

# 2015

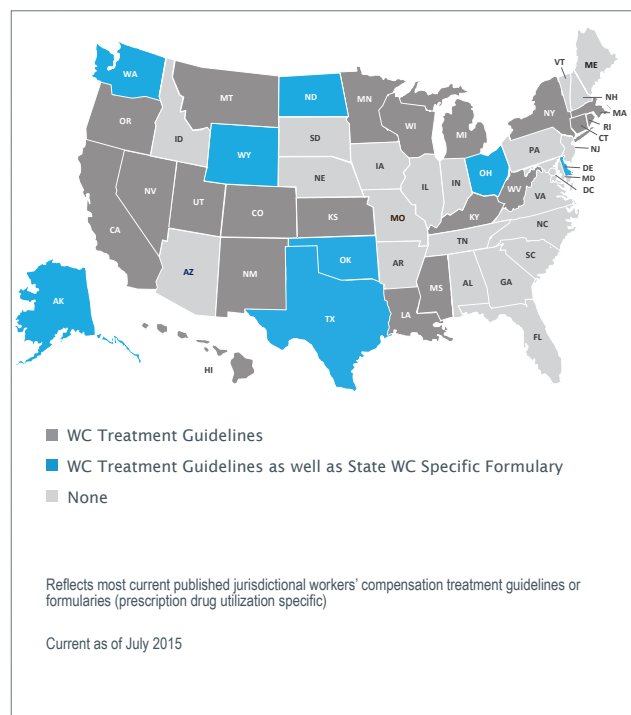
## INDUSTRY PERSPECTIVE

Quick Reference Data | Current as of July 2015

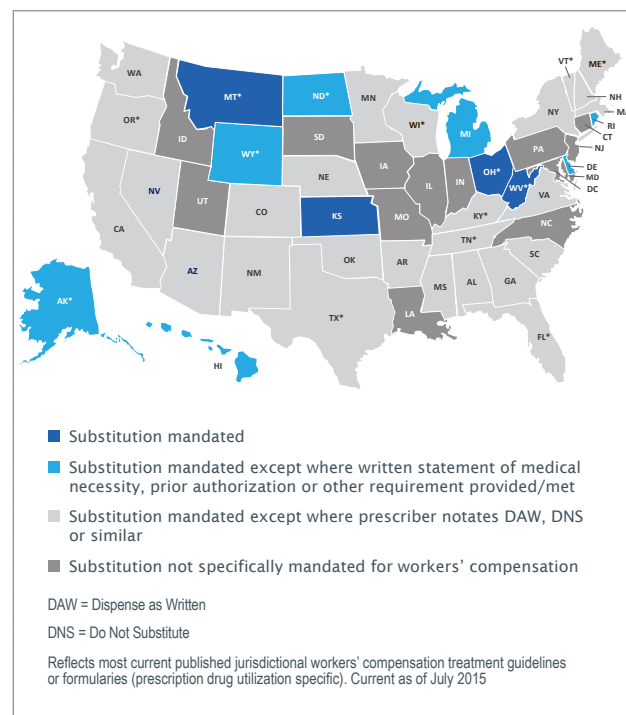
HELIOS

# Jurisdictional Laws and Regulations (Current as of July 15)

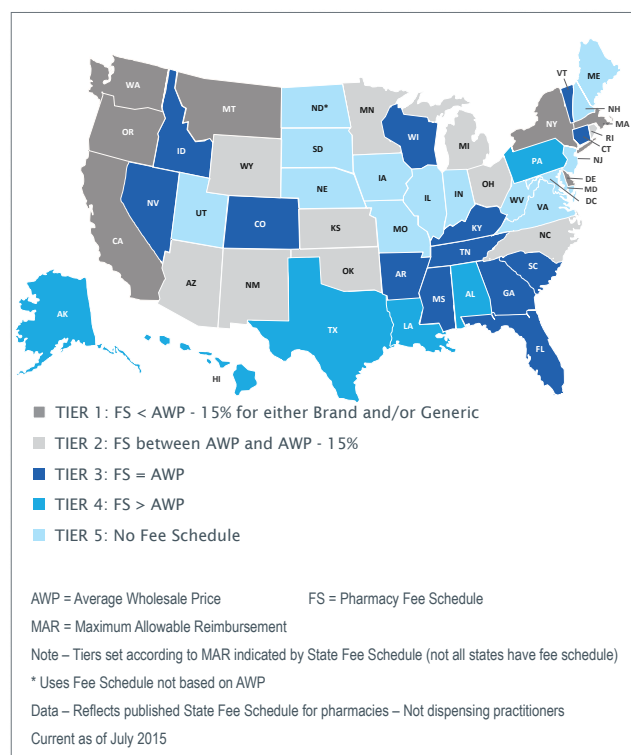
Workers' Compensation Medication Formularies and Guidelines



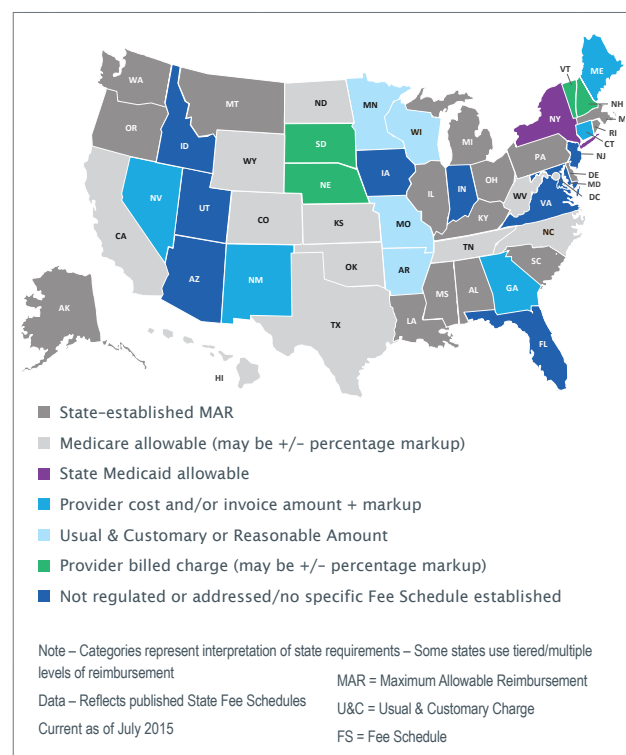
Workers' Compensation Jurisdictional Generic Medication Mandates



Workers' Compensation Pharmacy State Fee Schedules



Workers' Compensation Durable Medical Equipment and Supplies State Fee Schedule



# The Best of Both Worlds: PBM and State-Mandated Formularies Can Work Together

A formulary is an approved medication list often based on clinical review of evidence-based medicine and both nationally and regionally approved medical guidelines. Helios has used proprietary formularies to help manage the utilization of medications for specific injuries or a category of injuries for decades. Their application at the point-of-sale along with drug utilization review criteria and other program business rules has served as a proactive and effective first line of defense against claims leakage and prescription misuse and abuse.

Recently, in a continued effort to reduce prescription medication misuse and abuse, as well as costs, interest in the use of closed or state-level workers' compensation-specific formularies has grown. Several states have already implemented formularies with varying levels of success. As a result, the question is often asked, "What is the difference between a state-based formulary and the proprietary formulary a PBM uses?"

The fundamental difference is one of scope. State-based formularies, like the one in Texas, typically contain a list of restricted medications that apply generally across all injuries in the workers' compensation system. Some states, like Washington, have a Preferred Drugs List (PDL) that outlines the "approved" medications that also apply across all injuries in the workers' compensation system. PBMs, on the other hand, can employ "injury-specific" and, in some cases, "patient specific" formularies to help treating physicians, clinicians, pharmacists, and payers tailor medication strategies for a particular injury to the unique needs of the injured worker.

While states have the ability to move to a more injury-specific strategy by adopting treatment guidelines, often the resources needed to ensure compliance with the established guidelines are inadequate or unavailable. In contrast, PBMs generally have utilization management systems and clinical expertise in place.

Combining state-specific formularies in tandem with PBM formularies creates an optimal medication management environment. A state-based formulary can lend strength to the medication management efforts of the PBM. For example, prior to the closed formulary in Texas, most of the PBM medication plans would have flagged many of the "N" drugs for some type of prospective review or screening. With the backing of a state-based formulary that provides a list of "N" drugs, requiring prospective review and a statement of medical necessity:

- ▶ Adjusters and clinicians on the payer side don't have to feel like they're second-guessing the physician or saying no to treatment authorized by the physician
- ▶ Physicians feel empowered to say no to patients asking for specific medications
- ▶ Prescribers can seek more efficacious alternatives
- ▶ Adjusters and clinicians have tools to facilitate a conversation with the prescriber about medical necessity and the availability of medication alternatives and other therapeutic options

PBMs can support an "N" drug list or state-specific formulary by:

- ▶ Making available clinical resources and tools used to screen for unrelated medications
- ▶ Helping make certain any medications recommended by treatment guidelines are being appropriately prescribed
- ▶ Watching for and managing any potentially harmful drug interactions or duplication in therapy
- ▶ Providing a checks and balance system to confirm medical necessity of the prescribed medications

Thus, state-specific and PBM formularies are not mutually exclusive. Rather, when permitted to work together, they can have a significant, positive influence on the cost and utilization of workers' compensation pharmacy benefits, achieving better outcomes for everyone.

# Pharmacy State Fee Schedule Detail

(Current as of July 15)

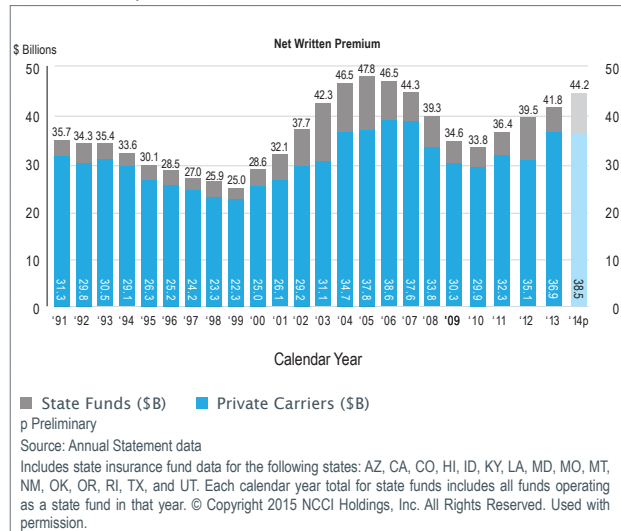
State	Brand Rate (% of AWP) + Dispense Fee	Generic Rate (% of AWP) + Dispense Fee	Reimbursement Description	Physician Dispensed, Repackaged, and Compounded Medications
AK	AWP + 20% + \$0.00	AWP + 25% + \$0.00	Lesser of FS, fee to general public, or negotiated fee	Dispensing physicians reimbursed at pharmacy FS. Repackaged/relabelled reimbursement shall not exceed amount had it not been repackaged/relabelled
AL	AWP + 5% + \$8.92	AWP + 5% + \$11.58	Lesser of FS or provider's U&C	Repackaged/relabelled bills shall include original underlying NDC and NDC of repackaged/relabelled drug. Reimbursement for repackaged/relabelled drugs is lesser of original AWP and repackaged/relabelled AWP. DF payable only to pharmacies.
AR	AWP + \$5.13	AWP + \$5.13	Lesser of FS, provider's U&C or MCO/PPO contract price	No DF to physicians. OTCs billed by physicians: reimbursement limited to provider's charge or up to 20% above cost of item. Dispensing practitioners must obtain permit (from state) and demonstrate need prior to dispensing approval. (Note this is a Pharmacy Practice Act requirement)
AZ	AWP – 5% + \$7.00	AWP – 15% + \$7.00	Reimbursement is based upon actual drug dispensed	Repackaged/compounded drugs are based on AWP of underlying drug product.
CA	AWP – 17% + \$7.25	AWP – 17% + \$7.25	Fee Schedule set at 100% of current Medi-Cal fee schedule Medi-Cal = Lessor of AWP – 17% / FUL / MAC / U&C + DF	If NDC of dispensed drug not in Medi-Cal but NDC of underlying drug is, use NDC of underlying drug. If NDC from original labeler not in Medi-Cal, max fee is 83% of AWP of lowest priced therapeutically equivalent drug (+ relevant DF). Compounds billed using NDC of each ingredient. If no NDC, ingredient not reimbursable.
CO	AWP + \$4.00	AWP + \$4.00	If AWP ceases, substitute WAC + 20% for AWP	For repackaged (not compounds) Rx written after 30 days of injury use AWP and NDC of underlying drug, does not apply to repackaged Rx written during first 30 days of injury. Rates for compounds categorized per 4 state-specific Z codes – fees represent maximum reimbursable amount.
CT	AWP + \$5.00	AWP + \$8.00	N/A	Repackaged reimbursement lesser of NDC for underlying drug from manufacturer or therapeutic equivalent drug product from manufacturer NDC. If information pertaining to original manufacturer is not provided or is unknown, payer may select NDC and associated AWP for reimbursement.
DC	No FS	No FS	No FS; Paid at U&C	N/A
DE	AWP – 12% + \$4.00	AWP – 20% + \$5.00	Lesser of provider's usual charge, negotiated contract amount of FS	Reimbursement for repackaged medications based upon AWP for underlying drug product, as identified by its NDC, from original labeler. Physicians dispensing from office do not receive DF. Compound drugs billed listing each ingredient and separately calculating charge using NDC; single compounding fee of \$10 per prescription. No practitioner – unless properly licensed – shall dispense a controlled substance beyond a medically necessary 72-hour supply.
FL	AWP + \$4.18	AWP + \$4.18	Reimbursement at FS except where employer, carrier, service company, TPA, or entity "acting on behalf of" employer/carrier directly contracts with provider seeking lower reimbursement	AWP for repackaged/relabelled drugs dispensed by "dispensing practitioner" shall be AWP (original manufacturer/underlying drug) x 12.5% + \$8.00 DF. Compounding is permitted when prescribed formulation not commercially available, and reimbursement shall be mutually agreed upon prior to compounding.
GA	AWP + \$4.26	AWP + \$6.38	Reimbursement based on current published manufacturer's AWP price of product on date of dispensing.	Repackaged drug bills must include NDC of original manufacturer/distributor's stock package. Compounds must be billed only by a compounding pharmacy. Reimbursement shall be the sum of AWP for each ingredient – 50% + a singled compound DF of \$20. Reimbursement limited to compounds containing three or less ingredients.
HI	AWP + 40%	AWP + 40%	N/A	Repackaged medications reimbursed at fee schedule based on original manufacturer NDC. Compounds reimbursed at fee schedule based upon gram weight of each underlying drug. AWP shall be that set by the original manufacturer.
IA	No FS	No FS	No FS; paid at U&C	N/A
ID	AWP + \$5.00	AWP + \$8.00	Reimbursement is lesser of FS or billed charge or charge agreed to pursuant to contract	Reimbursement to physicians for repackaged drugs based on AWP of original manufacturer. Physicians not reimbursed a DF or compounding fee. Compounds reimbursed at sum of AWP of each individual drug + \$5 DF and \$2 compounding fee. Components of compounds require NDC of original manufacturer.
IL	No FS for licensed pharmacies	No FS for licensed pharmacies	Insurer pays all necessary and reasonable costs – see repackaged drug restrictions	Drugs dispensed outside of licensed pharmacy = AWP + \$4.18 and repackaged drugs use AWP of underlying drug as identified by NDC from original labeler.
IN	No FS for retail/mail pharmacies or non-repackaged	No FS for retail/mail pharmacies or non-repackaged	N/A	Reimbursement for repackaged drugs dispensed (other than retail/mail pharmacy) use AWP of original manufacturer. If NDC not determined, max reimbursement is lowest cost generic for prescribed/dispensed drug. Doctors dispensing medications from their office(s) are only entitled to receive reimbursement for medications dispensed during the first 7 days from DOI.
KS	AWP – 10% + \$3.00	AWP – 15% + \$5.00	Lesser of FS or provider's U&C	Physician dispensed drugs as well as compounds are reimbursed at fee schedule based upon original manufacturer's NDC and require prior approval of carrier.
KY	AWP + \$5.00	AWP (of lowest priced therapeutically equivalent in stock) + \$5.00	Reimbursement at lower amount permitted if agreed upon	Reimbursement for repackaged medications based upon AWP of underlying NDC. DF only payable to licensed pharmacist. Doctors are restricted to dispensing only 48 hours of any CII or CIII medication containing hydrocodone from their office.
LA	AWP + 10% + \$10.51	AWP + 40% + \$10.51	DF is based upon current state Medicaid DF	Physicians may only dispense controlled substances or drugs of concern if registered as a dispensing physician and only up to a single 48-hour supply. Compound prescriptions paid at FS formula for generics and prescriber must indicate "COMPOUND Rx" on prescriptions.
MA	AWP – 16% + \$3.00	AWP – 16% + \$3.00	Fee Schedule tied to Medicaid Single Source = Lessor of AWP – 16% / EAC + DF or Provider's U&C Multi Source/Generic is lesser of FUL / MAC / EAC + DF or Provider's U&C.	Physician dispensing permitted only when necessary for immediate and proper treatment until possible for patient to have prescription filled by a pharmacy. Additional DF amounts for compounds, depending on type of ingredients.
MD	No FS	No FS	No FS; paid at U&C	For drugs or products lacking FS, carriers "can assign a relative value to product/service." May be based on nationally recognized/published relative values or values assigned for similar products/services.
ME	No FS	No FS	No FS; paid at U&C	N/A
MI	AWP – 10% + \$3.50	AWP – 10% + \$5.50	Lesser of MAR in FS or provider's U&C charge	Repackaged drugs billed and reimbursed based on original manufacturer's NDC. Reimbursement for "custom" compounds limited to max of \$600 (charges exceeding subject to review). Topical compounds billed using specific amount of each component drug and original manufacturer's NDC. Reimbursed at max of AWP -10% of original manufacturer's NDC, pro-rated for each component plus a specific DF. Components without NDCs not reimbursed. Additional "Medical Necessity" requirements effective for compounds.
MN	Default = AWP + \$5.14 'Electronic' (as defined) = AWP – 12% + 5.14	Default = AWP + \$5.14 'Electronic' (as defined) = AWP – 12% + \$3.65	Fee schedule is bifurcated depending on default or paper billing and electronic or 'real-time' billing and payment	Physician dispensing permitted if not for profit, or if for profit, physician must file with the appropriate licensing board and receive approval.

State	Brand Rate (% of AWP) + Dis- pense Fee	Generic Rate (% of AWP) + Dis- pense Fee	Reimbursement Description	Physician Dispensed, Repackaged, and Compounded Medications
MO	No FS	No FS	No FS; paid at U&C rate	N/A
MS	AWP + \$5.00	AWP + \$5.00	Unless contract, reimbursement is lesser of provider's total billed charge or FS	Repackaged drugs reimbursed using NDC from underlying drug product from original labeler and dispensing fees not payable to doctors. Bills for Compounds shall include listing of each individual ingredient NDC. Reimbursement = sum of AWP's of each underlying NDC drug product + \$5.00 DF and limited to a \$300 max (without prior authorization).
MT	AWP – 10% + \$3.00	AWP – 25% + \$3.00	Lesser of FS or provider's U&C charge	Physician dispensing limited to certain exceptions.
NC	AWP – 5%	AWP – 5%	N/A	Reimbursement for doctor dispensed drugs shall not exceed 95% of AWP and based upon AWP of the original NDC. No outpatient provider (other than pharmacies) may receive reimbursement for any CII or CIII drugs over an initial 5 day supply.
ND	\$4.00 DF	\$5.00 DF	N/A	Reimburses compounds at AWP – 72% + a single item compounding fee based on level of effort (LOE). Additional restrictions on topical pain preparations.
NE	No FS	No FS	100% of actual charge billed	N/A
NH	No FS	No FS	100% of actual charge billed	N/A
NJ	No FS	No FS	No FS; paid at U&C	Physician dispensing limited to only seven-day supply unless more than 10 miles from nearest pharmacy. Additional limit on charges.
NM	AWP – 10% + \$5.00	AWP – 10% + \$5.00	Lesser of FS, U&C, or contract	Physician dispensing = AWP – 10% with no DF. Initial physician dispense not greater than 10 days for new prescriptions. Compounds prepared by pharmacist billed as By Report (BR).
NV	AWP + \$10.25	AWP + \$10.25	Reimbursement is lesser of FS, U&C, or contracted rate	N/A
NY	AWP – 12% + \$4.00	AWP – 20% + \$5.00	Fee Schedule or lower contracted rate.	Physician dispensing limited to 72 hours with exceptions. Repackaged drugs reimbursed based on AWP for underlying drug. Compounds reimbursed at ingredient level; payment based on sum of allowable fee for each ingredient + a single DF per compound.
OH	AWP – 9% + \$3.50 (DF N/A for com- pounds)	AWP – 9% + \$3.50 (DF N/A for com- pounds)	Reimbursement is lesser of U&C or FS	Drugs supplied to IW in physician's office not considered outpatient medication and not reimbursed by BWC. Repackaged brand medications, product cost component shall be calculated using AWP of original labeler (repackaged generics not addressed). Only pharmacy providers eligible for dispense fee. Compounds billed and reimbursed based on ingredient NDCs (no reimbursement for ingredients without NDC); max product cost component reimbursement for any 1 compound-ed Rx = \$600, dispense fee for non-sterile compounds = \$12.50, dispense fee for sterile compounds = \$25.
OK	AWP – 10% + \$5.00	AWP – 10% + \$5.00	Lesser of FS or provider's U&C for same or similar service	Physician-dispensed (non-repackaged) lesser of: AWP – 10% (exclusive of DF) or payer's contracted rate. Repackaged drugs reimbursed at lesser of AWP for original NDC – 10% or AWP of lowest cost therapeutic equivalent drug – 10%. Compounds shall be billed only by a compounding pharmacy and at the ingredient level. Reimbursement shall be sum of allowable fee for each ingredient + single \$5 DF. Ingredients without NDC not reimbursed.
OR	AWP – 16.5% + \$2.00	AWP – 16.5% + \$2.00	Lesser of FS, provider's U&C or contract	Compensability of physician dispensing limited to initial 10-day supply except in emergency.
PA	AWP + 10%	AWP + 10%	If provider's actual charge less than FS, pay only actual charge	Reimbursement for physician dispensed repackaged drugs shall be at fee schedule based upon original manufacturer's NDC, which must be submitted on bill. If original NDC is not submitted, reimbursement shall be fee schedule of the least expensive clinically equivalent drug. Outpatient providers (other than licensed pharmacies) may not seek reimbursement for Schedule II drug in excess of an initial 7-day supply commencing upon "initial treatment" for specific WC claim. Should an IW require a "medical procedure," one additional 15-day supply permitted commencing on date of procedure. Providers may not seek reimbursement for any other prescription medications in excess of an initial 30-day supply, commencing upon "initial treatment" by a provider for specific WC claim and may not seek reimbursement for an OTC drug.
RI	AWP – 10%	AWP – 10%	N/A	Physicians cannot bill for dispense – only administer drugs (injectables) in office. Compounds containing repackaged drugs shall be reimbursed using NDC of the underlying drug. Compounds shall be billed by separating the ingredients by NDC and corresponding quantity.
SC	AWP + \$5.00	AWP + \$5.00	Lesser of FS or provider's U&C	Repackaged drugs billed with original NDC and reimbursed accordingly. If original NDC not provided/unknown, payer shall select most closely associated AWP. Compounds billed by listing each ingredient NDC and reimbursed at sum of each NDC's amount + a single \$5 DF (no payment required for ingredient with no NDC).
SD	No FS	No FS	No FS; reimbursement should not exceed U&C	N/A
TN	AWP + \$5.10	AWP + \$5.10	Lesser of FS, provider's U&C, or contract	Reimbursement for physician dispensed medications based on published manufacturer's AWP of product/ingredient, calculated on a per-unit basis, on date of dispense. If original manufacturer's NDC not provided on bill, reimbursement based on AWP of lowest priced therapeutically equivalent drug. Physician should not receive a DF. Compounding fee not to exceed \$25 per compound and may be charged by any entity other than physician. All compound bills shall include NDC of original manufacturer.
TX	AWP + 9% + \$4.00	AWP + 25% + \$4.00	Reimbursement at compliant contracted rate (a direct contract with provider or through a registered Pharmacy VIN) or lesser of FS or billed amount	Physician dispensing only permitted to meet immediate needs or in rural area. Compounds – calculate each ingredient drug separately (AWP in FS) and \$15 compounding fee per prescription.
UT	No FS	No FS	Paid at U&C	Physician dispensing permitted only in very limited practices.
VA	No FS	No FS	Paid at U&C	Physician dispensing only permitted with certain specified limits (samples, emergency, not available) unless properly licensed by the Board of Pharmacy.
VT	AWP + \$3.15	AWP + \$3.15	Lesser of FS or actual charge	N/A
WA	AWP – 10% + \$4.50	AWP – 50% + \$4.50	N/A	L&I (state fund) does not pay for medication dispensed in physician's office and policy is to not pay for repackaged drugs. Compound reimbursement allowed cost of ingredients + \$4.50 professional fee +\$4 compounding time fee - must be billed with NDC for each ingredient. Compounds require pre-authorization.
WI	AWP + \$3.00	AWP + \$3.00	N/A	DF only payable to pharmacist.
WV	No FS	No FS	State has no controlling pharmacy FS - Providers to bill their U&C	Legend drugs dispensed by physician will not be reimbursed except in emergencies.
WY	AWP – 10% + \$5.00	AWP – 10% + \$5.00	Lower of FS or provider's U&C charge	Physicians billing for compounds must provide pharmacy invoice and pay at 130% of supplier's/manufacturer's invoice price. Compounding pharmacies that bill are compensated per FS per line item if ingredient determined coverable. Pharmacists/third-party billers must submit itemization for all ingredients and quantities used in compounding process.
US Gov	DFEC Rate = AWP - 15% Non-DFEC Rate = AWP - 10% + \$4.00	DFEC Rate = AWP - 30% Non-DFEC Rate = AWP - 25% + \$4.00	Lesser of FS or U&C charge amount	For OWCP programs all Rx drugs dispensed from physician's office and submitted with codes J3490, J8499, J8999, and J9999 require accompanying original NDC. Based on day of service, will price according to AWP or Medi-Span Average Wholesale (MAW) benchmark rate; services submitted for these codes without NDC denied.

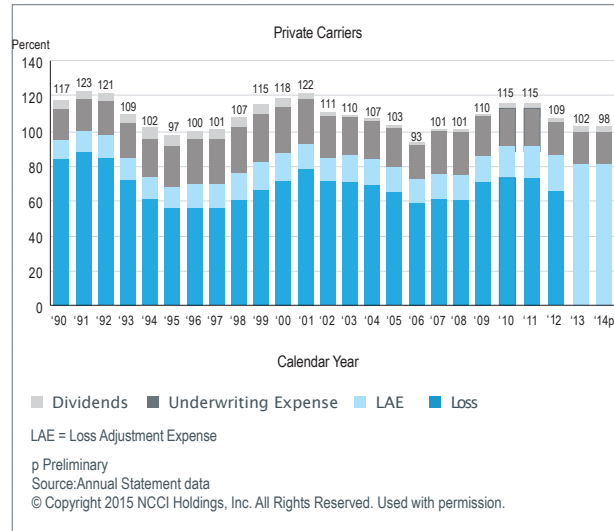
**Abbreviations:** AWP = Average Wholesale Price DAW = Dispense as Written DF = Dispensing Fee DNS = Do Not Substitute EAC = Estimated Acquisition Cost  
FS = Fee Schedule FUL = Federal Upper Limit IW = Injured Worker MAC = Maximum Allowable Cost NA = Not Applicable  
OTC = Over the Counter POS = Point of Sale SMN = Statement of Medical Necessity U&C = Usual and Customary WAC = Wholesale Acquisition Cost

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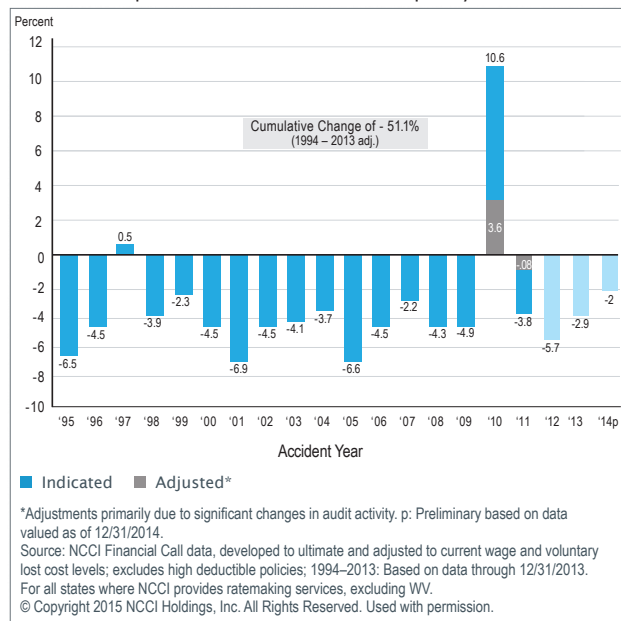
### Workers' Compensation Premium Growth Continued



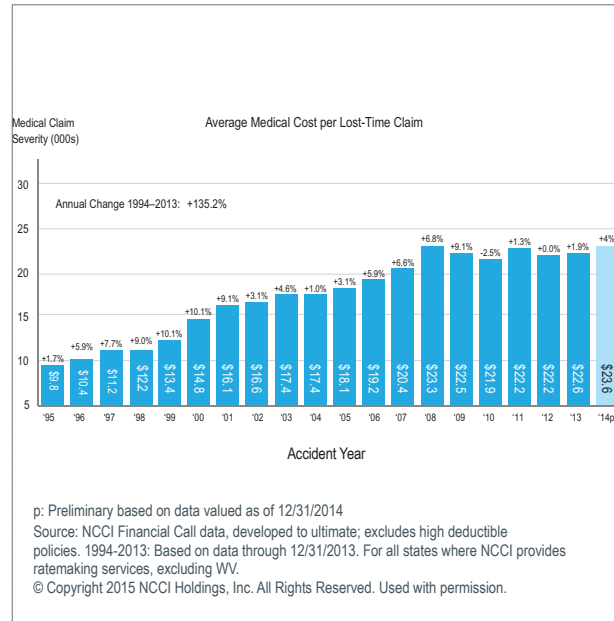
### Workers' Compensation Combined Ratio Gain Achieved



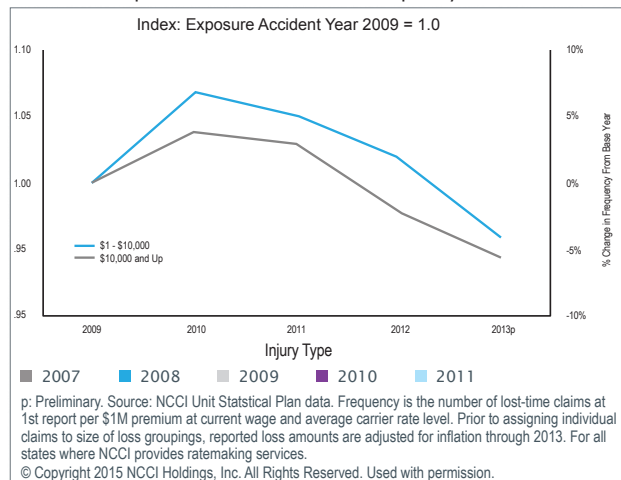
### Workers' Compensation Lost-Time Claim Frequency Downtrend Continued



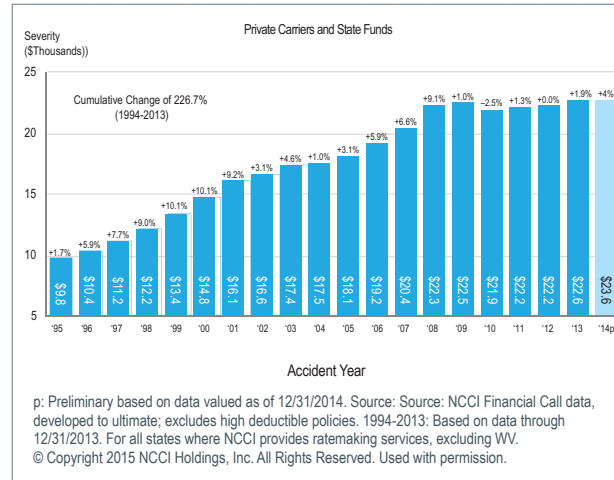
### Workers' Compensation Medical Claim Severity Increased Moderately



### Workers' Compensation Lot-Time Claim Frequency Declined



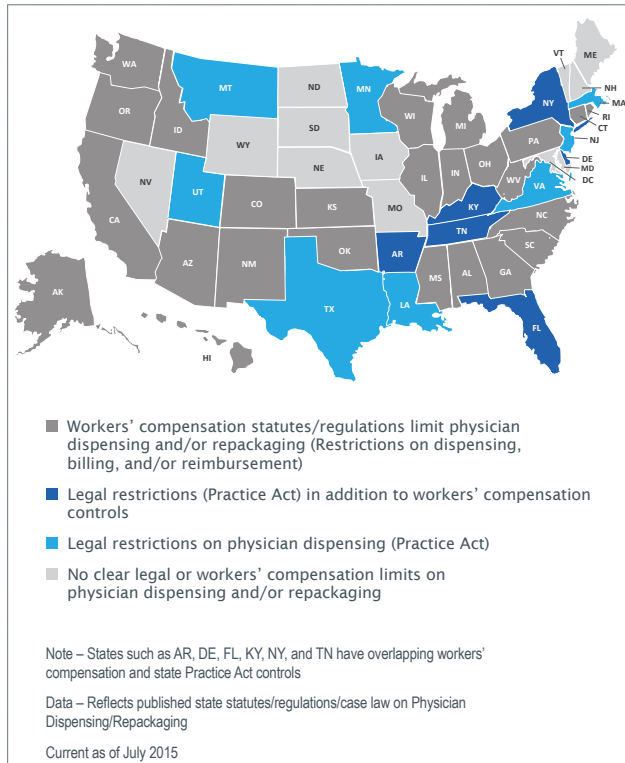
### Workers' Compensation Indemnity Claim Severity Increased Slightly



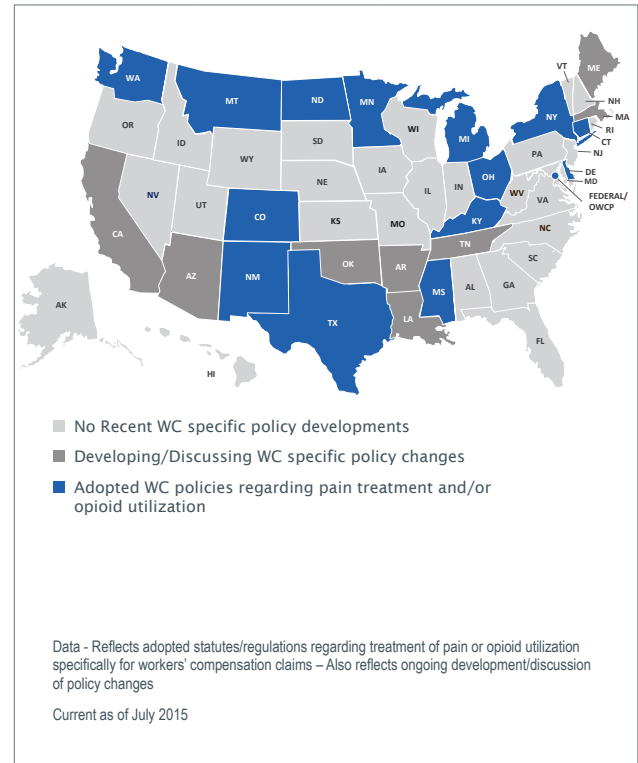


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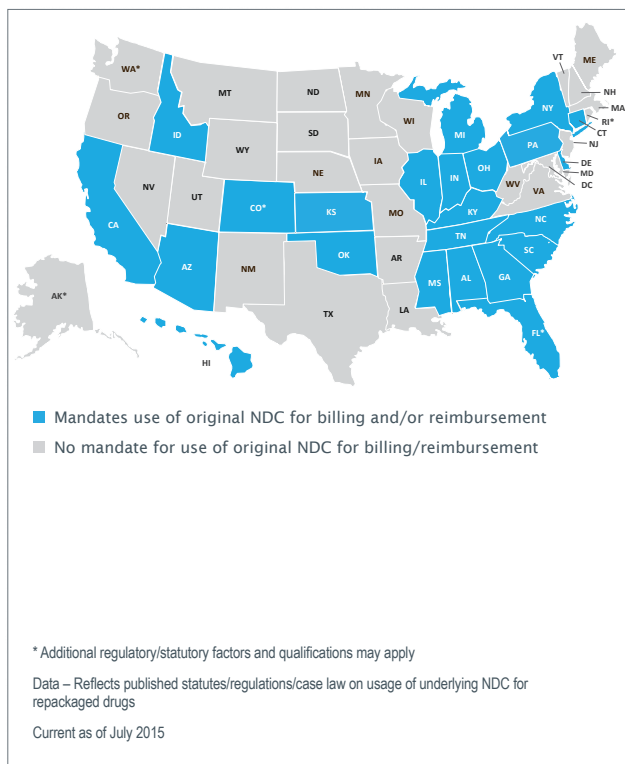
### Physician Dispensing/Repackaging Restrictions



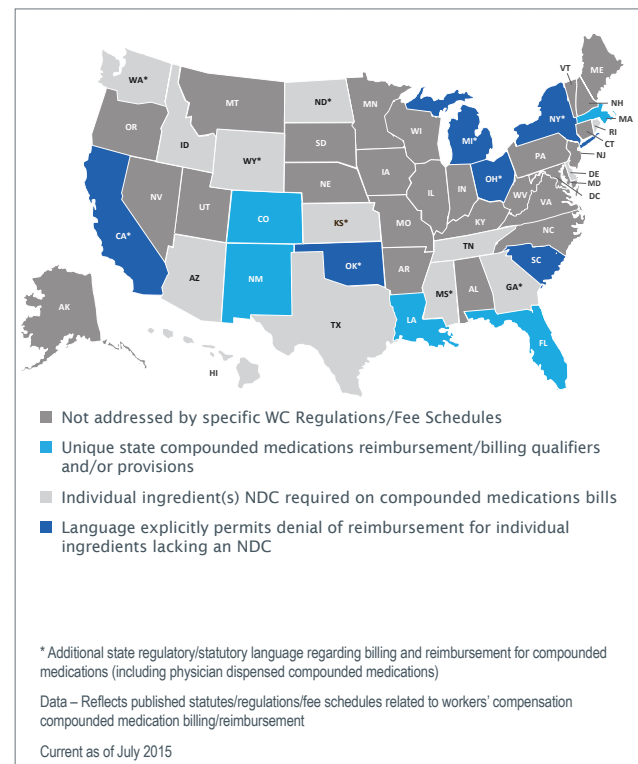
### Workers' Compensation Pain/Opioid Utilization Policies



### States Mandating the Use of Original NDC for Repackaged Drugs



### Workers' Compensation Compounded Medication Regulations





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#### About Helios

Helios brings the focus of workers' compensation and auto no-fault Pharmacy Benefit Management, Ancillary, and Settlement Solutions back to where it belongs – the injured person. This comes with a passion and intensity on delivering value beyond just the transactional savings for which we excel. To learn how our creative and innovative tools, expertise, and industry leadership can help your business shine, visit [www.HeliosComp.com](http://www.HeliosComp.com). PHM14-1510-02

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