

Manage  
Inform  
Process  
Ensure

## The Role of a PBM in Workers' Compensation

Understanding the role of workers' compensation pharmacy benefit managers (WC-PBMs) can help state and local government agencies ensure the timely delivery of pharmacy benefits to injured employees on behalf of employers, insurers and other payers.



CompPharma



# What is a Workers' Compensation-Pharmacy Benefit Manager?

A WC-PBM is a specialized company that manages prescription drug programs for its clients, which are workers' compensation payers, including insurance companies, third-party administrators, state funds, and government agencies as well as other self-funded employers.

While business models vary slightly, typically WC-PBMs:

- Process claims and reimburse pharmacies for dispensed medications
- Monitor patient drug utilization
- Work with physicians on drug utilization
- Provide clinical oversight and pharmacy cost containment
- Make sure that only compensable prescriptions are dispensed
- Ensure compliance with state reporting and billing mandates

## What Would Happen if WC-PBMs Were Not Doing Business in a Particular State?

- Pharmacies and payers would face significant new administrative costs
- Both entities would need to make phone calls to research injured employee's claims, obtain authorization for services and handle paper bills
- Insurance carriers would need to create their own systems for communicating with pharmacies in real time so injured employees will quickly receive medications
- Carriers and other payers would need to develop systems to monitor patient safety issues, such as drug interactions, multiple dispensing and potential drug abuse and/or addiction
- Pharmacies would face uncertain reimbursement and slower payments
- Pharmacies might stop filling prescriptions for injured employees
- Injured workers' recoveries and return to work may be compromised



## What Value Do WC-PBMs Bring to the Workers' Compensation System?

- Ensure injured employees receive prescribed medications promptly, with no out-of-pocket cost
- Guarantee payment to the pharmacy at the point of sale
- Establish real-time connectivity between the pharmacy and the payer, facilitating electronic billing and payment processes
- Control costs by managing utilization, negotiating prices and offering mail-order services for long-term pharmaceutical therapies
- Enforce state fee schedule regulations such as mandatory generics and state-specific formularies through automated system flags
- Improve patient safety through clinical services that detect potential drug interactions, duplicative medications and potential abuse of narcotics

## What Are Some of the Public and Private Entities that Work Directly with WC-PBMs?

Among the public and private organizations who use WC-PBMs are the California State Compensation Insurance Fund, the California State University System, City of Dallas, City of Los Angeles, County of San Diego and the Texas Mutual Insurance Company. Private corporations include American Airlines, Boeing, Chartis, Chevron, Nordstrom, and Southwest Airlines. Numerous state funds and state employee programs also contract directly with WC-PBMs.



# What is the Difference Between a Workers' Compensation PBM and a Group Health PBM?

## Work Comp

- Undefined benefit plan
- 100% medical cost coverage
- Claimant eligibility determined retrospectively & uncertain at initial fill
- Open network with freedom of choice
- No Rx card at first fill
- Pharmacy runs risk of not receiving payment
- Coverage is “first dollar, every dollar;” claimants have no financial motivation to select less costly medications
- Utilization – the number and type of drugs dispensed - is the primary cost driver
- Five to seven touches per prescription
- Slow payment for fills (before PBM involved), 60 days or more
- <sup>1</sup>Costs twice as much to process a claim. Average dispensing costs = \$20.36, excluding cost of drug

## Non-Comp (Group/Medicare/Medicaid)

- Defined benefit plan
- Varying levels of coverage
- Eligibility determined prospectively
- Closed network and limited freedom
- Rx card issued & presented at time of initial fill
- Pharmacy certain of payment
- Cost sharing & co-pays help control costs
- Utilization is not the cost driver
- Average of three touches per prescription
- Pharmacy paid within 7-10 days
- <sup>2</sup>Average dispensing cost = \$10.50 to process, excluding cost of drug

The average national cost of dispensing a non-comp prescription is \$10.50, according to the Coalition for Community Pharmacy Action, a coalition between the National Association of Drug Stores and the National Community Pharmacists Association [http://www.rxaction.org/publications/COD\\_Study](http://www.rxaction.org/publications/COD_Study). The **additional** cost of dispensing a workers' compensation prescription is \$9.86 excluding the medication, according to a 2007 St. Louis College of Pharmacy [www.ncbi.nlm.nih.gov/pubmed](http://www.ncbi.nlm.nih.gov/pubmed). Therefore, a workers' compensation script costs nearly \$10 more to process than a non-comp script.

<sup>1</sup>Kenneth W. Schafermeyer, Ph.D, *A study of the additional costs of dispensing workers' compensation prescriptions*, 2007  
<sup>2</sup>Cost of Dispensing (COD) Study, Coalition for Community Pharmacy Action. [www.rxaction.org/publications/COD\\_Study](http://www.rxaction.org/publications/COD_Study)

An illustration on a blue-to-green gradient background. A purple silhouette of a man in a suit carries a large, light blue sack on his back. The sack is overflowing with green banknotes, with several more banknotes floating in the air around it. A bright sunburst is visible in the upper right. The text 'COST OF WORKERS' COMPENSATION PRESCRIPTIONS' is written across the sack in a white, hand-drawn font.

COST OF WORKERS'  
COMPENSATION  
PRESCRIPTIONS



**Myth:** The price of prescription medications is the biggest cost driver in the pharmacy portion of a workers' compensation claim.

**Fact:** Price is not the main cost driver in workers' compensation pharmacy programs. Utilization — the number and type of medications dispensed — is, by a factor of four to one. WC-PBMs manage utilization costs by focusing on less expensive brands and generics, making sure only drugs related to the injury or illness are dispensed, and ensuring patients do not obtain duplicative prescriptions through doctor shopping.

**Myth:** Pharmacies could easily fill workers' comp prescriptions without WC-PBMs.

**Fact:** Processing workers' compensation prescriptions requires additional administrative burdens, extra costs, uncertain reimbursement and slower payments than other systems, such as Medicaid and Medicare. The expert coordination of WC-PBMs allows pharmacies to fill workers' compensation prescriptions without the financial risk and bureaucratic hurdles, which is why an estimated 95 percent of pharmacies nationwide participate in PBM networks.

**Myth:** Pharmacies are required by law to fill workers' compensation scripts.

**Fact:** Pharmacies are under no legal requirement to fill workers' compensation prescriptions.

**Myth:** Filling a workers' compensation prescription costs the same as filling any other prescription for the same medication.

**Fact:** Because of the additional administrative burdens and multiple parties involved, it costs pharmacies an estimated \$10 more to fill a workers' compensation prescription than a cash prescription and nearly twice as much as it does for a Medicaid script, according to a 2007 study by St. Louis College of Pharmacy that examined claims for the Texas Mutual workers' compensation program.

**Myth:** Insurance carriers and public workers' compensation payers could provide the same services as WC-PBMs just as cost effectively.

**Fact:** Workers' compensation claims management requires unique EDI connections and data flows that most payers cannot do on their own. The clinical aspects of workers' compensation pharmacy management are unique, as are the databases needed for repricing to fee schedules. In addition to their specialized expertise, WC-PBMs work across state lines, allowing them to provide their services more cost-effectively than in-house operations could.



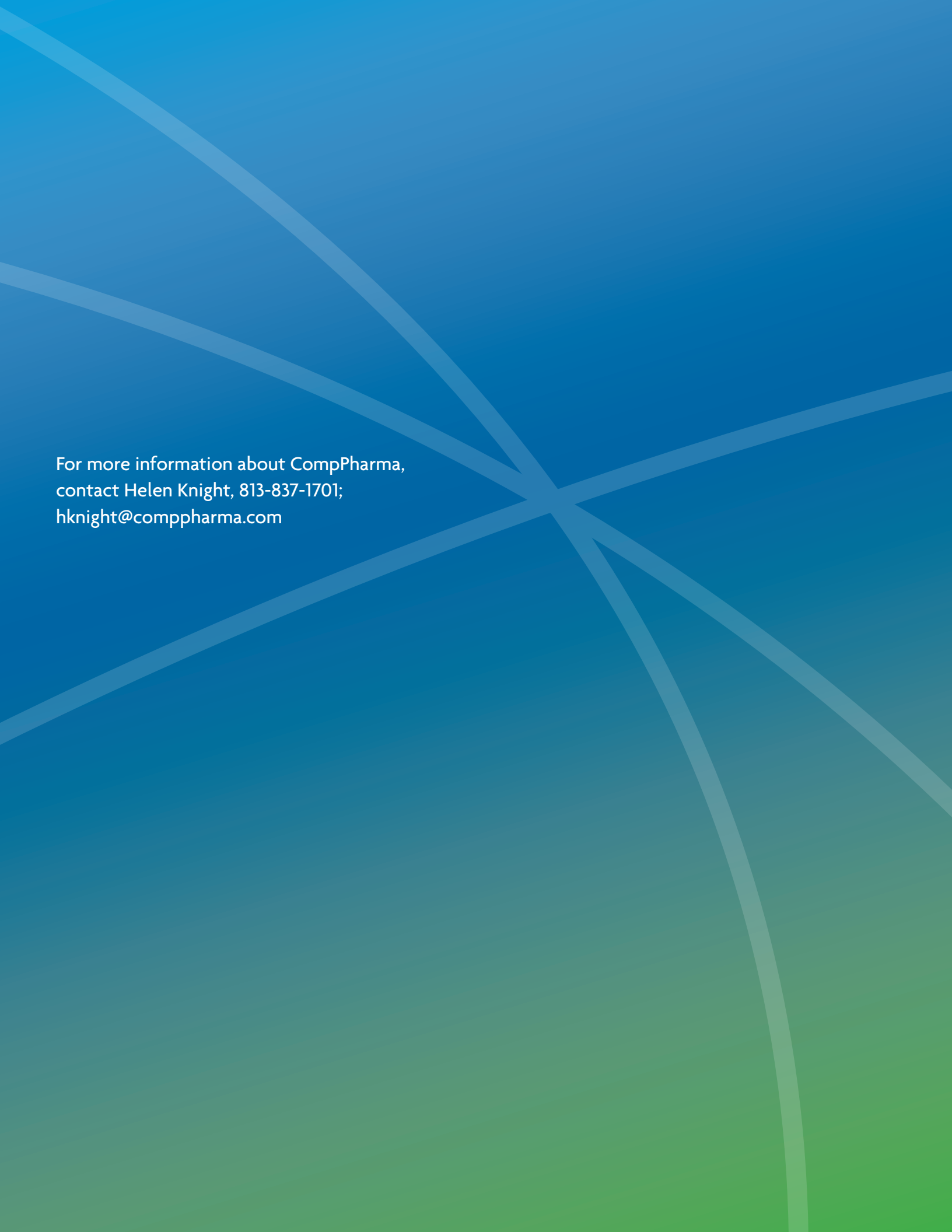
## Who We Are:

CompPharma, LLC is a national organization made up of the largest WC-PBMs in the industry. CompPharma's WC-PBMs handle more than 12 million workers' compensation pharmacy prescriptions a year, representing \$1.6 billion in annual prescription dollars. This amounts to roughly 63 percent of all workers' compensation prescriptions annually, and our clients process approximately 80 percent of all workers' compensation prescriptions nationally.

Formed in 2006, CompPharma provides member WC-PBMs a platform for sharing costs and expertise when researching and implementing solutions to issues which impact their ability to cost effectively provide pharmacy care to injured workers. This includes providing public policy makers with the data, insight and information necessary to create effective policies governing workers' compensation pharmacy issues. One of CompPharma's missions is to inform, work with, educate and assist public policy makers who are responsible for regulating the workers' compensation marketplace.



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For more information about CompPharma,  
contact Helen Knight, 813-837-1701;  
[hknight@comppharma.com](mailto:hknight@comppharma.com)