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DEPARTMENT OF LABOR & INDUSTRY

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Summary of Related Documentation Pennsylvania House Bill 1846 of 2014

15 November 2018

Department of Labor & Industry
BWC-Administrative Division

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GSA Contract # GS-35F-436AA
(Schedule 70)

House Bill 1846 of 2014 Summary Report

There is a legislative mandate to review the results/outcomes of this House Bill. Workman's Compensation Advisory Council has commissioned this summary to combine the following study findings and the statistical analysis reports, respectively:

- *Workers Compensation Research Institute (WCRI) "*Monitoring Physician Reforms in Pennsylvania*"*
- *Pennsylvania Compensation Rating Bureau (PCRB) "Review/Analysis of PA HB 1846 of 2014 for WC Advisory Council".*

Executive Brief

Limiting utilization aspects of House Bill (HB) 1846 of 2014 have resulted in shifting the dispensing practices and an overall reduction in the frequency of physician dispensing. These statistical references are taken from the WCRI study and/or the PCRB analysis.

- 1 out of every 10 prescriptions is now physician-dispensed vs 1 in 3 in 2014, pre-reform.
- Payments for physician-dispensed drug claims were reduced to 3% from 22% pre-reform.
- Physician-dispensed prescriptions decreased to 6% of total prescriptions, whereas pre-legislation it was at 18%.
- Physicians are now prescribing fewer opioids, topical products, anticonvulsants, sedatives and ulcer drugs, and were more likely to dispense nonsteroidal anti-inflammatory drugs (NSAIDs), anti-infective agents, other analgesics, and muscle relaxants.
- Due to utilization restrictions placed by physician dispensing reforms, the number of pills dispensed by physicians is less than the number of pills dispensed by pharmacies for the same prescription post-legislation.
- Physicians are no longer being reimbursed for the higher priced repackaged-NDC (National Drug Code) drug prescriptions.

HB 1846 had price restrictions/caps which reduced the payment costs associated with drug reimbursements:

- Significant price reductions on the price per pill have been observed. For the top 10 most prescribed drugs, the prices per pill were reduced anywhere from 15% to 81% which contributed to the overall cost reductions after the reforms.
- Generic prescriptions now account for at least half of all prescriptions written vs only one-third in 2014.
- The average price per pill continues to decrease for the most commonly dispensed drugs.

Injured workers are receiving fewer prescribed drugs. After HB 1846 reforms, 9% of claimants were receiving at least one prescription and in 2014 it was 17%.

Emerging Concerns—Compound Drugs and "New" Pharmacies

- Compound drugs started appearing in 2014 and were filled only by pharmacies, not physician offices (for higher prices). Compound drug payments have quadrupled from pre-reform. In 2013, payments were 8%. In 2016 payments increased to 31% of total prescription payments.
- Compound drug prescriptions and payments account for almost 40% of total prescriptions and total payments.
- The compound drug cost factors mitigated some of the savings for physician-dispersed drug payments achieved by HB 1846.
- In 2016, 66% of prescriptions payments were for expensive compound drugs, and other higher priced OTC (Over the Counter) topical analgesics, and new-strength products, combined.
- Newly opened pharmacies ("new" pharmacies) received 82% of compound drug prescriptions and 86% of compound drug payments in 2016.
- The top 25% of new pharmacies accounted for 89-97% of all new-pharmacy prescriptions for years 2014 to 2016. These new pharmacies received 98-99% of the payments for the same years.
- The emergence of new pharmacies with revenues predominantly from compound drugs and other high-priced drugs may or may not be in response to HB 1846 reforms.

Pre-Reform Conditions/Dilemma

Medical procedures represent more than half the cost drivers for the increasing expenses associated with Workers' Compensation claims in PA.

Indemnity vs. Medical Cost Distribution

Category	2010	2011	2012	2013	2014
Indemnity	49%	48%	48%	48%	48%
Medical	51%	52%	52%	52%	52%

Source: PCRB Unit Statistical Report Data - April 1, 2018 Loss Cost Filing

Prescription Drugs medical claim costs have been continually rising.

Medical Category	2012	2013	2014
Procedures (Non-Prescription Drugs)	86%	85%	83%
Prescription Drugs	14%	15%	17%

Source: PCRB Medical Activity Report 2016

Activity Period	Medical Amount Paid	Percent Change from Prior Year Medical Amount Paid
CY 2011	$75,632,788	———
CY 2012	$83,879,603	10.90%
CY 2013	$94,923,995	13.17%
CY 2014	$110,510,784	16.42%

Cost payments for prescriptions have been increasing every year. 2014 costs increased over 16% from prior year 2013.
Source: PCRB—Medical Overview-Payments for Prescriptions Only –Page 8

Opioids, the most prescribed drug category, account for 34% of all prescriptions written in 2013 and 21% of all prescription payments. Pre-reform, when physicians dispensed opioid prescriptions, the cost was over 3-times that of pharmacy-dispensed.

Until 2013, the Workers' Compensation Act allowed unlimited medication dispensing by physicians directly to injured workers, often at large price mark-ups over what pharmacies charged.

Focus and Goals of HB 1846 of 2014

1-Reduce prescription drug costs
2-Restrict physician-dispensing behaviors/practices

As WC claim costs have been steadily increasing, one of the goals of HB 1846 is to reform the regulations for reporting and reimbursing physician-dispensed drugs. The intent of the reforms is to affect cost share factors for both price and quantity and to decrease the frequency of physicians dispensing prescriptions. Limiting the number of days for pill dispensing, coupled with capping the price paid for physician-dispensed prescriptions, is expected to reduce costs.

The intention of the legislation is not to limit prescriptions by a physician, nor prohibit the dispensing of drugs by an outpatient provider. The provider may continue to prescribe as they have in the past and the patient will have immediate access to medication, if deemed necessary by their treating physician.

HB 1846 Details

Prior administrations in 2014, as part of the *Healthy Pennsylvania* plan, convened workgroups to address the prescription drug abuse problem in PA. HB 1846 of 2014 and SB 1180 were both signed into legislation. HB 1846 amends the Workers' Compensation Act of June 2, 1915. HB 1846 of 2014 is summarized below.

1. Pennsylvania House Bill 1846 regulated reimbursement for prescription drugs to 110% AWP (Average Wholesale Price) on a per unit basis.
2. Physicians seeking reimbursement were required to report the original NDC (National Drug Code) on all bills.

3. If the original NDC code is not submitted, the AWP of the least expensive clinically equivalent drug will be used for reimbursement.
4. Physicians may not seek reimbursement greater than 110% AWP of the original NDC code.
5. Repackaged NDC codes may not be submitted for reimbursement.
6. The bill limited the days supply allowed for drugs dispensed by any outpatient provider (including physicians, but not including pharmacies.)
7. The limits were a 7-day supply for Schedule II drugs and Schedule III drugs containing hydrocodone; a 15-day supply following a medical procedure, and a 30-day supply for any other drug. Drugs needed beyond the initial days' supply limits must be obtained from a pharmacy.
8. Multiple providers were restricted for billing for the same drug on the same claim.
9. The bill limited any outpatient provider (including physicians, but not including pharmacies) from seeking reimbursement for over-the-counter drugs.

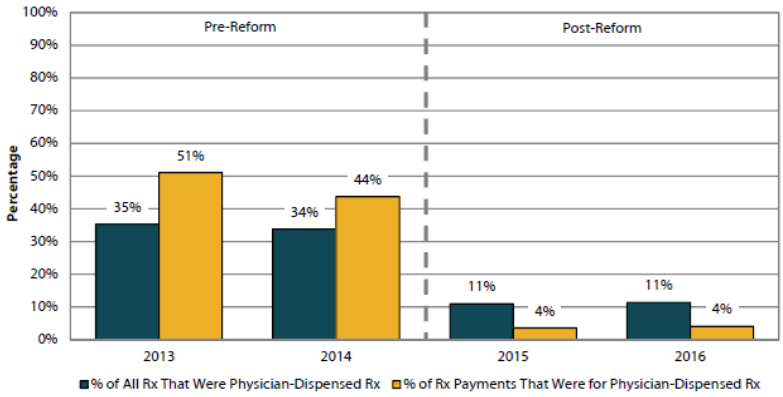
Factors Contributing to Dramatic Cost Decreases

Clarifying the criteria used for reimbursing physicians prescribing drugs reduced the WC claim costs. These clarifications/restrictions made it easier to track and limit drug expenses and help address the opioid crisis in PA.

In general, fewer prescriptions were written and fewer pills were dispensed per prescription. This resulted in decreasing the WC prescription payments. Pennsylvania has adopted other legislative measures that may have contributed to the decreases.

Physician Dispensing Behaviors Resulting in Cost Savings

After reforms, one in every 10 prescriptions was physician-dispensed vs one in every 3 prescriptions pre-reform.



SOURCE: WCRI Figure 2.1 Prevalence of Physician-Dispensed Prescriptions, before and after PA Reforms

Physician dispensing prescriptions decreased from 35% to 11%

Payments for Physician dispensing decreased from 51% to 4%

	2013	2014	2015	2016
% of all prescriptions that were for				
Physician-dispensed Rx	35%	34%	11%	11%
Existing pharmacy-dispensed Rx[b]	64%	65%	78%	73%
New pharmacy-dispensed Rx	0%	1%	11%	16%
% of total prescription payments that were for				
Physician-dispensed Rx[b]	51%	44%	4%	4%
Existing pharmacy-dispensed Rx	48%	40%	45%	46%
New pharmacy-dispensed Rx	1%	16%	52%	49%

SOURCE: WCRI Table A Frequency and cost of Prescriptions Dispensed by Physicians and Pharmacies

Distribution for Physician-dispensed Prescriptions		
	WC Drug Payments	Number of Scripts
2014	22%	18%
2015	4%	7%
2016	3%	6%

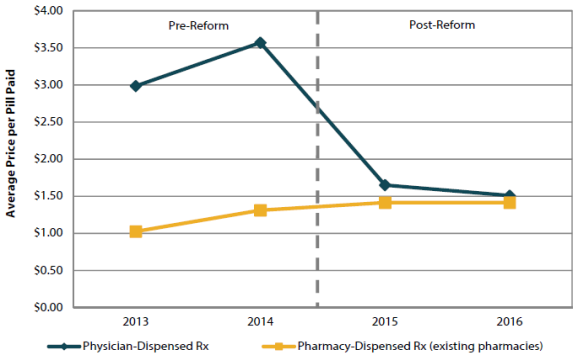
PCRB's independent analysis found comparable results.

- Percentage of physician-dispensed prescriptions reduced from 18% down to 6%.
- Payments for WC prescription payments for physician-dispensed drugs before the reforms were 22% and post-reform decreased to 3%

SOURCE: PCRB HB 1846 of 2014 for Review by WCAC – Page 10

WCRI found that the HB 1846 quantity restrictions resulted in a reduction in the average number of pills dispensed by physicians for 2016 to 31, down from 51 pills. Physicians-dispensed fewer pills per prescription versus the same prescription dispensed at a pharmacy.

Generic drug trends in the average price paid per pill: Physician-dispensed (top line) and pharmacy-dispensed (bottom line) prescriptions graph shows price reductions per pill for pre- and post-reform.
SOURCE: WCRI—Table 2.2



Overall average price per pill (aggregated for all physician-dispensed generic drugs) decreased after HB reforms. The average price per pill for the same drug dispensed by an existing pharmacy increased.

There were fewer prescription drugs dispensed to PA insured workers. In 2016, 30% received at least 1 script vs 35% in 2014. There was no increase in pharmacy-dispensed drugs and a decrease in physician-dispensed drugs. Both resulted in WC prescription drug payment decreases.

Before reforms, 17% of injured workers were receiving physician-dispensed prescriptions. Post-reform, this decreased to 9%. During the same period, there was little change in pharmacy-dispensed drugs. Both contributed to reduced prescription drug payments.

In short, fewer physicians were dispensing fewer prescriptions, thus driving down costs. HB 1846 restricted a physician's ability to dispense opioids by limiting time frames and capping prices.

Factors Contributing to Prescriptions Cost Reductions

For the top 10 most common physician-dispensed drugs, the average price paid per pill has decreased. The per pill payments to physicians decreased 15% to as much as 81% for years 2014-2016.

Distribution of Drug Payments by Brand Name and Generic

Type of Drug	2012	2013	2014	2015	2016
Brand	72%	73%	68%	50%	50%
Generic	28%	27%	32%	50%	50%

More prescriptions are being written for generics, so WC is not paying higher prices for brand name drugs.

Distribution of Drug Payments for Drugs Dispensed in Pharmacy/Non-Pharmacy

Type of Provider	2012	2013	2014	2015	2016
Pharmacy	78%	74%	75%	83%	86%
Non-Pharmacy	22%	26%	25%	17%	14%

Payments decreased for physician-dispensed drugs after reforms and continue decreasing.

SOURCE: PCRB HB 1846 of 2014 for Review by WCAC – Page 9 and 10

In the past, physicians could dispense repackaged drugs at much higher prices. An intermediary repackages the drug and requests a new, higher priced, NDC. HB 1846 eliminated reimbursement based on the higher priced repackaged-NDC codes

Post-reform, all repackaged drugs were reimbursed at the underlying, less expensive, NDC code of the original packaged drug(s).

Distribution of Drug Payment Reimbursements by Repackaged and Non-Repackaged

Type of Drug	2012	2013	2014	2015	2016	2017
Repackaged	22%	24%	20%	0%	0%	0%
Non-Repackaged	78%	76%	80%	100%	100%	100%

SOURCE: PCRB HB 1846 of 2014 for Review by WCAC – Page 9

Oxycontin has fallen from the number one prescribed drug to the second most prescribed drug. Physician-dispensed opioid prescriptions went from 18-20% to 5% in 2016. The pharmacy-dispensed prescriptions for opioids have decreased from 39% to 33%.

HB 1846 limits reimbursement of OTC drugs to pharmacies. Post-reform physician-dispensed OTC topical products decreased from 5% of the prescriptions written to 1% of the prescriptions.

Observations / Underlying Concerns

HB 1846 of 2014 has not addressed the Compound Drug and the New-Pharmacy issues directly. After the reforms, the prescription data research illuminated new cost factor trends. These two issues have independent cost effects and also show interdependencies. WCRI observed a shift in dispensing location toward "new" pharmacies between 2014 – 2015. By 2016 new pharmacies accounted for 82% of compound drug prescriptions, along with 86% of the compound drug prescription payments. New pharmacies are defined by WCRI as pharmacy providers with a National Provider Identifier (NPI) enumeration date on or after January 1, 2013.

Emerging Issue: Compounding Drugs

Payments for Prescription Compound Drugs quadrupled*

2013	8%
2015	43%
2016	31%

* Prescription numbers were small, only modest yearly changes

Average Cost for Compound Drugs Increasing**

2013	$1,328
2015	$4,291
2016	$3,002

** Some Compounds could cost as much as $7,000

SOURCE: WCRI-Monitoring Physician Dispensing Reforms in PA – Page 21

As noted earlier in this summary on page 3 (WCRI Figure 2.1), after the reforms, physician-dispensing costs went from 35% to 11% and one of the emerging cost factors affecting the decrease was compound drugs. By eliminating the cost associated with compound drugs dispensed at pharmacies only, the physician-dispensing costs results would have decreased even further from 11% down to 6%. The compound drug costs have affected other cost factors. (Note: Compound drugs are not FDA approved.)

Emerging Issue: New Pharmacies

The shift in prescription cost drivers appears to be driven by "new" pharmacies because they more frequently dispense expensive drugs.

	2013	2014	2015	2016
% of all prescriptions that were for				
Physician-dispensed Rx	35%	34%	11%	11%
Existing pharmacy-dispensed Rx[b]	64%	65%	78%	73%
New pharmacy-dispensed Rx	0%	1%	11%	16%
% of total prescription payments that were for				
Physician-dispensed Rx[b]	51%	44%	4%	4%
Existing pharmacy-dispensed Rx	48%	40%	45%	46%
New pharmacy-dispensed Rx	1%	16%	52%	49%

New pharmacy market share grew after HB 1846: prescriptions were 16%, the payments were 49%.
Source: WCRI-Table A—Frequency and Costs of Prescriptions Dispensed by Physicians and Pharmacies in PA

The emergence of new pharmacies has masked some of cost reductions. Prescription payments made to new pharmacies per worker increased considerably, and when eliminating payments made to new pharmacies, prescription payments decreased by 61%. These two competing forces resulted in a 35% decrease in per-claim prescription payments.

	2013	2014	2015	2016	Change from 2013 to 2016	Change from 2014 to 2016
Rx payments per worker receiving medical services (*including* Rx payments made to new pharmacies)	$222	$304	$269	$198	-11%	-35%
Rx payments per worker receiving medical services (*excluding* Rx payments made to new pharmacies)	$219	$256	$130	$100	-54%	-61%

SOURCE: WCRI Table 3.4 – Impact of New Pharmacies on Prescription Payments

New pharmacies have a different dispensing behavior than existing pharmacies. New pharmacies are more likely to dispense in three categories: compound drugs, OTC topical analgesics, and higher-priced new-strength drugs. These categories account for 66% of the WC prescription payments, whereas existing pharmacies received only 8% of the payments. SOURCE: *WCRI "Monitoring Physician Reforms in Pennsylvania, Pages 7, 10, 26.*

PCRB's Independent analysis found similar results. "Other" category likely implies new pharmacies.

Compound Drug Only Trends –by type of Provider

Payments					
	Pre-Reform		Post-Reform		
Type of Provider	2013	2014	2015	2016	2017
Pharmacy Dispensed	82%	78%	58%	65%	60%
Physician Dispensed	14%	13%	2%	2%	4%
Other	4%	9%	40%	33%	36%

Scripts					
	Pre-Reform		Post-Reform		
Type of Provider	2013	2014	2015	2016	2017
Pharmacy Dispensed	74%	73%	57%	61%	56%
Physician Dispensed	17%	15%	4%	4%	6%
Other	9%	12%	39%	35%	38%

SOURCE: PCRB HB 1846 of 2014 for Review by WCAC – Page 12