

# NCCI Workers' Compensation Prescription Drug Study- 2006 Update

Summary prepared by WCD August 2006

## Background

- Drug cost acceleration moderating nationally
- Rapid growth in the use of lower-cost generics
- Shift toward greater mail-order dispensing
- Reduced consumption of certain drugs due to safety concerns

## Key Findings of the 2006 Update

- WC prescription drugs' share of total medical costs continued to grow from 12.1 percent in 1998 to 13.4 percent in 2004; the most recent year show the potential beginning of a slowdown.
- The percentage of generics prescribed when a generic was available rose to 89 percent in 2003, up from 86 percent in 2002.
- Anti-inflammatories/painkillers remained the top drug group, 52 percent of total WC prescriptions.

## Prescribing Patterns

- There continues to be an increase in prescribing available generics.
- Anti-inflammatories/painkillers experienced a significant decrease in percentage of total drugs, from 60 percent in 1998 to 52 percent in 2003; however, muscle relaxants, central nervous system drugs, and gastrointestinal agents had a significant increase.

## AWP - revisited

- National studies report that state and federal governments pay too much for prescription drugs.
- State Medicaid, PBMs, and third-party payers use AWP to set payment rates for retail pharmacy drugs.
- The AWP is the **suggested list price** (*similar to the auto sticker price*) for sales of a drug by a wholesaler, but is not the actual price that wholesalers charge.
- The median average sales price, **ASP**, for drugs was 49 percent lower than AWP; the greatest percentage difference was for generics, which had ASPs that were 68 percent lower than AWP.
- Congressional Budget Office (CBO) vice chair said, "It is clear ... that the use of AWP as a payment benchmark under Medicaid is fatally flawed."
- Selected brand-name prices reviewed by the CBO showed that average sales prices (ASPs) are 80 percent of AWP.

## AWP – lack of regulation

- There is no current requirement that AWP reflect the price of any actual sale of drugs by a manufacturer, or be updated at regular intervals.
- AWP is not defined in law or regulation.
- AWP fails to account for discounts available to various payers.