

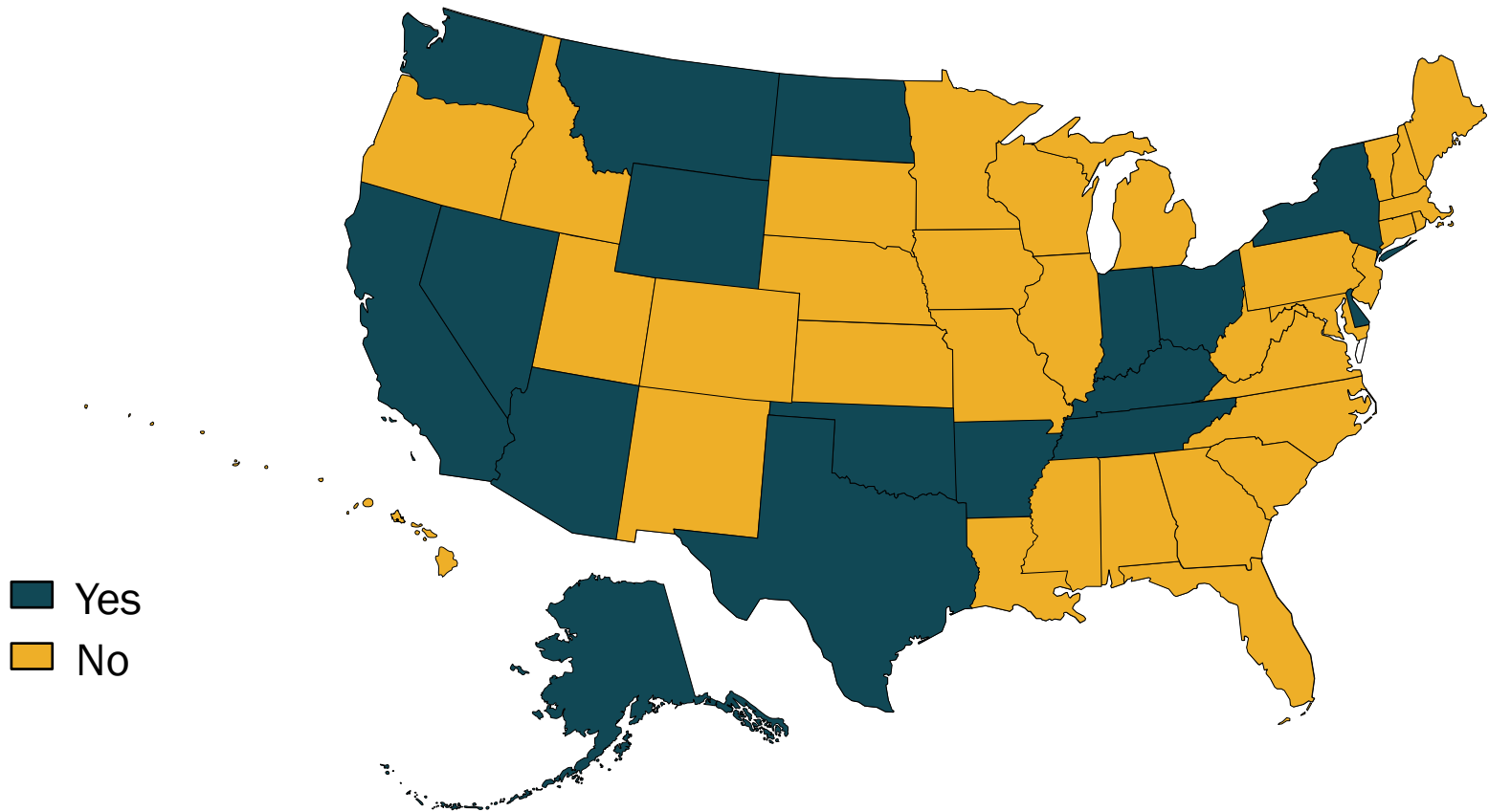
# Lessons From States Implementing Drug Formularies

NCOIL July 2023

# What Is A Drug Formulary?

- A state workers' compensation drug formulary is a list of prescription drugs approved for use by workers with injuries; any drug not on the list can be prescribed and dispensed with prior authorization
- 17 states have drug formularies for workers with injuries
  - Recent: CA (2018) and NY (2019)
- Some states developed their own formularies, while others chose formularies from Official Disability Guidelines (ODG) or based on American College of Occupational and Environmental Medicine (ACOEM) guidelines

# States With A Drug Formulary Or Preferred Drug List As Of January 1, 2023



# Questions Addressed

- Did the formulary reduce overall prescription utilization?
- What was the impact on drugs with different status under the workers' compensation drug formulary?
- What was the impact on various drug groups—opioids, NSAIDs, dermatological agents, musculoskeletal therapy agents, anticonvulsants, compounds, and others?
- What was the effect on physician dispensing and generic utilization in states with applicable formulary rules?
- Did the formulary reduce prescription payments per claim?

# Rx Utilization & Payments Decreased In CA And NY Post Formulary

	California		New York	
	% Change 2017Q4 To 2018Q2		% Change 2019Q3 To 2021Q1	
	CA	Non-Formulary States	NY	Non-Formulary States
Rx Payments Per Medical Claim	-39%	-2%	-34%	9%
Number Of Rx Per Medical Claim	-33%	-4%	-25%	-7%
% Of Claims With Rx	-19%	-2%	-17%	-7%
Number Of Rx Per Claim With Rx	-17%	-2%	-11%	0%
Rx Payments Per Rx	-8%	2%	-12%	17%

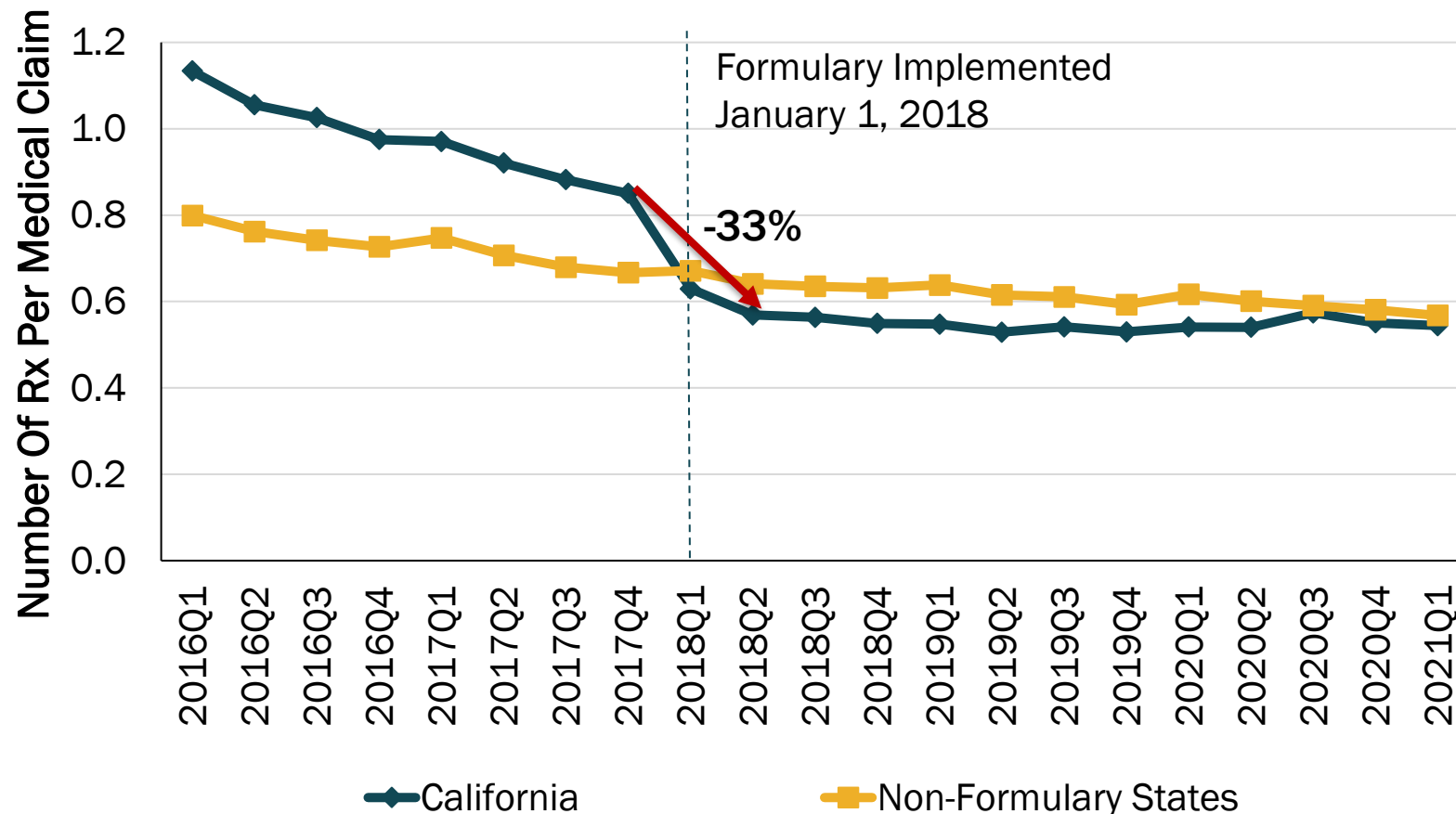
The underlying data include Rx (prescriptions) filled in the quarter and paid under workers' compensation for claims with injuries occurring within 12 months prior to fill date.

Source: *Monitoring Trends after Adoption of California's Drug Formulary; Monitoring Trends after Adoption of New York's Drug Formulary.*



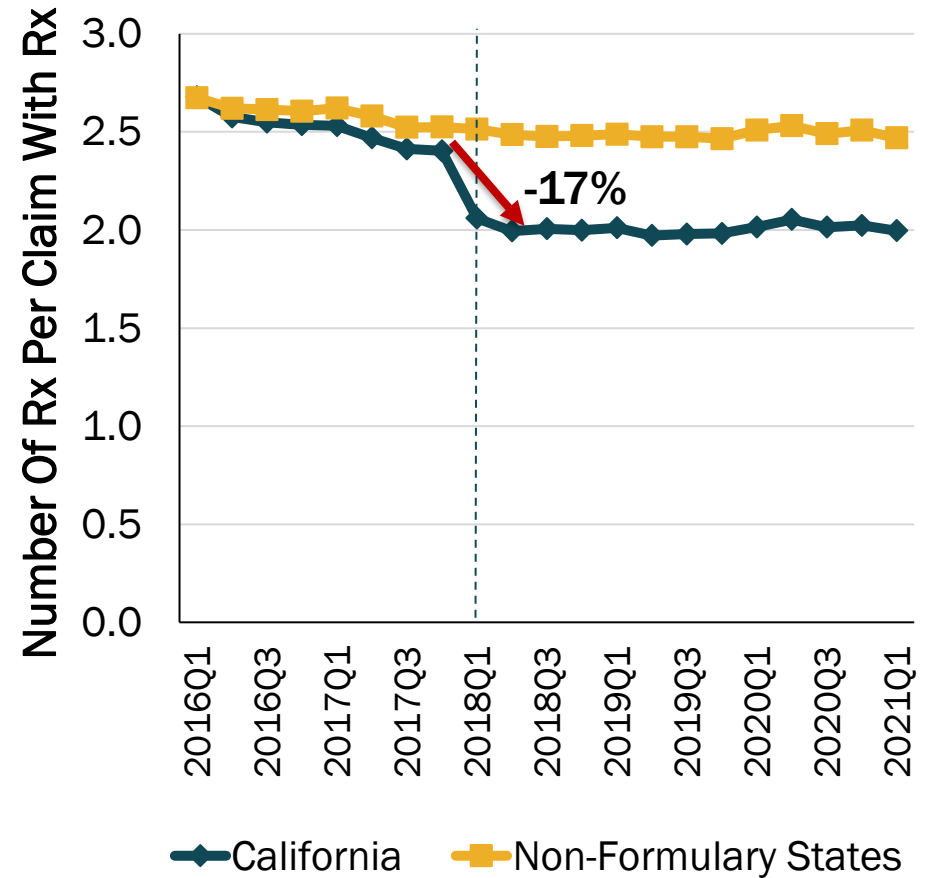
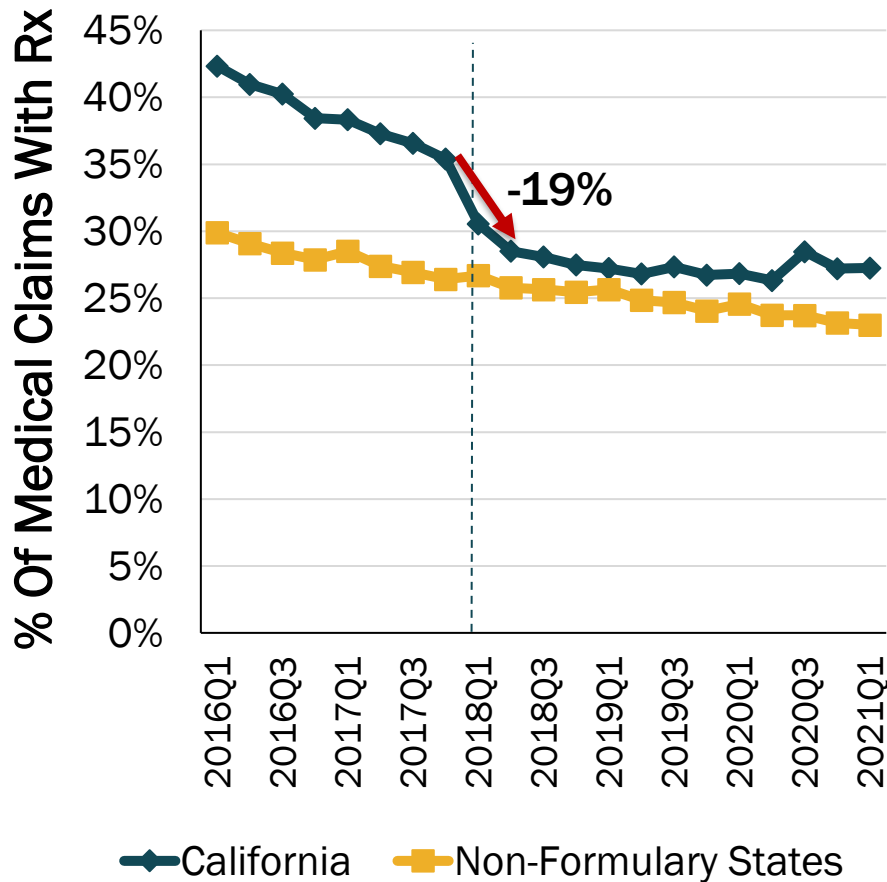
# Impact Of California Drug Formulary On Rx Utilization & Payments

# How Did Rx Drug Utilization In California Change Post-Formulary?



The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date. Non-formulary states include CT, FL, GA, IA, IL, KS, LA, MA, MD, MI, MN, MO, NC, NJ, NM, PA, SC, VA, and WI.

# How Did Rx Drug Utilization In California Change Post-Formulary?

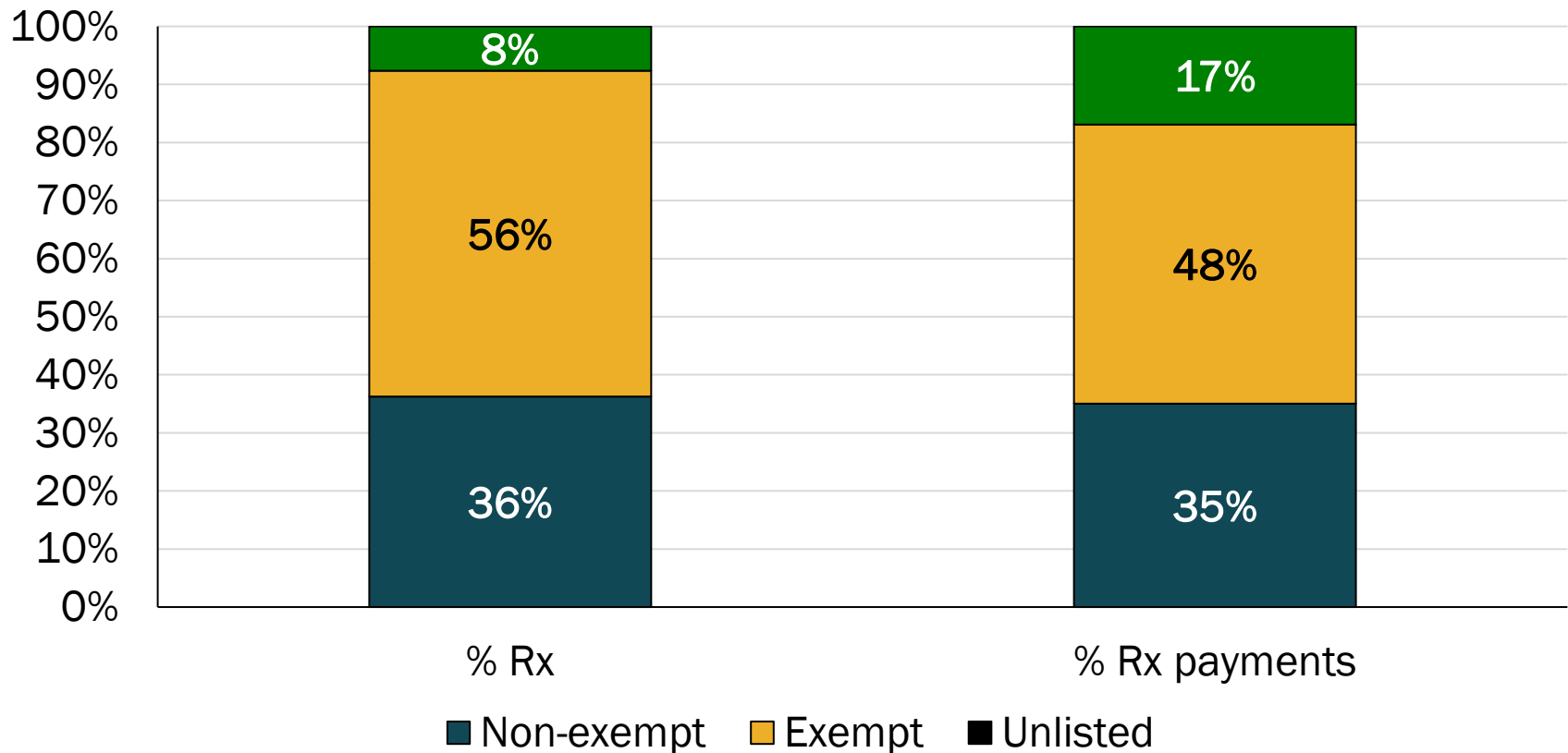


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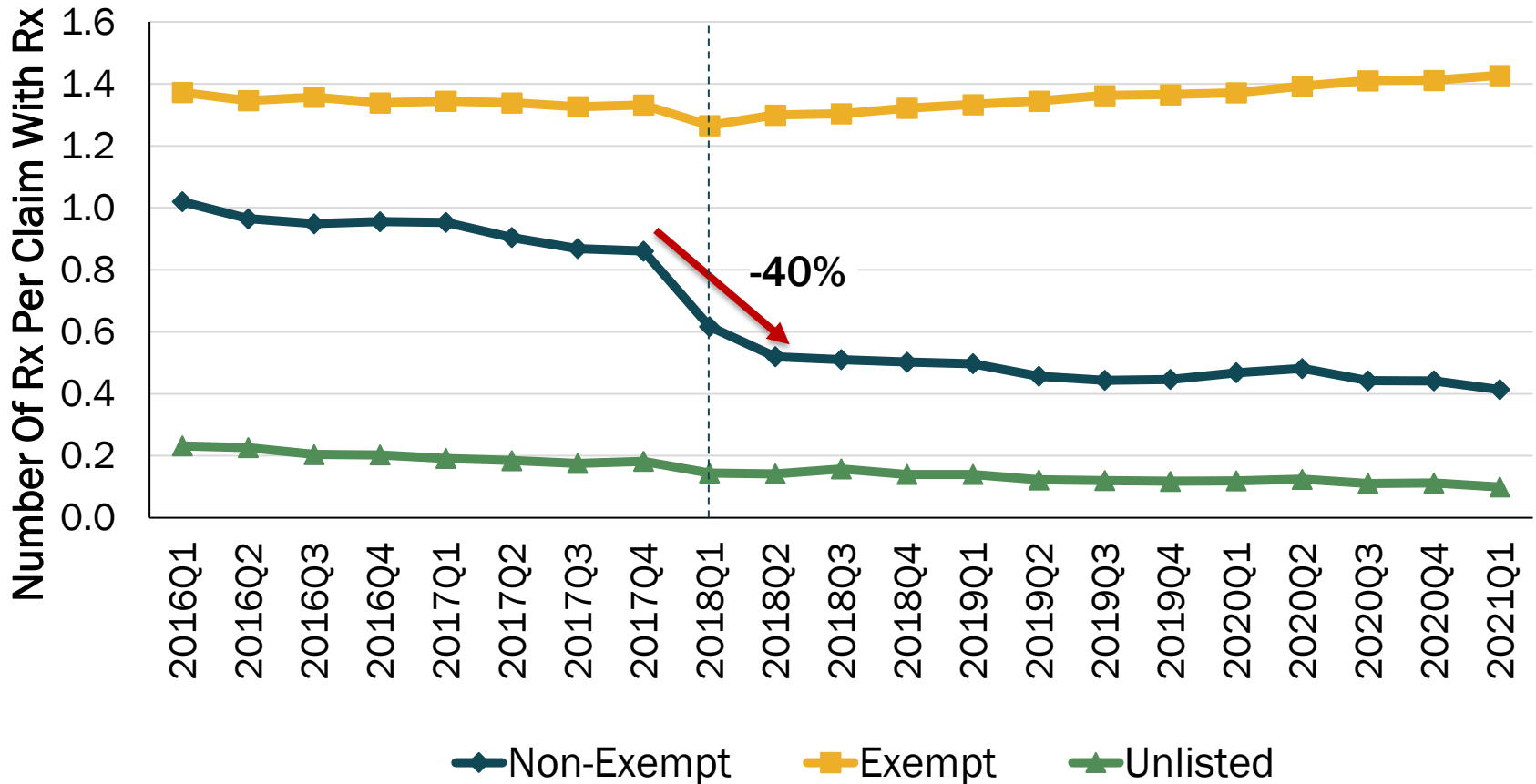
# Non-Exempt & Unlisted Drugs Accounted For Half Of Rx Payments In CA Pre-Formulary

California, 2017Q4



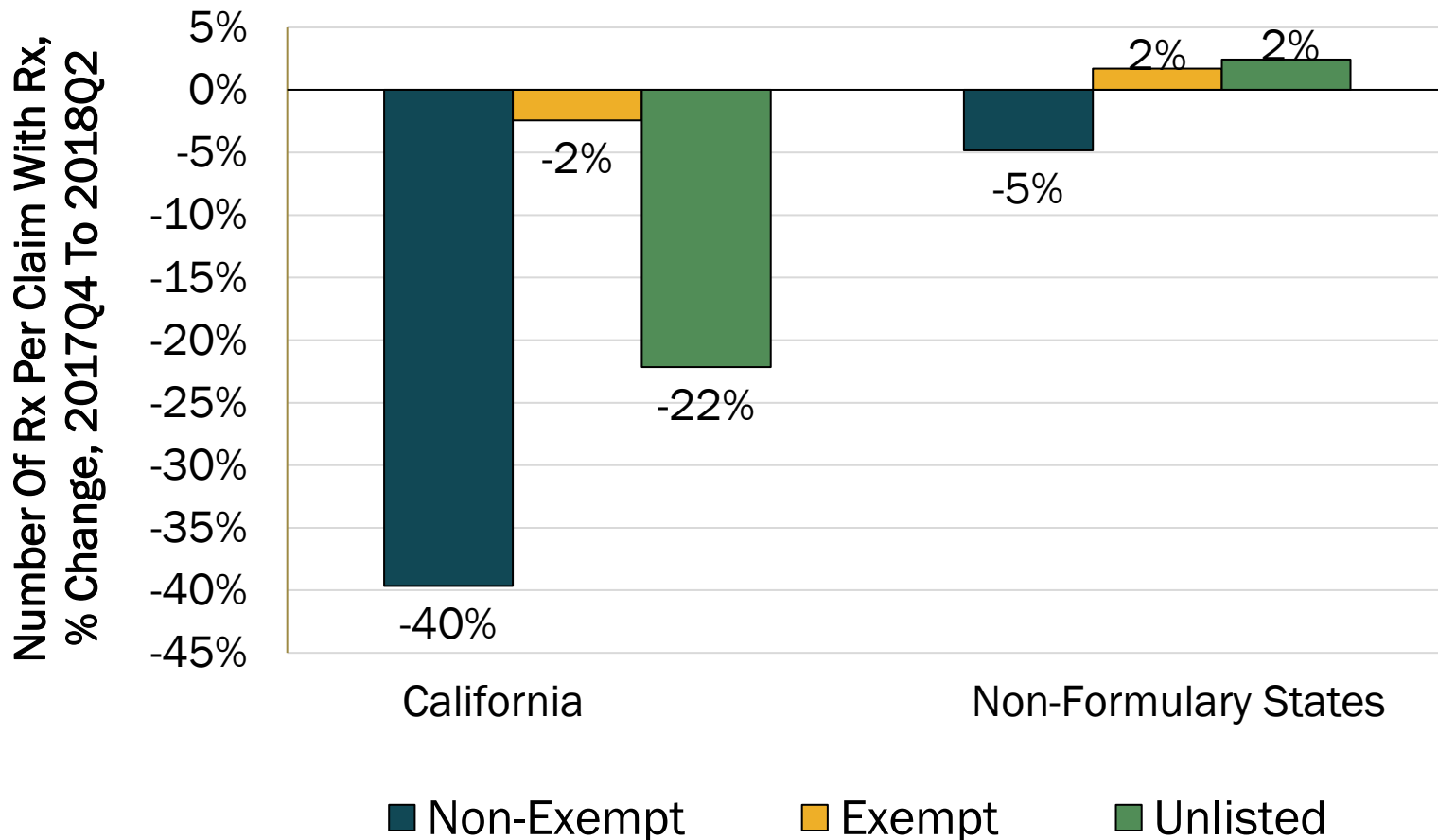
The underlying data include Rx in 2017Q4, for all medical claims with injuries occurring within one year prior to the service date.

# Formulary Resulted In Decrease In Non-Exempt Drugs; Exempt Drugs Changed Little



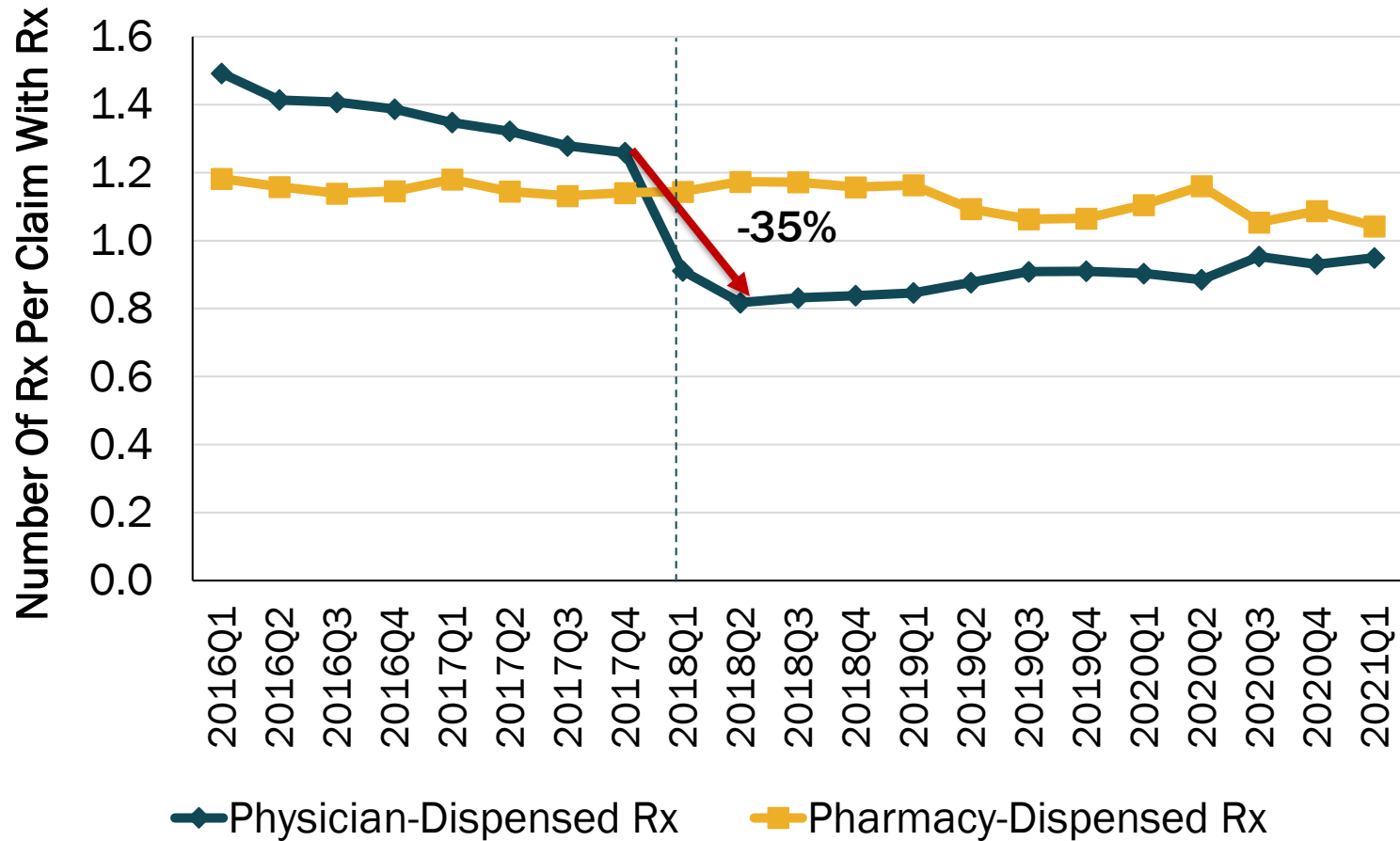
The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.

# Number Of Rx For Non-Exempt Drugs And Unlisted Drugs Decreased; Exempt Drugs Changed Little



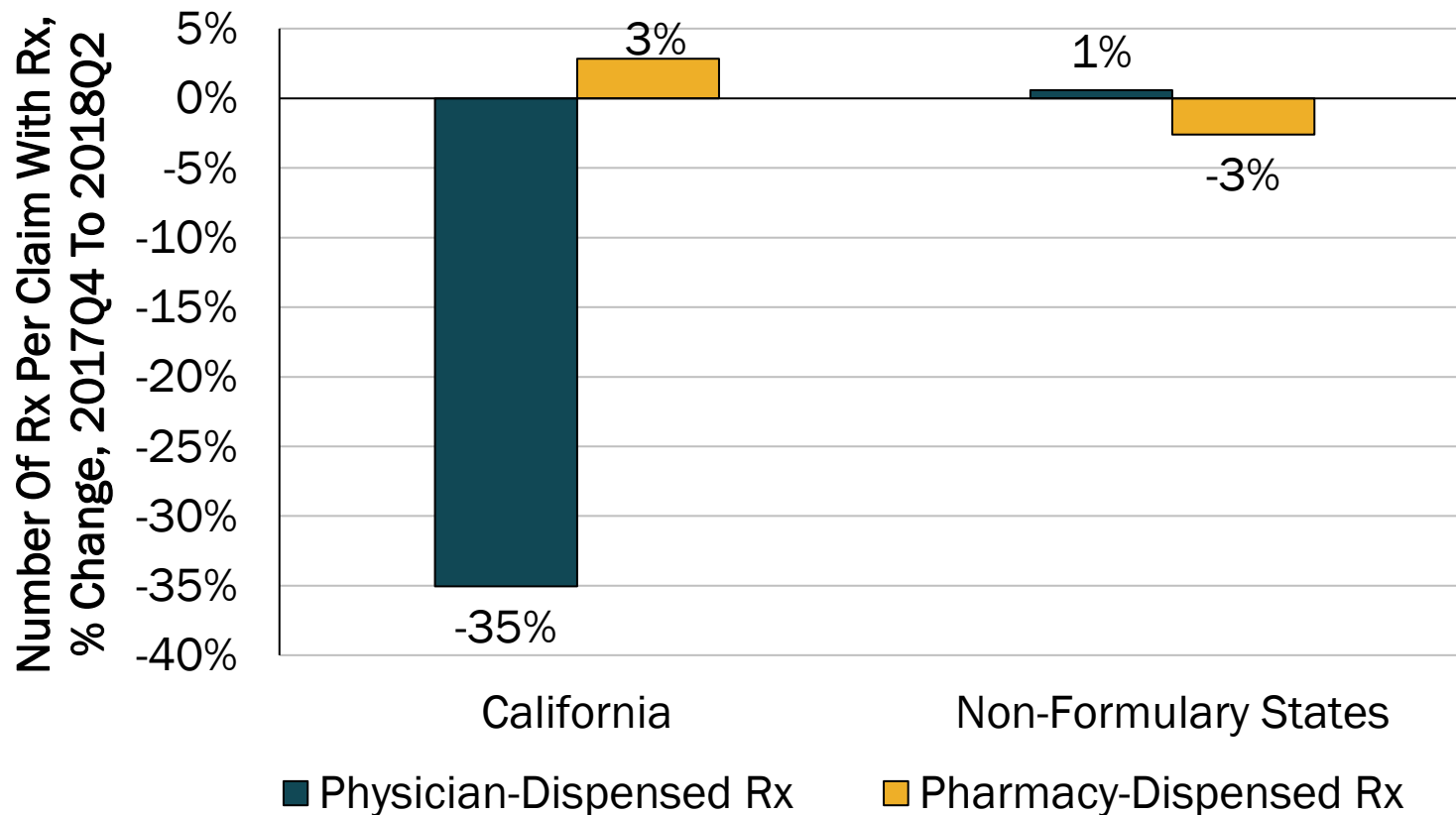
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# Physician-Dispensed Rx Changed Significantly Post-Formulary



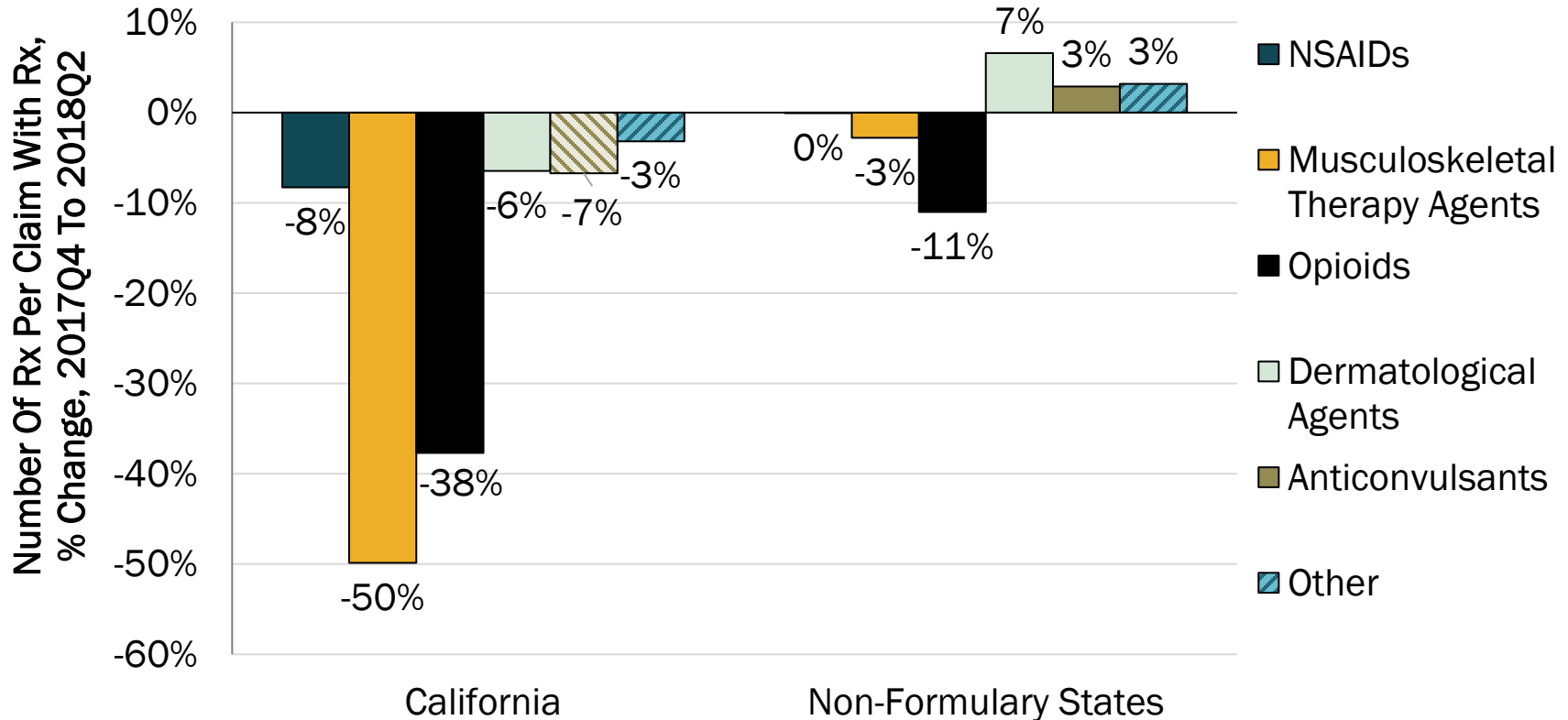
The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.

# Physician-Dispensed Rx Decreased; Little Change In Pharmacy-Dispensed Rx



The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.

# Significant Decrease In Muscle Relaxant And Opioid Rx; Smaller Decreases Seen In Other Drugs



The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.

NSAIDs: Nonsteroidal Anti-Inflammatory Drugs

# Summary

- The impact of California's MTUS drug formulary on prescribing practices was very large and immediate
- The formulary resulted in a reduction of non-exempt drugs requiring authorization through prospective review
  - Physician and pharmacy-dispensed non-exempt drug Rx decreased
- Prescriptions for drugs exempt from prior authorization did not increase
  - Physician-dispensed exempt drug Rx decreased (additional formulary rules limiting physician dispensing); pharmacy-dispensed exempt drug Rx increased
- The combined effect was a decrease in the overall number of prescriptions and a shift in the mix of the drugs dispensed, resulting in substantial prescription cost savings



# Impact Of New York Drug Formulary On Rx Utilization & Payments

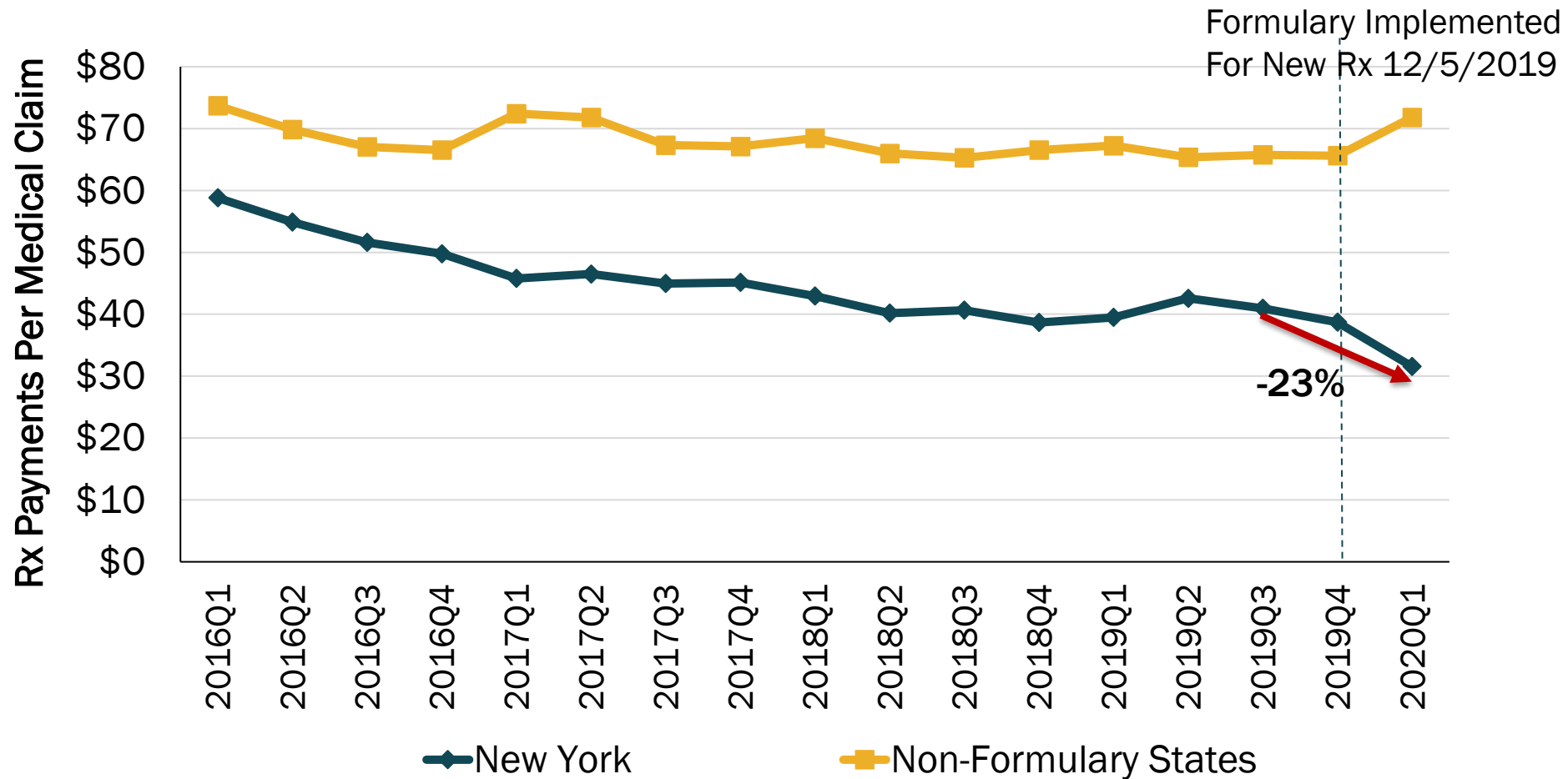


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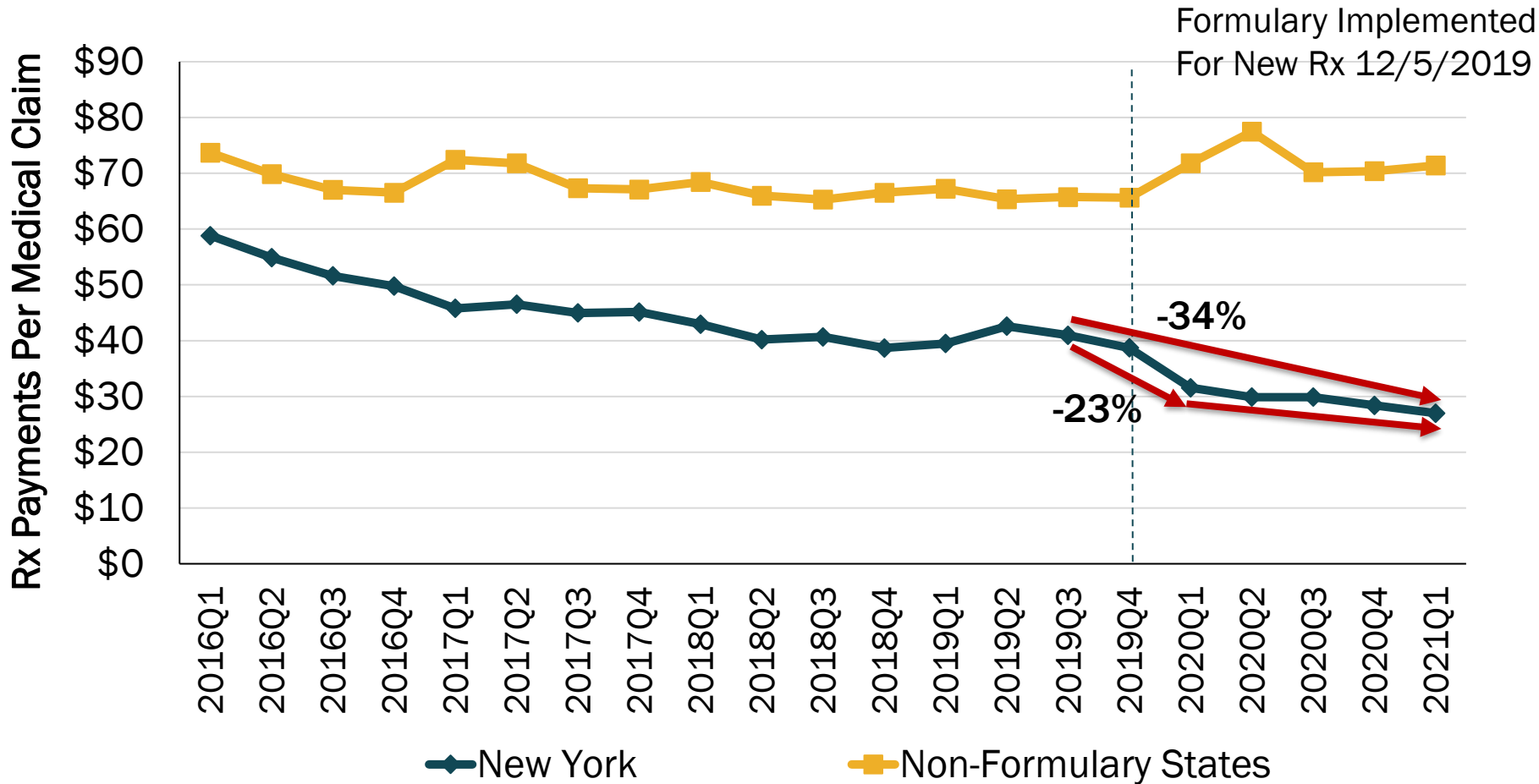


# How Did Rx Drug Payments Change In New York Post-Formulary?



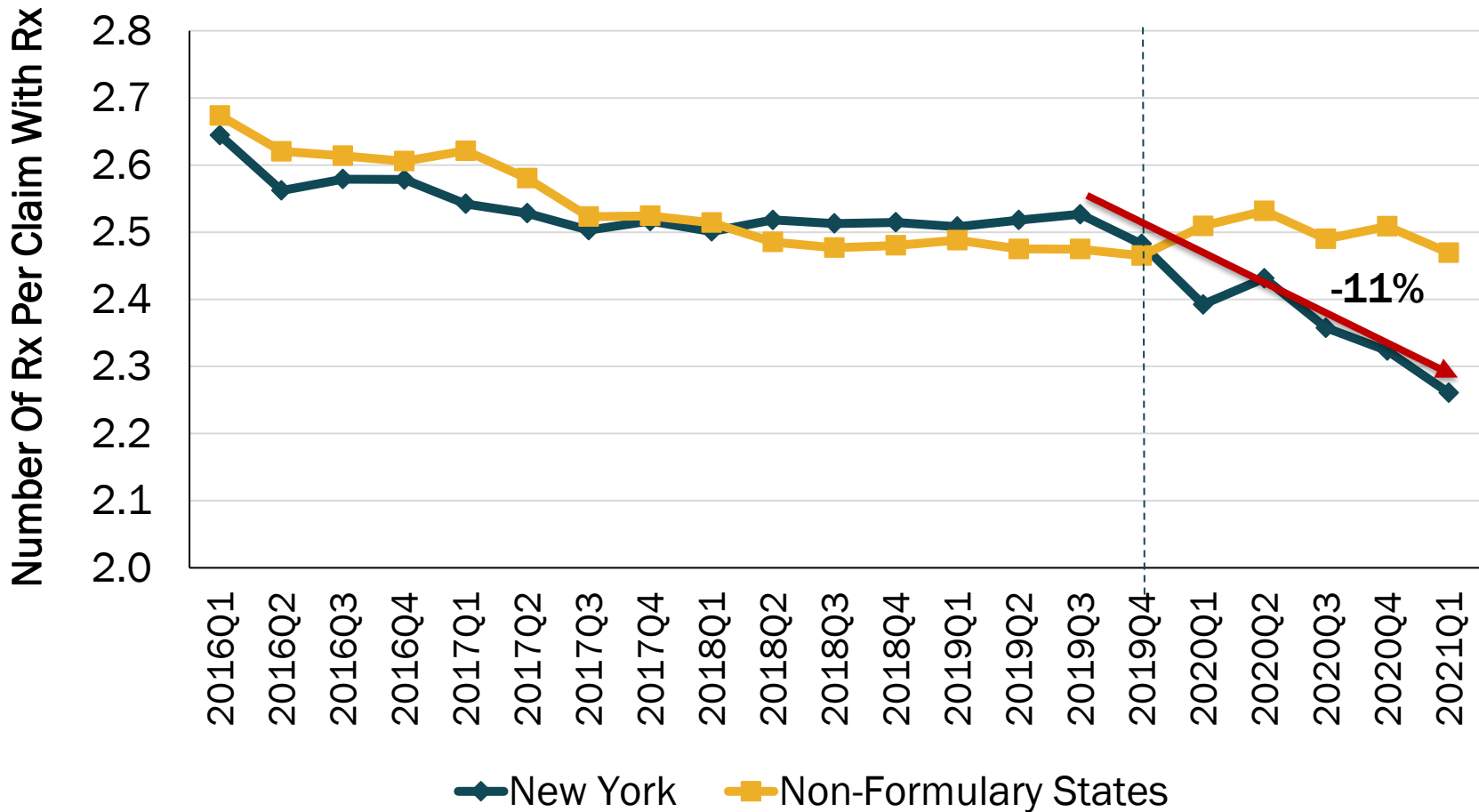
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# Did Rx Drug Payments Continue To Decrease In New York Post-Formulary?



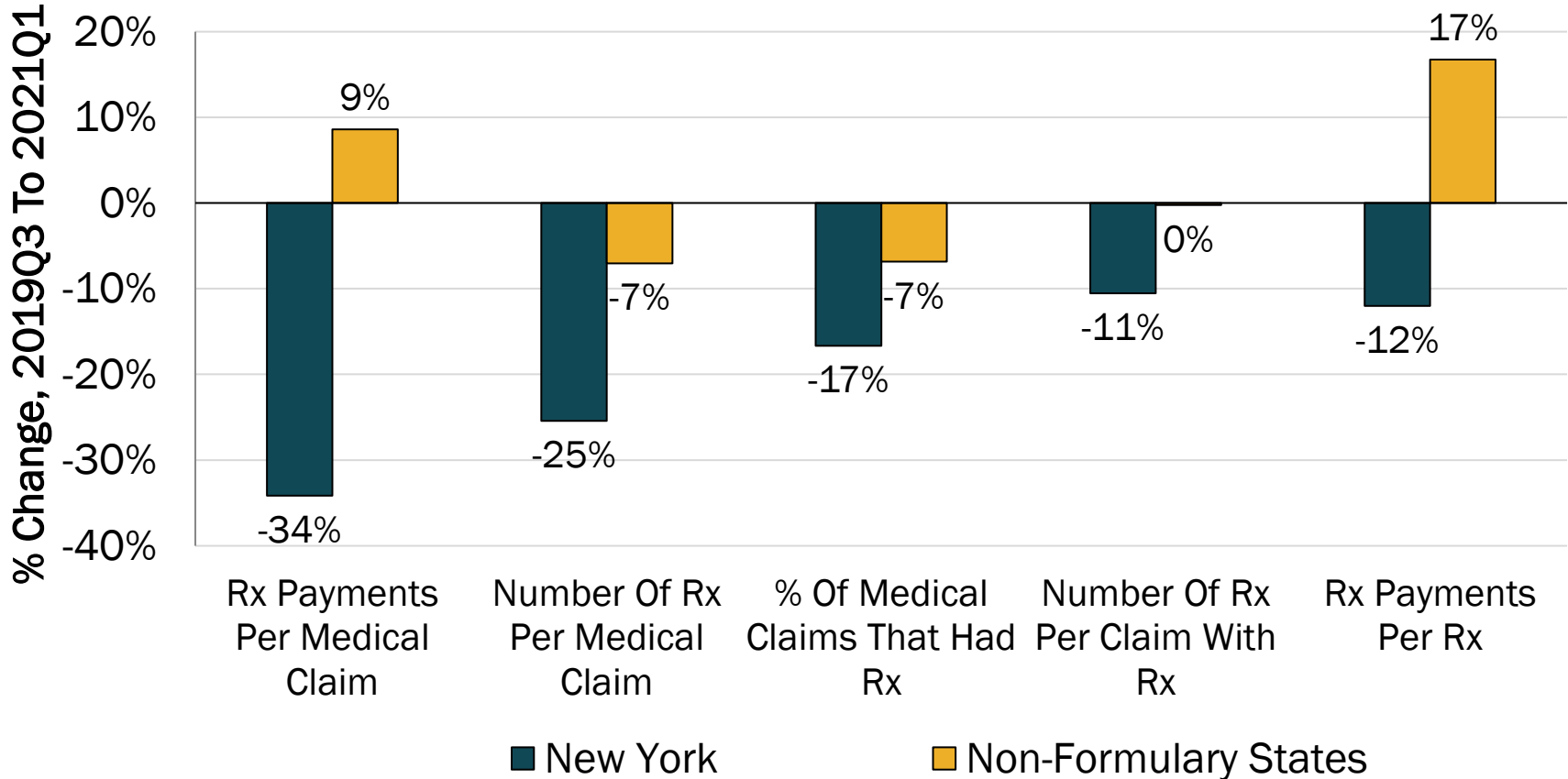
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# Did Rx Drug Utilization Continue To Change In New York Post-Formulary?



The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date. Non-formulary states include CT, FL, GA, IA, IL, KS, LA, MA, MD, MI, MN, MO, NC, NJ, NM, PA, SC, VA, and WI.

# Per-Claim Rx Utilization & Payments Decreased In NY Between 2019Q3 And 2021Q1

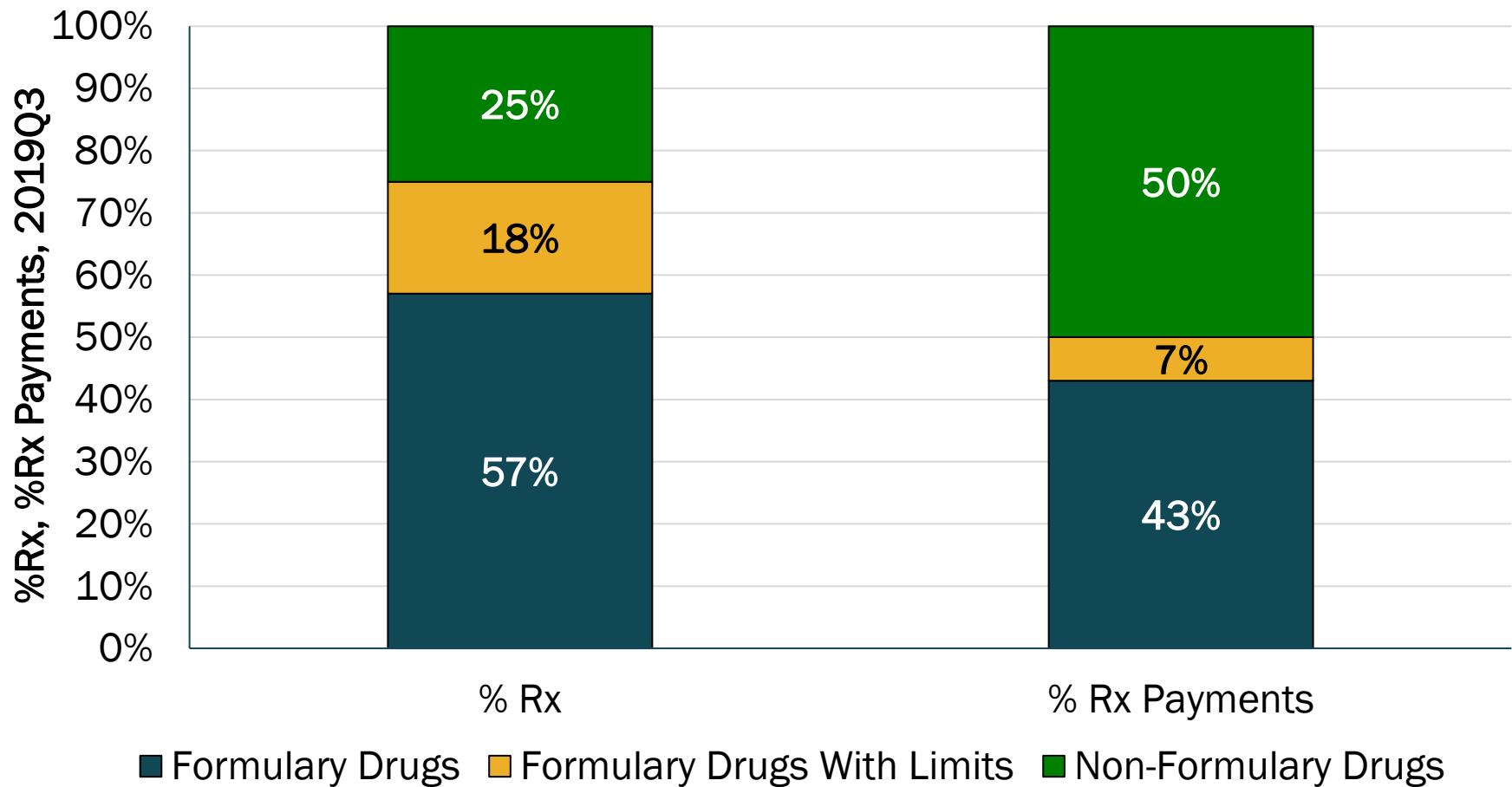


The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.

# Drugs Requiring Prior Authorization In NY

- Non-formulary drugs
  - Drugs not listed on the drug formulary
  - Combination products not exactly listed in the formulary
  - Compounds
- Brand name drugs with generic equivalents
- Brand name drug when a generic version containing the same active ingredient is commercially available in a different strength

# Non-Formulary Drugs Were Frequently Dispensed; Accounted For Half Of Rx Payment Share In NY



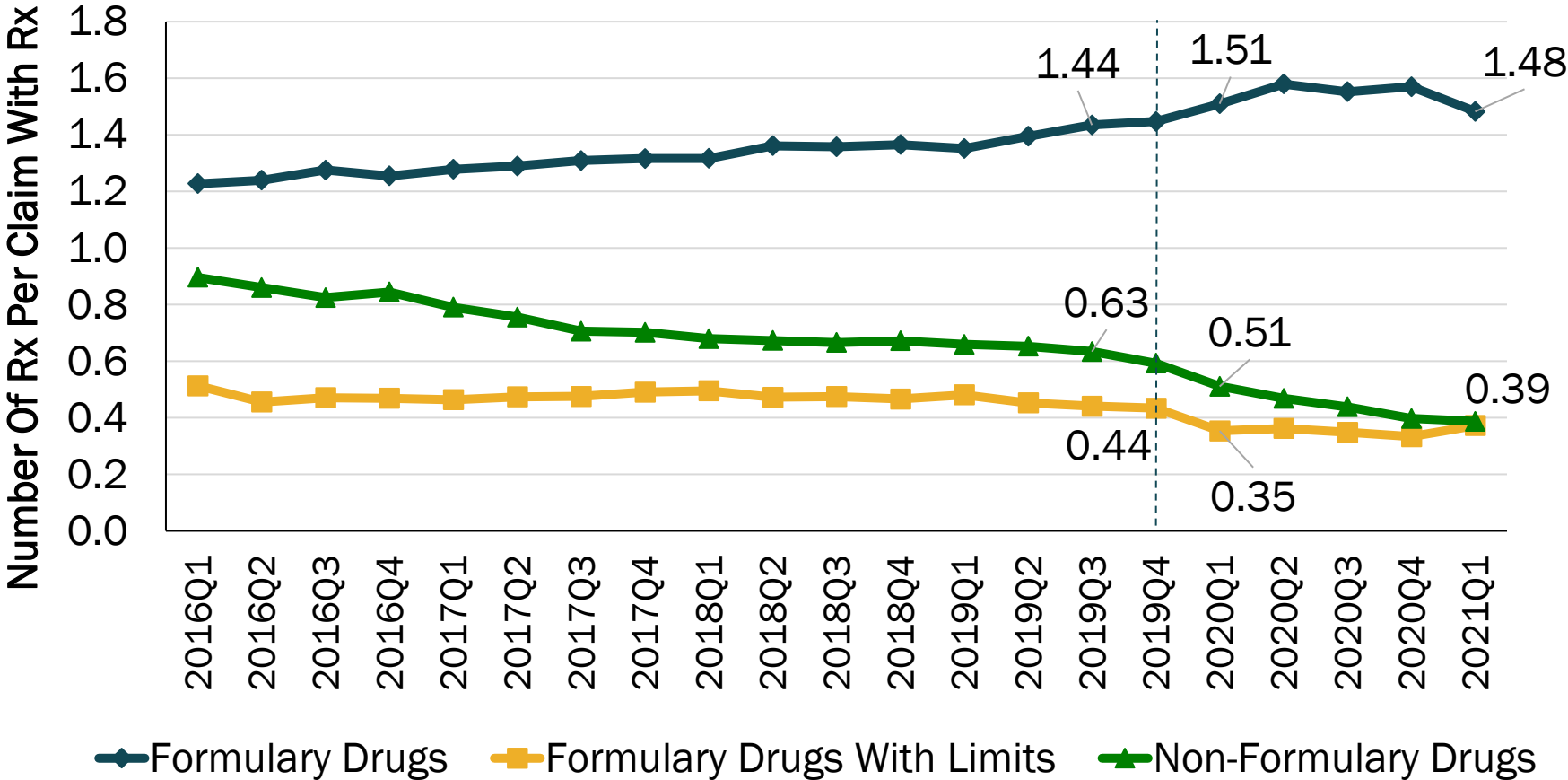
The underlying data include Rx in 2019Q3, for all medical claims with injuries occurring within one year prior to the service date.

# Examples Of Non-Formulary Drugs Dispensed Pre-Formulary

- Dermatologicals
  - Lidocaine products (other than 4% patch); diclofenac sodium 3% gel; diclofenac epolamine patch
- NSAIDs
  - Fenoprofen calcium; combination drugs (ibuprofen-famotidine)
- Musculoskeletal therapy agents
  - Chlorzoxazone
- Opioids
- Other drugs
  - Emtricitabine-tenofovir disoproxil fumarate (Truvada); Ondansetron
  - Status changed in April 2020

The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.

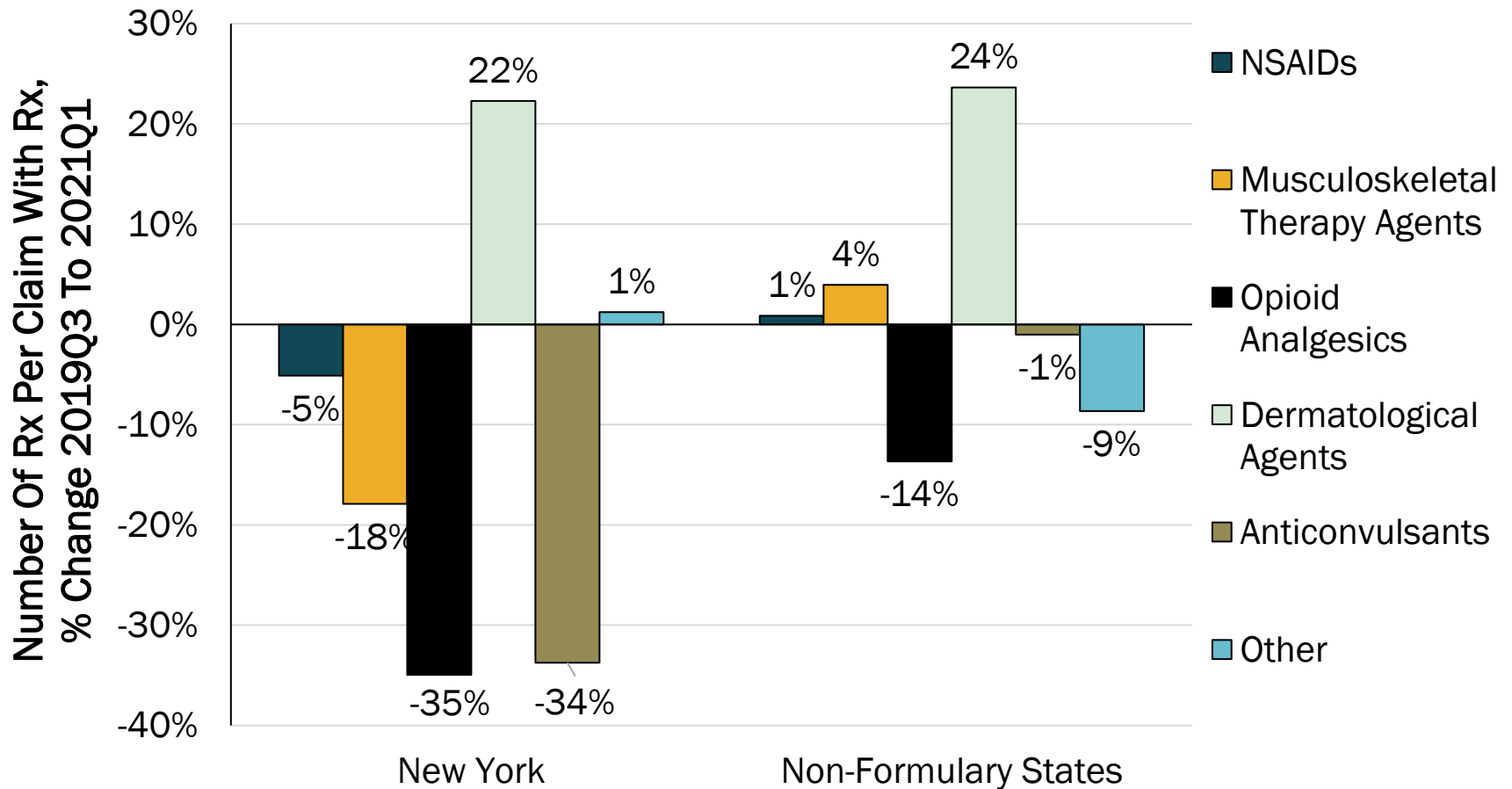
# Rx For Non-Formulary Drugs Decreased, While Rx For Formulary Drugs Without Limits Increased



The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.



# 18–35% Decrease In Muscle Relaxants, Opioids, Anticonvulsants; Increase In Dermatologicals



The underlying data include Rx in each quarter, for all medical claims with injuries occurring within one year prior to the service date.

# Summary

- The impact of New York's drug formulary on prescribing practices was sizable and immediate
- The formulary resulted in a reduction in non-formulary drugs requiring authorization through prospective review
- Prescriptions for formulary drugs that do not require prior authorization increased to a small extent
- The combined effect was a decrease in the overall number of prescriptions and a shift in the mix of the drugs dispensed, resulting in substantial prescription cost savings

# Lessons From CA And NY

- Formularies resulted in decrease in prescriptions for drugs requiring prior authorization
- Small increases seen in Rx for drugs not requiring prior authorization
- Rx payments per claim decreased in CA and NY compared with states that did not adopt a drug formulary

# Emerging Trends

- New higher-priced products of drugs not requiring prior authorization challenge the potential cost savings
  - California saw a large increase in payments for NSAIDs, driven by a relatively small number of prescriptions for Fenoprofen and Ketoprofen (which are exempt from prior authorization)
  - New York saw an increase of higher-priced lidocaine drug products (e.g., Lidocaine 4 percent patch which is designated as a formulary drug) starting in 2020Q1, and they grew to 26 percent of dermatological payment share as of 2021Q1

# Thank You!

- For comments/questions:

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