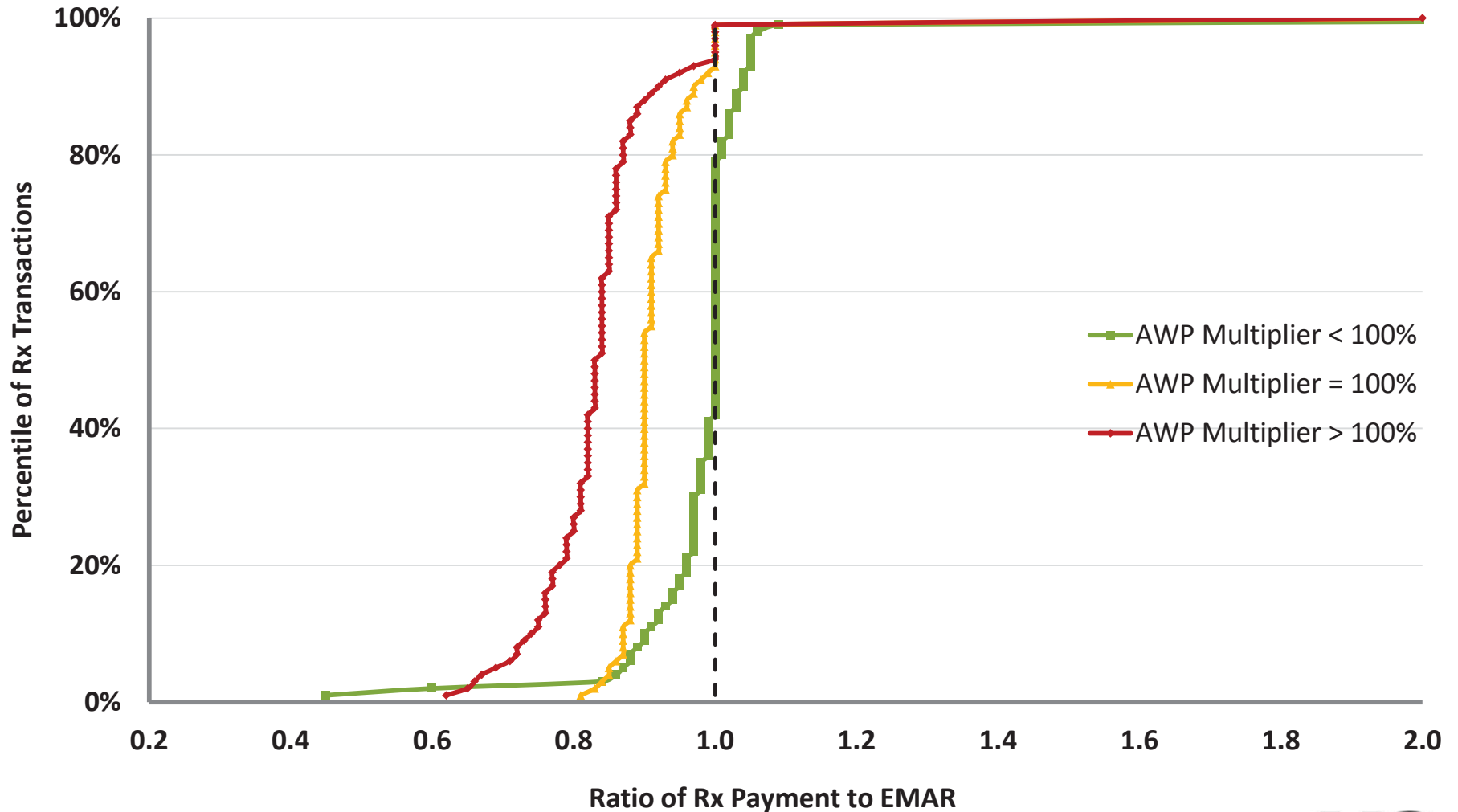


Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of Rx's and mix of network transactions



In Low-Fee-Schedule States, Celebrex* Prices Are Concentrated Close to EMAR

Rx Prices Paid to EMAR Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
*NDC 00025152531 : CELEBREX 200 MG CAPSULE

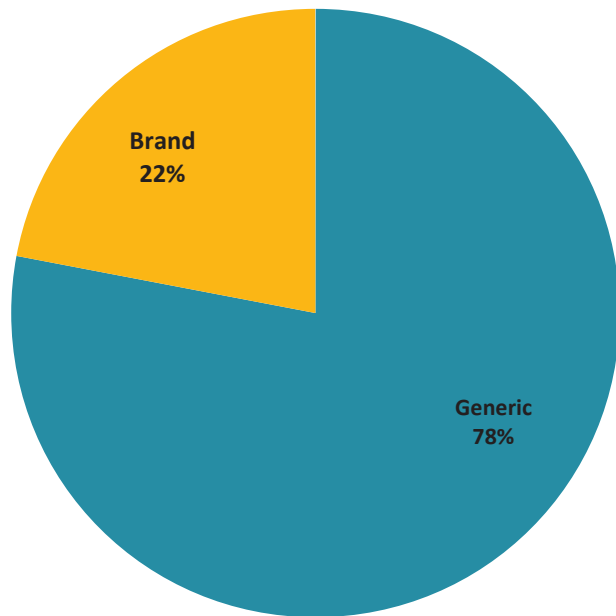
Preliminary Findings

- Brand name Rx's and generic Rx's are paid at a different ratio to EMAR
- Physician dispensed Rx's tend to be paid at a higher ratio to EMAR than pharmacy-dispensed Rx's
- In-network Rx's tend to be paid at a lower ratio to EMAR than out-of-network Rx's

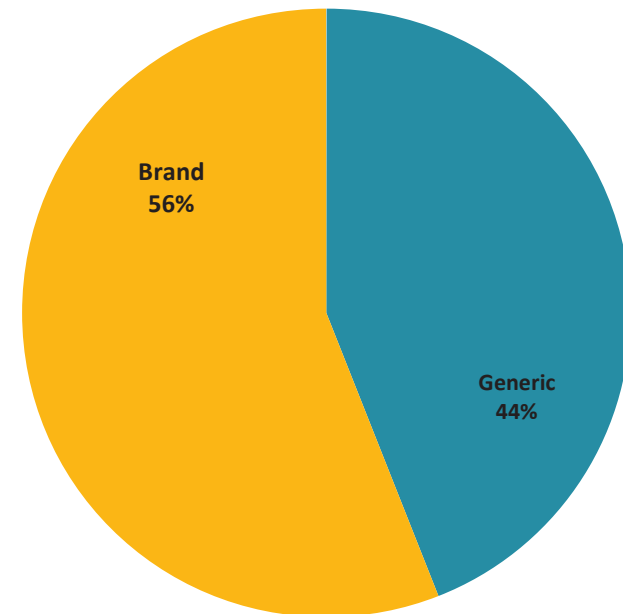
More Than Half of WC Rx Costs Are for Brand Name Rx's

Service Year 2013

Share of Rx Transactions



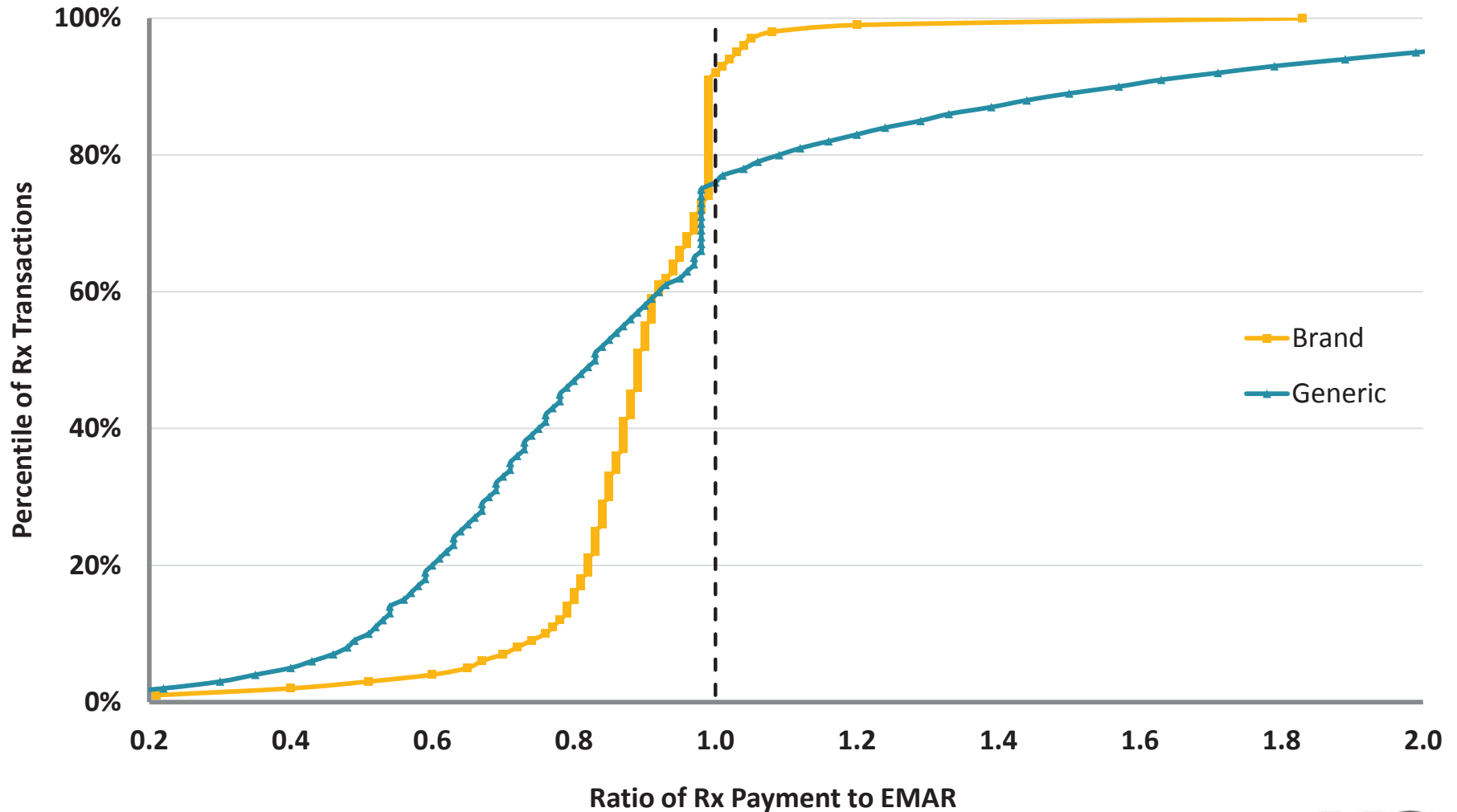
Share of Rx Costs



Source: NCCI Medical Data Call, for all prescriptions in Service Year 2013

Brand Name Rx Prices Are Closer to EMAR Than Generic Rx Prices

Rx Prices Paid to EMAR Distribution

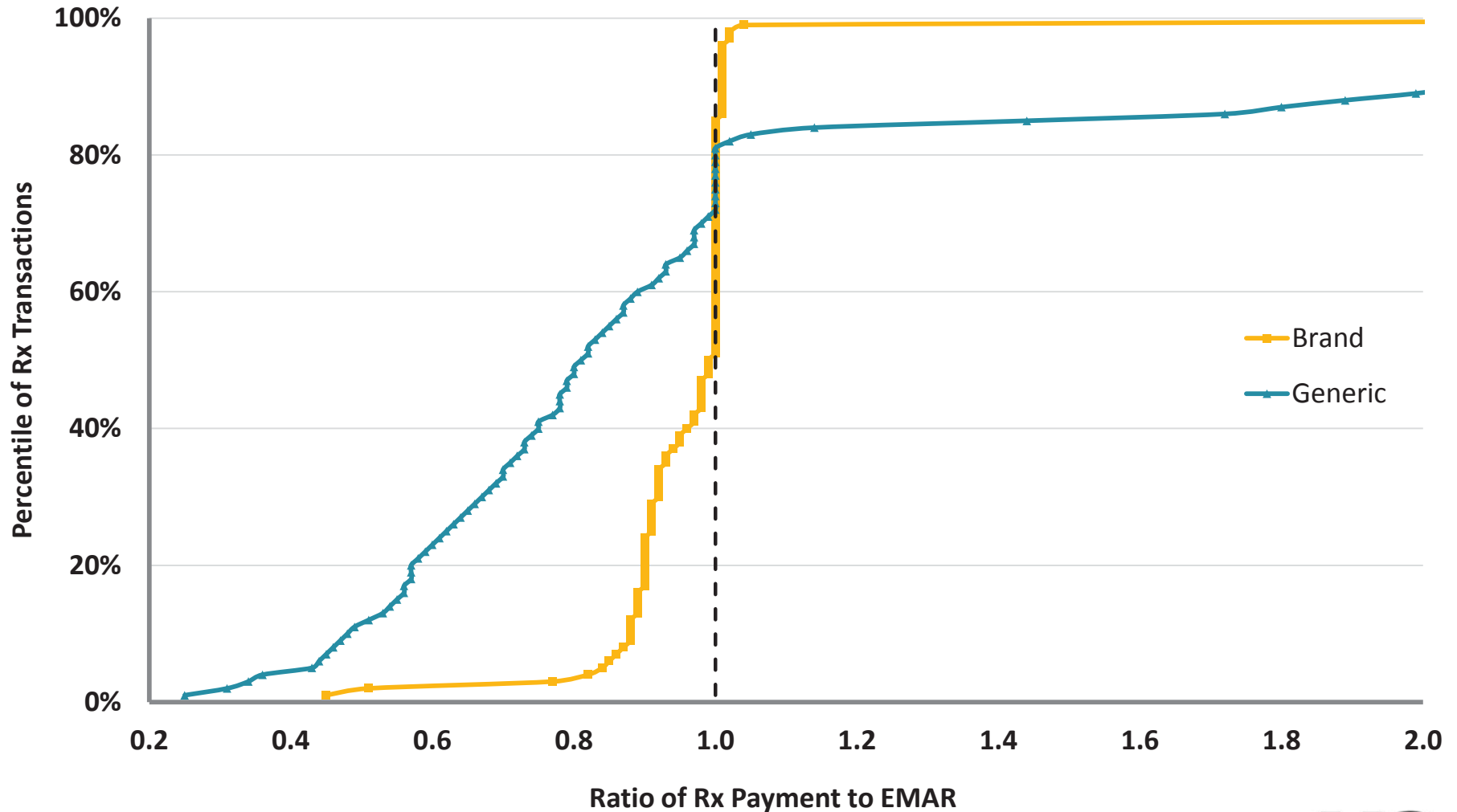


Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of network transactions



Brand Name Oxycodone-Acetaminophen* Prices Are Closer to EMAR Than Generic**

Rx Prices Paid to EMAR Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013

*NDC 63481062970 : PERCOCET 10-325 MG TABLET (Brand of OXYCODONE-ACETAMINOPHEN 10-325)

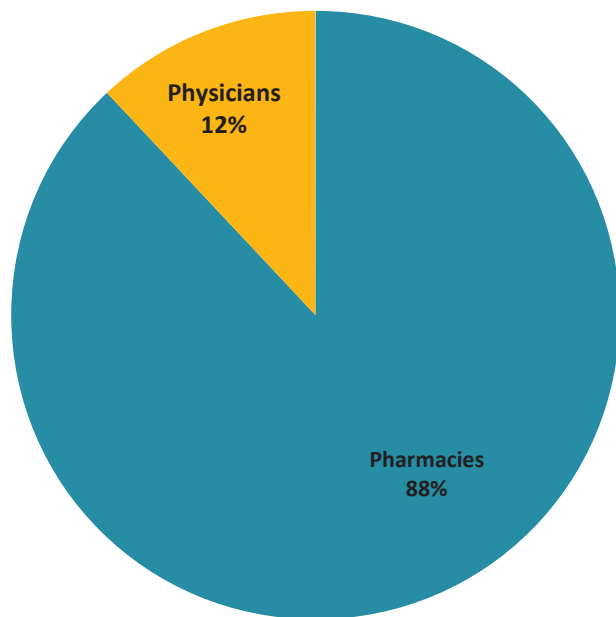
**NDC 00406052301 : Generic OXYCODONE-ACETAMINOPHEN 10-325



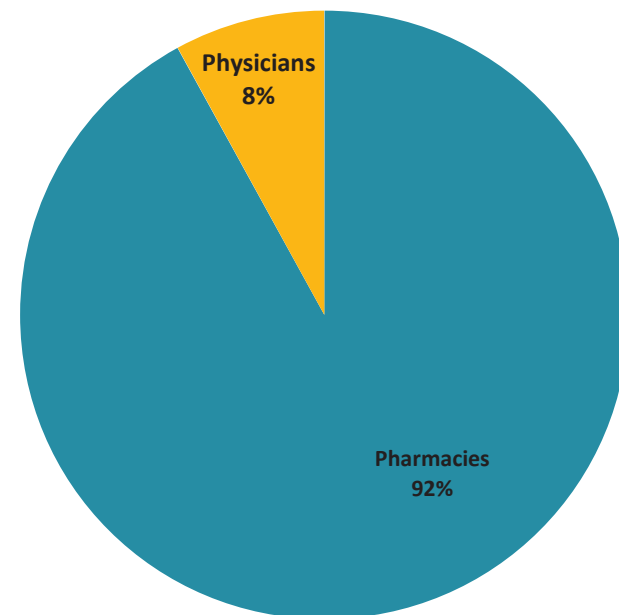
Physician-Dispensed Rx's Are a Significant Share of WC Rx Costs

Service Year 2013

Share of Rx Transactions



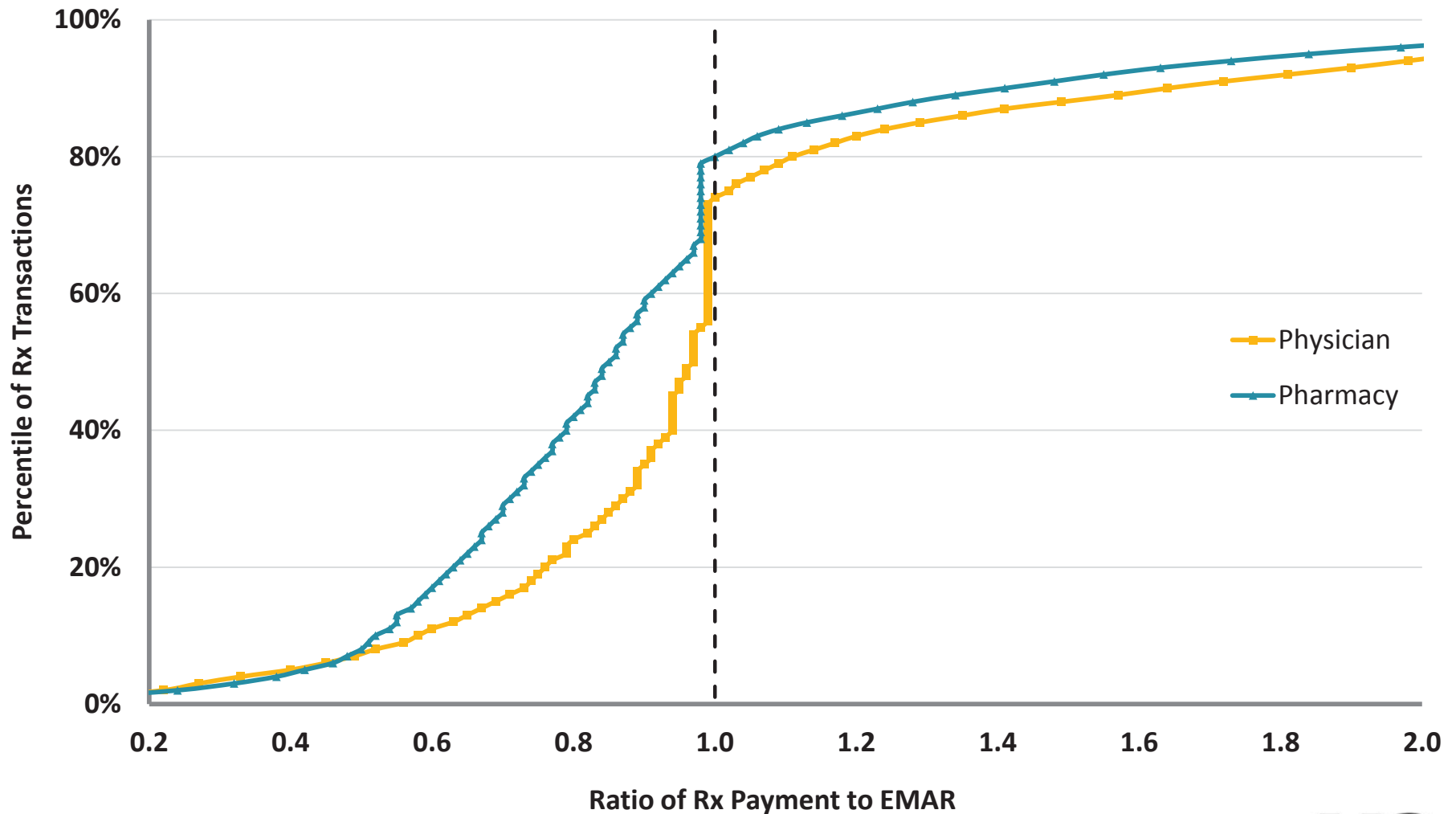
Share of Rx Costs



Source: NCCI Medical Data Call, for all prescriptions in Service Year 2013

Physician-Dispensed Rx's Are Mostly Paid at a Higher Ratio to EMAR Than Pharmacy-Dispensed

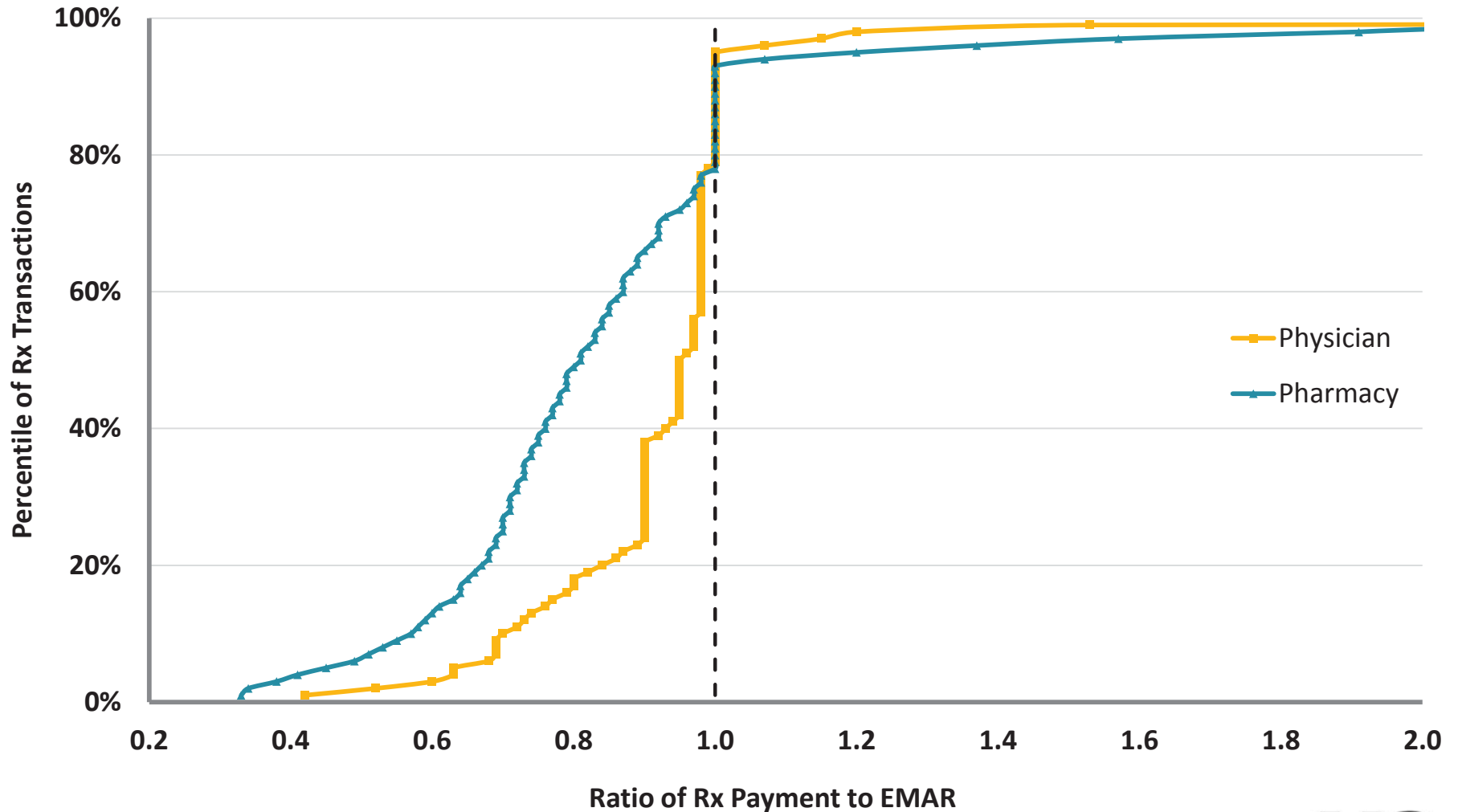
Rx Prices Paid to EMAR Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of network transactions

Physician-Dispensed Tramadol* Is Mostly Paid at a Higher Ratio Than Pharmacy-Dispensed

Rx Prices Paid to EMAR Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013
Capsules and tablets only

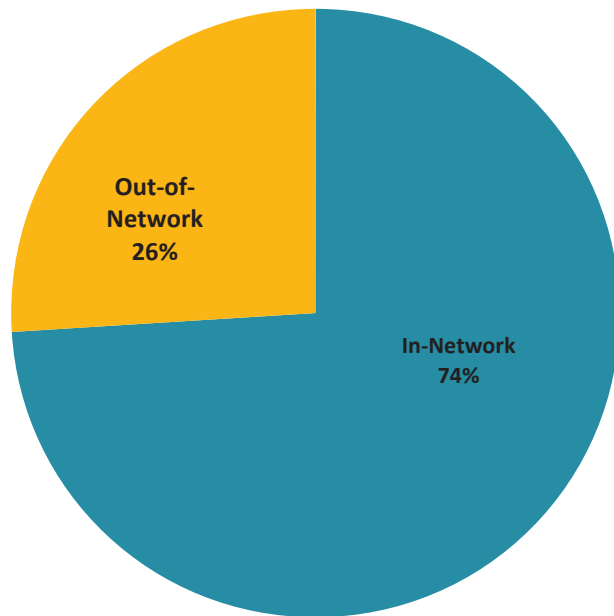
*NDC 65162062711 : TRAMADOL HCL 50 MG TABLET



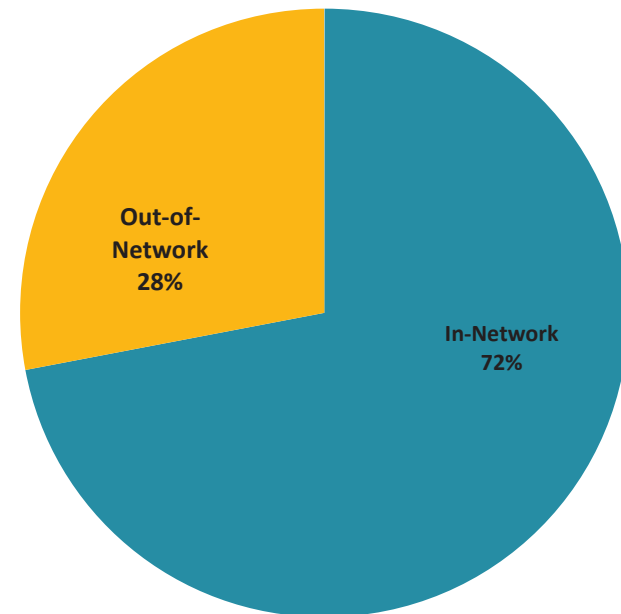
Most WC Rx's Are Provided Through Networks

Service Year 2013

Share of Rx Transactions



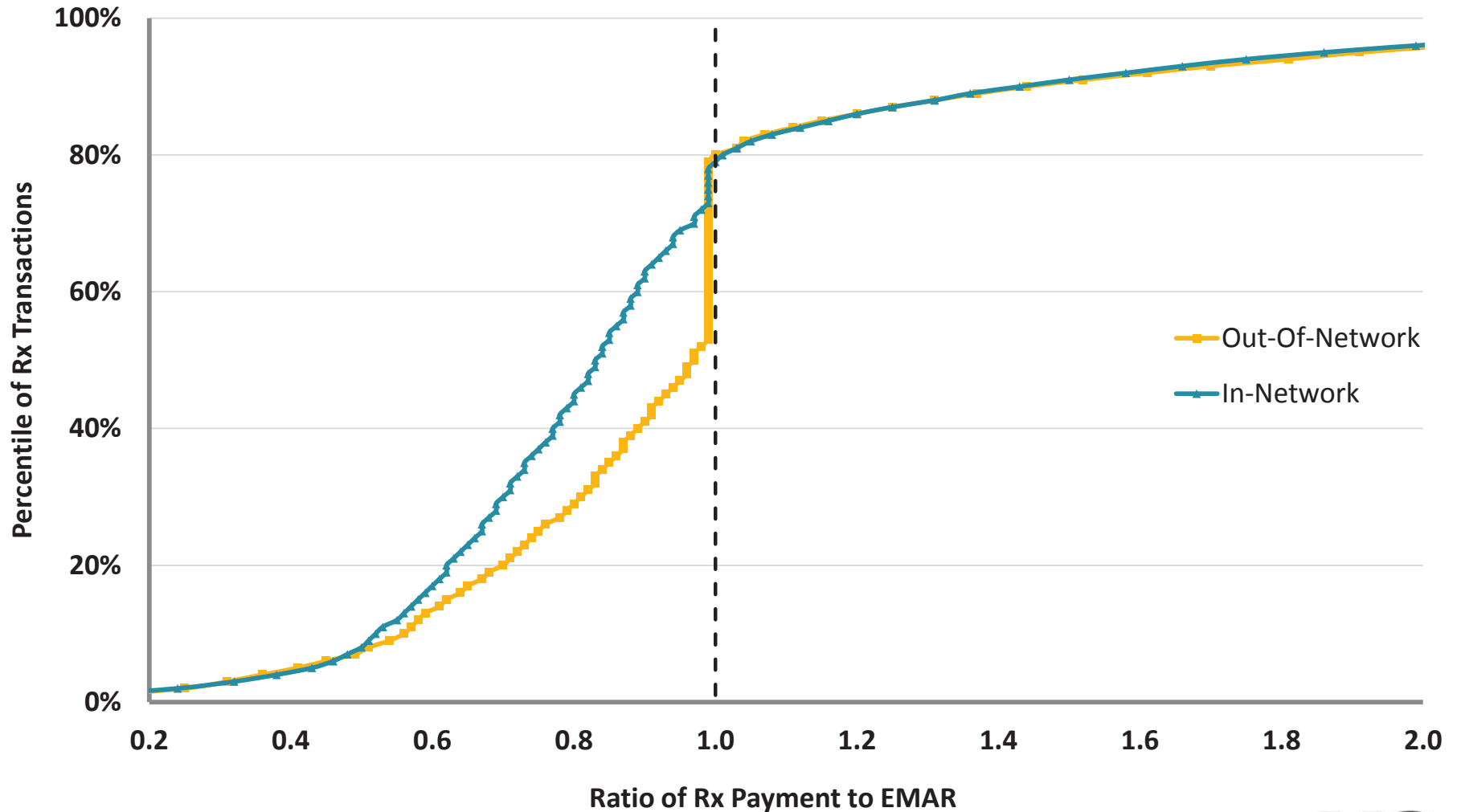
Share of Rx Costs



Source: NCCI Medical Data Call, for all prescriptions in Service Year 2013

WC Rx's Are Paid at a Lower Ratio to EMAR In-Network Than Out-of-Network

Rx Prices Paid to EMAR Distribution

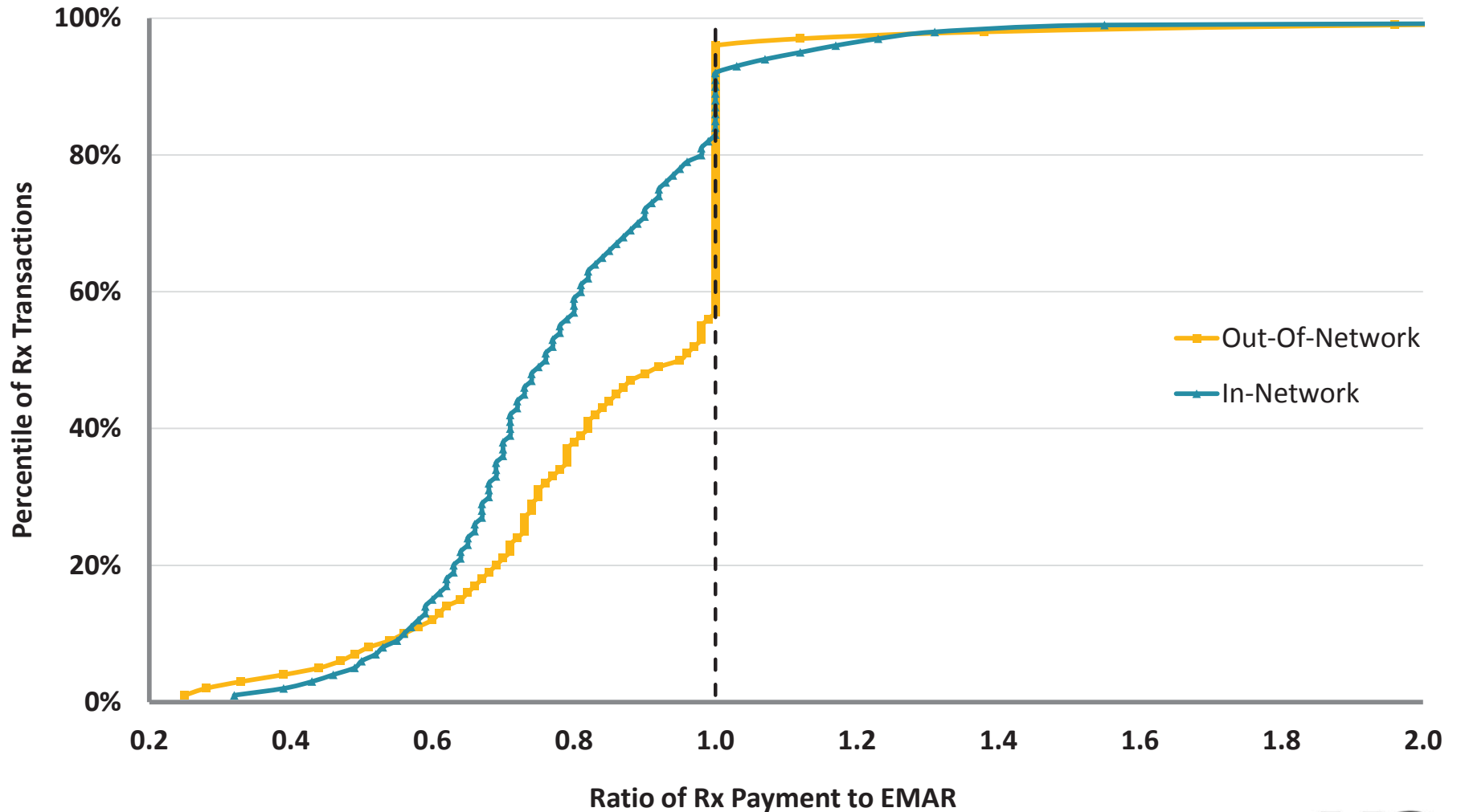


Source: NCCI Medical Data Call, for prescriptions between Service Years 2011 and 2013
Capsules and tablets only
Adjusted for mix of Rx's



Hydrocodone-Acetaminophen* Is Paid at a Lower Ratio to EMAR In-Network Than Out-of-Network

Rx Prices Paid to EMAR Distribution



Source: NCCI Medical Data Call, for prescriptions provided between Service Years 2011 and 2013

*NDC 00406035705 : HYDROCODONE-ACETAMINOPHEN 5-500

Closing Remarks

- Rx fee schedules based on AWP have an effect on Rx prices paid in WC
- While average Rx prices are higher in high-fee-schedule states vs. low-fee-schedule states, the differences are smaller than the multipliers might suggest
- Average Rx prices in high-fee-schedule states are greater than in states without fee schedules

Bibliography

- R. Tanabe, "Workers' Compensation Medical Cost Containment: A National Inventory, 2015," *WCRI, April 2015*
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- F. Schmid, N. Lord, "The Impact of Physician Fee Schedule Changes in Workers Compensation: Evidence From 31 States," *NCCI, August 2012*
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Appendix

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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

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Data Used

- For this study, the Medical Data Call experience evaluated as of March 2014 was restricted to:
 - Services provided between January 1, 2011, and December 31, 2013
 - States for which NCCI has the Medical Data Call, except for Massachusetts*

*The Massachusetts Rx fee schedule is not based on AWP

Top Cost NDCs*

Brand Name Rx

| Rx Name | Share of Paid | Share of Transactions | Average Cost per Unit |
|-------------------------|---------------|-----------------------|-----------------------|
| CELEBREX 200 MG CAPSULE | 4% | 2% | \$ 5.98 |
| CYMBALTA 60 MG CAPSULE | 4% | 1% | \$ 7.47 |
| OXYCONTIN 80 MG TABLET | 3% | 0% | \$ 14.11 |
| OXYCONTIN 40 MG TABLET | 2% | 0% | \$ 7.65 |
| LYRICA 75 MG CAPSULE | 2% | 1% | \$ 3.82 |
| CYMBALTA 30 MG CAPSULE | 2% | 1% | \$ 7.48 |
| LYRICA 150 MG CAPSULE | 2% | 1% | \$ 3.79 |
| OXYCONTIN 20 MG TABLET | 1% | 1% | \$ 4.33 |
| LYRICA 100 MG CAPSULE | 1% | 0% | \$ 3.78 |
| OXYCONTIN 60 MG TABLET | 1% | 0% | \$ 11.18 |
| Total | 22% | 7% | ----- |

Generic Rx

| Rx Name | Share of Paid | Share of Transactions | Average Cost per Unit |
|--------------------------------|---------------|-----------------------|-----------------------|
| METAXALONE 800 MG TABLET | 1% | 1% | \$ 3.75 |
| OXYCODONE-ACETAMINOPHEN 10-325 | 1% | 1% | \$ 1.11 |
| GABAPENTIN 300 MG CAPSULE | 1% | 1% | \$ 0.90 |
| OXYCODONE-ACETAMINOPHEN 10-325 | 1% | 1% | \$ 1.29 |
| OXYCODONE-ACETAMINOPHEN 10-325 | 0% | 0% | \$ 1.30 |
| TRAMADOL HCL 50 MG TABLET | 0% | 1% | \$ 0.64 |
| GABAPENTIN 600 MG TABLET | 0% | 0% | \$ 1.90 |
| GABAPENTIN 300 MG CAPSULE | 0% | 1% | \$ 0.92 |
| TRAMADOL HCL 50 MG TABLET | 0% | 1% | \$ 0.55 |
| TIZANIDINE HCL 4 MG TABLET | 0% | 1% | \$ 1.01 |
| Total | 6% | 7% | ----- |

Source: NCCI Medical Data Call, for prescriptions in Service Year 2013
Capsules and tablets only

*The National Drug Code (NDC) is a unique product identifier used for drugs

Generic Rx name based on Rx active ingredients; several generics can have the same active ingredients

Due to rounding, the sum of shares may not equal total