Workers' Comp

Managed vs. Unmanaged — A View Into All Pharmacy Transactions and the Differences Between Their Claim Populations

July 2, 2018
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The next time you look up at the night sky and marvel at the countless stars consider this: For all the things you can see, there is far more you cannot. Most of our universe is filled with dark matter and dark energy. The stars, planets, and moons make up less than 5 percent of what's out there. It's a reminder that what isn't evident can still be important. The same dichotomous view exists within the pharmacy space. There are many transactions we can see at a glance yet a still sizable number that are meaningful even though they're not always readily apparent.

To consider all of the pharmacy transactions we can see and touch at First Script, we rely on what we call our "managed view," which represents all prescriptions governed through our retail and mail-order program as well as our extended-network contracts. Extended (or specialty) networks have been emerging within the workers' compensation pharmacy market for some time. As they've grown, so has the attention they've drawn from leading workers' compensation pharmacy benefit managers. That's because extended networks are designed to reach beyond the traditional retail space into alternative billing and dispensing channels. These channels include third-party billers, physicians, and clinics where dispensing occurs, as well as independent mail-order pharmacies.

By contracting with these dispensing and billing channels, a PBM is able to expand its management reach to influence price controls and apply a larger clinical tool set to a larger percentage of a client's pharmacy experiences. (Think of it like a more powerful telescope that lets us peer deeper and take action.) We compile our managed view to provide pharmacy data that encapsulates all transactions subject to clinical and pricing controls by contract. This managed view accounted for 72.6% of all pharmacy transactions and 77.9% of all pharmacy spend in 2017.

The scope of the managed view is substantial yet it's clear there are still a number of pharmacy transactions that take place beyond a network. That means these transactions don't enjoy the benefit of clinical edits and cost-saving tools. Unmanaged transactions are collected through direct connections with medical bill review systems or clients. They consist of bills from physicians and clinics, smaller non-network pharmacies and specialty pharmacies, as well as non-contracted third-party billers. These unmanaged scripts are eventually accounted for through retrospective clinical utilization management.

Additionally, both managed and unmanaged script data can be integrated within a risk model to sharpen the focus on emerging clinical risks. This holistic view facilitates intervening before adverse claim development occurs. The dispensing channels for out-of-network prescriptions are fragmented. Yet, taken together, they accounted for 27.4% of total prescription utilization and 22.1% of total pharmacy spend in 2017. First Script continuously analyzes the unmanaged population of prescriptions to identify opportunities for increased penetration and total pharmacy management.

The intent of sharing this unmanaged view is to provide transparency and to foster awareness about the cost and utilization trends associated with out-of-network prescriptions. Our analysis reveals that injured workers who fill out-of-network (unmanaged) prescriptions are different from those who fill exclusively within the retail, mail-order, or extended-network (managed view) channels. Contrasting claim demographics, such as claim age and injury type, drive differential market trends for the managed and unmanaged groups.

Here are some key differences between the two populations that comprise the managed and unmanaged views:

Claim age: At 5.4 years, the average claim age for the managed population was far older than the unmanaged population average of 1.6 years.

Severity of injury: Unmanaged prescriptions appear to cover less serious injuries, whereas managed claims typically have more severe injuries.

First and only fills: The trend continues to show that those filling prescriptions via unmanaged sources tend to fill fewer prescriptions; this likely can be attributed to the lower acuity level of their injuries.

These factors illustrate a few of the differences between the two groups. These differences make clear that care should be taken when making comparisons and generalizations across an entire book of business. Just think of that next time you look at the night sky: What isn't always readily visible can still matter.



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