

CWCI RESEARCH SPOTLIGHT REPORT...

Schedule II Prescription & Payment Distributions in California Workers' Compensation: 2005 – 2008

Background: California workers' compensation law provides that injured workers are entitled to all reasonable and necessary medical care to cure or relieve the effects of a work-related injury or illness. This covers physician and hospital services, lab tests, x-rays, and physical therapy, as well as prescription drugs, which over the past decade, have been one of the fastest growing medical expenses in California workers' compensation. Recent estimates from the Workers' Compensation Insurance Rating Bureau show that despite the implementation of workers' compensation medical reforms and the adoption of a pharmacy fee schedule in 2004, and a steep decline in the number of insured claims in California workers' compensation, insured employers in the state paid \$368 million in pharmacy costs in 2008 – \$20 million more than in 2007.

A CWCI study on post-reform pharmaceutical utilization and reimbursement released earlier this month documented dramatic increases in the use of Schedule II drugs between 2002 and the third quarter of 2008 – a trend that began to accelerate after 2005. In fact, the study revealed that Schedule II medications grew from less than 1 percent of California workers' compensation prescriptions filled in 2005 to nearly 6 percent of the prescriptions filled during the first nine months of 2008, while the average amount paid for a Schedule II prescription climbed 64 percent to nearly \$280 per prescription. As a result, in less than 3 years, Schedule II drugs skyrocketed from 2 percent to 18 percent of all California workers' compensation prescription drug payments. This analysis uses ICIS data to measure the extent to which various categories of Schedule II drugs have contributed to the recent growth in the volume and cost of these medications in California workers' compensation, focusing on three specific questions:

- Which types of Schedule II drugs have been most heavily used to treat injured workers in California since 2005?
- Which types of Schedule II drugs have had the greatest impact on pharmaceutical costs?
- Has there been a significant shift in the mix of Schedule II prescriptions or in the distribution of payments for these drugs as the overall utilization and cost of these medications has increased?

Data: To generate distributions of Schedule II prescriptions and payments in California workers' compensation, and to see what, if any changes in those distributions have occurred in recent years, CWCI used a special version of its ICIS database to compile a sample of 2002-2007 accident year claims that included prescriptions filled between January 2005 and September 2008. The sample contained data on 57,613 Schedule II prescriptions that resulted in more than \$13.3 million in Schedule II drug payments. The Schedule II prescriptions from the claim sample were grouped by year (based on the fill date), and classified by active ingredient into six major categories:

- Oxycodone (e.g., Oxycodone, Oxycontin, Endocet, Percocet)
- Morphine (e.g., Avinza, Kadian, Morphine Sulfate)
- Fentanyl (e.g., Actiq, Duragesic, Fentanyl, Fentora)
- Methadone (e.g., Methadone, Methadose)
- Hydromorphone (e.g., Dilaudid, Hydromorphone, Palladone)
- Oxymorphone (e.g., Opana)

Schedule II drugs, including amphetamines, that did not fall into one of the six categories were placed in an "Other" category, though all together, the drugs in the six major categories represented 98 percent of all Schedule II prescriptions filled for California injured workers from 2005 through the first nine months of 2008, and 99 percent of the Schedule II payments.

Results: The distribution of Schedule II prescriptions in California workers' compensation measured across the entire span of the study shows Oxycodone was prescribed far more than any other category of Schedule II drug, accounting for more than half (53.1 percent) of these prescriptions filled between 2005 and the third quarter of 2008. Morphine ranked second, with 18.6 percent of the Schedule II prescriptions, while Fentanyl accounted for 14.6 percent. The other categories of Schedule II drugs represented between 1.6 and 6.3 percent of all Schedule II prescriptions. Chart 1 shows the distribution of Schedule II prescriptions with fill dates from 2005 through the third quarter of 2008.

Chart 1 - Distribution of Schedule II Prescriptions & Prescription Payments in California WC

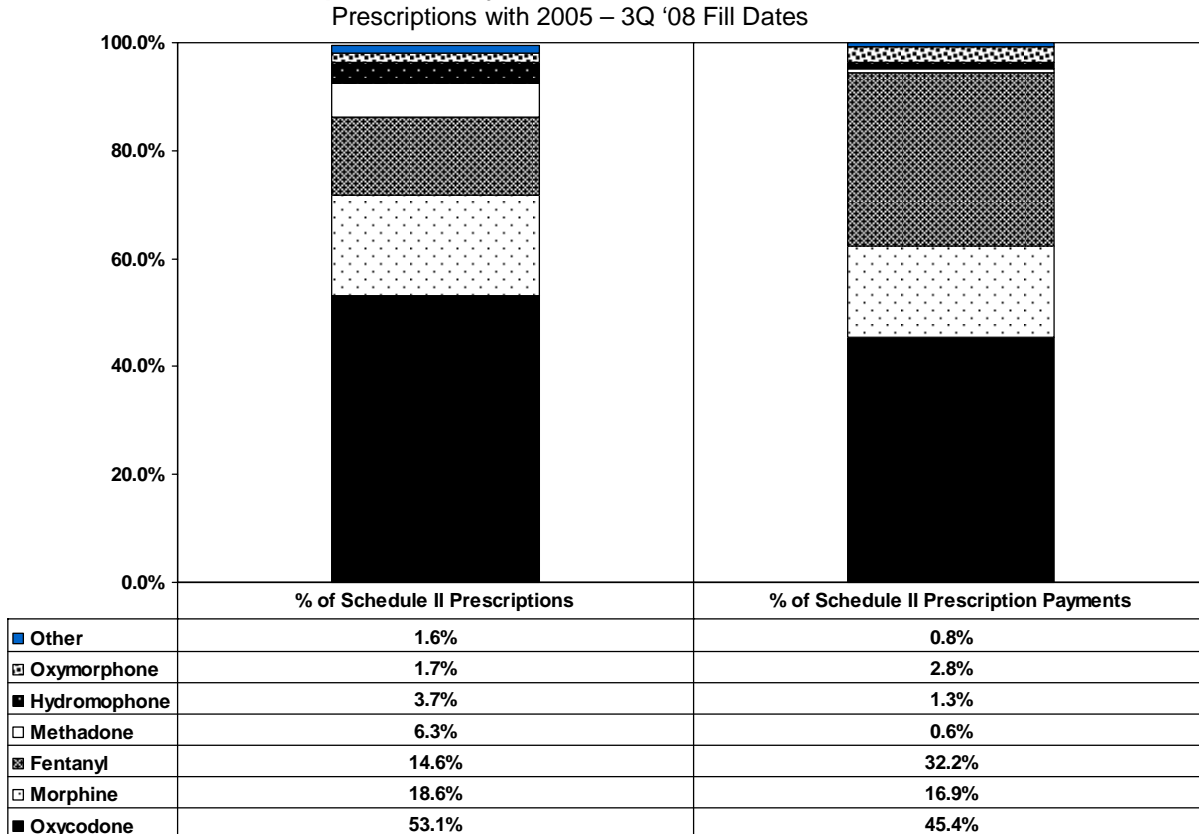


Chart 1 also shows the distribution of payments for these drugs, which tells a somewhat different story, as the average amounts paid per prescription for these medications vary significantly. For example, although Oxycodone represented more than half of the Schedule II prescriptions, it accounted for about 45 percent of Schedule II payments. On the flip side, Fentanyl, accounted for less than 15 percent of the Schedule II prescriptions but nearly one third of the payments, indicating a relatively high average cost compared to other types of Schedule II prescriptions. Morphine ranked third in terms of total Schedule II payments, accounting for just under 17 percent of the reimbursement dollars. Notably, Methadone, which is sometimes prescribed in lieu of other painkillers because it provides a more moderate clinical effect than Oxycodone or some of the other Schedule II drugs, comprised 6.3 percent of the Schedule II prescriptions filled between 2005 and September 2008, but only 0.6 percent of the Schedule II payments. The relatively low cost of this drug comes with other risks, however, as the U.S. Department of Justice National Drug Intelligence Center notes that methadone abusers risk becoming tolerant of and physically dependent on the drug, and may experience withdrawal symptoms when they stop using it. In addition, the risk of overdosing is relatively high with methadone because its effective duration in the body far exceeds the duration of pain relief.

Although the Institute's recent study found overall utilization of Schedule II drugs in California workers' compensation increased from less than 1 percent of the 2005 prescriptions to 6 percent of the prescriptions filled in the first nine months of 2008, Table 1 shows the Schedule II prescription distributions across the nearly 4-year span of the study have been remarkably stable. The most notable increase has been the recent jump in the use of the semi-synthetic Opioid Oxymorphone, which went from 0 percent to 2.8 percent of the schedule II prescriptions between 2006 and 2008. This relatively stable distribution during the period in which Schedule II drugs increased from 1 percent to 6 percent of workers' compensation prescriptions indicates that the use of the various Schedule II drugs to treat injured workers is up significantly across the board, and has risen at a fairly uniform rate for most of these drug categories.

Table 1. Calif WC Schedule II Drug Prescription and Payment Distributions, 2005 through 3Q 2008 Fill Dates

Schedule II Drug Category	% Schedule II Prescriptions*				% Schedule II Payments*				% Schedule II Prescriptions 2005-2008	% Schedule II Prescription \$ 2005-2008
	2005	2006	2007	2008	2005	2006	2007	2008		
Oxycodone	53.4%	52.9%	53.2%	53.0%	52.3%	43.4%	41.2%	46.8%	53.1%	45.4%
Morphine	17.6%	19.9%	18.0%	18.8%	17.2%	23.3%	17.4%	15.5%	18.6%	16.9%
Fentanyl	15.7%	14.0%	14.8%	14.3%	27.1%	29.9%	36.0%	31.5%	14.6%	32.2%
Methadone	6.7%	6.8%	6.7%	5.9%	0.9%	1.0%	0.7%	0.5%	6.3%	0.6%
Hydromorphone	3.3%	4.2%	3.7%	3.7%	1.5%	1.2%	1.4%	1.2%	3.7%	1.3%
Oxymorphone	0.0%	0.0%	1.5%	2.8%	0.0%	0.1%	2.5%	3.9%	1.7%	2.8%
Other Schedule II	3.1%	1.9%	1.8%	1.2%	1.0%	0.9%	0.8%	0.6%	1.6%	0.8%

*Column totals may not add up to 100% due to rounding.

While the distribution of Schedule II prescriptions across the six drug categories was relatively stable, the distribution of Schedule II payments has shown some fluctuations. For example, Oxycodone, which was the dominant Schedule II drug in workers' compensation between 2005 and 2008, ranged between 41.2 percent and 52.3 percent of the Schedule II payments during this period. Fentanyl registered the most significant increase in the payment distribution, climbing from a low of 27.1 percent of Schedule II payments in 2005 to a high of 36 percent in 2007 before retreating to 31.5 percent of the Schedule II payments in the first nine months of 2008. In addition, with the recent increase in utilization, Oxymorphone rose from 0 percent of all Schedule II payments in 2005 to 3.9 percent of the payments in the first nine months of 2008. Meanwhile, reimbursements for Morphine, which jumped from 17.2 percent to 23.3 percent of Schedule II payments between 2005 and 2006 fell back to 15.5 percent in the first nine months of 2008. A number of factors affect the payment distributions, including changing utilization rates for generic and brand versions of drugs in a Schedule II category, changing utilization rates for different forms or dosages of a medication (which can be priced very differently), or changes in unit prices for some of these drugs.

Conclusion: Classifying Schedule II drugs into categories based on their active ingredients, this analysis found that Schedule II prescriptions and payments in California workers' compensation are concentrated in a relatively small number drug categories. Oxycodone tops the list, accounting for more than half of all Schedule II prescriptions filled between 2005 and the third quarter of 2008, and nearly half of the Schedule II payments; followed by Fentanyl, which represented about 15 percent of the Schedule II prescriptions but nearly one-third of the Schedule II payments; and Morphine which accounted for about 19 percent of scripts and 17 percent of the payments.

Looking at changes in the distribution of the six major categories of Schedule II prescriptions over nearly four years, the study also found that the overall increase in Schedule II drugs from less than one percent of workers' compensation prescriptions in 2005 to 6 percent of the prescriptions by the third quarter of 2008 did *not* result from a surge in the use of any one particular drug category, but from a sharp, across-the-board increase in the use of all categories of Schedule II drugs, which all appear to have grown at similar rates. Among the six major categories of Schedule II medications, Oxymorphone registered the biggest increase, climbing from 0 percent of Schedule II prescriptions in 2005 to 2.8 percent by 2008.

On the other hand, the distribution of Schedule II reimbursements from 2005 to the third quarter of 2008 indicates that while Oxycodone has consistently accounted for the lion's share of the payments, that proportion has declined since 2005 as Fentanyl and Oxymorphone have consumed a greater share of the Schedule II payments.

Some in the California workers' compensation medical community suggest that the increased use of Schedule II drugs can be ascribed to utilization review-related delays in surgery, which leave physicians little alternative but to prescribe high-powered painkillers to patients awaiting surgical approvals. A CWCI study published in July 2008, however, measured the use of Schedule II Opioids such as Oxycodone, Fentanyl and Morphine in the treatment of back conditions *without* spinal cord involvement, which are typically nonsurgical sprain and strain injuries (California's most common job injury). Using data from more than 166,000 California work injury claims from accident years 2002 to 2005, that study found widespread use of Schedule II drugs in these relatively simple cases, with one out of every four workers with these types of injuries receiving at least one Opioid prescription. Furthermore, the study found that Opioids accounted for more than a quarter of the filled prescriptions for these injured workers, and that workers who received these medications averaged 5.2 Opioid prescriptions over the course of their treatment. In addition, the Institute study released earlier this month found rising use of these drugs in almost *every injury category* since 2005. Thus, the increase in utilization clearly goes well beyond the relatively small number of claims in which an injured worker is prescribed a Schedule II medication while awaiting a surgical approval, but rather appears to reflect the growing use of these medications in cases involving less severe injuries.

Alarm over the growth in prescription drug use has not been limited to workers' compensation. A recent Department of Justice "Drug Trends" report noted that Valium (a Schedule IV drug), Vicodin (a Schedule III drug), and Oxycontin (a Schedule II drug) have now become the most prevalent pharmaceutical drugs obtained fraudulently; and that Vicodin and Oxycontin are the two most abused pharmaceutical drugs in the United States. Furthermore, earlier this year, California Attorney General Jerry Brown implemented an internet-based prescription monitoring database known as the Controlled Substance Utilization Review and Evaluation System (CURES) which will track controlled substances (Schedule II, III and IV) dispensed in California, providing a means for doctors to readily obtain a patient's prescription drug history so they can identify and stop prescription-drug seekers from doctor-shopping and abusing prescription drugs.

The concern that use of these high-powered, highly addictive drugs to treat injured workers will continue to increase, especially in less serious injury cases, has ratcheted up this year after the state added chronic pain management guidelines to the workers' compensation Medical Treatment Utilization Schedule (effective July 18, 2009). Because the new guidelines set a vague definition of chronic pain ("any pain that persists beyond the anticipated time of healing"); lack clear recommendations and limits on the use of Opioids; are based on studies and materials that fail to meet the required strength of evidence and rating methodology; and conflict with existing guidelines (yet supersede them), many in the community expect that they will create a lower threshold for the use of Schedule II drugs and increase the number of claims in which these drugs can be prescribed. Therefore, the Institute will continue to track the use and cost of Schedule II drugs in California workers' compensation, and data from this study and from CWCI's recent analysis on pharmaceutical utilization and reimbursement will provide important benchmark data for monitoring their future growth.

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