



sedgwick®

# Sedgwick White Paper

## 2012 *Drug Trends Report*



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## 2012 Drug Trends Report

# Prescriptions for narcotics are increasing – raising concerns about safety and claim costs. Sedgwick’s pharmacy management program can help employers deal with today’s challenges.

### **Consistent management of narcotic and opioid use for optimum safety and cost management**

In 2011, Sedgwick released an enhanced pharmacy benefit management program and implemented the services for more than half of its customers. Client transitions to the enhanced pharmacy program continued through 2012 and into 2013. Because the transition requires distribution of new pharmacy cards and employee notification, some of Sedgwick’s customers were not prepared to make the transition. Our objective is to help the remainder of our clients implement the program this year.

In order to identify the impact of our advanced pharmacy benefit management program and Sedgwick’s approach to clinical drug management, we looked back at the 2012 outcomes for clients that transitioned to our program in 2011. The program’s differentiators include:

- Injury specific formulary
- Acute and chronic based formulary
- High risk profiling
  - Trend management
  - Physician outreach heavily focused on prescriber education
  - Examiner and nurse notifications
  - Duration specific

- Adverse drug trend notifications delivered to the Sedgwick claims examiner or nurse electronically
- Expanded network captures third party billing entities, physician dispensers, occupational health clinics – improving penetration by at least 20%

We are continuing to enhance our prescription drug management strategy. Throughout 2013, Sedgwick will provide updates regarding our drug management approach, and the drug safety and cost management solutions we provide for our clients. The information outlined below identifies the improvements our customers experienced last year as a result of our advanced drug management strategies. According to Jamie Harer, Sedgwick’s chief national prescription drug management strategist, “Sedgwick focused first on quality healthcare and prescriber education, and we saw cost benefit naturally followed that approach last year.” Dr. Teresa Bartlett, Sedgwick’s medical director, works closely with the leadership team to ensure that Sedgwick’s nurses are engaged at the right time in order to foster drug safety for injured workers.

### **Sedgwick colleagues access a narcotics management toolkit for consistent intervention and education**

We believe another critical step to managing prescription drugs is to thoroughly educate and inform employees as to the benefits, dangers, and alternatives for narcotics.

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Sedgwick’s clinical team provides relevant and engaging education for injured workers to ensure they understand how to use narcotics appropriately and the dangers of misuse. Our education is conducted by our medical directors and trained nurses, and includes:

- Required screenings for risk of addiction or abuse (history of drug or alcohol abuse, or regular use of sedatives)
- An opioid use agreement/contract, which includes urine drug screenings and avoidance of other sources for medication such as emergency rooms
- Prescription drug management monitoring programs
- Prescription drug management training for Sedgwick colleagues
- Adverse drug trend alert training
- Drug screening/testing best practice guidelines
- Opioid Progress Report for Chronic Pain – requires the prescriber and the injured worker to identify potential addiction issues, drug health safety concerns, weaning plan, and the need for additional resources or specialist intervention for chronic pain management

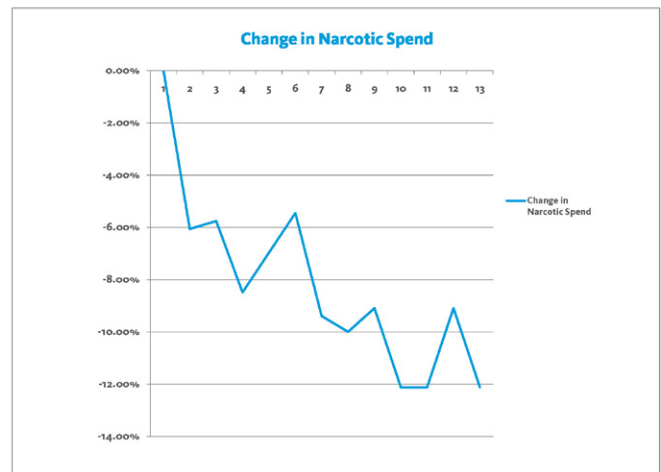
A number of factors will trigger our pharmacy clinical review program, including:

- Narcotic class medications for the treatment of pain (Oxycontin, Demerol, etc.)
- Use of multiple medications excessively or from multiple therapeutic classes
- Using medications not typical for the treatment of workers’ compensation injuries
- Receiving high doses of morphine equivalents daily for treatment of chronic pain

- Using three or more narcotic analgesics
- Receiving duplicate therapy with NSAIDs, muscle relaxants, or sedatives
- Using both sedatives and stimulants concurrently
- Using compounded medications instead of commercially available products
- High cost medications
- Medication safety alert program

Last year, Sedgwick enhanced its clinical review program to offer clients custom triggers for utilization review or telephonic case management intervention at the point-of-sale and to address adverse trends.

The graph below shows the drop in the percentage of narcotics cost after the implementation of Sedgwick’s best practices for controlling opioid usage. Narcotics as a percentage of the total pharmacy spend decreased 12% on average for clients after 12 months in Sedgwick’s prescription drug management program.

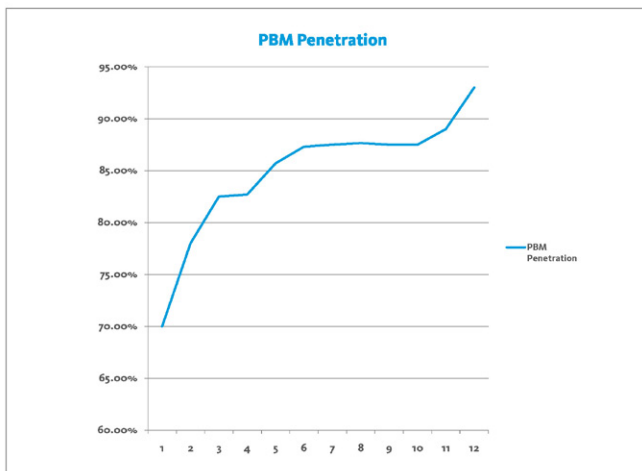


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### Sedgwick's pharmacy benefit management network

All of our programs and services are supported and enhanced through the use of the industry's most comprehensive and focused network of pharmacies and prescribing providers. There are more than 60,000 participating pharmacies, physician clinics, and medical providers in Sedgwick's pharmacy benefit management program.

In fact, our pharmacy benefit management network is at 93% penetration 12 months after client implementation compared to an industry average of 70%; that means more of our clients' prescriptions are going through the review, analysis, and pricing discounts that can help ensure optimal utilization and lower costs.



### Improving outcomes and efficiencies through technology

Sedgwick's technology plays an important role in helping to manage every element of the prescription process. Our proprietary claims management system helps to monitor prescriptions as they are being written.

Our technology is focused on ensuring that our nurses and examiners have access to the information they need to do their jobs quickly, appropriately, and in a manner that controls costs while ensuring the health and safety

of injured workers. Instead of going to multiple websites to secure information on eligibility, history, formulary, or utilization, examiners can access the information in one central location.

Sedgwick's proprietary provider benchmarking and search technology gives our colleagues the ability to identify the best performing physicians and includes a medication alert indicator. The system flags medical providers whose drug prescribing practices indicate adverse drug utilization trends. These trends are most often associated with over prescribing of narcotics or prescribing them outside the standards of care. Within the provider benchmarking and search tool, Sedgwick claims examiners and nurses see a flag next to the physician's name if they have been identified for the *Medication Safety Alert* program.

Sedgwick colleagues use the flag as a guide for the direction of care where jurisdictionally allowed, and additional oversight in claims where a physician has been engaged and is flagged for potential adverse drug trends.

### Controlling costs

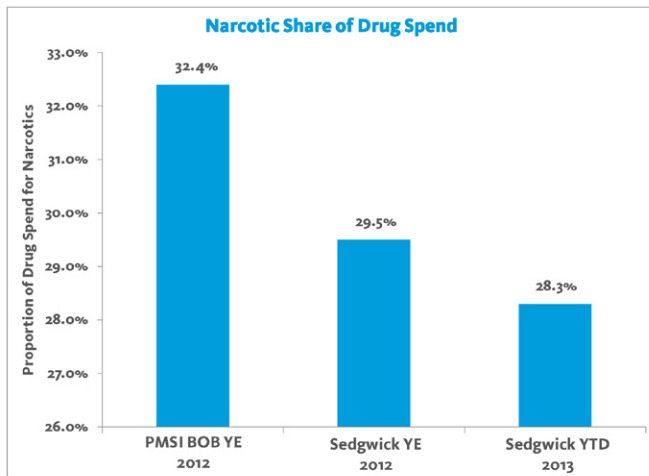
In addition to our comprehensive clinical drug management services, Sedgwick evaluates each client's total drug spend monthly to identify opportunities to increase network penetration. We offer the strength of one of the nation's largest providers of claims services, working with some of the top employers in the nation, to help negotiate optimal pricing. Our approach has made us one of the lowest cost providers of pharmacy benefits for workers' compensation in the nation.

According to PMSI, the leading workers' compensation pharmacy benefit manager, Sedgwick has the lowest narcotic drug spend among its entire book of business. Our average cost per day of medication therapy was 9.3% less than the industry average as measured by PMSI.

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We also achieved higher generic efficiency rates not only for narcotics, but for all medications.

The NCCI average ratio for prescription drugs is 19% of medical spend; Sedgwick's figure for clients is 9%. In addition, Sedgwick's programs consistently drive a lower proportion of narcotics when evaluated against overall drug spends for workers' compensation injuries, as illustrated below.

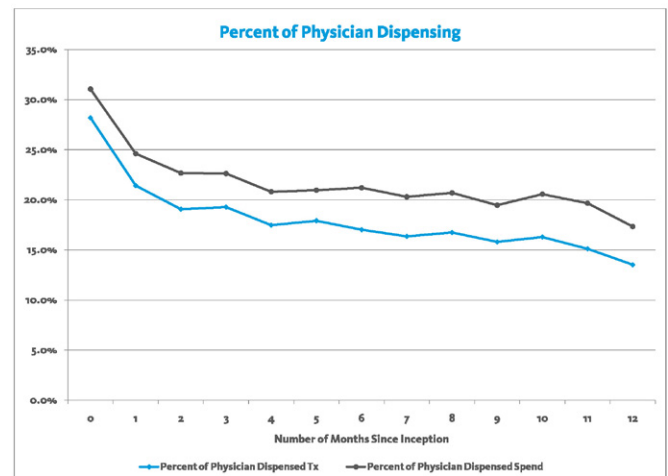


### Physician dispensing

Physician dispensing for workers' compensation injuries remains problematic because it creates potential drug safety issues and increased cost. Unlike group health plans that can eliminate physician dispensing through benefit plan design, employers and their TPA partners have struggled to reduce physician dispensing in workers' compensation as it becomes a larger portion of total pharmacy cost. In the 2013 Annual WCRI report, physician dispensing as a percentage of all transactions increased in 17 of the 20 states reviewed by the WCRI from 2008 to 2011. In addition, physician dispensing as a percentage of all pharmacy cost increased in 19 of the same 20 states with only California seeing a decrease.

While the increase in cost associated with physician dispensing is a concern, the overall health and safety of injured workers remains at the forefront of Sedgwick's pharmacy programs. Unlike retail pharmacies and pharmacy benefit management (PBM) organizations, physicians do not have full visibility into the injured worker's entire prescription history. The risk of drug interactions, over/under utilization, duplications of therapy, and potential diversion patterns are not visible to the dispensing physician.

Sedgwick has effectively decreased physician dispensing, as identified in the chart below, through consistent best practices deployed by our examiners and PBM networks.



### Pharmaceutical compounding

Compound medications are intended to provide necessary medications when traditional pharmacy channels are not available due to lack of supplies or special formulation requirements. Unlike traditional drug manufacturers that are regulated by the Food and Drug Administration, compounded pharmacies are monitored by state Boards of Pharmacy.

While compound medications are not common in workers' compensation, the risk of tainted medications as well as the additional cost associated with compounds is a

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concern in the workers' compensation industry. Compound medications were responsible for a recent health scare when contaminated steroid injections containing mold created a fungal meningitis outbreak sickening 338 people and killing 25.

Sedgwick's prescription drug management program addresses compound medications in a number of ways, including formulary management, utilization review, telephonic case management triggers, and nurse/examiner round tables where pharmacy action plans are created. Compound medications require prior authorization when received through our PBM partners. As a result of these programs, Sedgwick has effectively reduced the percentage of compounded transactions and dollars spent on compounded medication. After the program was in place for 12 months, compounded medication transactions decreased by approximately 40% and compounded medication costs decreased by approximately 30%.

