

SURPLUS LINE REPORTER & INSURANCE NEWS

VOLUME 38 NUMBER 1

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JANUARY 2016

Physician-Dispensed Drugs Often Cost More Than Pharmacy-Dispensed Drugs

Several states have changed their workers' compensation rules governing reimbursement for physician-dispensed drugs, but most reforms have focused on limiting prices, and the evidence suggests that physician dispensers develop ways to get higher prices after the new rules take effect, according to a study by the Workers Compensation Research Institute (WCRI).

That was one of the messages Dr. John W. Ruser, executive director of WCRI, brought to the Louisiana Association of Self Insured Employers (LASIE) annual convention through a power point presentation. The convention was held in Biloxi during November.

While most states, including Louisiana, permit physician dispensing of drugs, in eight states physician dispensing is rare or not allowed because of legal barriers, Ruser pointed out. Recent reforms, he said, have focused on lowering prices, with 18 states enacting price limits and four of the 18 also enacting limits on the amount of drugs a physician may dispense. Texas is among the states in which physician-dispensing is not allowed in general or is infrequent.

Louisiana is in the middle of the states that allow physicians to dispense drugs. "Louisiana does not have a high prevalence of physicians dispensing drugs," Ruser said.

"Many states impose fee schedules saying that physicians can only be reimbursed at the average wholesale price, plus some percentage," he said. "As it turns out that formula has some unintended consequences."

Ruser's presentation was a summary of findings from a group of studies from several states, he told LASIE.

Illinois and California are among the 18 reform states that focused on cost reduction only. These states' reforms were studied by WCRI.

Among the findings of WCRI's studies:

-Prices paid for physician-dispensed drugs is often much higher than if a pharmacy had filled the same prescription.

The drugs listed in Ruser's presentation include Hydrocodone-acetaminophen (Vicodin), Ibuprofen (Motrin), Tramadol HCL (Ultram), Cyclobenzaprine HCL

(Flexeril) and Meloxicam (Mobic). In every case pharmacy-dispensed drugs were less than physician-dispensed drugs. The disparity ranged from 81 percent more (\$0.27 per pill from the pharmacy and \$0.49 from the physician) for physician dispensed Ibuprofen to 174 percent more (\$0.52 compared to \$1.41) for physician dispensed Hydrocodone.

-Physician dispensers often prescribed unnecessary opioids.

That comes from a study of the impact of Florida banning physicians dispensing opioids. "After the ban, physicians didn't write prescriptions for injured workers to get opioids at the pharmacy. Instead, the physicians dispensed other, often over-the-counter, pain relievers, also sold at higher prices," Ruser said.

-Physician dispensers prescribed over-the-counter drugs at much higher prices.

As an example, Ruser cited prescriptions for Prilosec by physician dispensers in the 19 states in a study group. The incidence of prescriptions for the over-the-counter drug varied from zero in Missouri, a state in which physician dispensing is allowed, to 8.5 percent in California, a reform state focusing on cost reduction. The top six states in the study were reform states. WCRI studied 2011-12 claims with more than seven days of lost time, with prescriptions. Approximately 1.3 percent of physicians in Louisiana, a non-reform state, prescribed Prilosec.

The pre-reform price per pill for physician dispensed Prilosec in four of the top six states was \$5.80 in Florida, \$6.03 in Georgia, \$6.23 in Illinois and \$8.37 in Pennsylvania.

-Price-focused reforms reduced prices, but prices still were 30 percent greater than if a pharmacy had filled the same prescription.

The study looked at the pre-reform difference between physician-dispensed Vicodin and pharmacy-dispensed Vicodin for Tennessee (93 percent), Georgia (112 percent), Illinois (148 percent), South Carolina (177 percent) and Connecticut (321 percent) for all medical claims. In the first quarter after reform, the difference between physician-dispensed and pharmacy-dis-

pensed Vicodin decreased in all but Illinois. Post-reform the price difference was 20 percent in Tennessee, 33 percent in Georgia, 209 percent in Illinois, 31 percent in South Carolina and 74 percent in Connecticut.

-The Physician-dispensing supply chain developed new ways to get higher prices after regulation.

The way around the price caps, is that the supply chain comes up with a new strength pill containing the same old drug. That is what happened with Hydrocodone in Illinois and Cyclobenzaprine in California.

The new strength Hydrocodone came to the Illinois market in 2012, and the frequency of prescriptions for the new strength pill increased from none pre-reform to 25 percent post-reform. The new strength pill cost \$3.04 per pill, as compared with \$0.66 to \$1.06 per pill for existing higher strengths of the drug.

Similarly, in California, a 7.5 milligram product came on the market in 2011. Physician dispensing of the new strength Cyclobenzaprine increased from none in 2011 to 47 percent in the first quarter of 2013. The price paid for the new strength was \$2.88 to \$3.41 per pill, compared to \$0.35 to \$0.70 for existing strengths.

"When a new strength is created, there is a big growth in physician dispensing of that drug," Ruser said. The new strength drug does not have an average wholesale price on which to base the reimbursement, he explained.

Apparently, reforms may not be as sustainable as expected, according to Ruser.

Louisiana is in the middle of states in which physician dispensing is allowed, except that Louisiana has an issue with opioids. There is a much higher incidence of physicians dispensing opioids than in other states, he said.

Not long ago, there was a problem in Pennsylvania with repackaging wholesale drugs and repricing them, and then physicians dispense those drugs at the higher than average wholesale price.

Relatively new on the scene are patches that are being concocted which are "really expensive," and contain common ingredients, according to Ruser. The patches will be the subject of a new WCRI study.