



CALIFORNIA WORKERS'  
COMPENSATION INSTITUTE

# **California Workers' Compensation Institute Pharmaceutical Trends and the California Formulary**

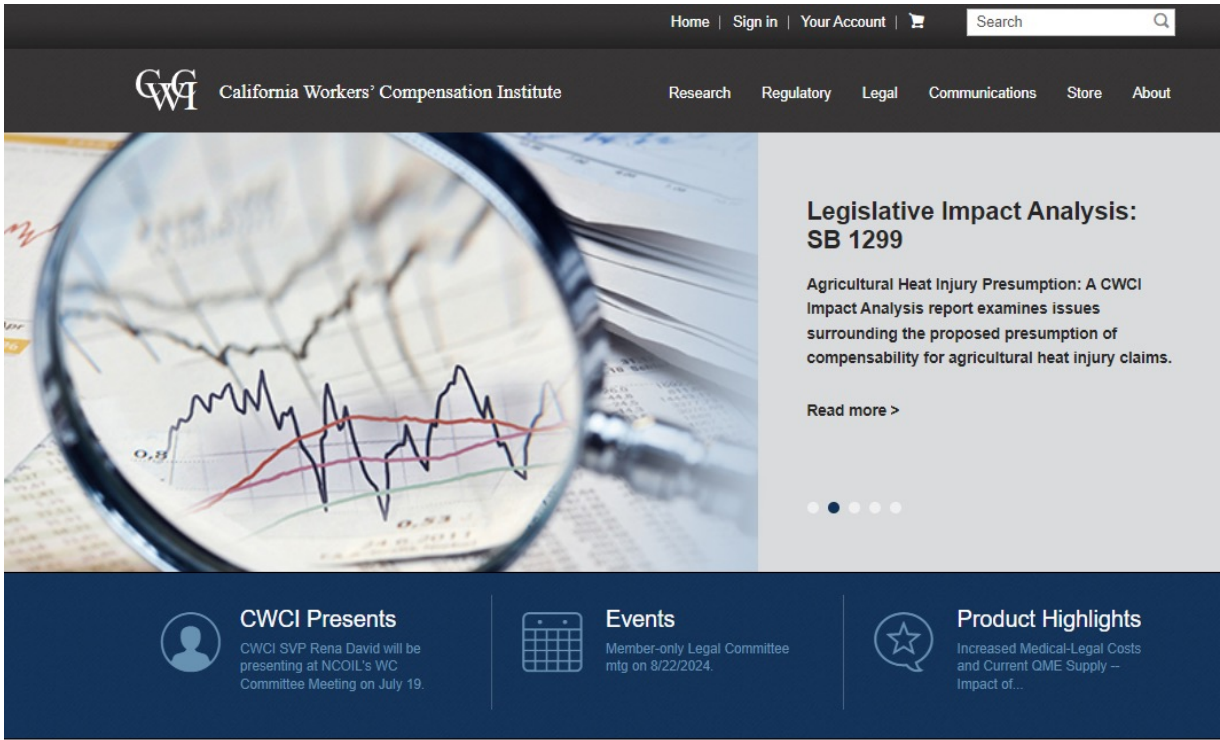
## **National Council of Insurance Legislators July 2024**

Rena David, SVP Research and Operations  
[www.cwci.org](http://www.cwci.org)

## CWCI: Background

- Established in 1964;
- Private, nonprofit organization of self-insured employers and insurers representing over 85% of California premium dollars;
- Dedicated to improving the California workers' compensation system through Education, Information, and Research

## cwci.org



- Public & Member-Only Research
- Regulatory Activity & Resources
- Member-only features

### Research Reports



**Increased Medical-Legal Costs and Current QME Supply - Impact of the 2021 Medical-Legal Fee Schedule**  
CWCI's updated analysis of the impact of the new Med-Legal Fee Schedule based on data through October 2023.  
[Read the full report.](#)

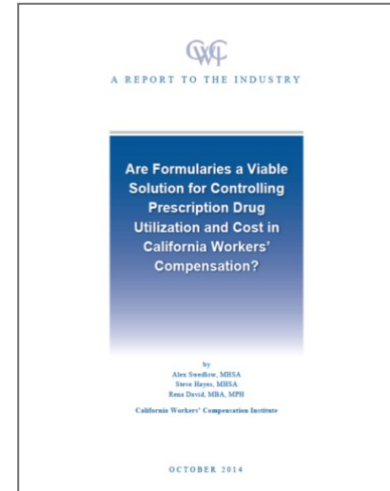
### What's New

**Private Self-Insured Update**  
CWCI's review of OSIP data on private self-insureds' 2023 experience shows claim volume declined but paid and incurred losses were up.  
[Read More >](#)

- Claim Reporting, Average Payment and Medical Treatment Trends
  - Statewide CA Claim Reporting (COVID and Non-COVID)
  - Average claim payments and regional variation
  - Professional Medical Service Utilization Trends
  - Pharmaceutical Trends
  - Inpatient care and outpatient surgical shifts for spinal fusion and major joint replacement
  - Cumulative Trauma & Litigated Claims in California Workers' Compensation
  
- Legislative and Regulatory Analysis
  - Legislative Impact Analysis: SB 1299 (farmworker heat-related injury presumption)
  - Impact of the 2021 Medical-Legal Fee Schedule Update
  - An Analysis of AB 1213's Proposed Change to the 104-Week TD Cap

## CWCI Report – October 2014

- Are Formularies a Viable Solution for Controlling Prescription Drug Utilization and Cost in California Workers' Compensation?
- Compared Inclusive model (Texas – excluded 12% of NDCs) vs Exclusive model (Washington State – excluded 94% of NDCs) applied to CA utilization



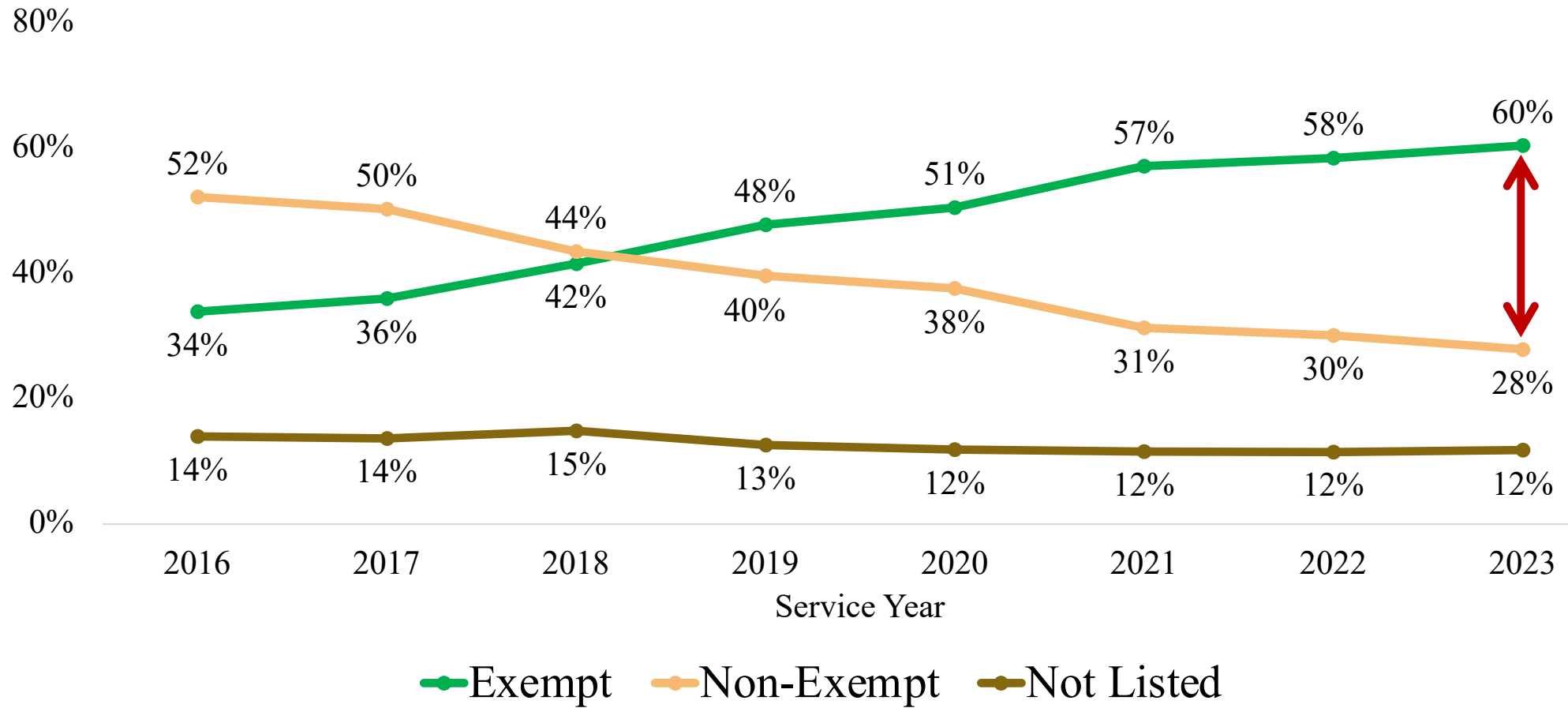
## AB 1124 - October 2015 - (live in Jan 2018)

- Mandated creation of a State Formulary that:
  - Ensures medications provided to injured workers meet evidence-based standards in regard to frequency, duration, strength and appropriateness
  - Reduces delays and friction costs associated with utilization review (UR) and independent medical review (IMR)

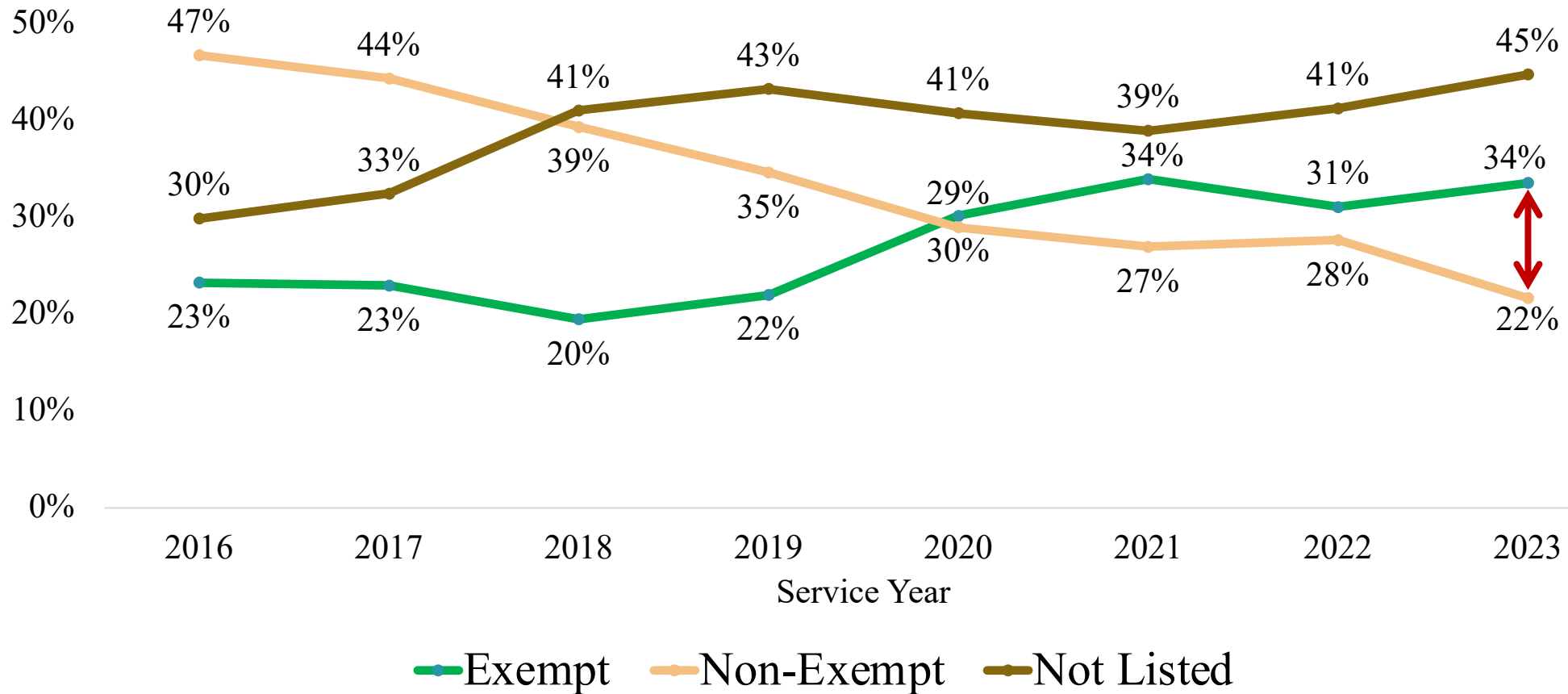
## Key Aspects of the CA MTUS Formulary:

- Based on Drug Ingredient (independent of frequency, strength and dose)
- Only drugs in the CA Medical Treatment Utilization Schedule (MTUS) are listed in the Formulary
- Drug Ingredient Categories:
  - **Exempt MTUS Drugs**  
Listed in the Formulary as exempt from prospective Utilization Review (UR)
  - **Non-Exempt MTUS Drugs**  
Listed in the Formulary as non-exempt from prospective UR
  - **“Not Listed”**  
Not listed in the formulary (and not in MTUS), but may be submitted for approval in prospective UR
- Rules applicable to Special Fill and Perioperative Drugs

## Share of Prescriptions

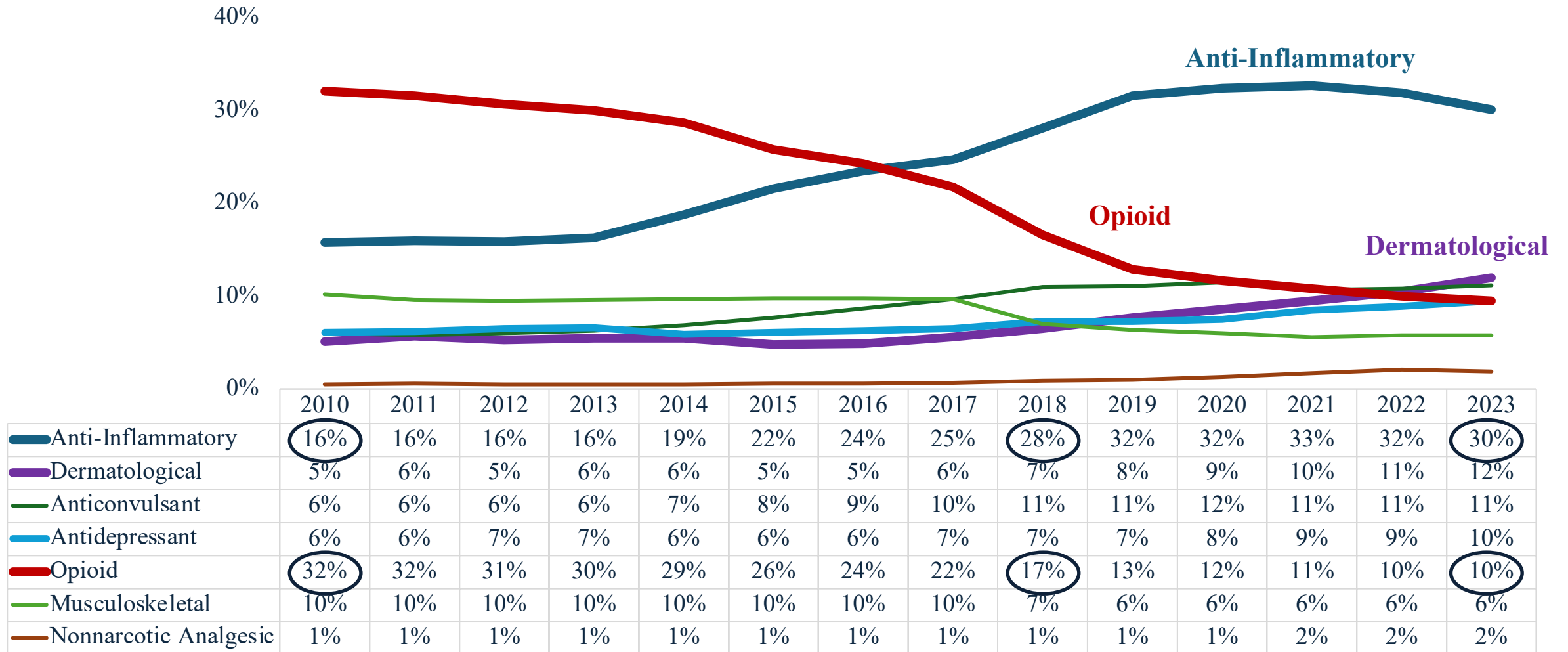


## Share of Payments





## Top Drug Groups – Share of Prescriptions by Service Year



## 2004 Pharmacy Fee Schedule Reforms

- Adopted the Medi-Cal Fee Schedule as the basis for payment (83% of Average Wholesale Price + Dispensing Fee)
- Allowed generic substitution if not explicitly prescribed as “dispense as written”
- Addressed repackaged drugs

## 2012 Pharmacy Fee Schedule Reforms

- Caps on fees for pharmaceuticals dispensed by physicians

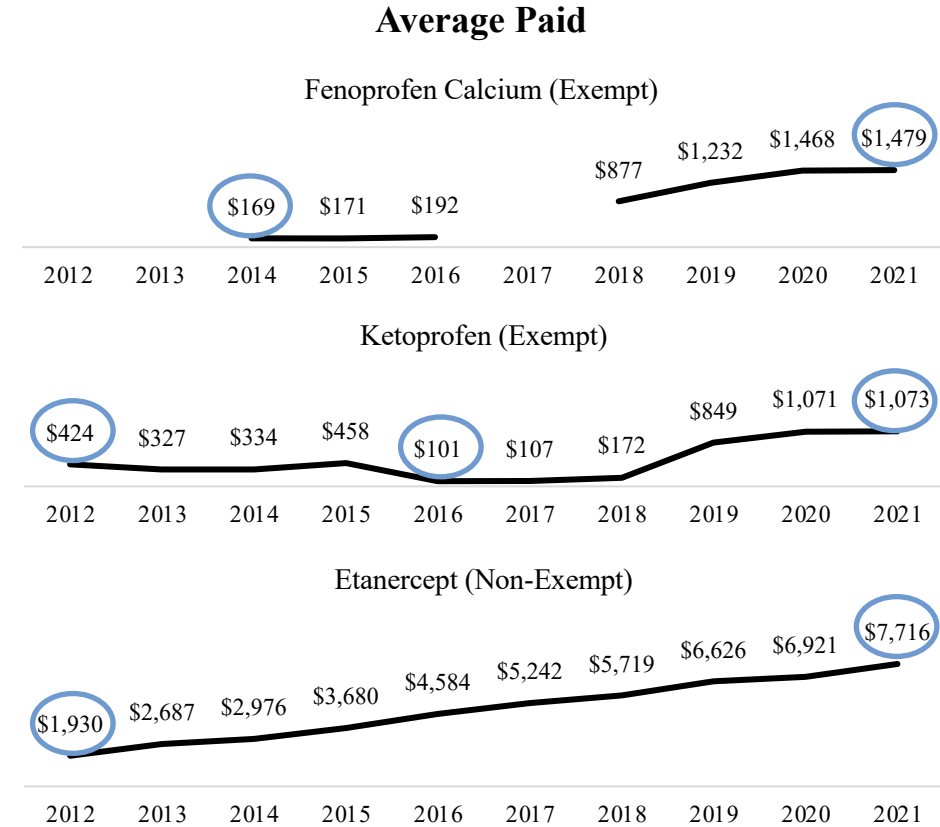
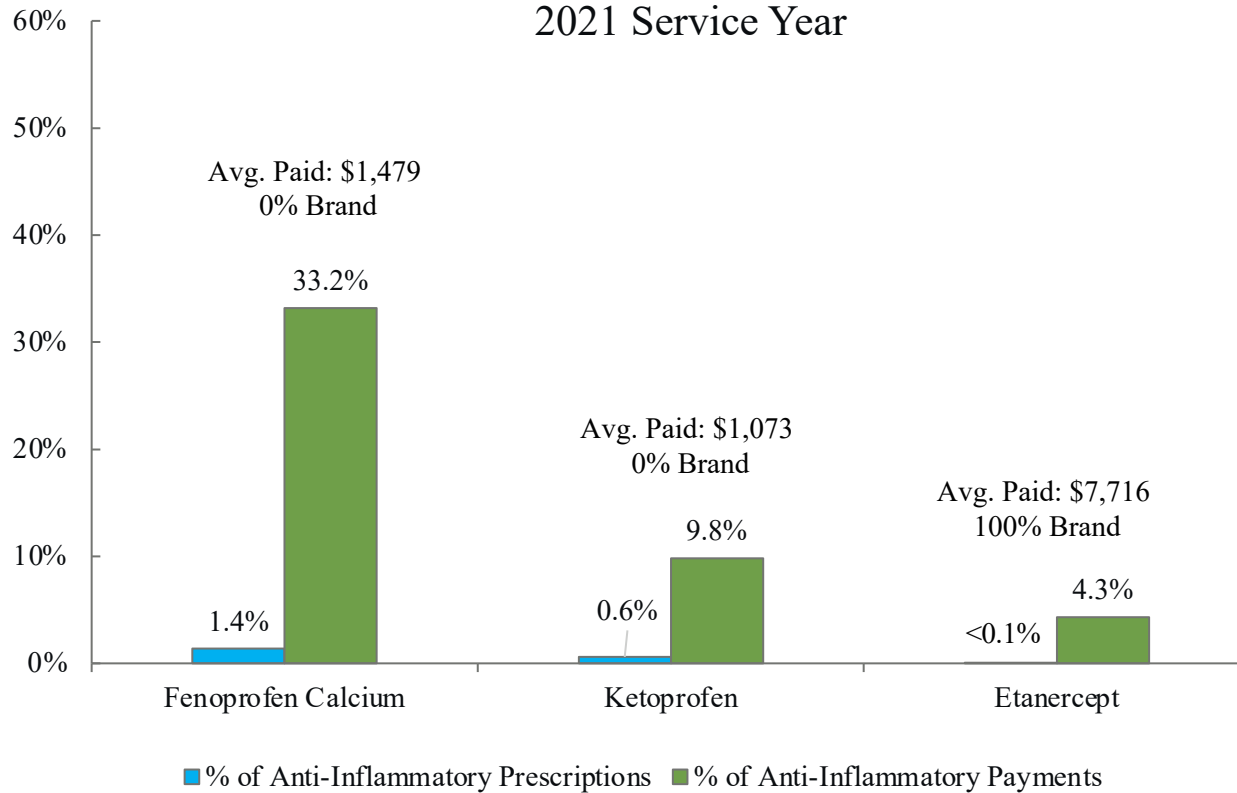
## Pending 2024 Fee Schedule Regulations

- Adoption of Medi-Cal 2-tier dispensing fees
- Adoption of latest Medi-Cal fee schedule with updated pricing method (National Acquisition Cost, Wholesale Average Price and Federal Upper Limit)

## Drug Ingredient vs NDC

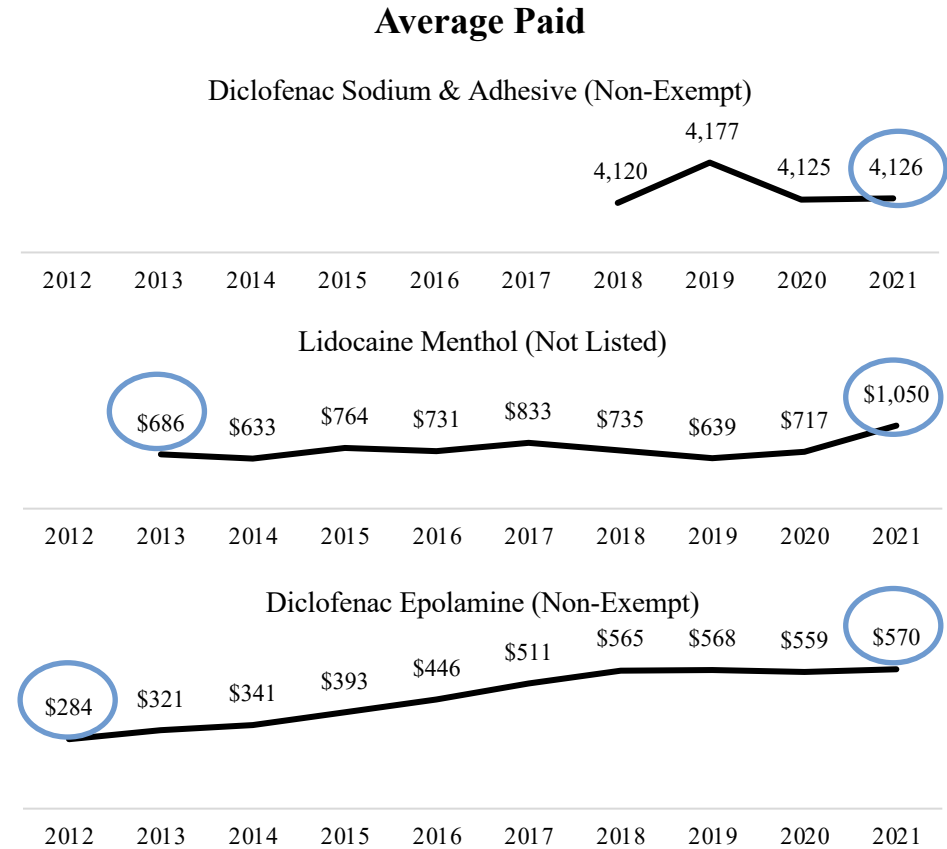
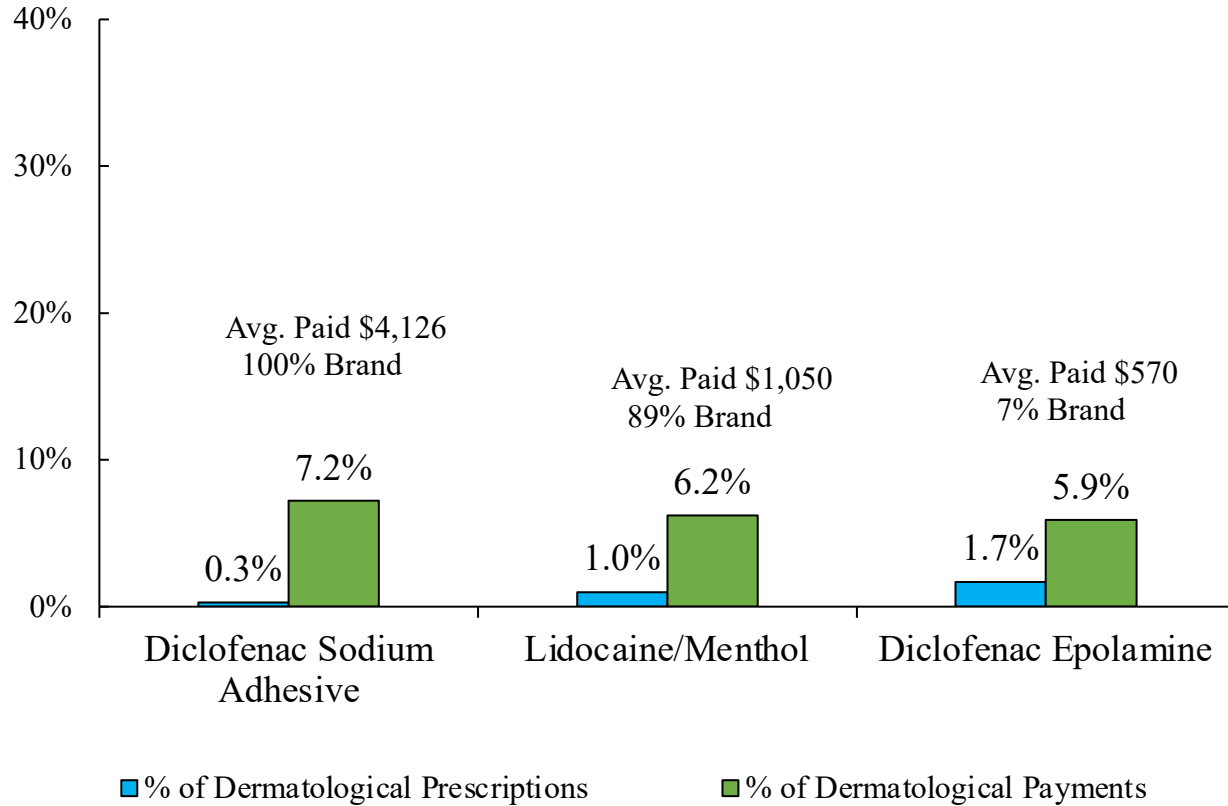
- The CA Pharmacy Fee Schedule is based on NDC (Medi-Cal)
- The Formulary is based on drug ingredient
- With this design, no distinction is made in the formulary between lower- vs higher-priced drugs with the same efficacy

## High-Cost Anti-Inflammatory Prescriptions and Payments



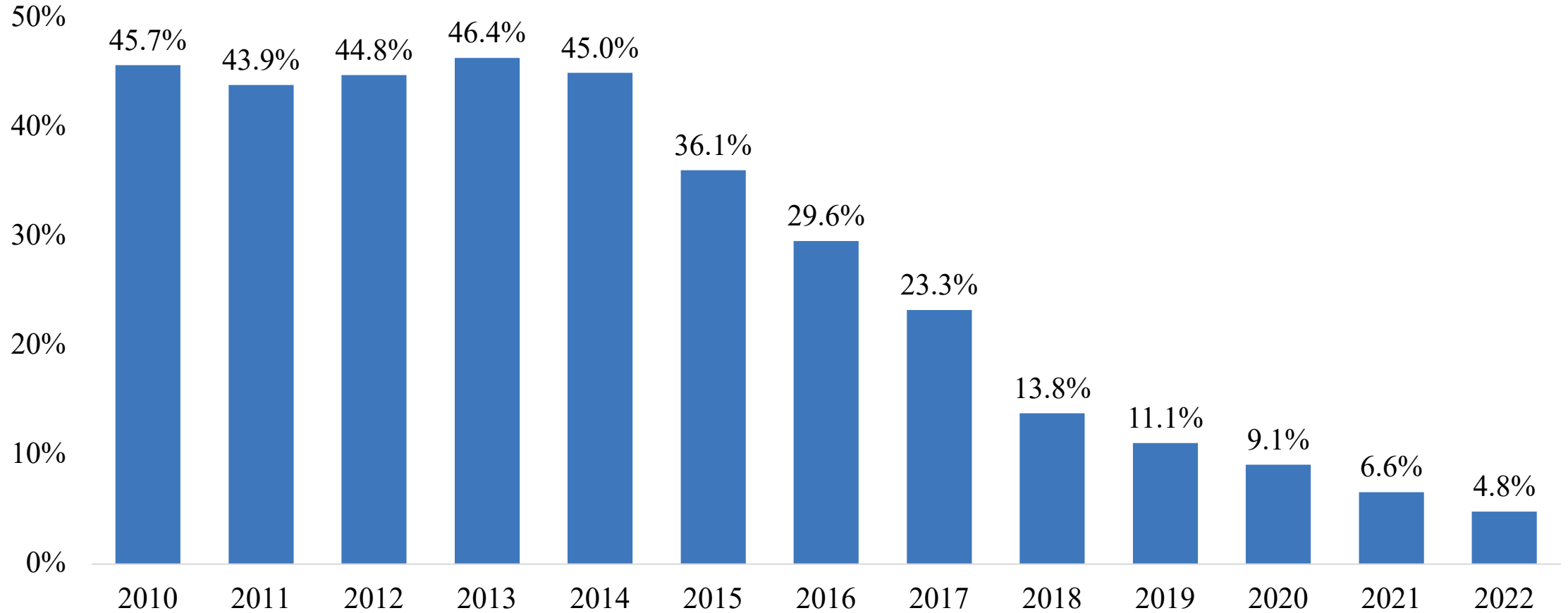
These 3 drugs accounted for 2% of scripts and 47% of payments for all Anti-inflammatories

## High-Cost Dermatological Prescriptions and Payments

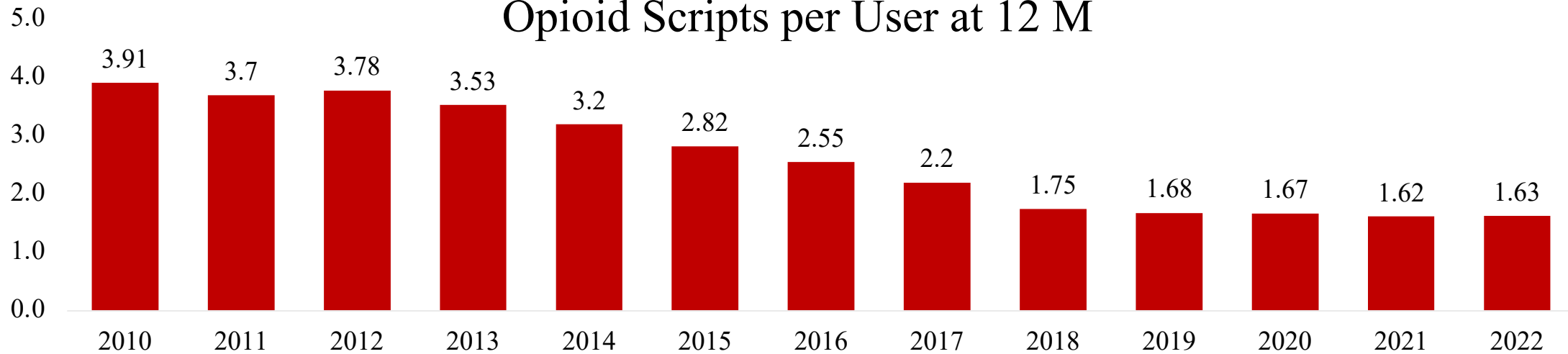


These 3 drugs accounted for 3% of scripts and 19% of the payments for all Dermatologicals

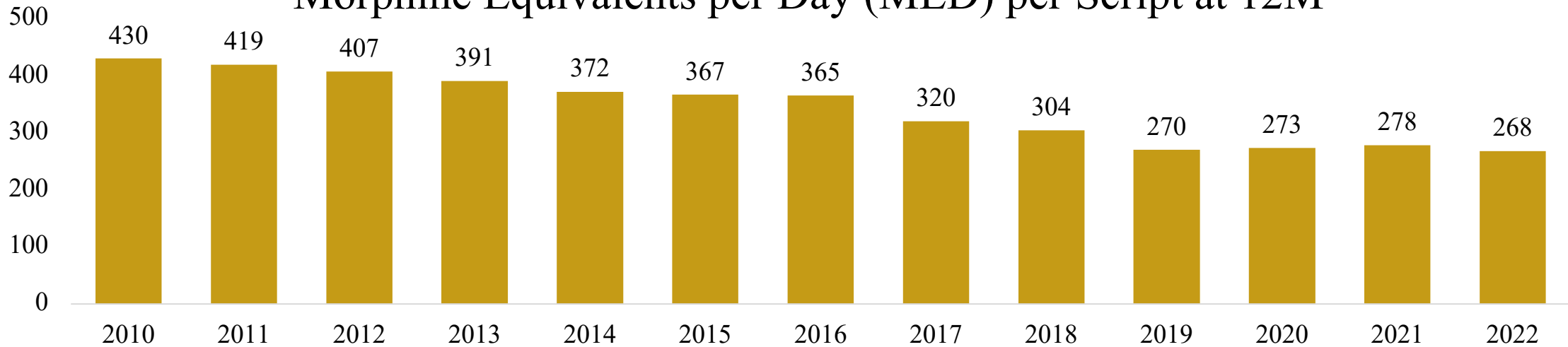
## Percent w Opioid w/in 12 Months



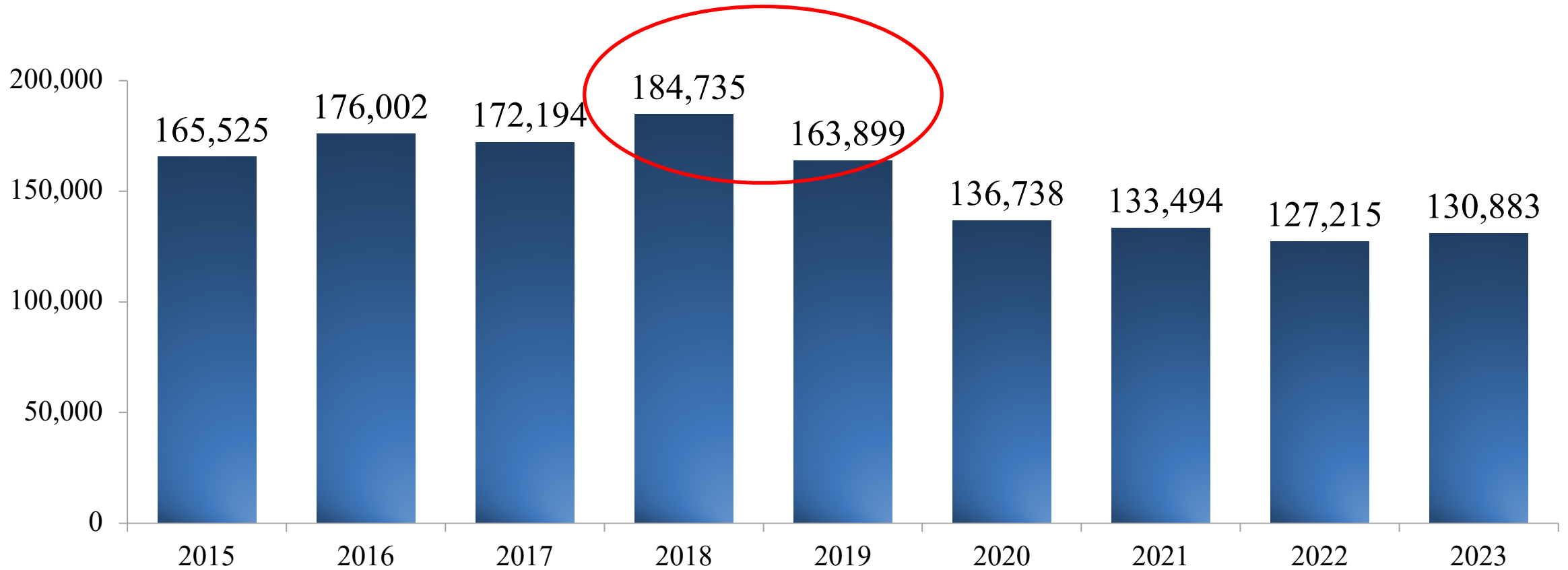
## Opioid Scripts per User at 12 M



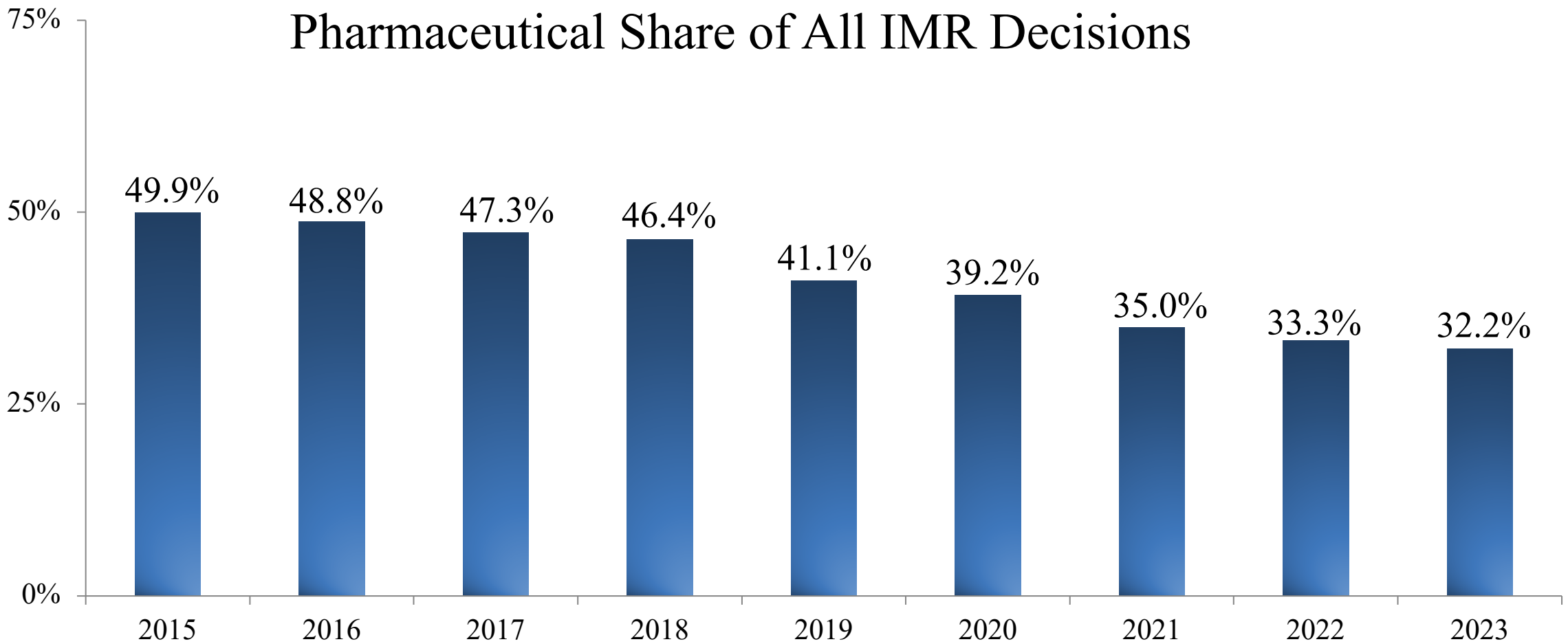
## Morphine Equivalents per Day (MED) per Script at 12M



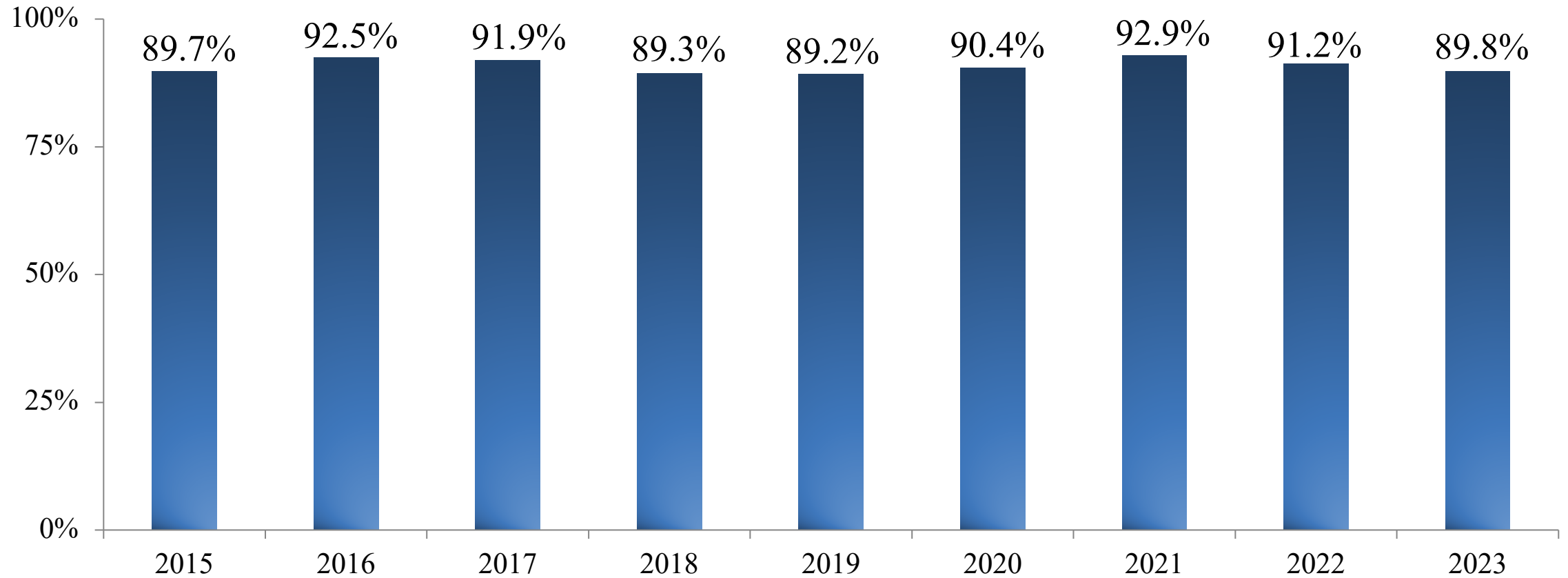
## IMR Letter Volume: 2015 - 2023







## Pharmaceutical Decision Uphold Rates: 2015 - 2023



# Independent Medical Review – Pharmacy Mix



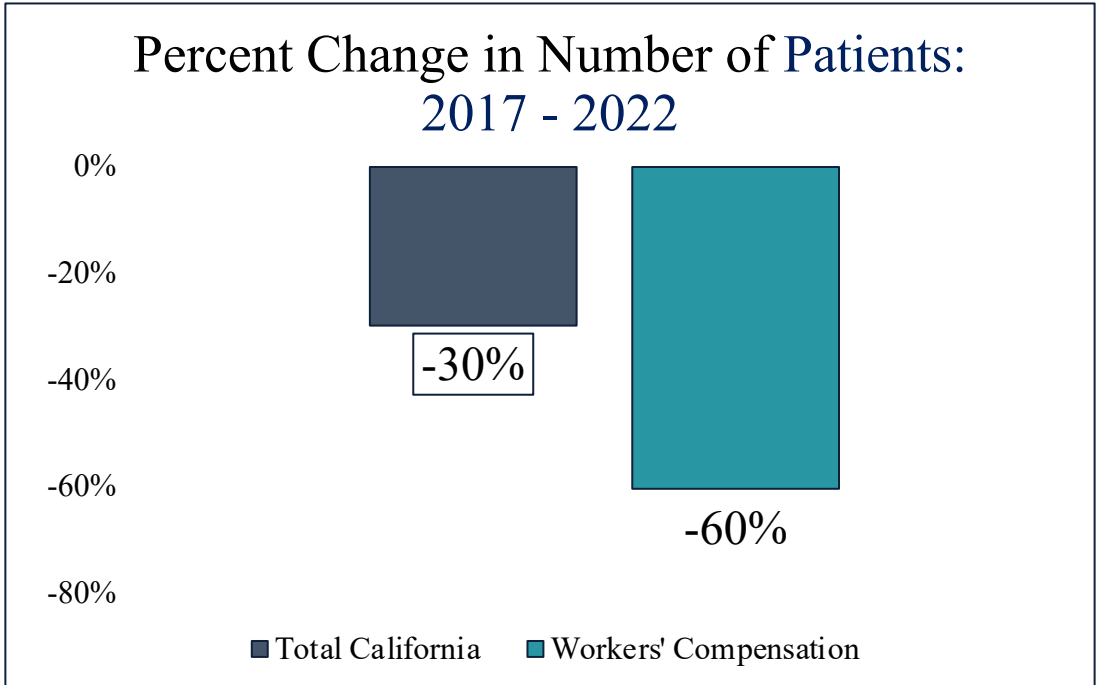
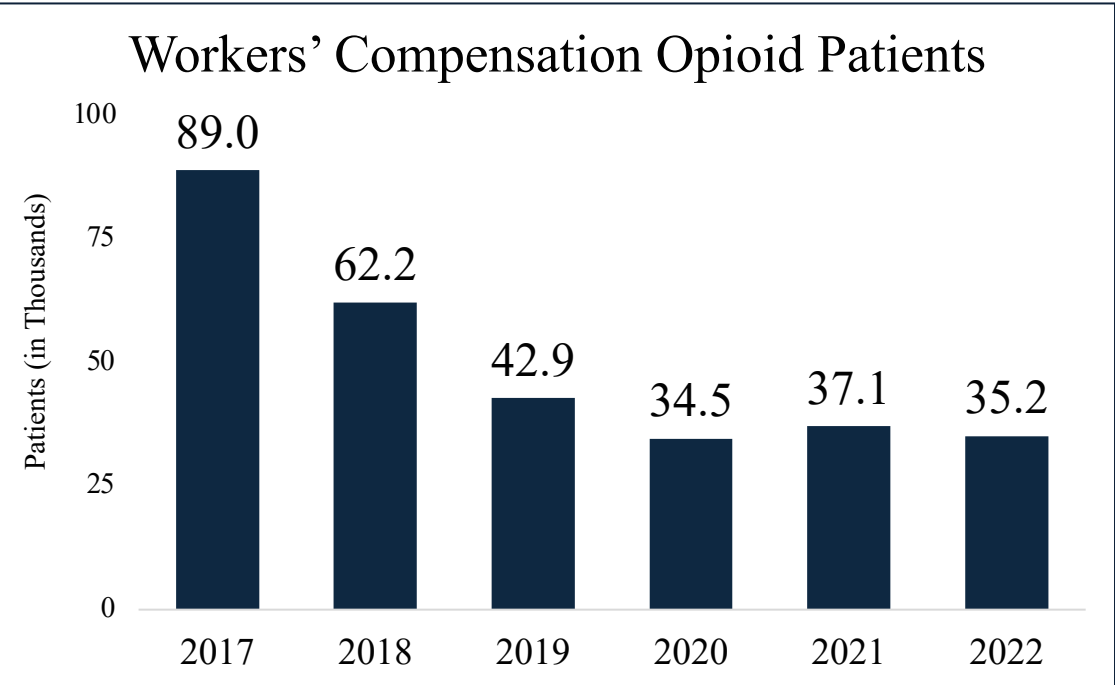
	% of Rx								
Rx Drug Category	2015	2016	2017	2018	2019	2020	2021	2022	2023
Analgesics-Opioid	30.4%	28.9%	29.4%	32.1%	30.9%	28.3%	25.4%	24.4%	23.6%
Musculoskeletal Therapy	12.6%	13.2%	13.4%	14.4%	15.4%	16.7%	17.6%	17.6%	17.8%
Dermatologicals	15.0%	14.6%	14.2%	12.2%	13.8%	15.7%	17.6%	18.6%	19.8%
Anticonvulsants	5.4%	5.6%	6.2%	8.2%	8.8%	10.1%	10.1%	10.0%	9.9%
Anti-Inflammatory	8.5%	9.6%	10.3%	7.7%	6.4%	6.4%	7.5%	8.0%	7.5%
Antidepressants	3.8%	4.0%	4.1%	4.9%	5.1%	4.4%	3.3%	3.3%	3.3%
Ulcer Drugs	7.3%	7.3%	7.1%	4.7%	3.6%	3.5%	3.5%	3.3%	3.2%
Hypnotics	3.9%	3.7%	3.1%	2.7%	2.4%	2.0%	1.7%	1.6%	1.4%
Antianxiety	2.7%	2.8%	2.6%	2.4%	2.2%	1.9%	1.8%	1.6%	1.4%
Analgesics-Non-Narcotic	1.1%	1.4%	1.8%	2.2%	1.9%	2.1%	2.1%	1.9%	2.2%
Other	9.3%	8.8%	7.9%	8.4%	9.5%	8.9%	9.4%	9.6%	9.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The study used data extracted from CURES.

- CURES is California's Prescription Drug Monitoring Program (PDMP).
- It is mandated that all Schedule II - V controlled substance prescriptions dispensed in California be entered into CURES.
- Access to CURES is limited to licensed health care practitioners, licensed pharmacists, regulatory agencies, law enforcement, and researchers.
- After a rigorous approval process conducted by the California Department of Justice, CWCI received a de-identified database containing 240 million prescriptions for controlled substances prescribed between January 2017 through December 2022.
- The CWCI study focuses on the 107 million opioid prescriptions in the study database\*.

\* A small percentage of opioid drugs were excluded including buprenorphine, injectable solutions, and powders.

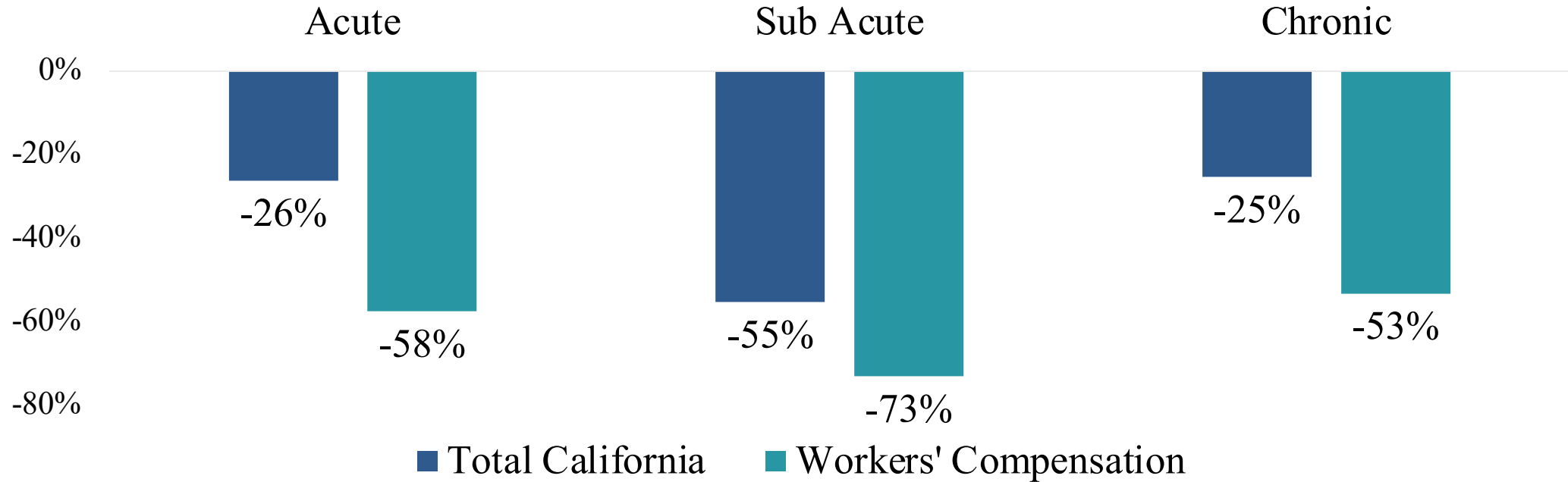
## Preliminary Results



- The decline in the number of injured workers with opioid prescriptions between 2017 and 2022 was greater than the decline for the California population.
- Most of the decline occurred between 2017 and 2020, the first year of the COVID-19 pandemic, and was relatively flat between 2020 and 2022.

# Percent Change in Opioid Patients by Acuity: 2017 to 2022

## Preliminary Results

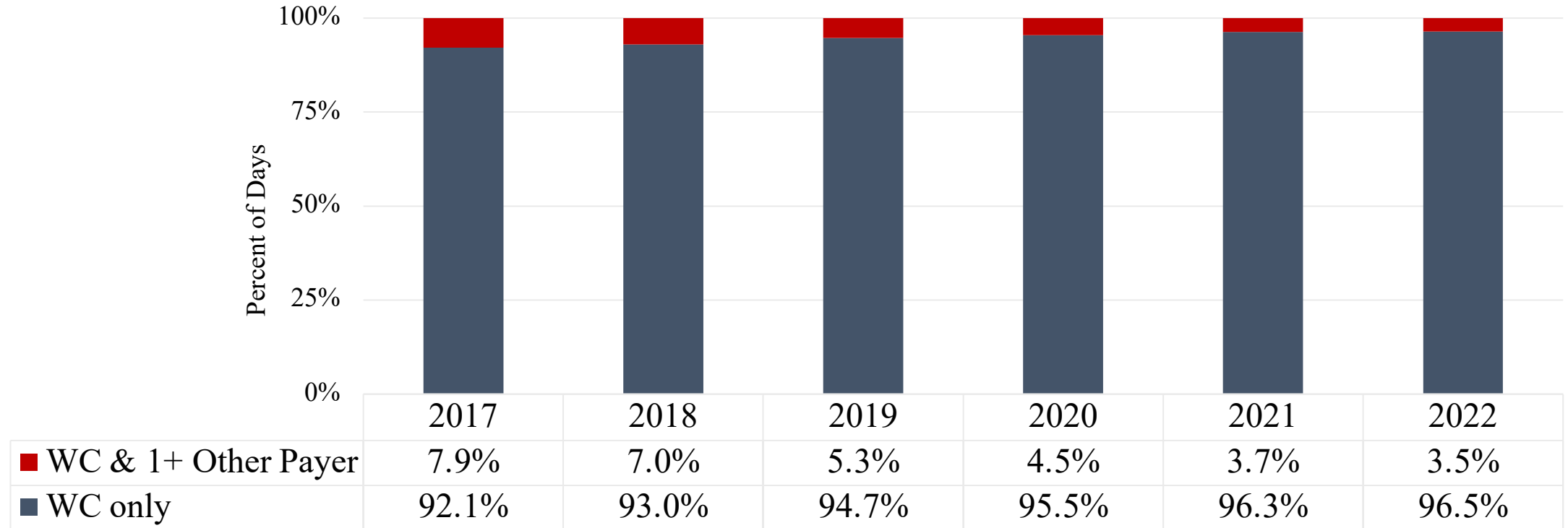


The number of opioid patients declined in each acuity category for both populations but was more pronounced for Workers' Compensation: 58% for acute, 73% for subacute, and 53% for chronic patients

# Did the number of overlapping supply days covered by both Workers' Compensation and other payers increase?

## Preliminary Results

WC Chronic Opioid Patients with Opioid Prescriptions from Other Payers:  
Distribution of Days' Supply by Number of Payment Sources



The proportion of the overlapping opioid supply days covered by both workers' compensation and other payers declined from 7.9 to in 2017 to 3.5% in 2022

- After the implementation of the CA formulary there was a shift in utilization patterns from Exempt to Non-Exempt categories
- Opioid use decline accelerated
  - Use declined at a steeper rate after formulary implementation, but there were other influences including changes in pain management guidelines and general practice changes within the medical community
  - Although opioid use for all payors dropped since 2017, Workers' Compensation declines were much steeper based on PDMP data
  - Overlapping opioid supply days across payors declined from 7.9 percent in 2017 to 3.5 percent in 2022



- Independent Medical Review for pharmaceuticals declined after implementation
- The formulary is based on drug ingredient rather than a drug identifier that includes manufacturer and strength, limiting ability to consider price in choice of equivalent drugs
- The formulary does not specifically exclude pharmaceuticals that are outside of treatment guidelines. “Not-Listed” drugs represented 12% of the prescriptions and 45% of the costs in 2023



CALIFORNIA WORKERS'  
COMPENSATION INSTITUTE

Thanks for listening

**California Workers' Compensation Institute  
Pharmaceutical Trends and the California Formulary**

**National Council of Insurance Legislators  
July 2024**

Rena David, SVP Research and Operations  
[www.cwci.org](http://www.cwci.org)