Workers' Comp

Addressing Physician Dispensed Medications with Price Opportunist Drug Strategies

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Does your pharmacy program have strategies in place to manage physician dispensed medications, such as dermatologicals and other high-cost products? It matters because it could be affecting your program. In May, Workers Compensation Research Institute (WCRI) released a report that emphasized the prevalence of costly dermatological products dispensed from physician offices as a major trend across 28 states. By dollar amount, "… physician dispensing of dermatological agents accounted for the majority of payments for the drug group in 12 of the 28 study states." Physician dispensing has also contributed to rapid growth in dermatological payment shares: "… in most states with physician dispensing, larger proportion of payments for dermatological agents were paid to physician-dispensers than to pharmacies." Physician dispensing has long been an area of concern for workers' compensation, first because it may circumvent some of the clinical checks in place to support injured workers. Secondly, physician dispensing is a possible channel for what Mitchell Pharmacy Solutions has termed "price opportunist" drugs. While state reforms have helped to curtail physician dispensing in some states, some manufacturers have found loopholes. For example, certain state rules may restrict physician-dispensing repackaged products but fail to capture other types of non-repackaged products. The above WCRI report noted that "in post-reform states, the average price per pill for existing drugs decreased after reforms. However, physicians are bypassing the reimbursement rules that specifically target repackaged drugs by dispensing newer, higher-priced drugs. That has offset the cost savings of reforms, actually driving up the average price per physician-dispensed pill in some states — particularly in California, Florida, and Illinois." (Risk & Insurance). With this in mind, how can you best manage costly physician dispensed medications, including dermatologicals?

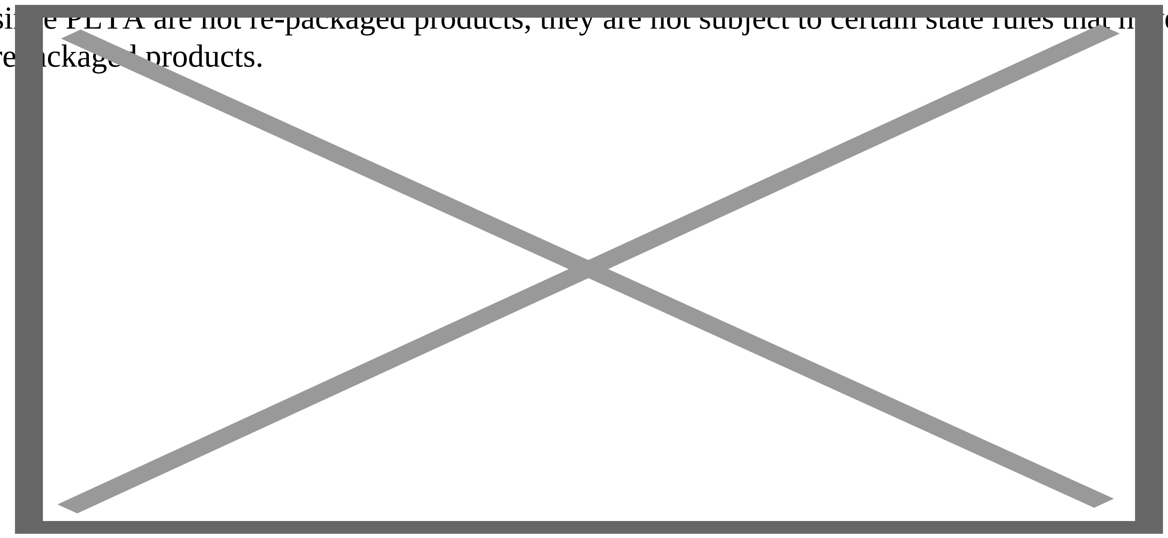
Price Opportunist Overview

Price opportunists. These categories frequently include certain dermatologicals, compounds and combo packs, and many are seen in physician-dispensed situations (WCRI). While there can be circumstances that warrant physician dispensing, there are a few categories that should be considered for a second look as potential "price opportunists" including:

- Private Label Topical Analgesics (PLTA)
- Price Outliers
- Combo Packs
- Compound Kits

Private Label Topical Analgesics (PLTA)

Mitchell Pharmacy Solutions data highlights that dermatological products are the number one outlier with the highest script volume. Within this therapeutic class hide Private Label Topical Analgesic (PLTA) products. PLTAs are not re-packaged products, but rather are “copy-cats” of existing dermatological products already on the market. Often these products include small changes to the original products, but PTLA have no FDA-approved indications and they show no clinical advantage to other existing therapeutic alternatives. Additionally, since PLTA are not re-packaged products, they are not subject to certain state rules that have restrictions on repackaged products.



PTLA products can be significantly more expensive than their therapeutic alternatives. An example of this is Terocin® topical pain relief lotion. This drug consists of lidocaine 2.5%, methyl salicylate 25%, capsaicin 0.025% and menthol 10%, and has an AWP of approximately $400. However, the ingredients of this drug can be purchased separately in generic capsaicin cream and Bengay, which retail together at a little under $30. The 2016 WCRI study on Physician Dispensing of Higher-Priced New Drug Strengths and Formulation also addressed physician dispensing of such dermatological and high cost products. The report examines the various states that have implemented physician-dispensing reforms to combat the repackager issue of ten years ago. However, the report states “…these new strengths and formulations are labeled as drugs made by generic manufacturers, not repackagers, and therefore, are not subject to the new reimbursement rules targeting physician-dispensed repackaged drugs.”

Price Outliers

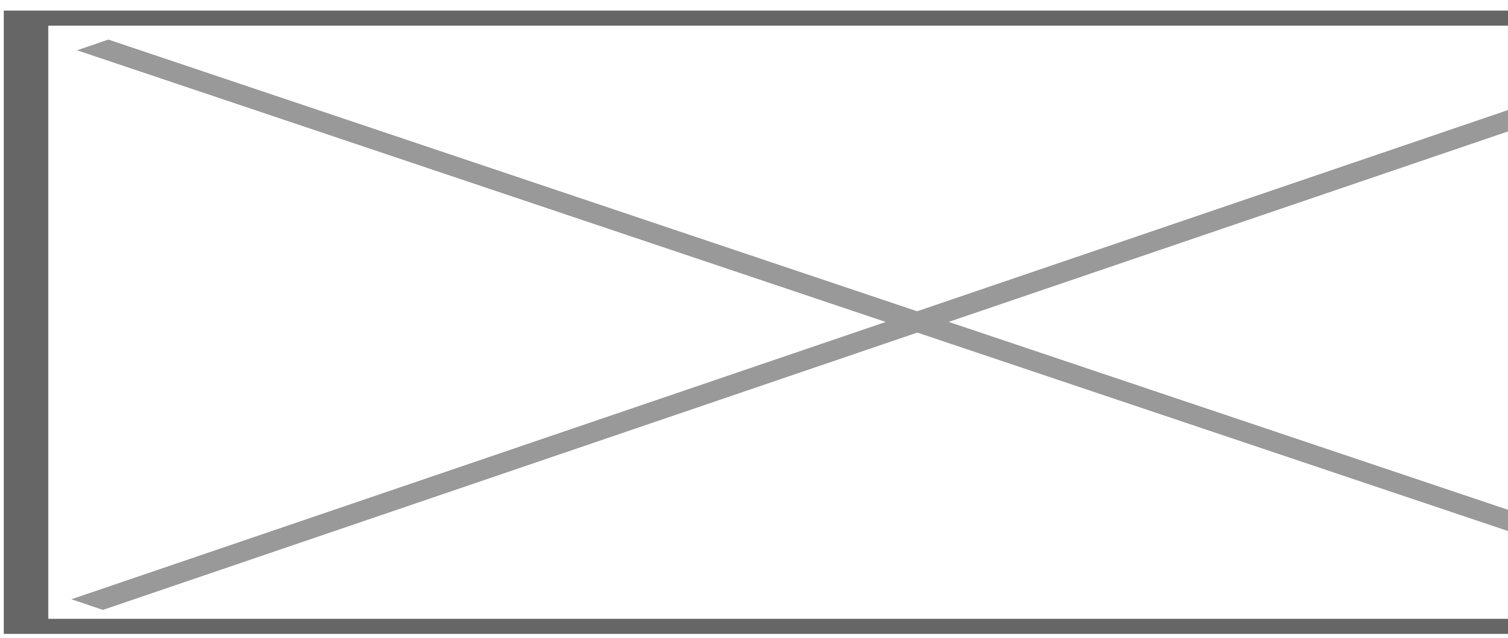
Would you pay $12 for a single tablet of ibuprofen? Even traditional prescription drugs can see very large cost increases from manufacturers. These so-called price outliers can exist because a manufacturer sets the AWP of the drug and no regulations currently exist to cap the AWP. “In the United States, the price of prescription drugs is relatively unregulated, enabling pharmaceutical companies to increase their drug prices beyond inflation rates and regardless of demand” (Investopedia). These drugs can be found both in physician dispensing and retail settings, but physician dispensing makes it much more difficult to control the prescribing of these high-cost drugs.

Convenient Combo Pack

A convenient combo pack consists of individual, commercially available products with a common therapeutic purpose that are packaged together for sale. These products are typically pre-packaged to include items such as topical ointment, solution, Band-Aid kit, medical device, oral drugs, gauze pad, etc. at an excessive price compared to other therapeutic alternatives. Additionally, these products can be available side-by-side in a retail setting and could potentially be zero cost to the insured under a workers' benefit program. However, these combo packs are typically seen through physician dispensing and can drive up costs significantly for insurers. A combo pack can inflate prices far beyond what would be paid for those same items if they were purchased separately. As an example, Clorhexacin™ is a combo pack of several ingredients packaged together with an AWP of $2,873. Sold separately, these ingredients' total AWP is a little less than $74, a price difference of nearly $2,800 for the exact same products.

Compounding Kits

Traditional compounding drugs have evolved from the image of mortar and pestle to a more sophisticated pre-packaged product combination known as a compounding kit. Today, we define compounding as two or more pre-measured drug ingredients that must be combined immediately prior to use based on a prescription order and are sold together as one product. Unfortunately, this practice has become a way for manufacturers to charge excessively high prices. Physician dispensing can also exacerbate the problem, as physicians are likely the main source for compound kit dispensing. Below is an example of how price can inflate when products are bundled into a compounding kit. This example looks at Baclofen products, which fall under the category of muscle relaxants. The commercially-available prescription tablet alternative has an AWP of $5.00. However, when that tablet is compounded, the price increases to $8.00. If the compound is created from bulk powder, the price can increase to $14.00. And if the product is packaged into a compounding kit, the price swells to $53.00, a 960% increase from the original tablet.



Price Opportunist Management Strategies to Leverage with Physician Dispensed Medications

As many in the industry have pointed out, it is imperative that insurers work with their PBMs to curtail these price opportunist practices. A holistic view of a claim, both prospectively at point-of-sale (POS) and retrospectively through bill review, allows for better control over price opportunist prescribing. As you work to address these drugs in your pharmacy program, here are some strategies to consider:

- Create a broad, holistic list of price opportunists to quickly identify and mitigate their impact
- Implement the price opportunist list both prospectively at point-of-sale and retrospectively through programs like bill review
- Continue to educate adjusters about price opportunists and how to identify and manage them
- Consider options for auto-adjudication that can leverage your price opportunist list for quicker and more accurate decision-making

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