Workers’ Compensation
Pharmacy Cost Management
Update on the Rate of Average Wholesale Price Inflation | April 2016
Awp Inflation Update

Year-over-year, the pharmacy industry experiences Average Wholesale Price (AWP) inflation. We analyzed the rate of AWP inflation for those medications dispensed in our book of business. The weighted and combined overall increase in AWP was 10.5 percent, influenced significantly by a 17 percent rate of inflation for brand medications. The rate of AWP inflation for generic medications was 4.9 percent, which is lower than 2014, yet still high by historical standards.
Figure 2
AWP INFLATION FOR SIX COMMONLY UTILIZED MEDICATIONS

<table>
<thead>
<tr>
<th>Medication</th>
<th>2015 Inflation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duexis® tablet</td>
<td>66.1%</td>
</tr>
<tr>
<td>baclofen tablet</td>
<td>49.6%</td>
</tr>
<tr>
<td>Nucynta® tablet</td>
<td>42.0%</td>
</tr>
<tr>
<td>Lyrica® capsule</td>
<td>19.9%</td>
</tr>
<tr>
<td>hydrocodone-acetaminophen tablet</td>
<td>16.6%</td>
</tr>
<tr>
<td>OxyContin® tablet</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

Our data show that the rate of generic AWP inflation is still high by historical standards.
Figure 3
Increasing AWP trend
**Duexis® tablets**
Price per pill, indexed (Jan 2010 = 1.0)

Figure 4
Increasing AWP trend
**Percocet® tablets (oxycodone-acetaminophen)**
Price per pill, indexed (Jan 2010 = 1.0)
Figure 5
Increasing AWP trend
**Ultram® tablets (tramadol)**
Price per pill, indexed (Jan 2010 = 1.0)

Figure 6
Increasing AWP trend
**Lyrica® capsule**
Price per pill, indexed (Jan 2010 = 1.0)
Figure 7
Increasing AWP Trend
Vicodin®, Norco® tablet (hydrocodone-acetaminophen)
Price per pill, indexed (Jan 2010 = 1.0)

Figure 8
Increasing AWP Trend
Lidoderm® patches (lidocaine)
Price per pill, indexed (Jan 2010 = 1.0)
Factors Influencing AWP Inflation

Manufacturers change the AWP of brand and generic medications often. While pharmacy benefit managers (PBMs) administer these changes for both pharmacies and payers, they do not calculate or determine the rise or fall in AWPs, nor do the pharmacies or payers. Rather, several factors influence these changes, including the economic forces of supply and demand, brand patent expiration, the number of manufacturers active in the market, availability of raw materials, as well as any manufacturing disruptions. For example, a manufacturer might be ordered to cease production in response to sterility concerns or litigation. Tightened oversight by the Food and Drug Administration (FDA), increased product liability risk, regulatory reform, and barriers to market entry are also influential.
Generic Medications Still Generate Savings

Despite the high rate of generic AWP inflation, the use of generic medications over their branded medication equivalents remains an effective means of controlling cost without detriment to the safety and efficacy of the injured worker’s medication therapy regimen.

The average AWP for both the brand and generic medication of three commonly utilized medications in workers’ compensation claims is shown in Figure 9. The percentage of savings demonstrates the value of generic utilization whenever possible.

![Figure 9: COST SAVINGS FROM GENERIC MEDICATIONS](image)

<table>
<thead>
<tr>
<th>Medication</th>
<th>2015 Generic AWP per Pill</th>
<th>2015 Brand AWP per Pill</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>oxycodone-acetaminophen tablet</td>
<td>$2.58</td>
<td>$13.39</td>
<td>419%</td>
</tr>
<tr>
<td>hydrocodone-acetaminophen tablet</td>
<td>$0.79</td>
<td>$3.49</td>
<td>344%</td>
</tr>
<tr>
<td>tramadol tablet</td>
<td>$0.73</td>
<td>$2.89</td>
<td>296%</td>
</tr>
</tbody>
</table>

A 1 percent increase in generic utilization results in a 2.6 percent reduction in spend.
What This Means for Payers

Pharmacy costs correlate with overall claim costs, which influence experience mods, and ultimately, premiums. With this in mind, we continue to encourage payers to remain vigilant in their efforts to manage pharmacy utilization, offering our clients a multifaceted set of tools and resources to do just that.

- Bolstered by the nation’s only directly-contracted, workers’ compensation-specific pharmacy network, we use a real-time electronic adjudication platform to deliver payers the unmatched ability to capture prescriptions in-network for greater savings and brighter insight, virtually eliminating the inefficiencies associated with third-party billers in the process.

- Our network capture and enforcement abilities are the foundation to which network discounts, drug utilization review, formularies, and other business rules overlay. Data captured during this process fuels our patent-pending, advanced statistical models, the output of which our clinical team leverages to adeptly triage claims for intervention. As a result, payers are better equipped to act sooner — particularly on situations involving the potential misuse or abuse of opioid analgesics.

- Point-of-sale efforts to mandate generic fulfillment consistent with state of jurisdiction requirements, as well as concurrent and retrospective clinical interventions, continue to benefit payers while also assuring the safest, most cost-effective therapy for the injured worker.
When analyzing medication therapies (whether prospectively, concurrently, or retrospectively), we look for opportunities to optimize therapy regimens, starting with the first fill and continuing until the injured worker either no longer requires medication or the claim is settled. This ensures injured workers receive the right medication at the right time, in the right dose, and for the right duration, which is not only cost-effective, but also safer.

In claims involving eligible or potentially-eligible Medicare beneficiaries, we further mitigate the influence of AWP through recommendations that appropriately contemplate the nuances of how the Centers for Medicare and Medicaid Services’ (CMS) prices and allocates future pharmacy expenditures when establishing set-aside amounts. Not only does this assure better clinical and financial outcomes, but compliant and defensible settlements too.

By participating in regulatory and legislative discussions on the issues ranging from physician dispensing and closed formularies to compounded medications and managed pharmacy care, we ensure a compliant program without losing sight of the fact that at the heart of workers’ compensation is the injured worker. Moreover, while payers, pharmacies, and PBMs do not set a medication’s AWP, we can share our experience, raise awareness, and educate stakeholders to inspire positive change.
Methodology

We monitor various pharmacy trends in workers’ compensation. To calculate inflation, we isolate the changes in manufacturers’ prices separately from other influences that can affect pharmacy costs, including the introduction of new medications, the conversion of brand medications to generic, and changes in the medications involved in an injured worker’s medication therapy regimen. Therefore, changes in cost per prescription may be higher or lower than the rate of AWP inflation we report.

It should also be noted that medications in workers’ compensation are different from those in the general health population. Therefore, the rate of AWP inflation published elsewhere may not correlate due to a different product mix.
About Optum for Workers' Compensation

Healthcare Solutions, Helios and their subsidiaries, as Optum companies, collaborate with our clients to deliver value beyond transactional savings while helping ensure injured workers receive safe and effective clinical care. Our innovative and comprehensive medical cost management programs include pharmacy benefit management, ancillary benefit management, managed care services and settlement solutions.

Optum and its respective marks are trademarks of Optum, Inc. All other brand or product names are trademarks or registered marks of their respective owners. Because we are continuously improving our products and services, Optum reserves the right to change specifications without prior notice. Optum is an equal opportunity employer.

© 2016 Optum, Inc. All Rights Reserved. DTR16-16201