

# Treatment Guidelines Pharmacy Formulary

Texas Workers' Compensation  
Reforms

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# Overview of Texas WC System

- More than 290 insurance companies actively writing WC
- \$2 billion in direct written premium
- Including self-insured employers and governmental entities, more than 800 insurance carriers with WC claims
- 67% of private year-round employers have WC and all governmental entities have WC
- 81% of private sector employees covered by WC

# Overview of Texas WC System

- About 225,000 new claims filed each year and about 340,000 claims receiving benefits each year
- Pharmacy accounts for 14% of medical payments
  - Opioids account for 4.6% of medical payments
- Utilizes evidence-based medicine treatment and return-to-work guidelines
- Requires certain services to be pre-authorized by the insurance carrier and allows retrospective utilization review to determine medical necessity

# Overview of Texas WC System

- Sets fee guidelines for professional, inpatient/outpatient hospital, ASC and pharmacy services and allows pharmacy contractual discounts
- Has administrative dispute resolution process for medical necessity and medical fee disputes
- Collects medical charges, payments and utilization data for all medical services
- Allows certified networks, which require employees to select network treating doctors, but allows employees choice of pharmacy

# Overview of Texas WC System

- Overall, Texas today has a healthy, stable, and cost effective system
- But that was not always the case
- Several statutory changes dating to 1989, 2003 and most recently (and effectively) 2005 helped reform the system, decrease costs and stabilize the marketplace

# Pre- 2005 in Texas

- Costs Increased
- Medical disputes increased
- Insurance premiums increased
- Insurance carrier losses increased
- More employers dropped coverage (Optional)
- More physicians and hospitals refused accepting WC patients
- More employees had difficulty finding care
- Return to Work Outcomes Deteriorated

- Texas had highest Workers' Compensation Medical Costs of all states studied
- Highest Average Medical Cost per Claim
- Highest # of Services per Claim
- Highest # of Chiro and Physical Therapy visits and services per Claim
- Hospitals provided fewer services but were paid more than other states studied

# Overview of Texas WC System

- HB7 Texas Legislature 2005 Reforms
- Medical Treatment Guidelines
- Pharmacy Formulary
- Medical Fee Guidelines
- Utilization Review Guidelines
- Reforms to Dispute Resolution & Enforcement
- Certified Networks

# Medical Treatment Guidelines - Texas

- In 2005, Texas Legislature directed the Commissioner of WC to adopt Evidence Based Treatment Guidelines, Return to Work Guidelines and a Closed Pharmacy Formulary by Rule (HB7, 2005)
- Commissioner Adopted Official Disability Guidelines (ODG) published by Work Loss Data Institute (WLDI) effective 2008

# Medical Treatment Guidelines

- ODG is widely used
- Contains print and web versions, mobile app
- Utilizes an Advisory Board of over 100 medical doctors and practitioners in all specialties
- Expedites access to Quality of Care while limiting unwarranted, excessive or inappropriate care
- Reflects medical appropriateness, not cost

# Medical Treatment Guidelines - Texas

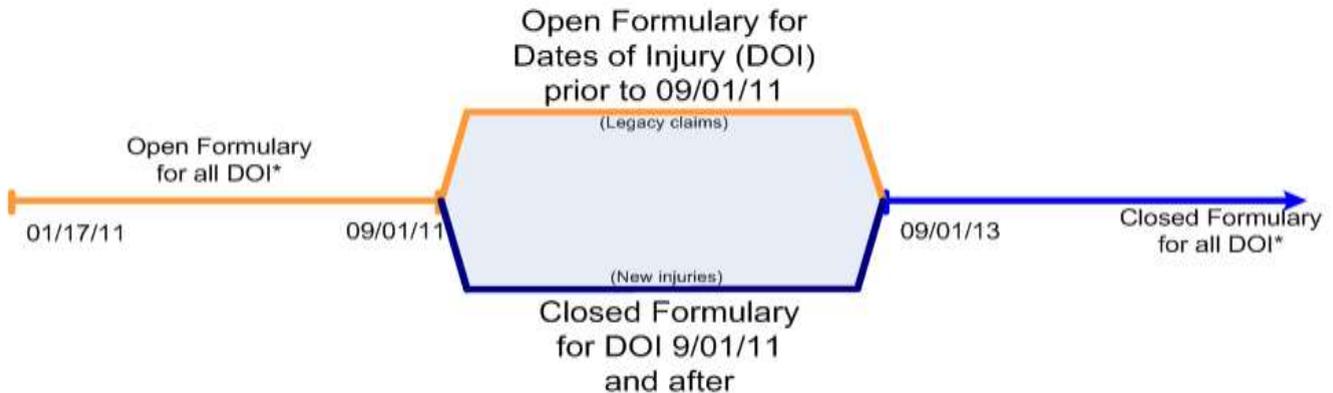
- Safeguards patients from inappropriate care
- Provides framework for addressing patient specific needs (ODG, Appendix D)
- Provides physicians greater clarity and expedites approvals and pre-authorization
- Limits denials and disputes
- Facilitates quicker resolution of disputes
- Improves reserve setting and cost containment

# Pharmacy Closed Formulary - Texas

Adopted September 2011, Formulary includes all FDA-approved drugs prescribed and dispensed for outpatient use, but excludes :

- drugs with “N” status identified in the current edition of the Official Disability Guideline (ODG) Treatment in Workers’ Comp/ Appendix A, *ODG Workers’ Compensation Drug Formulary* and any updates
- any compounded drugs that contains a drug identified with an “N” status in ODG; and
- investigational or experimental drugs as defined in Texas Labor Code §413.014(a)

# Timeline of the Closed Formulary Implementation



\*Except Old Law Claims (DOI Dec 31, 1990 and before)



# Post 2005 Reforms in Texas Success?

- Reduction in Medical Costs (WCRI 2011) - 23%
- Reduction in Insurance Premiums - 50%
- Reduction in Workplace Injuries - 27%
- Reduction in Claims Filed - 22%
- Reduction in Medical Disputes - over 40%
- Increase in Employer Participation - to 67%
- Increase in Employees Covered - to 81%

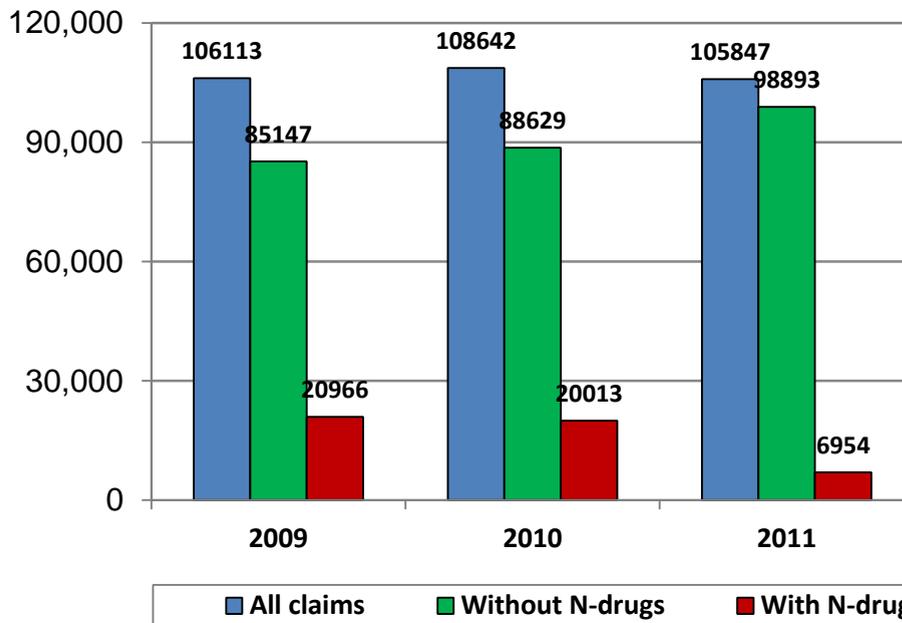
# Post 2005 Reform in Texas

- More Timely Resolution of Disputes
- Fewer Disputes over Retrospective Denials
- Improved Access to Care
- Increased # of Physicians Treating Workers' Compensation Patients to over 18,000
- Average # Claims per Physician dropped from 22 to 16
- Fewer Opioids and other not recommended drugs prescribed

# Post 2005 Reforms in Texas

- Improved Return To Work Outcomes
- % of Claims Receiving Initial Non-emergency Care within 7 days increased from 79% to 82%
- % of Injured Employees receiving Temporary income benefits who Returned to Work 6 months post injury increased from 74% to over 80%
- Median days off work decreased from 26 to 21 days

# Number of claims receiving pharmaceuticals, by injury year (Sept.–Aug.)



**Change from  
2010 (Pre-formulary) to  
2011 (Post-formulary)**

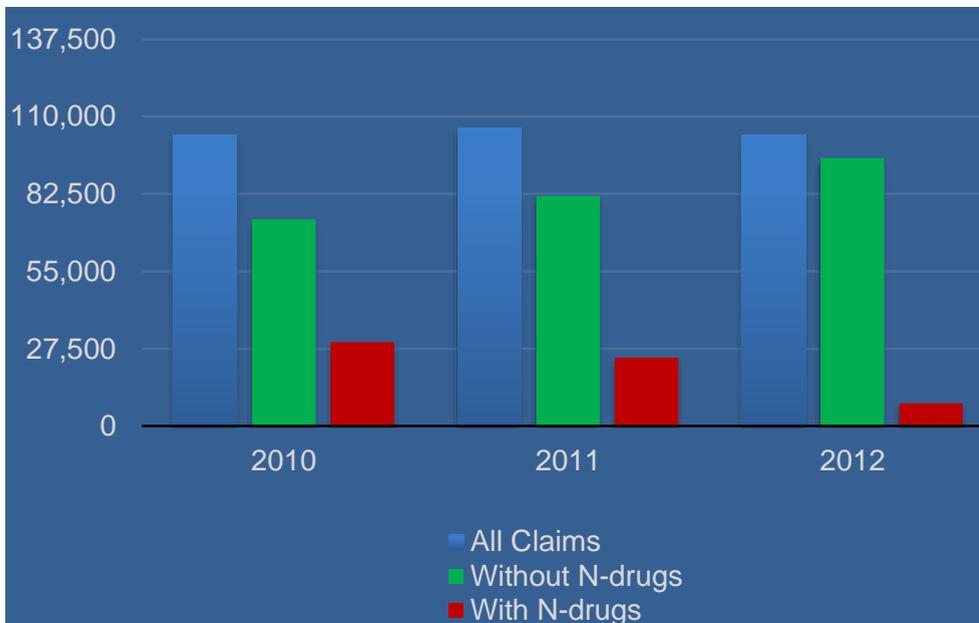
- All claims fell 2%

- Claims with Y-drugs  
increased 11%

- Claims with N-drugs  
decreased 65%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

# Number of claims receiving pharmaceuticals, by injury year (Sept.–Aug.)

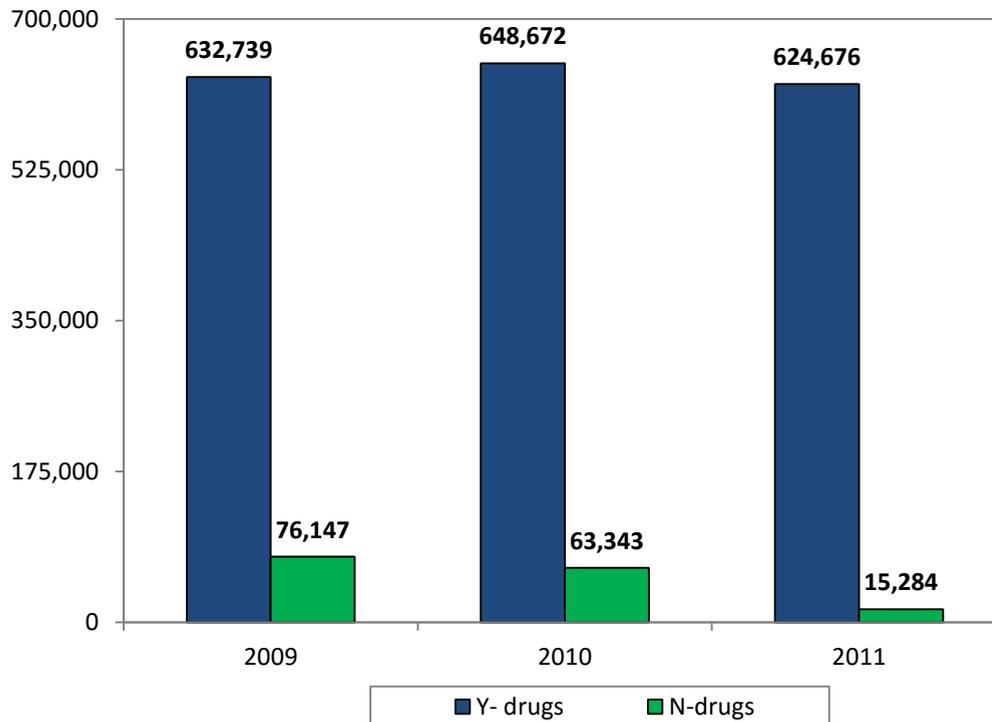


## Change from 2011 (Pre-formulary) to 2012 (Post-formulary)

- All claims fell 2%
- Claims with Other drugs increased 17%
- Claims with N-drugs decreased 67%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

# Number of prescriptions by drug type, by injury year (Sept.–Aug.)



**Change from 2010 (Pre-formulary) to 2011 (Post-formulary)**

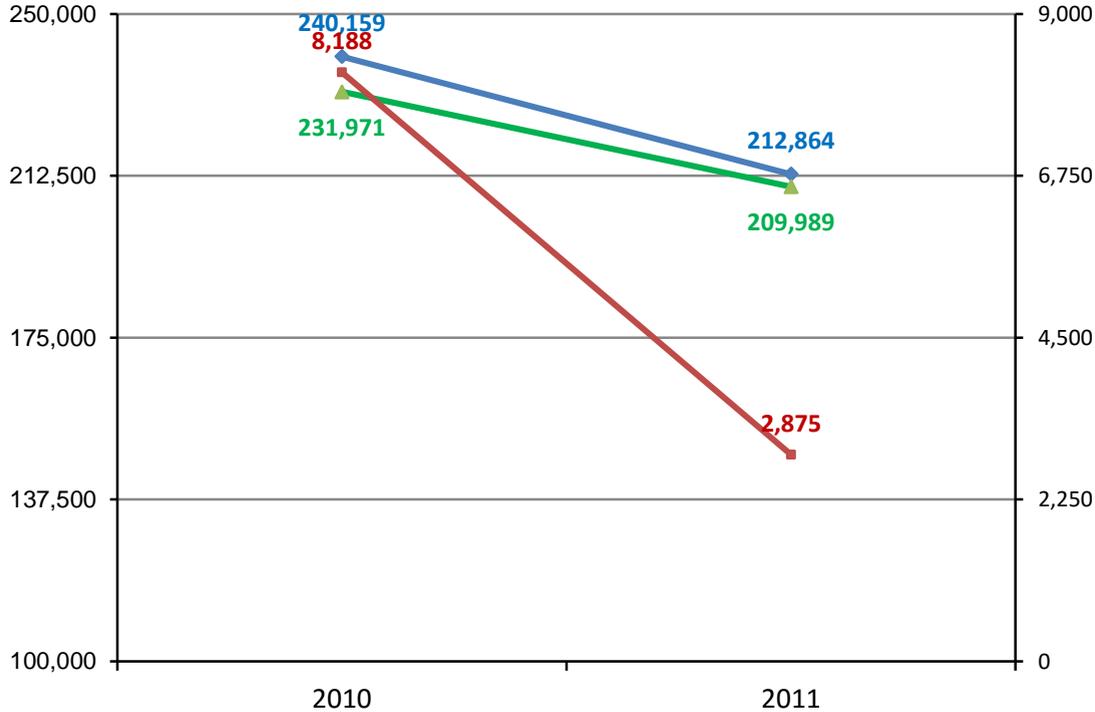
- Total prescriptions fell 10%
- Y- drug prescriptions fell 3%
- N-drug prescriptions fell 76%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

# Change in the number of opioid prescriptions, by injury year (Sept.–Aug.)

All/Other drugs

N-drugs



**Change from 2010 (Pre-formulary) to 2011 (Post-formulary)**

- Opioid prescriptions fell 11%
- Y-drug opioid prescriptions fell 9%
- N-drug opioid prescriptions fell 65%

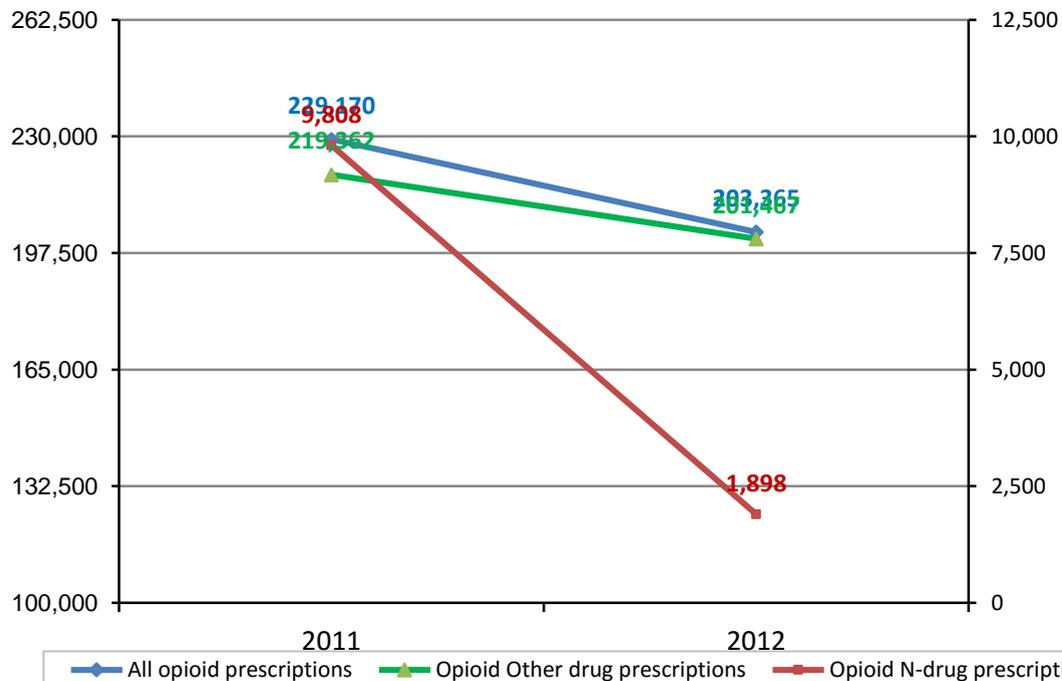
- ◆ All opioid prescriptions
- ▲ Opioid Other drug prescriptions
- Opioid N-drug prescriptions

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

# Change in the number of opioid prescriptions, by injury year (Sept.–Aug.)

All/Other drugs

N-drugs

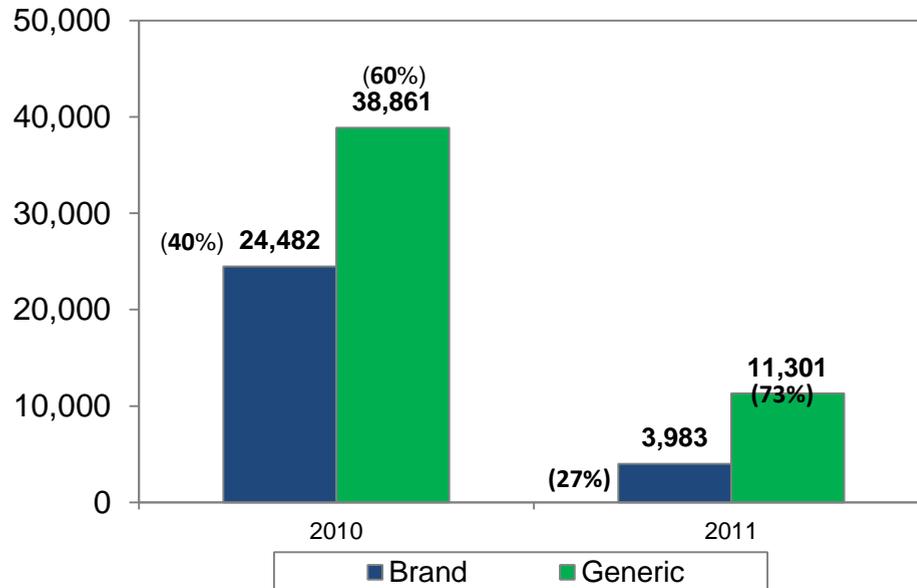


**Change from 2010 (Pre-formulary) to 2011 (Post-formulary)**

- Opioid prescriptions fell 11%
- Other opioid prescriptions fell 8%
- N-drug opioid prescriptions fell 81%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2016.

# Generic substitution: prescriptions of N-drugs, by injury year (Sept.–Aug.)



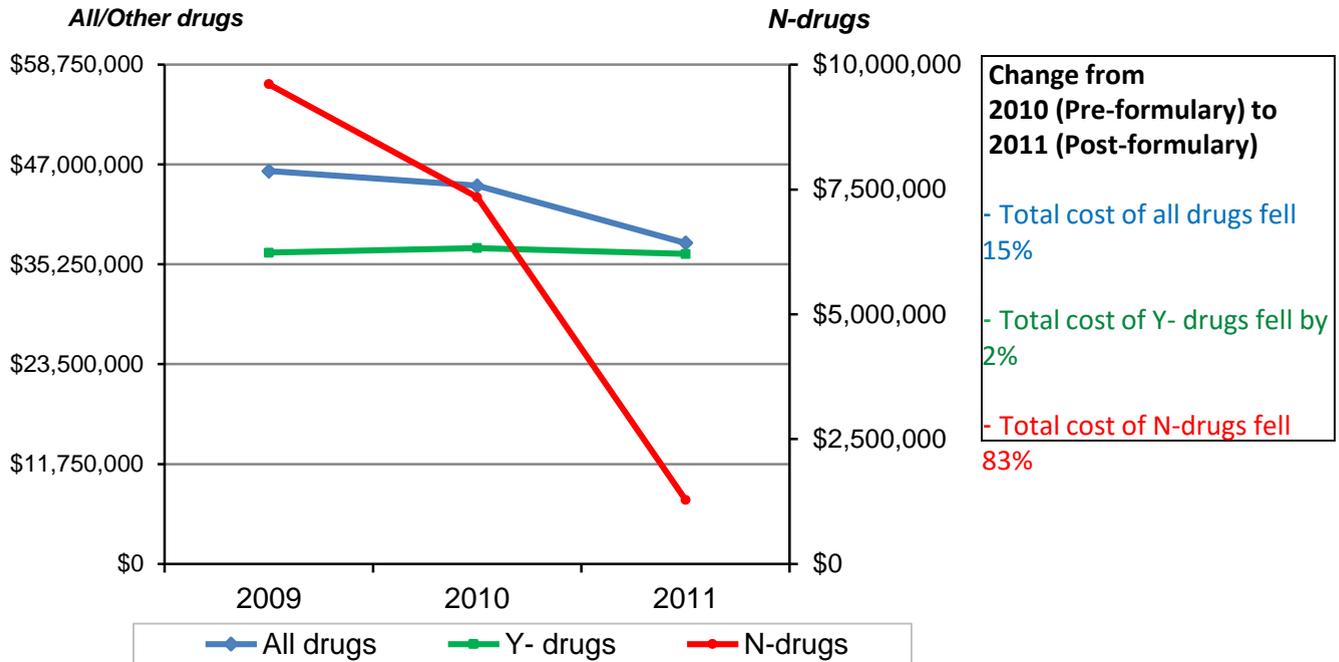
**Change from  
2010 (Pre-formulary) to  
2011 (Post-formulary)**

-Generic substitution rate for  
N-drugs increased from 60%  
to 73%

- Use of brand drugs  
decreased from 40% to 27%

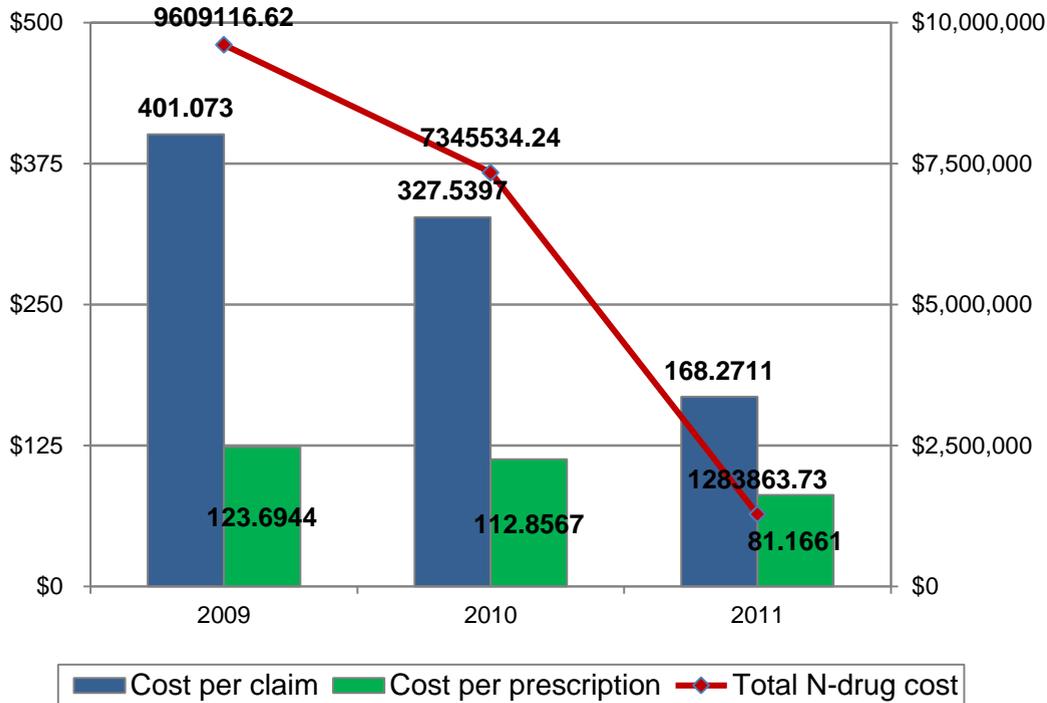
Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

# Total costs by injury year (Sept.–Aug.)



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

# Total and average costs: N-drugs, by injury year (Sept.–Aug.)

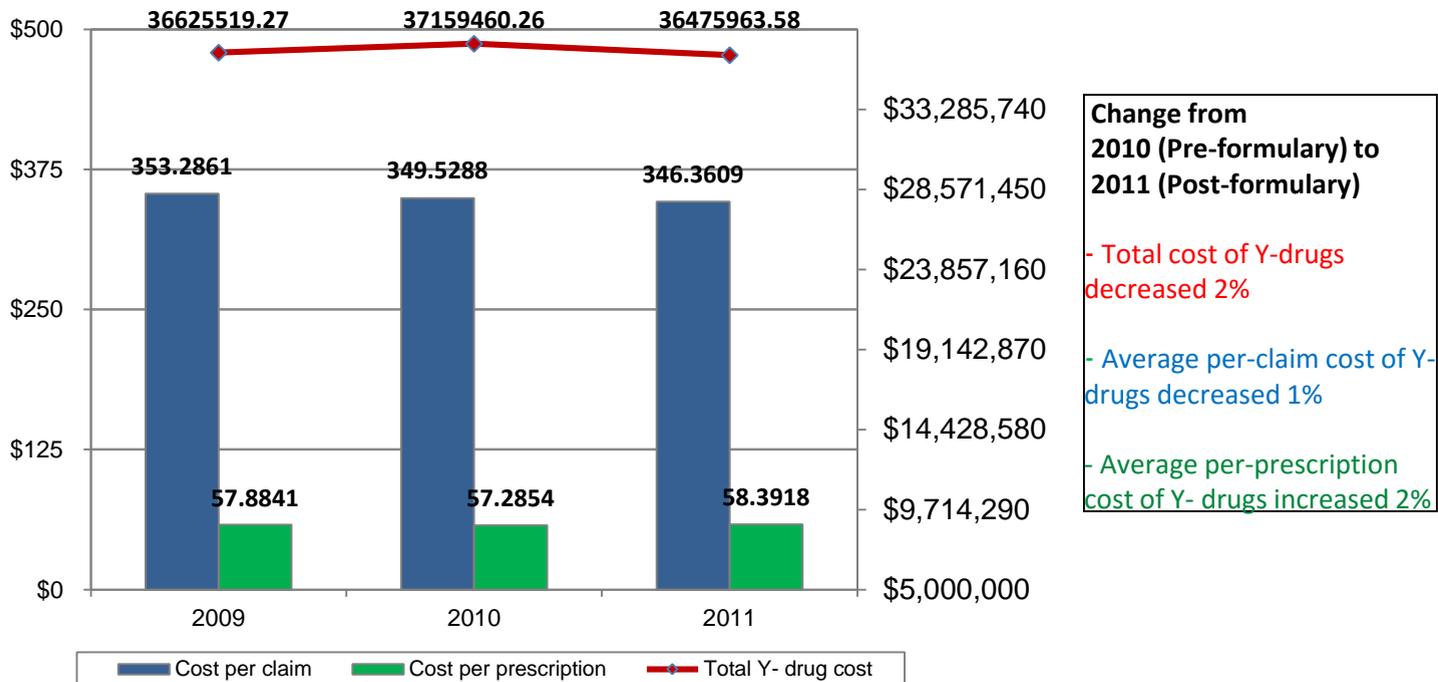


**Change from 2010 (Pre-formulary) to 2011 (Post-formulary)**

- Total cost of N-drugs fell 83%
- Average per-claim cost of N-drug fell 49%
- Average per-prescription cost of N-drug fell 28%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

# Total and average costs: Y- drugs, by injury year (Sept.–Aug.)



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.

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