

# Division of Workers' Compensation Public Meeting September 8, 2015

Issues Related to Developing an Evidence-  
Based Drug Formulary for Use in the  
California Workers' Compensation System

# What is a Formulary?

- Preferred drug list
- Continually updated with current evidence-based medicine and expert judgment
- Policies for dispensing
- Minimize administrative burden and cost
- Protocols give access to non-formulary drugs when medically necessary

# Why a Formulary?

- Improved delivery of appropriate medication to injured workers
  - Reduced friction and delay
- Clinical appropriateness
  - Most important in choosing the best treatment
  - Based on evidence review and physician decision
- Cost
  - Important secondary concern when weighing equivalent drugs

# Runaway Costs of Drugs

- Prescription drugs spending is one of the fastest growing components of health care
- Rising costs due to lack of pricing control, current spike in Big Pharma consolidation, and supply chain and manufacturing inefficiencies
- Expensive drugs are sometimes chosen over equally effective, lower cost drugs

# Estimated Costs

- Generic drugs: 86% of medicines in U.S.
- But no decrease in prescription drug spending
- In 2012, Americans spent \$263 billion
  - 11 percent more than the \$236 billion in 2007

(Bloomberg 5/8/14)

# Increased Drug Spending in California's Workers' Compensation System

- Average 1<sup>st</sup> year prescription payment rose 28% between accident year 2012 and 2013
- In 2013, prescription payments = \$1 out of every \$8 of medical benefits paid on a claim (CWCI 2014)
- Workers' Compensation is not alone:
  - CalPERS: \$1.5 billion spent on prescription drugs in 2013
    - Specialty drugs accounted for 0.57% of total prescriptions, but 20% of total drug costs (CalPERS 2014)
  - Medi-Cal: \$4.4 billion spent on outpatient prescription drugs in 2007 (Medi-Cal 2009)

# A Proposed Solution

- Adopt an evidence-based drug formulary in the California Workers' Compensation System
  1. Focus on evidence-based decision making for drug inclusion
    - Ensure clinical appropriateness, safety
  2. More efficient use of health care dollars
    - Maximized savings to employers and the state

# Why Evidence-Based Formulary?

- Utilizes the best scientific facts to determine preferred drugs that facilitate optimum health and reduce adverse impacts and disability
- Ensures patient outcomes are the priority
- Allows scientific assessment to be separated from cost decisions
- Accepted methodology across jurisdictions

# Who Uses Formularies?

- Health plans
- Pharmacy benefit management companies
- Government agencies
  - Department of Defense, Medicare, Medicaid, Veterans Health Administration

# Estimated Savings

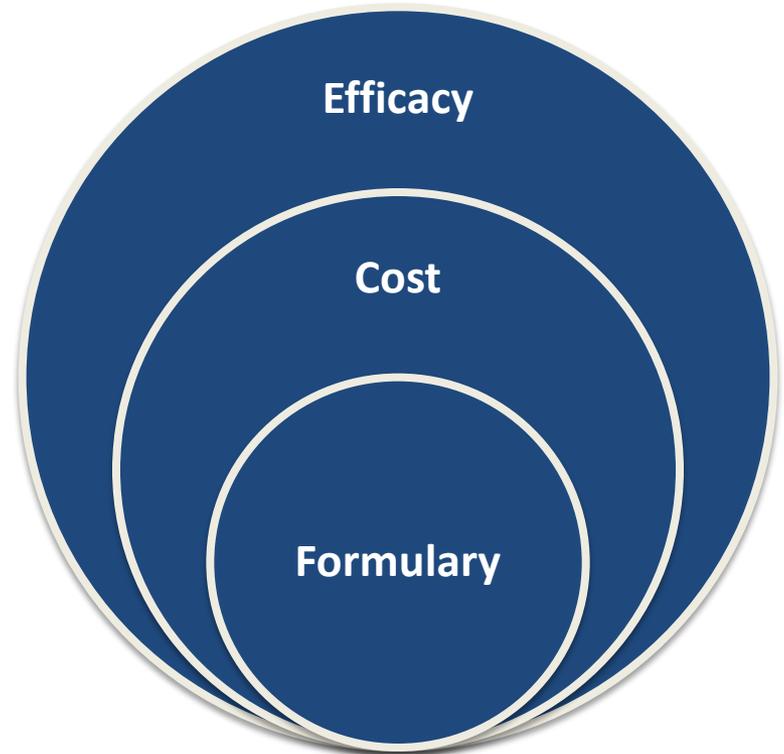
- Adoption of a state-mandated workers' compensation drug formulary, depending on assumptions, could save California an estimated \$124 million to \$420 million per year.

Source: CWCI 2014 Report to the Industry: Are Formularies a Viable Solution for Controlling Prescription Drug Utilization and Cost in California Workers' Compensation?

# Formulary Development Process

Two separate processes  
are involved:

1. Evidence-based review of drugs to assess efficacy and appropriateness
2. Cost analysis to determine which drugs identified in first phase reflect the best price



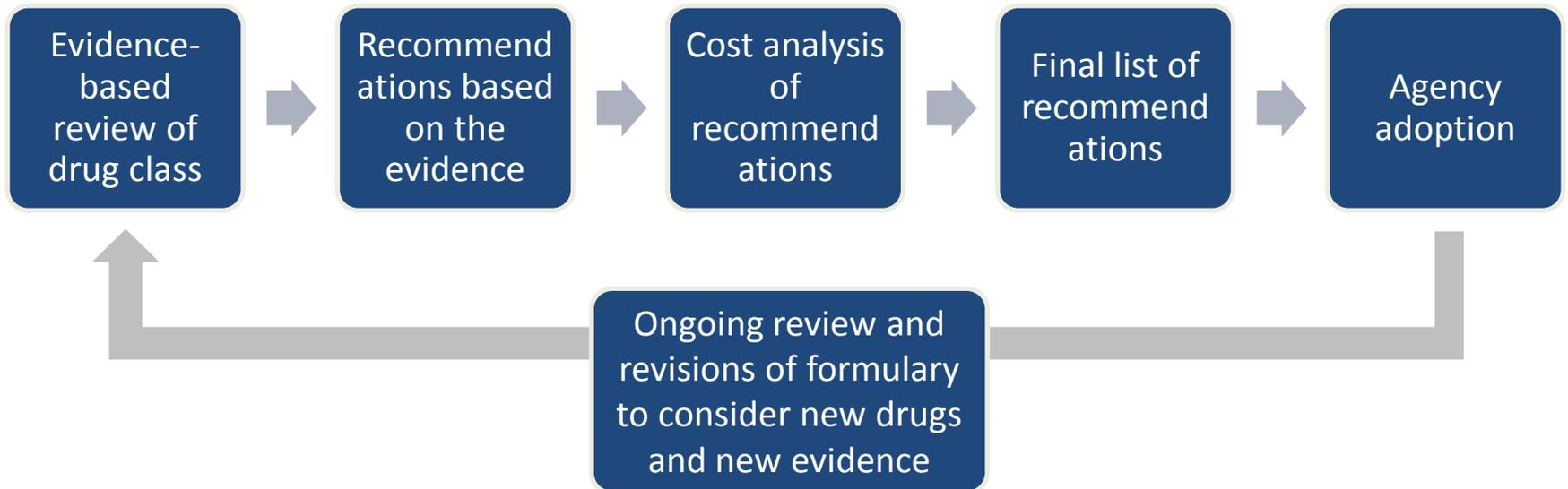
# Assessment of Appropriateness

- Review of scientific research by evidence experts
  - E.g., at institutions such as the Drug Effectiveness Review Project (DERP) at Oregon Health and Science University
  - Opportunity for public comment
- Recommendation for drug inclusion by clinical committee
  - E.g., Primary care and specialty physicians, pharmacists, nurses, legal experts
  - Assessment may include review of evidence-based reports, manufacturer dossiers, scientific literature, etc.
  - Develops initial list of recommended drugs

# Cost Analysis of Recommendations

- Conducted by a committee independent of evidence review
- Prices are compared among drug classes
- May consider supplemental rebate offers from manufacturers and other cost data

# Formulary Review Process



# Final List of Recommendations

- Incorporates clinical appropriateness, safety and cost assessments
- Submitted to agency leadership
- Directors exert administrative decisions to review/approve proposed recommendations

# Agency Adoption

- Agency implements formulary and conducts education and outreach
- Ongoing review and revisions of formulary to consider new drugs and new evidence

# Building on Best Practices

- Assess workers' compensation formularies:
  - Positive and negative attributes
  - Estimated costs of implementation
  - Ease of adoption
- Consider existing models such as Washington State, Texas State, group health and others

# Discussion

- Experiences with formularies and lessons learned
- Benefits of formularies