



WORKERS' COMPENSATION PBMs FREQUENTLY ASKED QUESTIONS

What Is a Pharmacy Benefit Manager (PBM)?

A Pharmacy Benefit Manager (PBM) is a third-party processor acting on behalf of their payer clients to provide a prescription drug program. Usually PBMs are responsible for processing and paying prescription drug claims. They also develop formularies, contract with pharmacies and negotiate discounts for various workers' compensation payers (insurance companies, self-insured employers, third-party administrators).

What Do Workers' Compensation PBMs Do?

Workers' compensation PBMs manage pharmacy programs for the payers of workers' compensation claims (insurance carriers, third-party administrators and self-insured employers.) For simplicity's sake, payers will be referred to as insurance companies.

PBMs make sure that injured employees receive prescribed medicines promptly and without having to pay for the drugs. The PBM facilitates the filling of the prescription (and payment to retail pharmacy) by either billing the insurance company or directing the pharmacy invoice to the proper insurance company for payment.

Workers' compensation PBMs also provide clinical services, making sure that the dispensed drugs are related to the workplace injury, are appropriate for the diagnosis and do not interact negatively with other drugs the claimant is taking.

PBMs build networks of retail pharmacies to ensure that injured employees have unfettered access to medication. Some PBMs also have mail-order services to serve critically injured workers more conveniently.

How Do Workers' Compensation PBMs Control Costs?

Studies show that the main cost driver in pharmacy is utilization (the volume and type of drugs dispensed), not the price per pill. So workers' compensation PBMs spend considerable effort on Drug Utilization Review and work with the prescribing physicians and dispensing pharmacies to explore alternative drug therapies, including generics or less expensive brands.

PBMs also flag drugs that can be addictive and alert prescribing physicians in an effort to prevent costly future medical complications. In these instances, the PBM will work with the physician to put the patient on a "step down" program to wean the patient off potentially addictive narcotics and onto less dangerous, but equally effective medications.

Because injured workers often go to more than one doctor, it is not uncommon to find a claimant taking two or three different kinds of anti-depressants, pain medications or anticonvulsants. When all medication invoices are processed through the workers' compensation PBM, a clinician can alert the physicians and work with them to reduce the number of prescriptions, dramatically cutting the cost of the claim.



The workers' compensation PBM can also search for potentially harmful combinations of prescriptions and alert the physician before a problem surfaces. Since drugs often interact negatively with each other, side effects can occur. This clinical service prevents costly treatment for side effects from poor combination of medications.

Generic drugs are much less expensive than branded medications; PBMs work diligently to encourage claimants and pharmacies to fill scripts with generics where possible and appropriate.

Additionally, PBMs that provide a mail-order service can offer even more aggressive price controls by providing deeper discounts when an injured worker receives their medication through mail order programs.

How Do Workers' Compensation Prescriptions Differ from Group Health?

The most distinct difference is the patient population. A workers' compensation patient, unlike a privately insured, Medicaid or Medicare patient, is seeking treatment for a work-related injury or illness and not a chronic or acute illness. The goal of treatment for workers' compensation is to make the injured worker as whole as possible (Maximum Medical Improvement) in order to return them to work, whereas in group health, it is to cure and relieve the patient's illness or manage a chronic illness.

The drug mix for these two patient populations is completely different. Most workers' compensation scripts fall into three categories, while group health prescriptions cover all categories and often include more of the high-end blockbuster or new-to-market drugs. However, the main difference for pharmacies and PBMs is eligibility.

For group health patients, eligibility is cut and dry. A patient is either eligible or not, and if the patient is eligible, the drugs are covered. The patient presents a card so the pharmacy knows exactly who will pay them and how much. The transaction process is instantaneous and at very low cost.

This is not the case in workers' compensation. Very few workers' compensation claimants receive a card before their initial trip to the pharmacy, and rarely do they know the name of their workers' compensation insurance carrier. In workers' compensation, eligibility is a gray area. The drug itself may not be eligible even if the injury is because it may or may not be related to the injury.

Unlike group health, there are no co-pays, restrictive formularies or other cost-containment measures that could minimize the number of times the patient refills the prescription or whether they choose brand or generic.



Cost control in workers' compensation involves resource-intensive Drug Utilization Review processes, referenced above. This means pharmacists and clinicians have to review scripts for appropriateness to the claim, medical necessity, potential conflicts and adverse outcomes.

All these reasons leave the pharmacy **at risk** for the initial and subsequent fills. Even if the pharmacies can identify the carrier, they cannot be sure the carrier will accept the claim. Moreover, because workers' compensation only pays for medications directly related to the workers' compensation injury or illness, workers' compensation PBMs have to work with the payer to ensure each script is related to that injury. This can place an additional burden on the pharmacy.

This higher risk requires a higher reimbursement. Most states recognize these differences and set a reimbursement rate that is higher than most group health, Medicare and Medicaid plans.

The additional risk on the pharmacies can lead them to:

- Not fill scripts without a claim number, specific notice from the insurance carrier or a PBM card;
- Use the claimant's existing profile (usually a group health or Medicaid PBM card) to fill the script, therefore shifting the workers' compensation cost to non-comp insurance;
- Require the claimant to pay cash for the prescription and seek reimbursement from the employer;
- Stop accepting and filling any and all workers' compensation prescriptions.

Because of the higher administrative burden, PBMs pay pharmacies more for workers' compensation drugs than their group health counterparts pay and significantly more than what most Medicaid programs pay.

Rebates in workers' compensation pharmacy are virtually non-existent, unlike Medicaid rebates which are a minimum of 11 percent of the Average Manufacturers Price per unit (and even higher in many states). This rebate revenue significantly reduces a state's costs for Medicaid drugs and thus allows them extra administrative cost savings not found in workers' compensation. Because rebates do not exist in the workers' compensation world, PBMs cannot use them to offset drug and administrative costs.



How Work Comp Rx is Different

Work Comp	Non-Comp (Group/Medicare/Medicaid)
Claimant eligibility uncertain at initial fill	Claimant eligibility certain
Pharmacy runs risk of not receiving payment or receiving reduced payment due to dispensing drugs deemed not related to workers' comp injury or illness	Pharmacy certain of payment
No Rx card	Rx card issued & presented at time of initial fill
Coverage is "first dollar, every dollar;" claimants have no financial motivation to select less costly medications	Cost sharing & co-pays help control costs
More prior authorizations required	Formulary reduces number of prior authorizations
Utilization - the number and type of drugs dispensed - is the primary cost driver	Utilization is not the cost driver
Five to seven touches per prescription	Average of three touches per prescription
Slow payment for fills (before PBM involved), 60 days or more	Pharmacy paid within 7-10 days
Costs twice as much to process claim. Average dispensing costs = \$20.36, excluding cost of drug	Average dispensing cost = \$10.50 to process, excluding cost of drug

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