



# THE ULTIMATE GUIDE TO DRUG FORMULARIES





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# AN INTRODUCTION TO DRUG FORMULARIES

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Formularies are one of the biggest workers' comp trends of the last decade. But no matter how many formularies you've seen, each formulary, implementation, and transition period is different.

## SO, WHAT IS A DRUG FORMULARY?

In simple terms, a drug formulary is a predetermined list of prescription medications that specify which drugs, both brand-name and generic, are approved as a first line of treatment for certain conditions.

Government officials are grappling with various measures to eliminate prescription drug abuse and rein in pharmacy costs and drug formularies are a common solution that appear to be gaining ground quickly. Drug formularies, however, are not a new concept. Pharmacy Benefit Managers (PBMs) have been using them for years, claiming reductions in costs and drug utilization and now lawmakers are starting to take notice.

Since 2011, when Texas introduced their closed drug formulary to the workers' comp world, states have been lining up to start discussions of whether a formulary was right for them. But before a state introduces their own legislation, they must first think about which formulary options work best for them. Are they going to use a commercially available formulary, like that from Official Disability Guidelines (ODG) or the American College of Occupational and Environmental Medicine (ACOEM), or are they going to go the way of Washington and create their own state-specific formulary?



**2011**

**3**

**THE CHOICE ISN'T ALWAYS EASY.**

**IWP**  
*The Patient Advocate Pharmacy®*

# NOT ALL FORMULARIES ARE MADE EQUAL

If you've seen one formulary, you've seen one formulary. Each state's implementation, regulatory infrastructure and choice of guideline is different. No one drug formulary has been fully replicated within another state – yet.



## THERE ARE ESSENTIALLY THREE TYPES OF FORMULARY OPTIONS:

# 1

### **“OFF-THE-SHELF” COMMERCIAL**

Off-the-Shelf Commercial, like the ODG and ACOEM, are used in states like Texas and Tennessee and range from low-medium (ODG) to highly restrictive (ACOEM). For example, California, who uses ACOEM, requires pre-authorization for every single opioid as they fall under the restricted medication list. These lists are licensed by the individual state and provide a stream of information without having to go through years of developing their own formulary.

# 2

### **“OFF-THE-SHELF” STATE-BASED**

“Off-the-Shelf” State-Based, like that in Washington, include a preferred drug list. While “Off-the-Shelf” Commercial formularies are reviewed by the payer community, “Off-the-Shelf” State-Based are reviewed by the state. Washington, being a monopolistic state, created a preferred drug list that is used across Medicaid and workers' compensation systems.

# 3

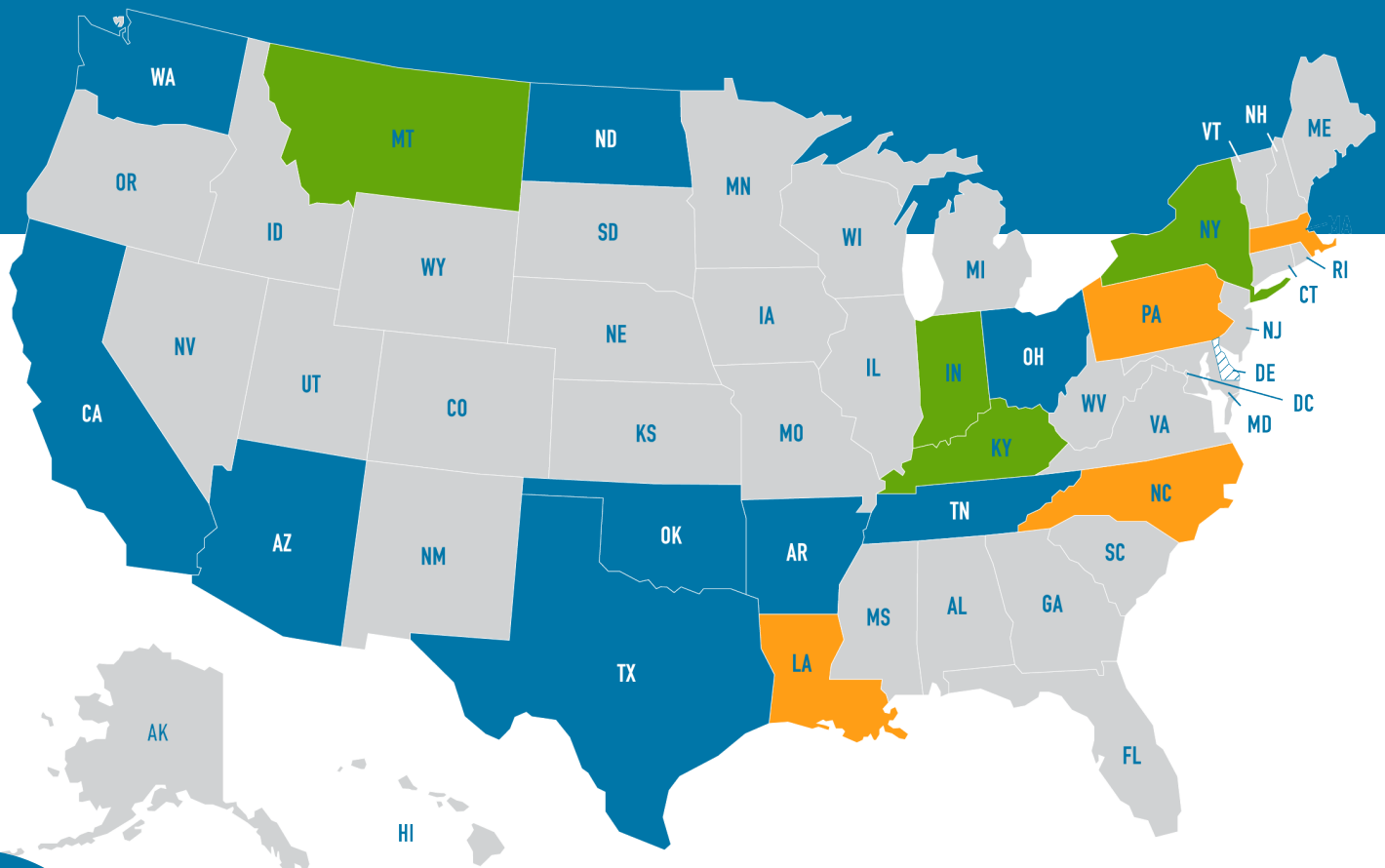
### **STATE BASED**

State-Based formularies are entirely different. Instead of licensing a preferred drug list, the state makes their own judgments on what medications are acceptable and unacceptable. During formulary discussions, states have explored the option of going their own way, but so far, no state has been willing to take on the administrative burden.

Many states have relied on commercially available formularies, but don't adopt the full formulary. The nature of the formulary is entirely up to the state. Even if they adopt a commercially available solution, they still have the authority to remove drugs as it meets the state's needs.

# WHICH STATES HAVE DRUG FORMULARIES?

Currently, **Arizona, Arkansas, California, Ohio, Oklahoma, Tennessee** and **Texas** all have drug formularies in place. States like Pennsylvania, Massachusetts, North Carolina and Louisiana have considered legislative or regulatory efforts to create a drug formulary for their workers' comp systems.



- States with a drug formulary
- States without a drug formulary
- States who have considered a drug formulary
- States with a preferred drug list
- States with pending drug formularies as of December 2018



In March 2018, the **INDIANA** legislature passed SB 369, a bill to establish a workers' comp drug formulary in the state. The bill requires the full adoption of a drug formulary by January 1, 2019 and requires providers to abide by the formulary, prohibiting reimbursement for N-drugs beginning on that date.

**TEXAS**, who uses the ODG Appendix A for their drug formulary, is widely considered to have effectively reduced its pharmacy costs and challenged the physician's traditional approach to opioid therapy. According to a report from the Texas Department of Insurance (TDI) the cost of N-drugs fell by 83% in claims subject to the formulary and the number of prescriptions for N-drugs decreased by 76%.<sup>1</sup>



AB 1124 was signed into law in 2015, which required the **CALIFORNIA** Division of Workers' Compensation (DWC) to develop and implement a drug formulary by July 1, 2017. After several proposals, comment periods, and public hearings, the DWC pushed back implementation to January 1, 2018. The DWC opted to create their own drug list based on medical treatment guidelines produced by ACOEM. The full drug formulary list is just under 300 medications, with less than 80 of the medications being classified as Exempt, which do not have to go through the mandatory prospective review.

Via emergency rules promulgated by the Workers' Compensation Commission, **OKLAHOMA** adopted a closed formulary for all dates of injury on or after February 1, 2014. Permanent rules have not yet been adopted and will require approval by the state legislature.



**WASHINGTON** State Department of Labor and Industries (L&I) administers workers' comp insurance for the majority of employees in Washington state. Seeing the growing cost of prescription drugs in health care, L&I joined forces with the state's other health care purchasing agencies, Medicaid and the Health Care Authority for public employees, to develop a preferred drug list. Washington state adopted their own formulary as a means to better control state spending on health care initiatives.

Not all states are set on drug formularies. In 2018, **PENNSYLVANIA** Governor, Tom Wolf, vetoed SB 936, which would have created a workers' comp drug formulary as a response to curb the state's opioid crisis. Instead, Governor Wolf developed eleven new prescribing guidelines for the use of opioids in treating a variety of ailments.



**WHILE DRUG FORMULARIES AND PRESCRIBING GUIDELINES HELP PROVIDE PRESCRIBERS WITH A BASELINE OF TREATMENT OPTIONS, THEY MAY NOT ALWAYS OFFER THE RIGHT TREATMENT FOR THE RIGHT PERSON.**

**PHYSICIANS HAVE COME FORWARD ARGUING FORMULARIES LIMIT SPECIALIZED CARE AND INCREASE THE BURDEN FOR PROVIDERS.**



Formularies can be beneficial, and as Texas shows, they can work to reduce unnecessary prescriptions, reduce costs and limit the use of opioids. However, they can also stand in the way of injured workers getting the treatment they need. Doctors have also voiced concerns over the inability to make decisions for their own patients.

Medical societies tend to warn against legislating patient care. Every patient presents as an individual, and physicians charge that they should be the ones to determine the best care for their patients.



An additional drawback is concern about access, especially for those patients who may need specialized medications, such as compound drugs. This concern has been raised in the group health arena, where patients have borne exorbitant costs for medications not on a plan's formulary<sup>1</sup>.

As states continue to implement and create drug formularies, it's imperative to find the right balance between helping to contain costs and limit the use of ineffective medications with the ability of doctors to use their own knowledge to develop a plan for their patients.



FORMULARIES  
LIMIT  
SPECIALIZED  
CARE!

FORMULARIES  
INCREASE OUR  
BURDEN!

WILL MY PATIENTS  
BE ABLE TO GET  
THE TREATMENT  
THEY NEED?

WHO WILL  
MAKE DECISIONS  
FOR MY  
PATIENTS?

SPECIALIZED  
MEDICATIONS?

7

**PUSHBACK FROM THE  
HEALTH CARE COMMUNITY**



# REPORTING ON FORMULARY SUCCESS

THE FIRST STATE  
TO ADOPT A CLOSED  
DRUG FORMULARY IN  
WORKERS' COMP  
WAS  
**TEXAS**  
IN 2011

SINCE **TEXAS**  
IMPLEMENTED A DRUG  
FORMULARY,  
**85% FEWER INJURED  
WORKERS**  
WERE PRESCRIBED DRUGS  
THAT REQUIRED PRIOR  
AUTHORIZATION AND  
ASSOCIATED COSTS  
**DECREASED BY 80%<sup>2</sup>**

**OHIO**  
HAS SEEN A  
**59%** DECREASE  
IN OPIOID DEPENDENCE  
SINCE IT'S **2011**  
DRUG FORMULARY  
IMPLEMENTATION.<sup>3</sup>

A WCRI STUDY ESTIMATED  
THAT BETWEEN  
**\$322,000 TO \$2.3 MILLION**  
IN PRESCRIPTION COSTS  
WOULD BE SAVED WITHIN AN  
**18-MONTH STUDY**  
PERIOD SHOULD  
**LOUISIANA**  
ADOPT A TEXAS-LIKE FORMULARY  
FOR STATE EMPLOYEES.<sup>4</sup>

WELL OVER  
**A DOZEN STATES**  
HAVE CONSIDERED  
WORKERS' COMP  
DRUG FORMULARY  
LEGISLATION

**TWO STATES**  
HAVE PASSED  
WORKERS' COMP DRUG  
FORMULARY BILLS  
IN 2018:  
**KENTUCKY & INDIANA**

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# IWP'S DRUG FORMULARY PROCESS



When a prescriber writes a prescription for a medication that is outside of the guidelines, they may do so with the intention that the medication will help their patient move towards a better recovery. Unfortunately, when the patient tries to fill the medication at a local pharmacy, the pharmacist may deny the prescription because it is not considered an approved medication.

At IWP, we utilize state treatment guidelines and drug formularies to ensure our delivery of care falls within state and federal regulations. There are, however, instances where a patient may require a medication outside of those guidelines.

Our Pharmacists are well versed in state-specific nuances and work directly with prescribers to ensure their patients receive the medications they need.

## IWP's SEAMLESS FORMULARY PROCESS

- **IWP Pharmacist checks the prescribed medication against state regulations**
- **If medication falls outside of state regulations, the pharmacist will:**
  - **Contact physician for alternative, or**
  - **Request a letter of medication necessity**
- **IWP submits the documentation to the insurance carrier for approval**
- **Injured worker's medication is delivered the next day to their doorstep**



# WORKERS' COMP PRESCRIPTIONS MADE EASY

Injured Workers Pharmacy (IWP) is a specialized workers' compensation home delivery pharmacy that helps injured workers access their prescription medications without delays or denials.



**NEXT DAY MEDICATION DELIVERY**  
AT NO OUT-OF-POCKET COSTS



**WE'LL HANDLE  
ANY NEED FOR  
PRIOR-AUTHORIZATIONS**



**PRESCRIPTION QUALITY  
SAFEGUARD**  
ON ALL PRESCRIPTIONS



**TEAM OF PHARMACISTS**  
SPECIALIZED IN THE COMPLEX  
NEEDS OF INJURED WORKERS

## COMMITMENT TO HAPPY, HEALTHY PATIENTS

**GET STARTED WITH IWP**



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