

**Workers' Compensation Prescription Drug Management  
2004 National Payer Survey  
(Conducted by Health Strategy LLC)  
Summary prepared by WCD August 2006**

**Survey Respondents**

- Respondents represented large-, middle-, and small-sized payers across the nation (20 total).
- Respondents included medical directors, senior claims and managed care executives, and program managers.
- Respondents indicated that due to rising drug costs in WC, prescription cost control would become more important.

**Cost-control methods**

- Generic substitution, use of drug utilization review edits and programs, and use of PBMs were the most frequently noted controls.
- Educating adjusters, access to pharmacists to discuss specific cases, and flexible, yet tight, drug formularies were reported as additional tools.
- Utilization controls:
  - Addressing multiple prescriptions from multiple physicians
  - Working to change prescribing behavior by physicians
  - Change in formulary to restrict refills

**Response analysis**

- Utilization is viewed as more significant than unit price.
- Physicians have significant role in drug management.
- Limitations exist for effective drug cost controls.

**Levers to control costs**

- Most respondents reported that they used PBMs in combination with their own programs to control costs.
- Most respondents focused on drug issues related to utilization controls.
- PBMs were rated as the most responsible for cost controls.
- Respondents try to influence treating physician prescribing methods by:
  - Sending letters to physicians
  - Encourage prescribing generics
  - Requesting evidence-based accountability
  - Intervention by pharmacists
  - Raising physician awareness of volumes and types of drugs
  - Monitoring physicians who regularly use “dispense as written” and trying to change prescribing patterns

**Market awareness of PBMs**

- Most respondents could not identify a leading PBM organization.
- There is a lack of “brand” awareness in PBM market in general.

- Respondents cited the following key characteristics for PBMs:
  - Ease of use (for payers; highly service-oriented and seamless)
  - Savings and discounts
  - Size and relationship to the pharmacy network (strong drug utilization review programs)
  - EDI connectivity

### **First fill importance**

- Ensure early entry into drug utilization review process.
- Reduce administrative expenses via electronic submission of bills.
- Establish electronic links among payers, PBMs, and pharmacies to provide better means of informing the pharmacy at point of service.

### **Mail programs**

- Most PBM programs provide additional payer discounts for mail-order prescriptions (cost savings)

### **Third-party billers**

- The most commonly reported problems are:
  - Higher billings by TPBs
  - Loss of cost management control on part of payers
  - More administrative issues and hassles
  - Duplicate billings as well a duplicate prescriptions authorized
- Payer respondents said if payers and TPBs would work together, TPBs could become part of the solution
- TPBs' business model and processes often lead to litigation between TPBs and payers

### **Causes of rising pharmacy costs**

- Strong marketing campaigns by pharmaceutical companies that influence both physicians and consumers to ask for the "brand" specific drugs
- Lack of direction by payers to require usage of preferred pharmacies
- Inability of some payers to encourage generics, mail-order scripts, and proper denial of inappropriate drugs
- Undue influence of TPBs and unwillingness of payers to deny TPB bills in order to more effectively control costs
- Poor relationships between PBMs and pharmacies resulting in failure to follow account instructions, comply with formularies, and use appropriate billing protocols