Easy to Swallow

Work comp formularies help states rein in claims, improve efficacy and speed return to work

By Bruce Shutan

Self-insured employers that have long fretted about pharmaceuticals representing the fastest-growing portion of their group health plan costs often rely on drug formularies to manage that soaring tab. The same can be said about applying this tool to self-insured workers' compensation programs. When such formularies dovetail with utilization review processes, they give claims examiners an initial screening for prescribers to make more prudent selections.

"All the states that have adopted a formulary have seen dramatic savings in their work comp system," reports Paul Papanek, M.D., an occupational physician in Los Angeles and member of the American College of Occupational and Environmental Medicine (ACOEM) Board of Directors, which has played an instrumental role in promoting this approach.

Savings have surfaced in largely three areas: using generics as an alternative to brand-name drugs, as well as reducing potentially dangerous opioid prescriptions and policing "compounded" drugs. Papanek, who's also a clinical faculty member at the University of California at Irvine, believes the magnitude for more of the right drugs being prescribed is huge, especially for opioids, and can generate double-digit cost savings. One avenue is to impose limits on how long certain opioid prescriptions can be renewed.

With regard to compounded scripts, he says they involve an inappropriate mix of medications by "shady practitioners" across the U.S. For example, pharmacists might apply topical versions of ibuprofen along with a muscle relaxant, counter-irritant and gabapentin that don't even penetrate the skin.

The motivation is simple: "They'll charge a couple thousand bucks per tube," he says. "Phony compounded medications account for about one in six pharmacy dollars in California, and it's just a complete charade… Physicians who write for these things are rarely, if ever, able to demonstrate in the utilization review process that the medication is justified in the literature."

The use of work comp formularies also has the potential to decrease administrative costs. States that have pioneered this approach are reporting significant improvements in the efficiency of authorization approval for at least routine drugs, Papanek notes.

"If something's not on the formulary, then you've got to go through a UR process," he says. *While some cases will require special attention, he says "the hope is that the current formulary will handle 90% to 95% of the decisions about prescription approvals."*

What states are doing

A number of states, including Texas, Nevada, and Washington experienced dramatic cost savings after implementing formularies for their state workers' compensation systems. Earlier adopters of this approach include Texas, Oklahoma and North Dakota. There are roughly a dozen such states now using work comp formularies with another four or five in the pipeline, according to Papanek. Fifteen state work comp programs have adopted their own specific clinical guidelines. He says the International Association of Boards of Compensation, which tends to represent state work comp boards, has embraced the use of these formularies.

DOL report sounds warning

A 2016 report by the U.S. Department of Labor (DOL) noted that state-run workers' compensation programs are "the only major component of the social safety net with no federal oversight or minimum national standards." As a result, the research expressed concern that inadequate benefits could impoverish injured claimants.

Among a list of policy areas that the report labeled deserving of exploration: "Whether to develop programs that adhere to evidence-based standards that would assist employers, injured workers, and insurers in addressing the long-term management of workers' disabilities to improve injured workers' likelihood of continuing their productive working lives."

Paul Papanek, M.D., an occupational physician in Los Angeles and member of the American College of Occupational and Environmental Medicine Board of Directors, is skeptical about any meaningful involvement of the DOL, noting the department's reluctance to speak about state work comp systems for at least 30 years.

"They feel like it's not their bailiwick, and they're going to stir up trouble if they do," he explains.

Two commercially available work comp formularies were developed by the Reed Group and ODG. The former is based on ACOEM guidelines that have been partially or fully grafted onto work comp regulations in California, Montana, Nevada, New York and Utah.

Eight other states use the ODG Drug Formulary published by the Work Loss Data Institute, which relies more heavily on consensus decision-making than ACOEM and lists medications in table format categorized by drug class, generic and brand name, generic equivalent, cost and proprietary preferred drug status. With regard to this last column, ODG indicates whether or not it recommends a particular drug as a preferred first-line treatment and included on its formulary.

Upon closer review, California and Utah have adopted a hybrid approach of ACOEM, ODG and other guidelines that differ in some details and methodologies. Nearly half of all states haven't yet adopted formal treatment guidelines.

Several programs, notably Washington State, have developed a different way of deciding how a claims examiner should assess the merits of a prescription, Papanek explains. While most formularies are just an alphabetical listing of scripts grouped by drug type, the Reed Group starts with a diagnosis and ties its suggestions to evidence-based literature.

That could have a powerful impact, albeit with a few caveats involved. "ACOEM recognizes that the use of drug formularies has produced significantly lower direct costs for drugs in workers' compensation cases," according to the group's 2016 report, which includes recommendations for state legislators and other policy makers in state labor agencies. However, it also recognized "that if the details of a formulary system are not well managed, formulary use may delay care for some patients and increase administrative costs."

Reading the tea leaves

Although the Golden State is considered a thought leader in health and safety as well as other areas such as environmental regulation, Papanek describes the state's work comp system as cumbersome, litigious and bureaucratic. But by recently mandating a work comp formulary, he believes it's finally heading in the right direction. The hope or expectation is this new formulary will serve as more of a quality improvement tool than reference book on the shelf.

California's legislature "could read the tea leaves as well as anybody about three years ago and saw the data from many other states, including Texas and Ohio, that had put a formulary in place and saw not just cost savings, but improvement in quality because it became harder to write for the wrong drug," he explains.

About 10 years ago, Papanek says ACOEM decided that existing treatment guidelines governing anything from low-back pain and ankle sprains to certain toxicological exposure required a rigorous, evidence-based determination in the medical literature of what works. The group has since published its third edition of guidelines, which fill hundreds of pages. "Some people don't like them because they get into the weeds, but they're very good," he exclaims.

The overarching goal, of course, is to determine which medications have been shown to hasten a claimant's recovery. That could mean assessing the value of Motrin, ibuprofen or OxyContin to treat low-back pain. As part of this effort, the guidelines also gauge the efficacy of physical therapy or certain PT approaches working better than others, number of appropriate office visits to treat various maladies, etc.

"We agree with much of what Dr. Papanek is saying about the importance of having evidence-based guidelines in place for treating workers' compensation injuries," observes Ron Nassif, VP of PRIME at Keenan & Associates, an industry-leading California insurance brokerage and consulting firm for health care organizations and public agencies.

Noting how his home state is in dire need of a formulary for opiate use, he appreciates the support California lawmakers are finally giving to this critically important issue. While Keenan has put programs in place that have reduced pharmacy spend to $3.2 million from about $8 million, he cautions that legislation is still needed to support these efforts.

"There comes a point in time to put a stop to the abuse patterns and circumvention of the fee schedule, and to guide providers to more appropriate prescribing," according to Nassif.

Measuring value

There are certain wrinkles in work comp that don't show up anywhere else and must be addressed, according to Papanek. For example, it may be necessary to make exceptions on a formulary for medications that are used only in the inpatient setting. "If somebody is in the hospital or emergency department, you don't want to tie that doctor's hands because it might involve an extraordinary circumstance," he cautions.

While value-based purchasing has long

garnered attention or intrigue on the group health benefits side, Papanek laments that "work comp is one of those systems that is late to the game in terms of value-based controls over physicians prescribing or ordering."

He describes value as a compound metric involving quality over cost, both of which need to be measured separately. With fewer inappropriate drugs being prescribed, the thinking is that it will lead to higher quality of care, as well as reduce side effects such as drowsiness that can slow a return to work. "You require providers and prescribers to think a little longer and harder about whether they really want to write for yet another opioid or set of refills," Papanek says.

In the final analysis, a work comp formulary ensures that claimants are "treated promptly, fairly and consistent within medical practice standards established within the community," Nassif adds. "Unnecessary tests, procedures, medications, etc., results in cost avoidance through the use of evidence-based guidelines."

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for nearly 30 years.