Workers' Comp

Six Key Concepts in Pharmacy Benefit Management

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Learning the basics of Pharmacy Benefit Management is key for success. Here are six important concepts to understand.

The workers' compensation industry can be complex, from keeping up with regulatory changes to understanding the roles and responsibilities of various key stakeholders. Whether you are just starting out in the industry or looking to refresh your knowledge, here are six key concepts to understand about Pharmacy Benefit Management in the workers' compensation industry.

1. What is Pharmacy Benefit Management (PBM)?

Pharmacy Benefit Management (PBM) is a third party administrator of prescription drug programs that is primarily responsible for processing and paying prescription drug claims. Pharmacy Benefit Management companies are also responsible for developing and maintaining program formularies, contracting and negotiating discounts with pharmacies.

2. How is Pharmacy Benefit Management Involved in a Workers' Compensation Claim?

From the onset of a claim, an injured worker most likely will need medication – whether that is pain medication, antibiotics or other medications to help them on the road to recovery. When the injured worker goes to the pharmacy to fill a prescription, a PBM provides adjusters insight into what medications the individual receives. If there is an issue with the medication being filled, such as an off-formulary fill, then the PBM blocks the medication from being filled until the adjuster is able to review and provide approval. Specifically, in workers' compensation, PBMs work to help insurance companies navigate the often complex journey of a workers' compensation claim, including the medications that injured workers receive. Adjusters may not always have complete insight or the expertise to navigate the complicated landscape of pharmacy, especially if an injured worker is receiving various medications across the length of their claim. PBMs provide this guidance and help adjusters place proper controls and interventions on the claim, as well as connect the dots from date of injury to the final filled prescription.

In most states, the payer cannot demand that the injured worker utilize their chosen PBM. The injured worker may also fail to present a PBM card to the pharmacy. In some instances, this results in pharmacies filling prescriptions for workers' compensation claims and billing the payer directly, via a paper invoice. When this occurs, the PBM will not have visibility into these prescriptions unless they are integrated with the payer's bill review provider. When integrated, the PBM can treat the paper bill as if it was billed through the PBM, applying all applicable state regulations, formularies, and clinical oversight. This greater insight and control on a claim ensures that patients are receiving the best care across the entire claim and helps prevent dangerous prescribing regardless of the prescription being billed through the PBM or directly to the payer via paper.

3. How Can a PBM Help Navigate a Difficult Claim?

As addressed above, a PBM can provide greater insight into a claim. When a PBM is able to utilize technology such as predictive analytics, it can provide an adjuster with insights into potentially problematic claims before they become an issue. In turn, the adjuster has a wide array of tools at his or her disposal to intervene in the claim and help return the injured worker to the best path of recovery.

4. What are Some Issues that Pharmacy Benefit Management Helps Insurers Address?

Opioids

The opioid epidemic has affected every part of the U.S., including workers' compensation industry. The most recent statistic from the National Institute of Drug Abuse shows just how prevalent this issue has become: drug overdose deaths in the United States rose to 72,000 in 2017. Of those overdoses, nearly 49,000 were associated with opioids. Opioids are especially important in workers' compensation since a high percentage of injured workers receive medication to treat pain. A recent study from the American Action Forum sheds light on how acutely opioids affect the workforce. The study found that, in 2015, over 900,000 working-age individuals were not working due to opioids. Those in the workers' compensation industry, including PBM's, have worked hard to curb the opioid crisis by implementing formularies and working with state and federal legislators to develop effective legislation to limit unnecessary opioid prescribing.

Physician Dispensing

Physician dispensing is the practice of doctors administering medications directly from their office, instead of giving the patient a prescription to pick up at a pharmacy. Although physician dispensing might sound convenient in theory, it can cause several issues for workers' compensation. This practice often raises costs for the workers' compensation system, especially if the physician opts for brand drugs or compounded medications over generics. A 2016 study by NCCI showed that in states where physician dispensing was not highly regulated, the allocation of costs of prescriptions drugs to physician dispensing exceeded 20 percent in 2014. In contrast, those states that had strict regulations on physician dispensing saw only 2 percent of total costs being attributed to physician dispensing. Additionally, the cost of drugs can be as much as 500 percent, or more, in a physician-dispensed setting than in a pharmacy for the same medication. Physician dispensing can also create a problem for the injured worker. The patient could be receiving medications from multiple sources or may be taking medication that would interact with the newly prescribed medication. The controls typically put in place to prevent this dangerous pattern of prescribing, like those used by PBMs, are undermined when the patient receives medication from several different physician-dispensing locations. A physician may have no way of

knowing this and, even with best intentions, could provide the patient with a prescription that triggers a harmful combination. Additionally, the insurer would likely not know about these medications until at least a month later when the bill is received. By then, the overall cost and risk of the claim may be considerably higher.

Compounded Medication

Compounding medication is typically cited as a way to adapt medication to the needs of a specific patient by combining two or more drugs (often in the form of a topical cream). Outside of the workers' compensation system, a prescription compound is typically a rare event and happens only when there is clear medical justification for the use of a compound (such as trouble swallowing). Inappropriate compounded medications inflate costs for workers' compensation systems. Some compounds can cost hundreds to thousands of dollars, while their ingredients cost minimal when purchased separately. The cost of these drugs also continues to rise; for instance, Texas saw the average price of compounding scripts more than double between 2010 and 2014, from $356 to $829. Compounding also presents an issue in the form of patient safety. These compounded prescriptions are *not* approved by the Food and Drug Administration (FDA) and there is no testing or approval process after they are compounded. This means that, though the active ingredients may have evidence to show their safety and efficacy, the compounded versions have little or no such data. FDA research has shown that compounded medications may only show benefit in cases where patients are unable to swallow pills or are allergic to part of the commercially available drug.

Navigating Compliance Changes

Each state has its own workers' compensation and pharmacy-specific laws. Insurance carriers often have to navigate these varying state laws as they work across state lines, which can be difficult to keep track of. Additionally, legislation is constantly changing; in just the first half of 2018, at least nine states have moved to enact opioid prescribing limits.

5. How do Formularies Work with Pharmacy Benefit Management?

Drug formularies are lists of approved drugs. In workers' compensation, these are used to regulate what is most appropriate for an injured worker to receive. Formularies are created on the state level by an independent board of physicians or from an established organization. State-mandated formularies exist or are being considered in more than a dozen states. Additionally, insurers may also layer on a formulary for their organization that helps identify problematic medications. When an individual goes to the pharmacy to fill a prescription, the system checks the prescription against the formulary list to determine if an adjuster needs to review further. There can be several causes for review of a medication. An injured worker may be trying to fill a subsequent prescription that has been proven to be medically inappropriate (such as eye drops for a non-eye injury); or he may have been given a prescription for two drugs that interact poorly when taken together. A drug might be sent for further approval if the formulary states that a generic is preferred over a brand due to price. Formularies work to improve outcomes and can help with many of the challenges covered in the previous section. For more information on how formularies have decrease opioid utilization rates, visit our latest whitepaper.

6. What are Some Important Terms to Know in Pharmacy Benefit Management?

Adjudication

Adjudication is the processing of a claim. Successful adjudication happens when a claim is processed through the proper benefit plan and finishes with the client's expected result.

Compounded Medication

Compound drugs, which require a prescription from a doctor, are prepared by a pharmacist who mixes or adjusts drug ingredients to customize a medication to meet a patient’s individual needs.

Drug Utilization Review (DUR)

Used to make sure that the member is not receiving a drug that may be harmful to them based on interactions with other drugs or based on demographic factors.

Fee Schedule

Some states have a listed maximum amount of payment for specified prescriptions. If a state has a fee schedule, payments will be limited to the level that the fee schedule indicates is appropriate to pay.

Formulary

A drug formulary is a list of prescription medications that a drug plan will pay for. When medications are not listed on a formulary, then the drug plan will not pay for them unless an exception is granted.

Independent Medical Exam (IME)

This exam can be requested by the insurance company to determine if the patient's injuries are related to the accident for which they are receiving treatment.

Jurisdiction of Injury

The state in which the injury occurred will determine which laws and treatment guidelines will be followed.

Letter of Medical Necessity (LMN)

Written by the prescriber of the medication stating why the treatment they rendered is necessary and related to the accident.

National Drug Code (NDC)

A unique 11-digit number used to identify exact drug, strength and brand name of a prescription drug.

Peer Review

A peer review is a reconsideration of a case by another doctor for purposes of gaining a "second opinion" as to whether the treatment rendered was appropriate.

Prior Authorization

Drugs that are not on formulary require adjusters to approve the drug before it can be dispensed.

Statute of Limitations

Determines how long an injured person has to file a claim and/or receive treatment for an injury sustained in an accident. This is set on a state-by-state basis.



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