Top 5 Pharmacy Cost Drivers & How to Control Them

Managing your pharmacy spend must start with understanding the biggest cost drivers. Some have remained consistent while other, newer cost drivers have emerged in recent years.

Co-authors:

Phil Walls
Chief Clinical Officer for myMatrixx

Jacob Lazarovic, MD,
Medical Advisor to Amaxx

Opioids

According to myMatrix 2017 drug trend report *(based on 2017 data)*, opioids continue to be the most expensive and highly utilized class of drugs for work-related injuries. While total spending has decreased, opioids accounted for 24.1% of total pharmacy spend in 2017, 38.2% of injured workers filled an opioid prescription, and 22% used opioids for greater than 30 days.

In addition, the cost of opioids increases as claims age *(source: myMatrixx Drug trend report).*

- $205 average cost per injured worker in the first year ($52.72 on opioids)
- $3,593 average cost after 10 years ($1,967.93 on opioids)

Brand-Name Pharmaceuticals vs. Generic

Generic substitution is a vital component of cost management. Your Pharmacy Benefits Manager should have the ability to proactively identify generic substitution opportunities with a policy of mandatory generic replacement.

Phil Walls: *There is no excuse for paying brand name prices when a generic is available.*

Specialty Drugs

Specialty drugs are a specific subset of prescription drugs used to treat uncommon illnesses such as HIV, and hepatitis C. These drugs are rarely used in workers' compensation (0.6% of all prescriptions), yet account for 6.3% of total pharmacy spend. *(Phil Walls, n.d.).*

Compound Medications

Compound medications are made from combinations of regulated and/or over the counter drugs. A thorough review and strong control is a must with any compound medication.

Dr. Jake: *A compound is not an FDA-approved formulation, so the FDA has not studied the combination of agents to determine that they are effective, or even absorbed into the body. For the bad-actors, it is a money-making scheme, and it's not unusual to see a 30-gram tube of a compounded medication costing $1,000 -$2,000 when the cost of the ingredients in the compound might be $5.*

(continued)

(continued)

Top 5 Pharmacy Cost Drivers & How to Control Them

Phil Walls: *There is a place in modern patient care for compounds, but it should be very limited use. It should be for about one in a 1,000, or one in 10,000 patients, that have the unique need for a product that is not available from any commercial manufacturer.*

Physician Dispensing

Physician dispensing is when the employee's medical provider dispenses medication to the injured employee from the provider's office.

Similar to compounds, this practice has bad-actors who undertake to dispense prescriptions as a money-making scheme. It creates a significant conflict of interest as physicians make more money by writing scripts for more prescriptions.

Several states have addressed the issue legislatively. While some of these have worked initially, bad-actors have come up with more creative ways to get around the laws.

Components of Pharmacy Cost Control

Financial greed, addiction, drug diversion — all add up to unnecessary expenses. Controlling these, as well as the other pharmacy cost drivers can be done prospectively, at the point of sale, and retrospectively.

Prospective & Point of Sale components include:

- Formulary and prior authorization (PA) program: list of specified drugs that are approved, not approved, or require authorization for use.
- Mandatory generic replacement
- System to flag drugs for review before dispensing:
  - *Duplicate drugs*
  - *Drug interactions & combinations*
  - *Early refills*
  - *Step therapy: A physician has prescribed an expensive brand-name drug and a slightly different, less expensive alternative drug could potentially be substituted.*
  - *Concurrent utilization reviews: The PBM can trigger concurrent alerts to inform the dispensing pharmacist about possible reasons a medication should be questioned before filling. This practice ensures that prescriptions are not filled at the point-of-sale unless the medication is allowed.*

    Triggered alerts when a patient exceeds pre-defined morphine equivalent dose (MED).

Retrospective components include:

- Targeted medication review
- Intervention programs such as in-network and out-of-network transactions, risk assessments, prescriber "alerts" about employees going to other doctors to obtain multiple prescriptions, and screening for fraud and abuse
- Proactive communication via letter to physicians with inappropriate prescribing patterns
- Proactive educational communication with injured workers regarding drugs they have been prescribed
- Triggered alerts for review when data indicates the need for urine drug testing

Managing your pharmacy spend must start with understanding the biggest cost drivers. Some have remained consistent while other, newer cost drivers have emerged in recent years.

WORKERS' COMP TRAINING CENTER

Phone: (207) 281-2599

www.workerscomptraining.com