

MQI – Pharmacy: Data Analysis January 2007

The Information Management Division (IMD) team members provided extensive and in-depth analysis of pharmacy data using the Bulletin 220 medical billing data. This MQI pharmacy data analysis provides statistical information regarding pharmacy payments, specifically how the fee schedule change (Oregon Administrative Rule 436-009-0090¹) effective April 1, 2004, impacted overall pharmacy payments. Key points from this analysis are:

1. The growth rate of pharmacy payments significantly dropped from 22.4 percent in 2002 to 3.2 percent in 2005.
2. Since the adoption of the April 2004 revised pharmacy fee schedule, the proportion of brand drugs decreased both in the number of dispenses and payments, while the proportion of generic drugs increased in both areas providing savings to the system.
3. The Average Wholesale Price (AWP), the pricing benchmark set by pharmaceutical manufacturers, impacts higher-priced drugs (usually brand-name drugs) more than lower-priced ones (generic drugs). On the other hand, the dispensing fee impacts the costs of generics more than the costs of brand drugs.

The data in Table 1 shows that from 2000 to 2005, the average growth rate was 13.6 percent. After 2002, the growth rate (the rate at which pharmacy payments increased compared to the previous year) of pharmacy payments began to fall; it dropped from 22.4 percent in 2002 to 3.2 percent in 2005.

Table 1. Pharmacy Payments and Growth Rates, 2000-2005

Calendar Year	Total Payments	Growth Rate
2000	\$8,877,943	N/A
2001	\$10,703,551	20.6%
2002	\$13,103,785	22.4%
2003	\$15,100,958	15.2%
2004	\$16,055,352	6.3%
2005	\$16,573,788	3.2%
Average	\$13,402,563	13.6%

* Growth rates are calculated as percentage change between two consecutive years.

IMD used data from WC medical billing data (Bulletin 220), collected from insurers on a quarterly basis. The data is broken into two periods: period 1 - April 1, 2002 through March 31, 2004 (prior to the rule change in 2004); and period 2 - April 1, 2004 through March 31, 2006 (after the rule change in 2004).

Table 2 shows the breakdown of pharmacy payments by drug type (brands, generics, etc.) for periods 1 and 2. In period 2, the percentage of brand drugs **decreased** in both payments and dispenses, and notably, generics **increased** in both categories.

¹ Prior to April 2004 the dispensing fee was \$6.70 and the percent of AWP was 95 percent. Effective April 1, 2004 the dispensing fee increased to \$8.70 and the percent of AWP decreased to 88 percent.

Table 2. The Distribution of Pharmacy Payments by Drug Type

Drug Type	Apr 2002 - Mar 2004 (Period 1)				Apr 2004 - Mar 2006 (Period 2)			
	Total Payments	%	Number of Dispenses	%	Total Payments	%	Number of Dispenses	%
Brand Drugs	\$20,403,939	71.2%	160,104	34.1%	\$19,562,994	59.0%	129,584	25.2%
Generic Drugs	\$7,775,148	27.1%	301,802	64.2%	\$13,078,256	39.4%	369,338	72.0%
Non-drug Supplies	\$39,680	0.1%	902	0.2%	\$19,886	0.1%	545	0.1%
Unidentified	\$435,735	1.5%	7,000	1.5%	\$513,152	1.5%	13,801	2.7%
Total Bulletin 220	\$28,654,503		469,807		\$33,174,288		513,269	

Total pharmacy payments increased 15.8 percent from period 1 to period 2 and total dispenses increased 9.3 percent. However, the increased utilization of generic drugs indicates an overall cost savings to the WC system in period 2¹.

In order to provide a more detailed analysis of the structure of pharmacy payments, the top 20 drugs by payments and the top 20 drugs by dispenses were analyzed for both periods. The results are shown in Tables 3-6 (on the following pages). Some of the highlights from these tables include:

- Oxycodone HCL (brand name Oxycontin) had the highest payments in both periods, accounting for about 16 percent of total payments.
- Total payments and dispenses dropped for brand drugs Oxycontin, Neurontin, Celebrex, and Zoloft, as well as Vioxx and Bextra, which were both removed from the market by the FDA in period 2.
- Generics for Oxycontin and Neurontin became available at the end of period 1², which may account for the reduced dispenses of these brand drugs in period 2.
- However, other brand drugs such as Duragesic, Effexor, and Ambien increased in dispenses and payments in period 2. Notably, the brand drug Skelaxin showed reduced dispenses but higher payments during the same period.

¹ As a rule, generic drugs are less expensive than their brand-name counterparts.

²The generic for Oxycontin became available in March 2004 and the generic for Neurontin became available in September 2003.

Table 3. Drugs Ranked by Total Payments, Apr 2002 – Mar 2004 (Period 1)

Rank	Generic or Brand Name (Brand names are in quotes)	Type	Total Payments	%	Number of Dispenses	%
1	OXYCODONE HCL (narcotic analgesics) "OXYCONTIN"	Generic	\$4,655,728	16.25%	22,184	4.72%
		Brand	\$188,989	0.66%	5,612	1.19%
2	"NEURONTIN" (anti-convulsants)	Brand	\$4,466,740	15.59%	16,572	3.53%
3	"CELEBREX" (anti-arthritis)	Brand	\$2,394,075	8.35%	15,465	3.29%
4	HYDROCODONE BIT/ACETAMINOPHEN (narcotic analgesics)	Generic	\$1,640,931	5.73%	15,027	3.20%
5		Brand	\$1,592,419	5.56%	88,618	18.86%
6	"VIOXX" (anti-arthritis)	Brand	\$1,413,761	4.93%	85,385	18.17%
7	"DURAGESIC" (narcotic analgesics)	Brand	\$178,657	0.62%	3,234	0.69%
8	MORPHINE SULFATE (narcotic analgesics)	Generic	\$1,257,601	4.39%	13,537	2.88%
9		Brand	\$975,264	3.40%	2,965	0.63%
10	TRAMADOL HCL (narcotic analgesics) "ULTRAM"	Generic	\$923,122	3.22%	6,118	1.30%
11		Brand	\$567,837	1.98%	4,456	0.95%
12	"BEXTRA" (anti-arthritis)	Generic	\$355,285	1.24%	1,662	0.35%
13		Brand	\$546,508	1.91%	8,985	1.91%
14	"EFFEXOR", "EFFEXOR XR" (psychostimulants, anti-depressants)	Generic	\$321,387	1.12%	6,328	1.35%
15		Brand	\$225,120	0.79%	2,657	0.57%
16	"AMBIEN" (sedative non-barbiturate)	Brand	\$474,132	1.65%	4,950	1.05%
17	CYCLOBENZAPRINE HCL (muscle relaxants) "FLEXERIL"	Generic	\$461,704	1.61%	3,803	0.81%
18		Brand	\$448,604	1.57%	5,862	1.25%
19	OXYCODONE HCL/ACETAMINOPHEN (narcotic analgesics)	Generic	\$438,017	1.53%	20,255	4.31%
20		Brand	\$411,664	1.44%	19,832	4.22%
21	TIZANIDINE HCL (muscle relaxants) "ZANAFLEX"	Generic	\$432,490	1.51%	16,288	3.47%
22		Brand	\$245,600	0.86%	14,242	3.03%
23	"SKELAXIN" (muscle relaxants)	Generic	\$424,819	1.48%	4,888	1.04%
24		Brand	\$283,117	0.99%	3,569	0.76%
25	CARISOPRODOL (muscle relaxants) "SOMA"	Generic	\$421,209	1.47%	5,378	1.14%
26		Brand	\$414,924	1.45%	10,944	2.33%
27	OMEPRAZOLE (antacids)	Generic	\$337,375	1.18%	10,665	2.27%
28		Brand	\$77,548	0.27%	278	0.06%
29	"ZOLOFT" (psychostimulants, anti-depressants)	Generic	\$403,383	1.41%	2,579	0.55%
30		Brand	\$155,026	0.54%	1,098	0.23%
31	PAROXETINE HCL (psychostimulants, anti-depressants)	Generic	\$381,402	1.33%	3,692	0.79%
32		Brand	\$371,726	1.30%	4,026	0.86%
33	NABUMETONE (anti-arthritis)	Generic	\$50,142	0.17%	542	0.12%
34		Brand	\$321,584	1.12%	3,484	0.74%
35	Total Top 20 Drugs by Payments, Period 1:	Generic	\$298,930	1.04%	4,106	0.87%
36		Brand	\$266,068	0.93%	3,746	0.80%
37			\$32,863	0.11%	360	0.08%
38			\$18,956,989	66.15%	259,669	55.27%

Table 4. Drugs Ranked by Number of Disposes, Apr 2002 – Mar 2004 (Period 1)

Rank	Generic or Brand Name (Brand names are in quotes)	Type	Total Payments	%	Number of Disposes	%
1	HYDROCODONE BIT/ACETAMINOPHEN (narcotic analgesics)	Generic	\$1,592,419	5.56%	88,618	18.86%
		Brand	\$1,413,761	4.93%	85,385	18.17%
2	OXYCODONE HCL (narcotic analgesics) "OXYCONTIN"	Generic	\$4,655,728	16.25%	22,184	4.72%
		Brand	\$188,989	0.66%	5,612	1.19%
3	CYCLOBENZAPRINE HCL (muscle relaxants) "FLEXERIL"	Generic	\$438,017	1.53%	20,255	4.31%
		Brand	\$411,664	1.44%	19,832	4.22%
4	OXYCODONE HCL/ACETAMINOPHEN (narcotic analgesics)	Generic	\$26,353	0.09%	423	0.09%
		Brand	\$432,490	1.51%	16,288	3.47%
5	"NEURONTIN" (anti-convulsants)	Generic	\$245,600	0.86%	14,242	3.03%
		Brand	\$186,891	0.65%	2,046	0.44%
6	"NEURONTIN" (anti-convulsants)	Brand	\$2,394,075	8.35%	15,465	3.29%
6	IBUPROFEN (anti-arthritis)	Generic	\$201,819	0.70%	15,385	3.27%
		Brand	\$164,820	0.58%	13,029	2.77%
7	"CELEBREX" (anti-arthritis)	Generic	\$37,000	0.13%	2,356	0.50%
		Brand	\$1,640,931	5.73%	15,027	3.20%
8	PROPOXYPHENE/ACETAMINOPHEN (narcotic analgesics) "DARVOCET-N"	Generic	\$288,415	1.01%	13,741	2.92%
		Brand	\$245,305	0.86%	13,131	2.79%
9	"VIOXX" (anti-arthritis)	Brand	\$43,111	0.15%	610	0.13%
9	"VIOXX" (anti-arthritis)	Generic	\$1,257,601	4.39%	13,537	2.88%
		Brand	\$414,924	1.45%	10,944	2.33%
10	CARISOPRODOL (muscle relaxants) "SOMA"	Generic	\$337,375	1.18%	10,665	2.27%
		Brand	\$77,548	0.27%	278	0.06%
11	AMITRIPTYLINE HCL (psychostimulants, anti-depressants)	Generic	\$107,856	0.38%	9,473	2.02%
		Brand	\$103,460	0.36%	9,371	1.99%
12	NAPROXEN (anti-arthritis)	Generic	\$4,397	0.02%	102	0.02%
		Brand	\$234,801	0.82%	9,044	1.93%
13	TRAMADOL HCL (narcotic analgesics) "ULTRAM"	Generic	\$231,764	0.81%	9,003	1.92%
		Brand	\$3,037	0.01%	41	0.01%
14	CODEINE PHOS/ACETAMINOPHEN (narcotic analgesics)	Generic	\$546,508	1.91%	8,985	1.91%
		Brand	\$321,387	1.12%	6,328	1.35%
15	TRAZODONE HCL (psychostimulants, anti-depressants)	Generic	\$225,120	0.79%	2,657	0.57%
		Brand	\$155,351	0.54%	7,623	1.62%
16	TRAZODONE HCL (psychostimulants, anti-depressants)	Generic	\$148,934	0.52%	7,456	1.59%
		Brand	\$6,417	0.02%	167	0.04%
17	MORPHINE SULFATE (Narcotic analgesics)	Generic	\$139,253	0.49%	6,875	1.46%
		Brand	\$120,277	0.42%	6,742	1.43%
18	"AMBIEN" (sedative non-barbiturate)	Generic	\$18,977	0.07%	134	0.03%
		Brand	\$923,122	3.22%	6,118	1.30%
19	DIAZEPAM (ataractics, tranquilizers)	Generic	\$567,837	1.98%	4,456	0.95%
		Brand	\$355,285	1.24%	1,662	0.35%
20	"SKELAXIN" (muscle relaxants)	Brand	\$448,604	1.57%	5,862	1.25%
20	"BEXTRA" (anti-arthritis)	Brand	\$95,597	0.33%	5,603	1.19%
21	"SKELAXIN" (muscle relaxants)	Generic	\$43,229	0.15%	5,163	1.10%
		Brand	\$52,368	0.18%	440	0.09%
22	"BEXTRA" (anti-arthritis)	Brand	\$421,209	1.47%	5,378	1.14%
23	"BEXTRA" (anti-arthritis)	Brand	\$474,132	1.65%	4,950	1.05%
Total Top 20 Drugs by Disposes, Period 1:			\$16,862,854	58.85%	301,355	64.14%

Table 5. Drugs Ranked by Total Payments, Apr 2004 – Mar 2006 (Period 2)

Rank	Generic or Brand Name (Brand names are in quotes)	Type	Total Payments	%	Number of Dispenses	%
1	OXYCODONE HCL (narcotic analgesics) "OXYCONTIN"	Generic	\$5,448,611	16.42%	24,069	4.69%
		Brand	\$1,663,394	5.01%	12,968	2.53%
2	GABAPENTIN (anti-convulsants) NEURONTIN"	Generic	\$3,785,217	11.41%	11,101	2.16%
		Brand	\$2,578,728	7.77%	16,762	3.27%
3	HYDROCODONE BIT/ACETAMINOPHEN (narcotic analgesics)	Generic	\$1,352,902	4.08%	9,957	1.94%
		Brand	\$1,225,826	3.70%	6,805	1.33%
4	FENTANYL (narcotic analgesics) "DURAGESIC"	Generic	\$2,108,947	6.36%	104,786	20.42%
		Brand	\$1,949,427	5.88%	102,588	19.99%
5	"CELEBREX" (anti-arthritis)	Generic	\$159,519	0.48%	2,198	0.43%
		Brand	\$1,724,094	5.20%	5,124	1.00%
6	MORPHINE SULFATE (narcotic analgesics)	Generic	\$576,779	1.74%	1,935	0.38%
		Brand	\$1,147,315	3.46%	3,189	0.62%
7	"CELEBREX" (anti-arthritis)	Brand	\$1,392,150	4.20%	12,376	2.41%
8	MORPHINE SULFATE (narcotic analgesics)	Generic	\$1,320,711	3.98%	9,324	1.82%
		Brand	\$816,592	2.46%	6,985	1.36%
9	OXYCODONE HCL/ACETAMINOPHEN (narcotic analgesics)	Generic	\$504,119	1.52%	2,339	0.46%
		Brand	\$907,078	2.73%	24,546	4.78%
10	"AMBIEN" (sedative non-barbiturate)	Brand	\$735,003	2.22%	23,366	4.55%
11	"SKELAXIN" (muscle relaxants)	Brand	\$172,075	0.52%	1,180	0.23%
12	"EFFEXOR", "EFFEXOR XR" (psychostimulants, anti-depressants)	Brand	\$702,283	2.12%	7,951	1.55%
13	CYCLOBENZAPRINE HCL (muscle relaxants)	Generic	\$665,249	2.01%	5,178	1.01%
		Brand	\$564,277	1.70%	24,653	4.80%
14	"MOBIC" (anti-arthritis)	Generic	\$492,368	1.48%	23,539	4.59%
		Brand	\$71,909	0.22%	1,115	0.22%
15	"LIDODERM" (anesthetics - local topical)	Brand	\$522,042	1.57%	4,234	0.82%
16	TRAMADOL HCL (narcotic analgesics) "ULTRACET"	Generic	\$484,708	1.46%	2,801	0.55%
		Brand	\$421,552	1.27%	9,124	1.78%
17	"BEXTRA" (anti-arthritis)	Generic	\$337,537	1.02%	8,363	1.63%
		Brand	\$84,015	0.25%	761	0.15%
18	TIZANIDINE HCL (muscle relaxants) "ZANAFLEX"	Brand	\$382,542	1.15%	4,191	0.82%
19	NABUMETONE (anti-arthritis)	Generic	\$368,346	1.11%	5,111	1.00%
		Brand	\$323,564	0.98%	4,788	0.93%
20	"VIOXX" (anti-arthritis)	Generic	\$44,782	0.13%	323	0.06%
		Brand	\$351,983	1.06%	3,783	0.74%
21	CARISOPRODOL (muscle relaxants) "SOMA"	Generic	\$332,303	1.00%	9,270	1.81%
		Brand	\$289,903	0.87%	9,089	1.77%
22	NABUMETONE (anti-arthritis)	Generic	\$42,400	0.13%	182	0.04%
		Brand	\$323,573	0.98%	4,497	0.88%
23	"ZOLOFT" (psychostimulants, anti-depressants)	Generic	\$304,533	0.92%	4,347	0.85%
		Brand	\$19,040	0.06%	150	0.03%
Total Top 20 Drugs by Payments, Period 2:			\$21,497,734	64.80%	284,889	55.50%

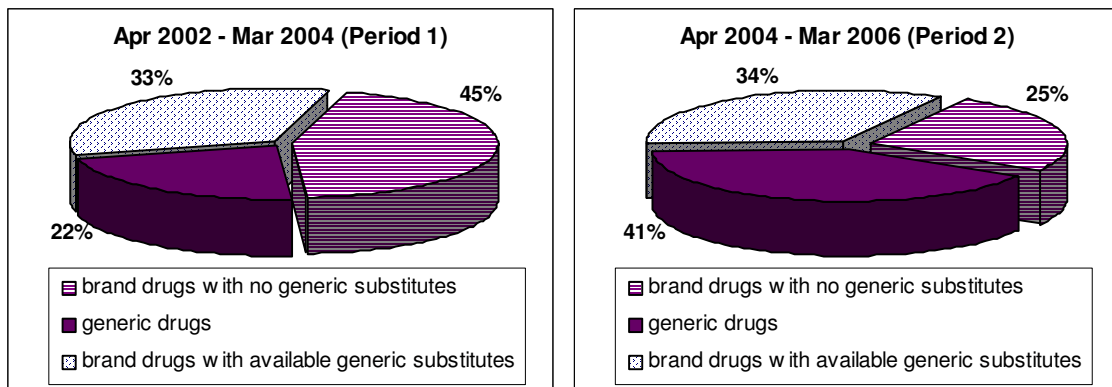
Table 6. Drugs Ranked by Number of Dispenses, Apr 2004 – Mar 2006 (Period 2)

Rank	Generic or Brand Name (Brand names are in quotes)	Type	Total Payments	%	Number of Dispenses	%
1	HYDROCODONE BIT/ACETAMINOPHEN (narcotic analgesics)	Generic	\$2,108,947	6.36%	104,786	20.42%
		Brand	\$1,949,427	5.88%	102,588	19.99%
			\$159,519	0.48%	2,198	0.43%
2	CYCLOBENZAPRINE HCL (muscle relaxants) "FLEXERIL"	Generic	\$564,277	1.70%	24,653	4.80%
		Brand	\$492,368	1.48%	23,539	4.59%
			\$71,909	0.22%	1,115	0.22%
3	OXYCODONE HCL/ACETAMINOPHEN (narcotic analgesics)	Generic	\$907,078	2.73%	24,546	4.78%
		Brand	\$735,003	2.22%	23,366	4.55%
			\$172,075	0.52%	1,180	0.23%
4	OXYCODONE HCL (narcotic analgesics) "OXYCONTIN"	Generic	\$5,448,611	16.42%	24,069	4.69%
		Brand	\$1,663,394	5.01%	12,968	2.53%
			\$3,785,217	11.41%	11,101	2.16%
5	IBUPROFEN (anti-arthritis)	Generic	\$204,597	0.62%	16,899	3.29%
		Brand	\$195,638	0.59%	16,224	3.16%
			\$8,959	0.03%	675	0.13%
6	GABAPENTIN (anti-convulsants) "NEURONTIN"	Generic	\$2,578,728	7.77%	16,762	3.27%
		Brand	\$1,352,902	4.08%	9,957	1.94%
			\$1,225,826	3.70%	6,805	1.33%
7	"CELEBREX" (anti-arthritis)	Brand	\$1,392,150	4.20%	12,376	2.41%
8	PROPOXYPHENE/ACETAMINOPHEN (narcotic analgesics) "DARVOLET-N"	Generic	\$248,197	0.75%	12,209	2.38%
		Brand	\$230,298	0.69%	12,005	2.34%
			\$17,899	0.05%	204	0.04%
9	NAPROXEN (anti-arthritis)	Generic	\$277,516	0.84%	10,639	2.07%
		Brand	\$275,168	0.83%	10,606	2.07%
			\$2,349	0.01%	33	0.01%
10	MORPHINE SULFATE (narcotic analgesics)	Generic	\$1,320,711	3.98%	9,324	1.82%
		Brand	\$816,592	2.46%	6,985	1.36%
			\$504,119	1.52%	2,339	0.46%
11	CARISOPRODOL (muscle relaxants) "SOMA"	Generic	\$332,303	1.00%	9,270	1.81%
		Brand	\$289,903	0.87%	9,089	1.77%
			\$42,400	0.13%	182	0.04%
12	TRAMADOL HCL (narcotic analgesics) "ULTRACET"	Generic	\$421,552	1.27%	9,124	1.78%
		Brand	\$337,537	1.02%	8,363	1.63%
			\$84,015	0.25%	761	0.15%
13	AMITRIPTYLINE HCL (psychostimulants, anti-depressants)	Generic	\$100,089	0.30%	8,710	1.70%
		Brand	\$100,072	0.30%	8,708	1.70%
			\$17	0.00%	2	0.00%
14	"AMBIEN" (sedative non-barbiturate)	Brand	\$702,283	2.12%	7,951	1.55%
15	TRAZODONE HCL	Generic	\$114,988	0.35%	6,731	1.31%
		Brand	\$106,582	0.32%	6,693	1.30%
			\$8,406	0.03%	37	0.01%
16	DIAZEPAM (ataractics, tranquilizers)	Generic	\$111,344	0.34%	6,280	1.22%
		Brand	\$54,103	0.16%	5,886	1.15%
			\$57,242	0.17%	393	0.08%
17	CODEINE PHOS/ACETAMINOPHEN (narcotic analgesics)	Generic	\$137,545	0.41%	6,122	1.19%
		Brand	\$130,747	0.39%	5,972	1.16%
			\$6,797	0.02%	150	0.03%
18	METHADONE HCL (narcotic analgesics)	Generic	\$116,168	0.35%	5,705	1.11%
		Brand	\$101,642	0.31%	5,291	1.03%
			\$14,526	0.04%	414	0.08%
19	"SKELAXIN" (muscle relaxants)	Brand	\$665,249	2.01%	5,178	1.01%
20	TIZANIDINE HCL (muscle relaxants) "ZANAFLEX"	Generic	\$368,346	1.11%	5,111	1.00%
		Brand	\$323,564	0.98%	4,788	0.93%
			\$44,782	0.13%	323	0.06%
Total Top 20 Drugs by Dispenses, Period 2:			\$18,120,678	54.62%	326,445	63.60%

Charts 1 and 2 divide total payments of the top 20 WC drugs into three categories: brand drugs with no generic substitutes, brand drugs with available generic substitutes, and generic drugs. The share of total payments and total dispenses for generic drugs and brand drugs with no generic substitutes changed dramatically in period 2. The share of generic drug payments increased from 22 percent to 41 percent from period 1 to period 2, while the share of brand drug payments with no generic substitutes for the same period decreased from 45 percent to 25 percent.

Similarly, the share of brand drug dispenses with no generic substitutes dropped from 27 percent to 17 percent in period 2, while the share of generic drug dispenses increased from 60 percent to 73 percent in the same period. Once again, the reduction of brand drug dispenses and payments in period 2 resulted in significant savings in WC pharmacy payments.

**Chart 1. Top 20 Drugs by Payments:
Distribution of Total Payments by Drug Categories**



**Chart 2. Top 20 Drugs by Payments:
Distribution of Total Dispenses by Drug Categories**

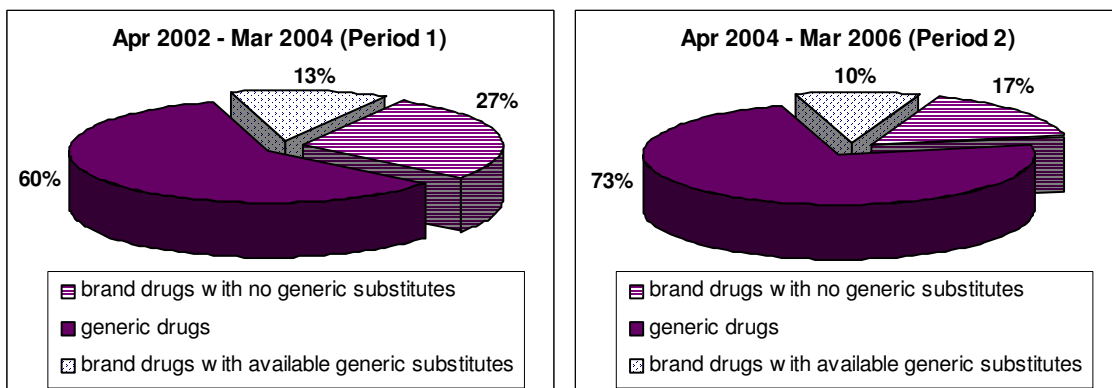


Table 7, below, provides basic statistics for nine brand drugs and 10 generic drugs selected for further analysis. These drugs represent the highest payments and/or dispenses for both periods. Notably, the brands Neurontin, Oxycontin, and Zoloft decreased in both total payments and dispenses in period 2. Also of note is the fact that total payments and dispenses for generics Hydrocodone-Acetaminophen, Oxycodone HCL, and Naproxen increased. Overall, for these selected drugs, the total payments and dispenses decreased for brand drugs from period 1 to period 2, while payments and dispenses for generics increased for the same period.

Table 7. List of Drugs with Specific Dosage and Package Size Selected for Further Analysis

Drug Name, Dosage, and Package Size	Period	Total Payments	Number of Dispenses	Payment per Dispense
Ambien, 10mg - 100 Tabs pack	1	\$330,519	4,243	\$77.90
	2	\$562,507	6,386	\$88.09
Celebrex, 200mg - 100 Caps pack	1	\$1,465,970	13,124	\$111.71
	2	\$1,241,384	10,773	\$115.23
Duragesic, 100 mcg/hr - 5 Pt72 pack	1	\$381,302	629	\$606.29
	2	\$369,952	573	\$645.36
Effexor XR, 75mg - 100 Cp24 pack	1	\$228,562	\$1,677	\$136.29
	2	\$283,794	1,775	\$159.85
Lidoderm, 5% - 30 Ptch pack	1	\$175,843	1,297	\$135.60
	2	\$482,226	2,792	\$172.71
Mobic, 7.5mg - 100 Tabs pack	1	\$72,940	692	\$105.41
	2	\$232,474	1,957	\$118.78
Neurontin, 300mg - 100 Caps pack	1	\$1,198,364	8,858	\$135.28
	2	\$475,965	3,284	\$144.95
Oxycontin, 40mg - 100 Tb12 pack	1	\$1,502,222	4,460	\$336.83
	2	\$1,433,944	3,454	\$415.11
Zoloft, 100mg - 100 Tabs pack	1	\$238,270	2,297	\$103.74
	2	\$184,407	1,677	\$109.96
Total Selected Brand Drugs:	1	\$5,593,991	37,276	
	2	\$5,266,652	32,672	

Drug Name, Dosage, and Package Size	Period	Total Payments	Number of Dispenses	Payment per Dispense
Carisoprodol, 350mg - 100 Tabs pack	1	\$195,855	3,892	\$50.32
	2	\$135,324	3,132	\$43.21
Cyclobenzaprine HCL, 10mg - 100 Tabs pack	1	\$149,795	6,701	\$22.35
	2	\$138,053	6,213	\$22.22
Hydrocodone-Acetaminophen, 5-500mg - 500 Tabs	1	\$521,576	49,624	\$10.51
	2	\$650,633	60,475	\$10.76
Ibuprofen, 800mg - 500 Tabs pack	1	\$109,977	8,218	\$13.38
	2	\$135,474	10,560	\$12.83
Morphine Sulfate, 60mg - 100 Tb12 pack	1	\$228,805	916	\$249.66
	2	\$217,151	1,031	\$210.52
Naproxen, 500mg - 500 Tabs pack	1	\$125,609	5,009	\$25.08
	2	\$179,225	6,775	\$26.45
Oxycodone HCL, 5mg - 100 Tabs pack	1	\$162,347	4,794	\$33.87
	2	\$246,034	7,128	\$34.52
Propoxyphene N-APAP, 100-650mg - 500 Tabs pack	1	\$203,348	11,151	\$18.24
	2	\$190,631	9,981	\$19.10
Tizanidine HCL, 4mg - 150 Tabs pack	1	\$346,388	3,840	\$90.20
	2	\$316,111	4,395	\$71.93
Tramadol HCL, 50mg - 100 Tabs pack	1	\$388,862	6,272	\$62.00
	2	\$237,966	4,682	\$50.82
Total Selected Generic Drugs:	1	\$2,432,560	100,419	
	2	\$2,446,602	114,372	

Chart 3 (below) compares the payments and charges as a percent of fee schedule between the brand and generic drugs identified in Table 7. Both payments and charges as a percent of the fee schedule were lower for generics compared to brand drugs. The payments for generic drugs were at **58 percent** of fee schedule whereas payments for brand drugs were at **94 percent** of fee schedule. On average, the payments for generic drugs were 26 percent below the respective charges, while the payments for brands were only 12 percent lower than the charges.

Chart 3. Payments and Charges as Percent of Fee Schedule For Selected Drugs (from Table 7) in Period 2

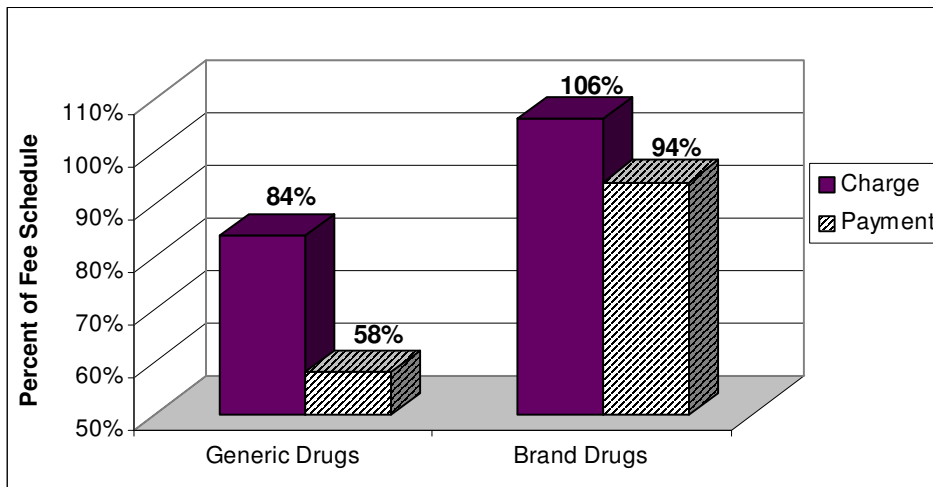


Chart 4, (below) provides another example of how drugs were paid as a percent of the fee schedule. Again, generics were paid at the lowest percent of the fee schedule, generally between 40 percent and 30 percent, while more than 75 percent of brand drugs were paid at 100 percent to 90 percent of the fee schedule.

Chart 4. Payments and Charges as Percent of Fee Schedule: Detailed Analysis

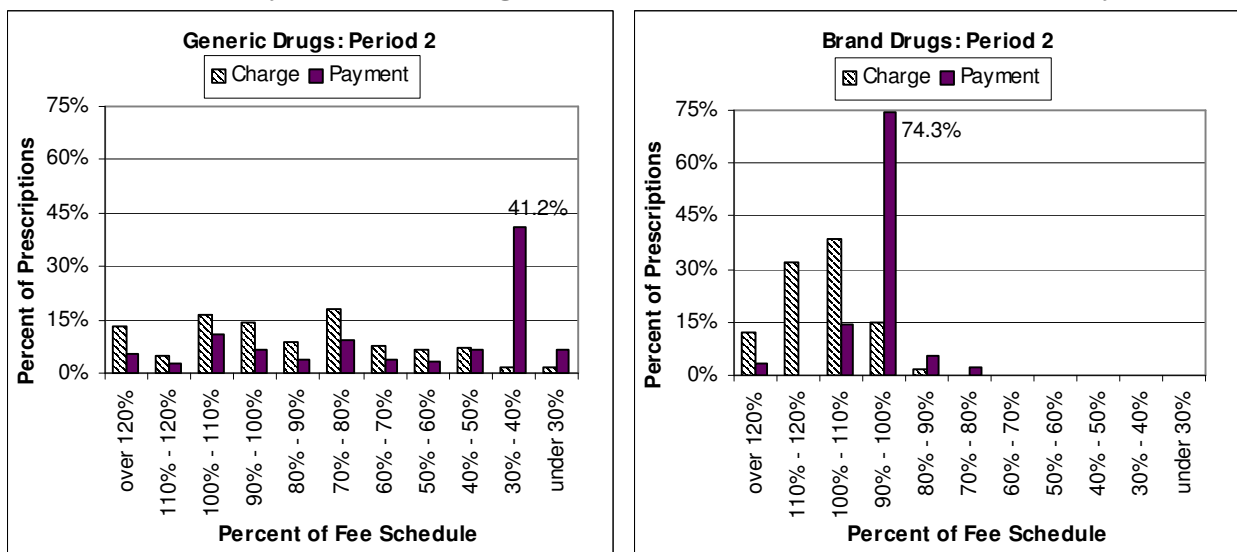


Table 8 shows the effect of the April 2004 rule change on the fee schedule amounts for drugs with various prices. In this table, the fee schedule amounts per pill for a certain fill size (number of pills dispensed) are compared between the old rule and the new rule.

The new rule, combining the lower AWP with the higher dispensing fee, resulted in cost savings for the lower-priced (generic) drugs at the higher pill count fills, whereas for the higher-priced (brand) drugs the savings started at the lower pill count fills. For example, for a drug with an AWP of \$0.50, the cost savings under new rule start from the 90-pill fills and above because the dispensing fee is distributed over a higher pill count. However, for a drug with an AWP of \$2.00, the cost savings start from 20-pill fills and above because the AWP is the significant factor in establishing the price per pill.

Table 8. The Effect of the April 2004 Rule Change (revised fee schedule) on the Fee Schedule Amount per Pill Count

Pill Count	Fee Schedule Amount per Pill									
	Old Rule	New Rule	Old Rule	New Rule	Old Rule	New Rule	Old Rule	New Rule	Old Rule	New Rule
	a=\$0.50	a=\$0.50	a=\$1.00	a=\$1.00	a=\$1.50	a=\$1.50	a=\$2.00	a=\$2.00	a=\$4.00	a=\$4.00
1	7.18	9.14	7.65	9.58	8.13	10.02	8.60	10.46	10.50	12.22
5	1.82	2.18	2.29	2.62	2.77	3.06	3.24	3.50	5.14	5.26
10	1.15	1.31	1.62	1.75	2.10	2.19	2.57	2.63	4.47	4.39
20	0.81	0.88	1.29	1.32	1.76	1.76	2.24	2.20	4.14	3.96
30	0.70	0.73	1.17	1.17	1.65	1.61	2.12	2.05	4.02	3.81
40	0.64	0.66	1.12	1.10	1.59	1.54	2.07	1.98	3.97	3.74
60	0.59	0.59	1.06	1.03	1.54	1.47	2.01	1.91	3.91	3.67
90	0.55	0.54	1.02	0.98	1.50	1.42	1.97	1.86	3.87	3.62
120	0.53	0.51	1.01	0.95	1.48	1.39	1.96	1.83	3.86	3.59
150	0.52	0.50	0.99	0.94	1.47	1.38	1.94	1.82	3.84	3.58

a = AWP per pill; fee schedule amounts include the appropriate dispensing fee

Old Rule: Fee Schedule = \$6.70 D.F. + 95% AWP

New Rule: Fee Schedule = \$ 8.70 D.F. + 88% AWP. **AWP** is the *Average Wholesale Price* for brand-name drugs and **AAWP** is the *Average Average Wholesale Price* for generic drugs.

Grey shaded area indicates that under the new rule the fee schedule amount is lower than or equal to the fee schedule under the old rule for that specific fill size (pill count).

Conclusions:

- ❖ Brand drugs are paid at or above the pharmacy fee schedule and represent the highest drug costs to the WC system.
- ❖ In period 2, generic drugs increased in both dispenses and payments, and because they're paid at rates significantly under the fee schedule, they provide the best opportunity for savings.
- ❖ Decreasing the current fee schedule's percentage of the AWP will more significantly impact higher-priced (brand) drugs, whereas decreasing the dispensing fee will more significantly impact lower-priced (generic) drugs.

Methodology

Oregon Workers' Compensation insurers and self-insured employers with 100 or more accepted disabling claims per calendar year are required to report medical payment data to the Department of Consumer and Business Services (Bulletin 220). Typically, approximately 80 percent of all medical payments are reported to the Department.

Many pharmacy payments are not available in Bulletin 220, because:

- Not all insurers are required to report medical payment data
- Reporting insurers are not required to include payments made directly to third party administrators (TPAs)
- Reporting insurers are not required to include payments made directly to workers as reimbursements for out-of-pocket pharmacy payments.

The Department's Medical Cost Model (MCM), provides a methodology for estimating the unreported portion of Bulletin 220 pharmacy payments. DCBS contacts several insurers from each of the insurer categories (SAIF, private and self-insured) and obtains the insurer's total pharmacy payments (including payments to third party administrators and reimbursements to workers). DCBS then calculates a multiplier that represents the ratio of unreported to reported pharmacy payments. This multiplier is used to adjust Bulletin 220 pharmacy data to an estimate of total pharmacy payments and utilization.

For this report, 2004 pharmacy payments were used as a benchmark for estimating medical payments in other years. The multiplier of 1.856 from the 2004 MCM was used to calculate total pharmacy payments and utilization. Using this benchmarking technique allows the agency to present figures that are more realistic, because they estimate the impact of missing data.