Workers' Comp

Impact of Drug Formularies on Workers' Compensation State Laws

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Author profile image

Brian Allen

Vice President, Government Affairs

Learn more about workers' compensation drug formularies and what impact states have seen on their drug utilization rates and costs.

Interest in drug formularies has grown significantly in the past few years, coinciding with a greater concern over the opioid crisis. Texas and Ohio were pioneering states in the creation of drug formularies and several states have followed suit recently. Oklahoma, Washington, Ohio, Tennessee, California, Arizona and Texas all have statewide drug formularies; states including Massachusetts, Indiana, Pennsylvania and New York are currently considering or developing formularies.

> **Since Texas's formulary was implemented, 85% fewer injured workers were prescribed drugs that required prior authorization and associated costs decreased by 80% (TDI, 2016).**

However, the issue is not as cut and dry as it may seem. Though many states have shown the benefits of their respective formularies, some lawmakers are hesitant to implement formularies in their own states. Pennsylvania was the most recent state to question the efficacy of formularies. Some lawmakers were concerned over whether formularies provide a cost-only solution and whether they truly benefit injured workers. Instead of restricting prescribing as a whole, some suggested implementing a formulary that focused solely on opioids. With this highly debated topic at the forefront of workers' compensation discussions, it is important to understand what a drug formulary is and the role it plays in an injured worker's recovery.

Understanding Drug Formularies: What is a Formulary?

At the most basic level, a formulary aims to ensure that the medications prescribed for an injured worker are appropriate for the injury that the worker sustained. The California RAND Drug Formulary Report defined a traditional formulary as "a list of covered drugs with rules on how the drugs may be accessed and under what conditions." This often manifests as restricting the prescription of drugs that may prevent or deter the recovery of an injured worker. For instance, as the Pennsylvania legislature addressed, opioid over-prescribing is often a major issue addressed by formularies. Many state formularies aim to decrease the utilization of opioids in workers' compensation. Arizona, for instance, has an opioid-specific workers' compensation formulary. However, formularies address more than just opioids. Drug-to-drug interactions that could be dangerous to an individual, as well as prescriptions that are inappropriate for an injury are just two additional factors covered by formulary legislation. Ultimately, formularies are a set of rules that outline how and whether certain drugs should be prescribed. There are many facets to these rules.

- Pre-authorization requires that prescribed drugs receive approval from adjusters before being dispensed. Some drugs are not allowed to be prescribed together because of their known risk (e.g. benzodiazepines and opioids).
- Some formularies go beyond limiting drug interactions by creating requirements for injury-specific prescribing.
- These drug rules are typically based off guidelines such as the ODG and CDC opioid guidelines.

Having formularies in place allows all stakeholders to have better control over prescribing and keep injured workers on the right path to recovery.

Understanding Drug Formularies: Is This All a Cost Game?

Cost is a major concern in workers' compensation.

> **Depending on the state, prescription costs average anywhere from 11% to 17% of the medical portion of a claim.**

Because of this, many stakeholders have worked hard to reduce the cost impact that medications have on the system. One avenue to reduce costs has been formulary development. Many formularies opt for generic rather than brand prescriptions, which can drastically reduce costs. Additionally, states with formularies have shown a reduction in not only non-formulary prescribing, but all prescribing. This indicates that these systems are likely reducing the rate of over-prescribing by encouraging the prescribing of appropriate medications from the start of a claim. Finally, because formularies focus on getting the right medications for injured workers, they are effective at returning the individual to work faster, which reduces the time and costs associated with longer recoveries. Formularies are about more than just costs, however. The ultimate goal of formularies is to help injured workers return to their lives and ensuring accountability in the workers' compensation system. Lowered costs are typically a by-product of this broader goal and the strategies put in place by formulary development.

Understanding Drug Formularies: Statistics

Several of the states that implemented formularies in the past decade have seen impressive results. For instance, Texas, which followed ODG Guidelines to create its formulary, has seen a major decrease in both prior

authorization prescribing as well as costs associated with those prescriptions. Since Texas's formulary was implemented, 85% fewer injured workers were prescribed drugs that required prior authorization and associated costs decreased by 80% (TDI, 2016). Ohio has seen similar statistics since its formulary implementation. Between 2011 and 2015, opioid prescriptions dropped 40% (CA RAND). Additionally, between 2011 and 2017, the number of injured workers who were clinically dependent on opioids dropped 59%.

> **Overall prescribing costs in Ohio decreased $47 million between 2011 and 2017, with a $24 million decrease in opioid spending.**

These decreases suggest that the drug formulary has helped to stem opioid abuse in this state. Finally, a recent report from WCRI looked at the effect a Texas-like formulary might have in Louisiana. The study found that non-formulary drug utilization in Louisiana could drop to anywhere between 6-17% of all drug prescriptions in the state if a Texas-like formulary was implemented. Additionally, the cost reductions of overall medication in Louisiana could be as large as 27-28% or around $2.3 million over the course of 18 months.

How is the Worker Affected?

Ultimately, workers' compensation legislation revolves around protecting the injured worker and ensuring that his or her interests are at the forefront of any policy decisions. Although conversations about formularies often center on opioids and cost-reduction, formularies actually cover a much wider range of issues. If we can focus on developing formularies that ensure the injured workers are the most important stakeholder, then we will hopefully see more successes in the future.

Learn more about trends in workers' compensation in Brian Allen's latest article.



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