A Formulary for Success

Fighting prescription misuse in workers’ compensation.

By Mark Pew

Drug formularies have played key cost-containment roles in group health, Medicare, and other health care payer systems for many years. These formularies typically use financial incentives, such as patient copays, to motivate the choice of lower-cost generic or therapeutic equivalent drugs.

Since physicians and pharmacists are familiar with formularies, creating one in workers’ compensation would not require a steep learning curve. However, state workers’ compensation systems did not contain much about drug formularies until 2011 when Texas implemented its drug formulary and documented rather remarkable results. Washington and Ohio successfully implemented workers’ compensation drug formularies in 2004 and 2011, respectively. Yet they are monopolistic states with total control over their systems, so their outcomes did not generate the same enthusiasm as those in Texas, Oklahoma adopted a drug formulary in 2014, and Delaware enacted a preferred drug list in 2013, but to date neither has actually publicized outcomes.

However, in Texas, the impact was astounding. For new claims starting on Sept. 1, 2011, the costs of “N” drugs (those that require preauthorization before dispensing) declined by 82 percent, the total number of scripts for “N” drugs declined by 74 percent, and the number of workers’ compensation claims with an “N” drug declined by 87 percent. After the two-year remediation process for legacy claims ended in 2013, a data-call analysis showed that 47 percent of legacy claims no longer included an “N” drug. Obviously, the statutory implementation of a drug formulary created a huge change in prescribing behavior.

In June 2014, a Workers Compensation Research Institute (WCRI) study entitled, “Impact of a Texas-like Formulary in Other States,” theorized that similar changes could be achieved in 23 states. The analysis found the total number of prescriptions could be reduced by three to 13 percent and costs reduced by two to 29 percent if a drug formulary similar to the one Texas created were implemented. The wide ranges were based on scenarios for how stakeholders would respond to the drug formulary.

In October 2014, the California Workers’ Compensation Institute study “Are Formularies a Viable Solution for Controlling Prescription Drug Utilization and Cost in California Workers’ Compensation?” predicted tremendous savings could be generated by adopting formularies similar to those in Texas or Washington. At the median percentile, California could realize an 18 percent reduction in costs, or $192 million per year, if a Texas formulary were adopted. Adopting a Washington-style formulary would produce a reduction of 45 percent, or $459 million per year. This study sparked a wildfire of discussion.

Because of this evidence and speculation, as of April 2015, the following states are either considering or moving forward with their own drug formularies:

- Arkansas
A drug formulary in workers' compensation that does more good than harm takes time, methodical planning, and consensus. Following are some foundational tenets for consideration by any state contemplating a drug formulary:

- A drug formulary should be about better patient clinical outcomes, not cost savings. While much of the industry discussion centers on cost savings, it is shortsighted to think that cost is the only criterion by which to judge success. True success from a drug formulary would be a decrease in disability, addiction, and dependence as well as an increase in return-to-work and the use of less dangerous treatment options. No workers' compensation system stakeholder can argue against better patient clinical outcomes.

- A drug formulary should be rooted in evidence-based medicine. Robust clinical studies that indicate what drugs should be used when and what nonpharmacological treatment options should be tried before medications also should dictate which drugs require additional evaluation before prescribing. There are some very dangerous drugs that are generic and inexpensive, so the trigger needs to be what produces the best clinical outcomes in proper sequence. Step therapy—the idea that you start with the most effective, least dangerous option first—is built into evidence-based medicine and should be the template for prescribers. The optimal approach to evidence-based medicine is the adoption of third-party, peer-reviewed standards that are updated regularly.

- A drug formulary should not handle new and legacy claims in the same manner. Legacy claims are defined as claims that exist prior to the formulary rules going into effect on new claims. A patient taking his first opioid is different than a patient who has taken opioids for many years. While new claims require education on the process for the stakeholders, there should be a remediation period of one to two years for legacy claims to allow time for appropriate weaning and development of alternative treatment methods. After that remediation period, all claims should be compliant with the formulary to ensure every injured worker is held to the same standard of care.

- A drug formulary will change prescribing behavior. The extra steps required to defend medical necessity for a drug that is not allowed by the formulary requires the prescriber to think through other options. For example, if carveout is excluded from the formulary, the prescriber needs either to validate its medical necessity through a preponderance of evidence or choose a muscle relaxant that is included, which likely means the drug has less dangerous side effects, has proven to be more effective for the injured worker’s conditions, and does not have dangerous drug-to-drug interactions. Given past experience in other states, the prescriber usually selects the less dangerous drug included in the formulary, which should result in better clinical outcomes for the patient.

- A drug formulary should be enforced at the point of sale. Allowing drugs to be given to the patient and then deciding whether they are clinically appropriate starts patients down potentially dangerous paths to polypharmacy regimens that create more harm than good. A workers’ compensation drug formulary, just like those seen in group health plans, should be implemented at the pharmacies within their point-of-sale systems. The information provided to the pharmacists will help them better communicate with the patients and prescribers if they need to offer other options that are allowed by the drug formulary. One advantage of following Texas’ footsteps is that pharmacy benefit managers (PBMs) and pharmacy chains already have experience with implementing a workers’ compensation drug formulary and all of the associated process and data issues.

- A drug formulary should be the result of consensus among all stakeholders. While reaching consensus takes longer, providing a seat at the table for every workers’ compensation stakeholder in a transparent process will ensure a smoother implementation. A point of clarification: while the process surrounding the drug formulary should be based on workers’ compensation consensus, the medical treatment guidelines and drug list upon which the formulary is built should not be based on consensus but, rather, on the best contemporary medical evidence available. Stakeholders should focus negotiations on the rules governing the formulary, not on the medical principles that underpin it.

- A drug formulary implementation should educate all stakeholders clearly and consistently. Clear, free, and easily accessible educational materials need to be provided to all prescribers, attorneys, payers, employers, and injured workers. These should describe how the drug formulary was constructed, how it will be implemented, dates of implementation for new and legacy claims, compliance information, and frequently asked questions. Education should not stop in the lead-up to implementation but should continue in a feedback loop during and after implementation to ensure that issues are identified and resolved quickly.

- A drug formulary should be simple and easy to implement. States with workers’ compensation drug formularies have made the choice of drugs relatively binary. For instance, a drug may be classified as one that is recommended for first-line therapy (“Y” drug) or one not recommended for first-line therapy (“N” drug) that should not be used unless it has been reviewed and approved by a second clinical opinion. The definition of what is and is not included in the formulary needs to be straightforward, easy to read and, most importantly, easy to program into PBMs, utilization review, independent medical review, and bill review systems.

- A drug formulary should include a well-defined dispute resolution process and expedited appeal process. The goal of a drug formulary is to ensure that there are safeguards in place to prevent unnecessary medications from being dispensed to injured workers. The exclusion of a drug from the formulary (for example, an “N” drug) should not mean it cannot be utilized, only that the prescriber needs to validate its medical necessity. The onus should be on the prescriber to provide necessary evidence as to why a particular drug is required for a patient at a particular time. If that can be established, then the drug should be allowed to be given to the patient.

A properly constructed and implemented drug formulary should result in cost savings to the system. The primary savings will emerge over time as fewer injured workers are lost to dependence, addiction, and overdose. The ability to settle and close claims more quickly will be another positive result for both employers and employees.
Yet the true goal of a workers’ compensation drug formulary is to produce better clinical outcomes for
the injured worker. The grand bargain of workers’ compensation includes the premise of returning the
injured worker back to health and work as efficiently and effectively as possible. It has been proven
that a workers’ compensation drug formulary can help clean up past issues and proactively limit new
issues from the overuse and misuse of prescription drugs.

State drug formularies are coming to workers’ compensation, and they should be very useful
additions to the arsenal in battling the man-made tragedy created by the inappropriate use of
prescription drugs.

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