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Pharmaceutical Spend: Manage Out-Of-Network Spending to Lower Costs

By Lori Daugherty

More effectively managing claims and minimizing the costs associated with those claims have always been key concerns for self-insured workers' compensation programs. But in today's tough economic climate, the need to control spending and streamline processes is urgent. As self-insured employers look for creative ways to cut costs, they sometimes miss significant cost and utilization drivers. In the workers' compensation arena, for instance, pharmaceutical costs continue to rise at an alarming rate.

Despite overall decreases in annual injury rates, *PMSI's 2009 Annual Drug Trends Report for Workers' Compensation* showed that medication costs increased 5.4% in 2008, continuing a multi-year trend of increased pharmacy spending. In addition, National Council on Compensation Insurance (NCCI) data indicates that costs associated with prescription medications and medical products and supplies make up more than 50% of the total medical spend, especially as the claim ages.

Many pharmacy benefit management (PBM) providers generally offer self-insured employers reporting programs that manage "in-network" spend. However, in many instances transactions that could be considered in-network are not captured in the program and therefore network penetration is lowered. The challenge is capturing prescriptions that fall out of network—some programs can reach as little as 30 percent network penetration.

Other important sources of data to be considered when reviewing pharmacy

costs for self-insured employers include bill review organizations. The ability of these organizations to report detailed pharmacy spend varies as they may only be capturing those elements of detail required to recommend an allowance or denial of payment. Bill review companies may not always flag pharmacy line items that have been bundled with office visits and other medical costs, as is often the case with doctor dispensation of prescriptions for workers' compensation claims. Frequently, it is left to the self-insured to piece together these various reporting elements, which are often misaligned and are not well captured.

To create a more unified stream of information and a more end-to-end approach to better manage their workers' compensation claims, self-insurers should consider migrating to comprehensive conversion solutions as offered by leading PBMs. The conversion of out-of-network to in-network transactions results in:

- Lowered pharmacy spend
- Reduced administrative burden
- Reliable and complete aggregated data all in one place
- The ability to have clinical oversight and intervention
- Improved injured worker care

A more comprehensive approach can also have the added benefit at the end of the year when there's money left over in the form of dividends to the policy holders.

The Value of a Comprehensive Conversion Solution

For a self-insured employer, the value of a PBM program is intrinsically linked to its ability to minimize the



self-insured's out-of-network spend. The best comprehensive conversion solutions strengthen network penetration throughout the life of the injured workers' claim. These innovations include aggressive compliance programs, the direct re-indexing of claims, third-party biller arrangements, and the adjudication of prescriptions dispensed in a clinic and mail order pharmacy settings.

Any transaction that happens outside the traditional PBM has an administrative cost in terms of processing, often associated with a paper bill. Programs like the following take all the non-traditional pharmacy spend, aggregate the data and negotiate a discount on the bills to lower a self-insured employer's medical pharmacy spend. They help a self-insurer manage cost by electronically adjudicating transactions and driving optimal in-network penetration.

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pensed in a clinic and mail order pharmacy settings. A combination of all or many of the programs will result in strong network penetration.

Compliance Programs – Flexible card and cardless programs can promote initial compliance while offering payors flexibility and choice. In addition, these programs work with network pharmacies to identify claims earlier in their lifecycle and process them through a PBM's retail network. These techniques strengthen program penetration and enrollment, while producing demonstrated savings on future prescription fills.

Automated Re-Indexing Solutions – Working with large pharmacy chains, PBMs can perform an automated, retroactive adjudication of transactions that were not identified at point of sale as a PBM customer. This seamless adjudication applies all edits as if transactions were processed at the time of dispensing and ensures almost complete network compliance.

Third-Party Biller Solution – Recognizing the significant need to mitigate the impact of third-party billers for self insurers, leading PBMs are partnering with third-party billing service providers to adjudicate pharmacy transactions prior to paper bills being sent. This lowers out-of-network costs and administrative costs by significantly reducing out-of-network paper bills.

Connections to Clinics – By joining with national clinic networks to provide comprehensive pharmacy benefit management services, clinical programs and real-time claims management technology, leading PBMs are able to achieve reduced costs and improved efficiencies by capturing first fill opportunities in these frequently used workers' compensation care settings.

Direct Mail Pharmacy Partnerships – By partnering with direct mail pharmacy providers that are traditionally

out-of-network billers, PBMs can process transactions online, provide pharmacy benefit management review for the claims and be able to provide additional information to self insurers on claimants and treating physicians.

Aggregated Data Creates Significant Benefits

By aggregating the data from non-traditional pharmacy channels and creating a seamless stream of information, these programs provide full visibility into claimants' medication history and medication compliance, and better insight for the self-insured employer. With a repository of complete medical profiles, self-insurers stand to gain the ability to:

- Analyze injured workers' pharmacy spend
- Manage the therapeutic implications of their employees' complete medication profile
- Participate in more robust clinical programs

In addition, these programs minimize paper bills as well as phone calls from third party billers and pharmacy billing companies. These programs also remove the need for one-off claims payment processes and offer self insurers ability to lower their administrative costs associated with paper bills because the PBM:

- Negotiates a discount on the non-traditional pharmacy channels
- Pays channels on behalf of the self-insurer
- Processes subsequent prescriptions at the lower prenegotiated rates with the information that has been provided

PBMs that offer comprehensive conversion solutions offer self-insured employers the advantage of innovative partnerships to better capture non-traditional pharmacy spend. The key is providing your PBM with as much data as possible. By providing all the information in one place, self-insured employers have the data to better manage workers' compensation claims and the injured worker's entire med-

ication profile, which in turn means dramatically lowering pharmacy cost and decreasing administrative burden.

CASE STUDY – Clinic Conversion Programs

Physician dispensed prescriptions during the first 30 days of an injury are a growing contributor to rising workers' compensation out-of-network costs. PMSI, one of the nation's largest providers of specialty products and pharmacy services for the workers' compensation market, has joined with two of the nation's largest clinic networks to allow for the electronic capture of prescriptions traditionally not seen due to the lack of clinics' online adjudication capabilities.

A new and innovative collaboration allows PMSI to electronically capture and adjudicate first fills as well as subsequent fills. Insurers, employers, and third party administrators are able to further reduce costs and improve efficiencies by capturing physician-dispensed prescriptions immediately following an injury.

Self insurers who partner with this unique combination of technology and clinical expertise gain comprehensive insight into pharmacy spend that others may not have. They also gain PMSI's expertise in providing electronic adjudication for clinic prescriptions.

Additional benefits to the self insurer of this type of clinic partnership include:

- Discounted pharmacy transactions – Clinic pharmacy transactions can be discounted, enabling self insurers to save money on state fee schedules.
- Improve integration – Clinic-dispensed medications are integrated into a pharmacy benefits manager's network and processed as in-network claims.
- Create cost savings – The program decreases administrative costs through reduction of paper bills and lowering of the prescription's cost.

In addition, once the prescription is captured into the retail pharmacy benefit manager's program, PMSI can perform appropriate drug utilization review checks on those transactions and other medications before these injured workers are released into the traditional retail pharmacy environment.

This new program gives self insured employers access to prescription drug adjudication systems that currently exist at traditional pharmacies – fine-tuned processes repeated thousands of times every day by PMSI. Through

this arrangement, PMSI provides its comprehensive pharmacy benefits management services, innovative clinical programs, and real-time claims management technology to a national network of medical centers. By enhancing prescription management opportunities at point of injury, the program can reduce out-of-network spend for self insurers.

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