



March 21, 2014

Attention: Anna Latham, Anna.latham@akleg.gov

RE: Alaska House Bill No. 316

CompPharma is a consortium of pharmacy benefit managers (PBMs) that provide pharmacy care and services in the workers' compensation marketplace. Our members work on behalf of private insurers, third-party administrators, self-insured employers, and state funds to handle workers' compensation pharmaceutical claims, covered under your state workers' compensation regulations and/or statutes. We are contacting you regarding concerns with proposed language of HB 316, specifically the reference to "manufacturer's invoice" as a benchmark for reimbursement of medications as found in *Sec 3 AS 23.30.097, which reads:*

(l) Reimbursement for prescription drugs under this chapter may not exceed the amount of the manufacturer's invoice, plus a dispensing fee and markup specified by the board and adopted by reference in regulation.

Currently, the majority of all pharmaceutical services rendered to injured workers are transmitted from pharmacies to payers utilizing the nationally recognized industry standard for electronic pharmacy billing, called the NCPDP Telecommunications Standard (version D.0). This standard, also used by group health payers, government programs like CMS Part D and the Alaska Medicaid program, does not currently support the inclusion of attachments. Following the current regulatory requirements, pharmacies would not be able to attach an invoice to a pharmacy bill and would be automatically out of compliance with HB 316. Under this new requirement, lack of compliance could deem a bill incomplete and therefore result in denial of payment for a claim. If not addressed, this will impact a pharmacy's ability to fill workers' compensation prescriptions, limiting access to medically necessary medication.

Furthermore, there are no pharmacy electronic billing format(s) or standard(s) that permit paper attachments. No other state workers' compensation system currently require this information to be attached or included for billing or processing of a workers' compensation pharmacy bill. In fact, CompPharma worked with the California Division of Workers' Compensation to support Senate Bill 146 which removed a similar requirement accidentally put in place during their most recent workers' compensation reforms.

Since July 1, 2003, the Alaska Workers' Compensation Medical Fee Schedule has allowed for the dispensing of pharmaceuticals to be reimbursed at:

Brand = (AWP) + 20%
Generic = (AWP) + 25%

The medical fee schedule provides that AWP (average wholesale price) may be determined by sources such as Medi-Span or Drug Topics Red Book. Years ago, there was concern about the availability of a published AWP source(s), but the pharmacy industry failed to reach a clear consensus on an appropriate replacement benchmark, therefore current published AWP sources are here to stay. Both Medi-Span and Red Book continue to publish AWP rates for providers and payers to utilize.

If this proposed language requiring the manufacturers invoice was to become law, all pharmacy transactions that are currently processed electronically would be reverted to paper bills. This would result in a significant administrative cost to payers and pharmacies alike, and would not do anything to improve care for the injured worker.

For these reasons we recommend the language in *Sec 3 AS 23.30.097* be amended as follows:

(l) Reimbursement for prescription drugs under this chapter may not exceed AWP (plus multiplier tbd) plus a dispensing fee and markup specified by the board and adopted by reference in regulation.

In addition, we would like recommend a language change to proposed *Sec 3 AS 23.30.097* which currently states:

(m) A prescription drug dispensed by a physician under this chapter shall include in a bill or invoice the code for the drug from the national drug code directory published by the United States Food and Drug Administration.

Because medications dispensed from a physician's office and are billed using a different national standard for physicians --the current CMS-1500 form or the electronic equivalent, the ASC X12-837P 5010 version-- the physician can easily include the originator National Drug Code (NDC). CompPharma supports the requirement for a physician to include both the underlying and dispensed NDC on an invoice when billing for a medication dispensed to the injured worker.

Repackaging of medications is a significant cost driver when dispensed from a physician's office. When a medication is repackaged it receives a new NDC with a corresponding AWP, which can be up to 300% higher than the identical medication dispensed at a pharmacy, where the exact same drug is provided, according to fee schedule or contracted rate, at a significantly lower cost. A number of studies¹ published in recent years from multiple respected, independent research organizations confirm that the growth of physician-dispensed medications bring higher costs to the workers' compensation system without providing better outcomes.

CompPharma asks for the new language to control unnecessary costs associated with repackaged drugs and to ensure the safety of injured workers. This language should specify the use of the original manufacturer NDC used in the repackaging along with the repackaged/re-labeled NDC. Reimbursement is based upon the underlying drug product from the original labeler. Payers may select the NDC and associated AWP if the information for the underlying original drug product is unavailable.

To add clarity to proposed Section *Sec 3 AS 23.30.097*, CompPharma respectfully suggests a change to the existing legislative language. This proposed language has been adopted or is currently being proposed in a majority of states today. We it will help achieve the underlying legislative goal to control costs associated with physician dispensing.

CompPharma Suggested Amendatory Language

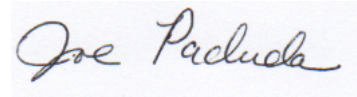
New language appears as underlined and removed language appears as ~~striketrough~~:

Per Sec 3 AS 23.30.097:

(m) An invoice for a prescription drug dispensed by a physician under this chapter shall include, in a bill or invoice for the medication, both the NDC code for the underlying drug as well as the NDC code for the repackaged from the national drug code directory published by the United States Food and Drug Administration. Payers may select the NDC and associated AWP if the information for the underlying original drug product is unavailable.

Thank you for your consideration of our suggested amendments. We look forward to working with you on this matter. Feel free to contact us with any comments, questions, or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Joe Paduda". The signature is written in black ink on a light blue rectangular background.

Joe Paduda

¹ “The Prevalence and Costs of Physician-Dispensed Drugs”, WCRI, September 2013; “Differences in Outcomes for Injured Workers Receiving Physician-Dispensed Repackaged Drugs in the California Workers’ Compensation System,” California Workers’ Compensation Institute, February 2013; NCCI Workers’ Compensation Drug Study: 2011 Update; NCCI Workers’ Compensation Drug Study: 2013 Update