The 1-2-3 of an Effective Pharmacy Benefits Management Program

Eight Ways a PBM Can Help Control Your Workers’ Comp Health Care Costs
Workers’ compensation is an important business ingredient for any organization. Slips, falls, strains and sprains—and unfortunately far worse—can happen to even the best workers on the job. When they do, workers’ compensation insurance ensures that injured workers receive the proper care and rehabilitation necessary for recovery and, ideally, an expedient return to work.

In that sense, it could be said that workers’ compensation insurance and third-party administration fees, for their respective price tags, offer organizations something far greater than just necessary coverage and/or service—they also offer peace of mind for the wellness of employees. Organizations today face more pressure than ever to increase business, control costs wherever possible and improve bottom-line results. So how can organizations save money and trim costs on workers’ compensation and also get every bit of that intangible peace of mind?

One answer lies in three letters: P-B-M.

“PBM,” which refers to Pharmacy Benefits Management, is seldom understood or fully leveraged as a significant opportunity to help manage the rising pharmacy costs of workers’ compensation. Yet the data regarding pharmacy costs in workers’ compensation are staggering:

- Pharmacy costs for prescription medications account for 12% to 16% of an employer’s total cost of workers’ compensation insurance—a percentage that has grown annually over the last decade
- According to a 2009 workers’ compensation pharmacy report prepared by PMSI, a full-service provider of pharmacy services devoted exclusively to workers’ compensation, the average wholesale price of prescription medications increased more than 6% from 2007 to 2008. The rate of standard economic inflation for the same period was just 4%
- National Council on Compensation Insurance (NCCI) data indicates that costs associated with prescription medications and medical products and supplies make up more than 50% of total medical spending of workers’ compensation claims, particularly as claims age

Therefore, one of the surest ways to control, and perhaps reduce, your total workers’ compensation cost is to make certain your insurance carrier or TPA works with an effective, results-driven PBM to ensure appropriate spending on pharmacy and quality of care.
Discounted Rates on Prescriptions

Through established direct contracts with national retail pharmacies, pharmacy benefits management programs can negotiate significantly discounted rates on prescriptions for your injured workers. These discounted rates can achieve from 15% to 25% savings below fee schedule or Usual and Customary (U&C) rates, which can translate into significant savings for your organization. The discounted rates also apply to mail-order prescriptions and generic conversions.

Maximizing Network Penetration

A pharmacy network is a group of retail pharmacies that provides discounted rates on prescriptions negotiated by your PBM. Providing your injured workers access to an expansive pharmacy network is one of the primary ways of controlling pharmacy costs, as their prescriptions will be filled at the pharmacies’ discounted rates.

Pharmacy “network penetration” refers to the percentage of billed prescriptions that are processed by pharmacies within the network. The higher your organization’s network penetration rate is, the greater your opportunities to save on prescription medications will be.

Effective PBMs employ strategies to maximize network penetration, including:

- Proactive first fill programs to help reduce the incidence of first fill claims from “slipping” to third-party billers who generally bill claims at standard retail values without discounted rates
- Partnerships with national pharmacy chains to drive in-network penetration by assuring retail pharmacies are close to the proximity of injured workers
- Out-of-network bill conversion programs which convert out-of-network transactions into network. For example, by working with large pharmacy chains, PBMs can perform an automated, retroactive adjudication of transactions that applies all edits as if transactions were processed at the time of dispensing, thus maximizing penetration

“When considering an insurance carrier or TPA, do you know the Pharmacy Benefits Management program they utilize and the top 8 ways a PBM is capable of significant cost savings and quality service?”
Generic Conversion

Through generic conversion programs, your business can realize significant cost savings while maintaining clinical quality. Generic transactions represent approximately 65% of prescriptions, and with generic cost differentials of 20% to 40% lower than brands, substantial savings opportunities exist.

Conversion programs can include real-time measures to drive generic utilization:

- **Prospectively** – In states that permit the use of generics, PBMs can block the brand medication at the point of dispensation and guide the pharmacist to migrate to the lower cost generic medication, unless prohibited by physician designation of medical necessity. In those states that do not have a generic mandate, the PBM provides information to pharmacists regarding generic alternatives and encourages them to inform injured workers about the lower cost alternative.

- **Retrospectively** – Prescribers designating a significant portion of their prescriptions as brand medications are identified and targeted for intervention to encourage generic utilization. Similarly, injured workers who request brands rather than generic equivalents can be contacted for intervention within the confines of state direction of care guidelines.

Appropriate Use of Mail Service

PBMs that provide a mail-order option for prescriptions can also help control pharmacy costs and provide convenience for your injured workers. Mail-order pharmacy for workers' compensation has proven to achieve an industry benchmark of 8% to 12% cost savings over traditional retail environments, and advanced mail-order programs can achieve a 20% to 25% cost savings. Mail service is especially suited for injured workers with chronic conditions and long-term medication needs, as prescriptions are delivered directly to their homes.

Mail-order conversion programs are designed to drive significant mail-order utilization by injured workers. The conversion process begins with identifying appropriate candidates and includes working with the insurance carrier/TPA and employer to customize the selection criteria. Candidates can also be directly referred by the employer. Following identification, a multi-pronged approach is initiated, which includes outreach to the injured worker by telephone or mail. If needed, claims adjuster approval is secured prior to initiating contact with the candidate. Once the injured worker agrees, prescribing physicians are contacted to provide a new prescription for mail-order fulfillment.

Customizable Formularies

A formulary is a list of prescription drugs that are covered by your organization's workers' compensation program. The prescriptions on a formulary are based on their effectiveness, safety and price relative to other prescriptions on the market. Workers' compensation is different from group health and, as such, there is a need for formularies specific to workers' compensation. An established formulary will be well researched and thus able to help control and monitor prescription utilization, duration and cost.

PBMs offer clinical pharmacists on staff responsible for developing and maintaining workers' compensation-specific formularies, often working in conjunction with an independent pharmacy and therapeutics committee made up of practicing physicians.

Formulary management begins with global formularies that address the medication needs of the most common work-related injuries. Beyond that, effective PBMs are then able to apply additional injury or disease-specific formularies once the actual injury information is provided. They can modify the formulary further at the employer level to address the specific needs of certain classes of work present, such as firefighters and police officers, who may need cardiovascular medications. Additionally, PBMs can offer formulary solutions to include state-based options based on state-specific regulations.
Effective Utilization Management

An effective PBM should have online, real-time tools for utilization management. An interactive reporting platform can retrieve and analyze program trends, as well as critical claims, enabling claims adjusters to make more informed decisions instantly. Many PBMs today offer claims adjusters drug outcome tools that assist with drug utilization review, interactions and appropriateness of medications to provide better real-time clinical support.

Utilization is currently trending upward as the prescribing patterns of physicians are changing in step with new standards of medical practice. This is evident in medical treatments evolving from single drug therapy to multiple drug combination approaches. Additionally, medications are also being prescribed earlier in, and for more extended periods throughout, injured workers’ recoveries. While it is difficult to alter or influence the prescription patterns of physicians, elements of your pharmacy program, such as its formulary and clinical review process, can help to control utilization.

Beyond multiple medication combination prescribing, physicians are at times keeping injured workers on medications for longer periods or durations of treatment. Duration specifically refers to how long a prescription medication is utilized. If injured workers are on prescription medications longer than necessary, which clinical reviews can determine, pharmacy costs will be greatly affected. In these instances, your insurance carrier/TPA’s nurse or case manager may be able to direct care, in collaboration with the treating physician, toward physical or occupational therapy treatments in lieu of continued pain management by prescription drugs.

Innovative Clinical Management

The PBM should have clinical reviews and system alerts to help ensure immediate communication takes place when potential emergencies or treatment complications occur. Ideally, communication should also be a natural and daily component of your insurance carrier/TPA’s program. There is always an opportunity to educate an injured worker on treatment options, the side effects of prescriptions and the importance of follow up with their care providers. The more often injured workers and the specialists directing and providing their care interact, the greater the likelihood for smoother, quicker recoveries.

In some states, the workers’ compensation carrier/TPA is not able to direct where injured workers receive their care. As such, injured workers may receive care from any number of clinics, hospitals, health systems or doctors, which may result in an injured worker being prescribed multiple medications for multiple ailments.

Clinical reviews should be performed by the PBM’s doctors of pharmacy (Pharm.D.) to examine an injured worker’s total system of care and also help to monitor and control utilization. These reviews will show if medications are unnecessarily prescribed or over-prescribed and if multiple prescriptions are unknowingly prescribed with potentially harmful interaction effects. Beyond helping to reduce utilization and manage appropriateness, clinical reviews help to ensure that injured workers’ treatments are aiding their recovery rather than impeding it, thus promoting return to work.
Insightful Data & Reporting
Effective PBMs provide insightful analysis to insurance carriers and TPAs. With flexible web-portal reporting providing dashboards, scorecards and graphs, PBMs now offer greater insight into program performance. These capabilities include:

- Dedicated team members specializing in informatics (the study of how information is processed) who can provide detailed program reporting
- Executive level quarterly reports form the basis for dialogue on key issues and opportunities
- Ad hoc reporting to support individual needs and specific programs
- Customized strategic initiatives based on the analysis of program trends designed to improve your organization’s costs
- Ability to focus on the percentage of injured workers that drive the majority of cost helps drive programs to address utilization and cost

Pharmacy Benefits Management Checklist

Is your PBM using these measures to help ensure quality care for your injured workers and protect your organization’s bottom line?

- [ ] Discounted rate on prescriptions
- [ ] Maximizing network penetration
- [ ] Generic conversion
- [ ] Appropriate use of mail services
- [ ] Customizable formularies
- [ ] Effective utilization management
- [ ] Innovative clinical management
- [ ] Insightful data and reporting
Conclusion

Workers’ compensation is a vital part of doing business for any organization or business. When workers are injured on the job, it helps to ensure that they will receive the care and rehabilitation necessary for recovery and, hopefully, an expedient return to work. The nurses and claim adjusters involved in a successful workers’ compensation program also support, guide and alleviate concerns for injured workers while they recover.

The most successful workers’ compensation programs can also do more—like offer advanced solutions which allow improved insight into the complete medication and treatment profile for injured workers. While the peace of mind that comes with workers’ compensation is intangible, a strong Pharmacy Benefits Management solution as a component of the program can also bring tangible and measurable savings.

Pharmacy costs are rising annually and an effective PBM can help to keep them under control while ensuring quality care for injured workers. Is your PBM achieving as much as possible for your injured workers and your organization’s bottom line? Now may be the time to revisit your program and find out.

About the Author

Highly regarded in the Managed Care industry, Tina Preisig has 30 years’ experience in the health care arena. As the Senior Vice President of Managed Care for PMA Companies, Ms. Preisig is responsible for the successful execution of PMA's managed care programs, including Preferred Provider Networks, Pharmacy Benefit Management, Medical Bill Review, Medical Management and Vendor Management. Ms. Preisig is accountable for the managed care programs of PMA's insurance carrier and third-party administrators.

From 1997 to 2008, Ms. Preisig was the Vice President of Managed Care Product and Business Development at Zurich Services Corporation in Schaumburg, Illinois. She was responsible for all Managed Care strategic business and service plans across all business units. Her professional experience also includes serving in a number of leadership roles involving Case Management, Utilization Review, Bill Review operations, Network Management, Regulatory Compliance, and Account Management at Healthcare Compare (1996-1997), CompReview (1995-1996), Genex Services Corporation (1992-1995), and Intracorp (1987-1992).

Ms. Preisig, a Registered Nurse specializing in Neonatal Intensive Care, earned a Bachelor of Science Degree from Northeastern Illinois University with a major in Biology and a minor in Pre-Med. She also received an MBA from the Executive Program at Lake Forest Graduate School of Management in Illinois.

About PMA Companies

PMA Companies (www.pmacompanies.com) provides risk management solutions and services, specializing in workers’ compensation and offering property and casualty insurance, in the U.S.

Headquartered in Blue Bell, PA, PMA Companies is a member of Old Republic Companies. Old Republic International Corporation (NYSE: ORI) is one of the nation’s 50 largest publicly held insurance organizations.

PMA Management Corp., one of the PMA Companies, provides results-driven claims and risk management service solutions to clients in a broad range of programs, including individual self-insurance, self-insured groups, captives and unbundled insurance programs. PMA Management Corp., which has consistently received SAS 70 (type 2) reports with an unqualified auditor’s opinion, is currently celebrating 20 years of consistent annual growth and expansion.

References