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BULLETIN

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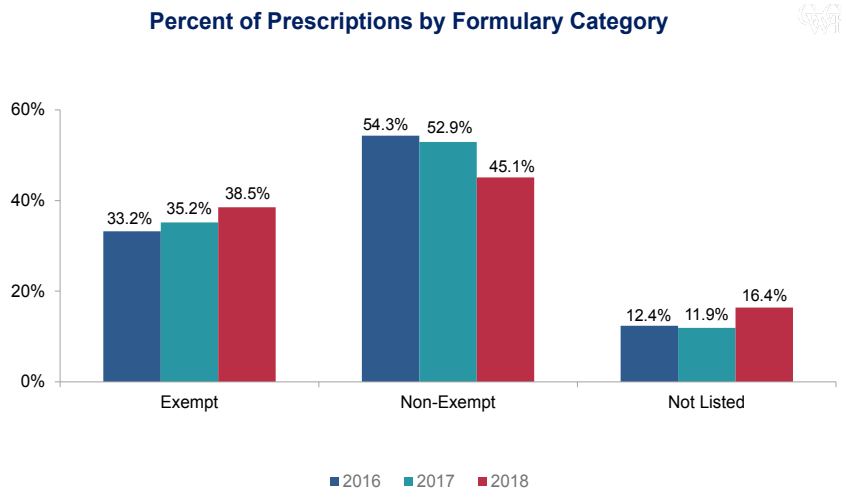
Early indications are that California's new workers' compensation prescription drug formulary is associated with changes in the types of drugs used to treat injured workers and the associated payments, as drugs listed as "Exempt" from prospective utilization review (UR) and those that are "Not Listed" in the formulary account for an increasing share of the prescriptions, while "Non-Exempt" drugs represent a decreasing share.

In October 2015, California lawmakers authorized the Division of Workers' Compensation to adopt a formulary. The goals were to improve injured workers' medical care by ensuring that the medications they receive meet evidence-based standards in terms of frequency, duration, strength, and appropriateness; reduce the total workers' compensation drug spend; and decrease frictional costs by reducing prescription drug disputes. After two years of development, the formulary was approved in late 2017, with an effective date of January 1, 2018.

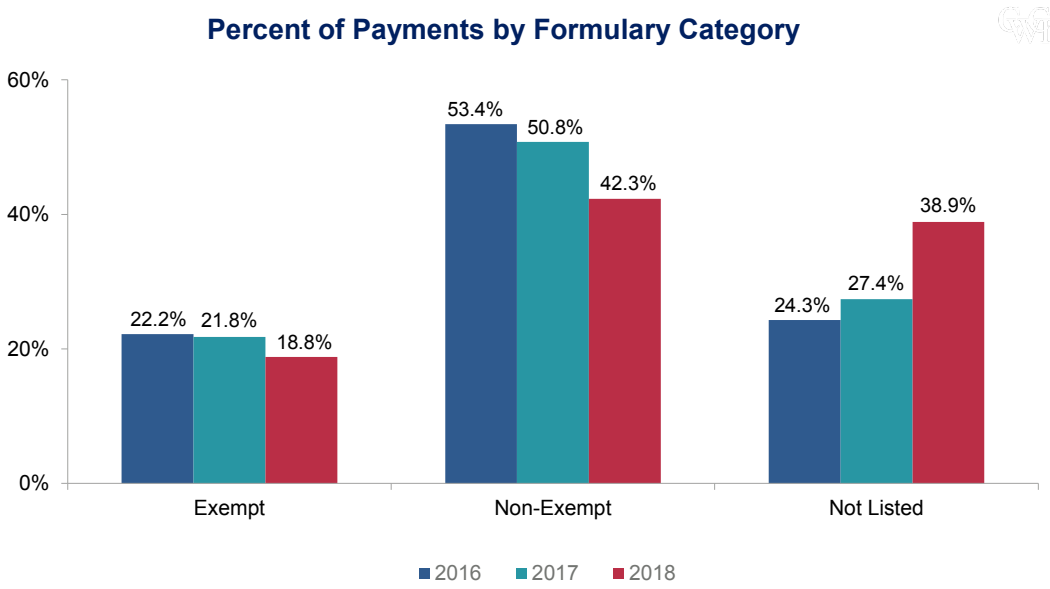
The new study, published as Part 2 of CWCI research on California workers' comp prescription drug utilization and reimbursement, examines emerging outcomes since the formulary was implemented. To examine the formulary's impact on the mix of drugs used in California workers' compensation and on the distribution of pharmaceutical payments, the authors compared pre-formulary data (prescriptions filled in the first half of 2016 and the first half of 2017) to post-formulary data (prescriptions filled in the first half of 2018). The 658,057 prescriptions in the study sample were grouped by fill date and formulary classification: Exempt or Non-Exempt drugs, or Not Listed drugs that are available if the physician can show compliance with the evidence-based standards of the Medical Treatment Utilization Schedule guidelines or other acceptable guidelines for the injury. The study also measures changes in the proportion of prescriptions for "Special Fill" drugs (a four-day supply of which is exempt from prospective UR if prescribed at an initial visit that occurs within seven days of the injury); and Perioperative drugs (a limited supply of which is exempt from prospective UR if prescribed during the Perioperative period -- 4 days prior to a surgery to 4 days after a surgery).



Even before the formulary took effect, there were significant reductions in prescription volume and payments and a shift in the mix of drugs used to treat injured workers, largely due to the declining use of opioids, increased use of anti-inflammatories, and fee schedule changes, as documented last month in Part 1 of the study. Part 2 of the study shows that Exempt drugs' share of the prescriptions rose from 33.2% to 35.2% prior to the formulary implementation, and then jumped to 38.5% in the first six months after it took effect. Non-Exempt drugs, which require UR, fell from 54.3% of the prescriptions in 2016 to 52.9% in 2017, then dropped to 45.1% in the post-formulary period – a decline that tracks with the implicit goals of the formulary. Meanwhile, after declining from 12.4% of the prescriptions in 2016 to 11.9% in 2017, Not Listed drugs registered the biggest increase, climbing to 16.4% of the prescriptions in the first half of 2018.

In terms of payments, Exempt drugs' share of the total workers' compensation drug spend declined from 21.8% in 2017 to 18.8% immediately after the formulary's implementation, as a decrease in the average amount paid per Exempt drug prescription more than offset their increasing share of the prescriptions.

During the same period, drugs on the Non-Exempt list fell from 53.4% of the prescription payments in 2016 to 50.8% in 2017, and then showed an even sharper decline after the formulary took effect, falling to 42.3% in the first half of 2018. Within the Non-Exempt category, the study found that neither Special Fill nor Perioperative drugs contributed much to that decline as each of these subcategories represent only a small percentage of the drugs used (1.1% and 1.0% respectively in 2018). In addition, because the situations in which Special Fills and Perioperative fills are allowed are limited, as are the amounts of the drugs that can be dispensed in those circumstances, the amount paid for drugs in such cases was less than 0.5% of the total drug spend in each of the three years studied.



In contrast to the declining percentage of prescription payments noted for both the Exempt and Non-Exempt drugs, the Not Listed drugs increased from 24.3% of the total drug spend in 2016 to 27.4% in 2017, then jumped to 38.9% of the total prescription dollars after the formulary was implemented – the combined effect of their increased share of the total prescriptions and dramatic growth in the average amount paid per prescription for the Not Listed drugs, as in many cases, average payments for Not Listed drugs doubled and tripled after the formulary took effect.

CWCI has published its study in a Spotlight report, which includes additional data showing the changing distributions of prescriptions for the top 20 drug ingredients overall; drugs on the special fill and perioperative-eligible drugs; as well the changing percentages for the top 20 drugs in the formulary's Exempt, Non-Exempt, and Not Listed categories. The report is available for free to the public, and can be downloaded from the Research section at www.cwci.org.

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