

March 21, 2014

Express Scripts
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St Louis, MO 63121

MAR 24 2014

1:28 PM

Representative Kurt Olson, Chair
House Labor and Commerce Committee
State Capitol, Room 24
Juneau, AK 99801

Re: HB 316 –Support if Amend
Hearing: March 24, 2014 3:15pm

Dear Representative Olson:

Express Scripts, Inc. would like to take the opportunity to contact you in regards to the prescription drug language found in House Bill 316.

Express Scripts, Inc. is one of the largest pharmacy benefit management (PBM) companies in North America, providing PBM services to thousands of client groups, including managed-care organizations, insurance carriers, employers, third-party administrators, public sector, workers' compensation, and union-sponsored benefit plans. Express Scripts takes a strategic approach to workers' compensation, structuring customized client solutions around best-in-class core services, which are supported by advanced trend-management and clinical-review programs, to ensure safety for injured workers, while aggressively controlling costs.

Per Sec 3 AS 23.30.097:

(1) 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 Alaska Division of Workers' Compensation lacks adopted (paper or electronic) billing formats or requirements for pharmaceutical services rendered to injured workers. The most frequently utilized and recognized industry standard for electronic billing of pharmaceuticals is the NCPDP Telecommunications Standard (latest version D.0), which does not currently support the inclusion of attachments, making pharmacy billers unable to comply if there will be a requirement to include a manufacturer's invoice along with the bill for prescription drug(s). Further, we know of no other pharmacy electronic billing format(s) or standard(s) which permit paper invoice attachments, or any other states which currently require this information for pharmacy bills. 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 may impact a pharmacy's ability to fill workers' compensation prescriptions, limiting access to medically necessary medication.

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 an industry 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 were to become law, all pharmacy transactions, which are currently processed via electronic means would be reverted to paper bills. This



would result in a significant administrative cost to payers and providers with no benefit to the injured worker.

Per Sec 3 AS 23.30.097:

(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.

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 (National Drug Code) 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. Express Scripts 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 national drug code (NDC) used in the repackaging along with the repackaged/relabelled 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.

Therefore, Express Scripts respectfully suggests a change to the existing legislative language which has either been adopted or currently proposed in a majority of states today. We believe the suggested language will assist in achieving your underlying legislative goal and control physician dispensing costs.

Express Scripts Suggested Amendatory Language

New language appears as underlined:

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,

Kristie Griffin
Compliance Manager, Workers' Compensation
Express Scripts, Inc.

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

