

California Workers' Compensation Drug Formulary: Design, Implementation, and Impact Analysis Project Overview

Purpose: AB 1124 requires that the Administrative Director of the Division of Workers' Compensation (DWC) establish an evidence-based drug formulary on or before July 1, 2017. DWC contracted with RAND to provide assistance in the design and implementation of the formulary and related policies and in estimating the economic impact of the formulary.

Study Questions and Approach:

Key questions that RAND researchers will address include:

- How should the drug formulary be structured? What are the advantages and disadvantages of existing formularies that might be considered by the California WC program?
- What implementation policies should be considered to address the AB 1124 requirements and promote the provision of appropriate pharmaceuticals expeditiously while minimizing administrative burden?
- What are the likely impacts of implementing the formulary on drug utilization patterns and spending? What are the costs and benefits of implementing an evidence-based formulary consistent with the AB 1124 requirements for injured workers, providers, employers, and society?
- What are the key indicators and measures that should be used to monitor implementation of the formulary?

We will gather and analyze information on potential formularies that DWC might consider and the ancillary policies that other state WC programs have adopted in implementing drug formularies, including how the formulary is integrated with medical treatment guidelines. We will consider the feasibility of DWC constructing a formulary tailored to its medical treatment utilization guidelines and review the following evidence-based formularies:

1. American College of Occupational and Environmental Medicine (ACOEM)
2. Official Disability Guidelines (ODG)
3. Washington Department of Labor and Industries
4. California Department of Health Care Services (MediCal)

The preliminary criteria that we are using to evaluate potential formularies are:

1. Reliance on evidence-based criteria in determining the drugs and recommendations for the formulary
2. Established process for regular updates to the formulary drugs and recommendations
3. Transparency in the decision process used to establish and maintain the formulary drug list and recommendations
4. Compatibility with the medical treatment utilization guidelines
5. Accessibility and ease of use by treating physicians, payers, and injured workers
6. Focus on drugs needed for injured worker conditions

The implementation policies that DWC will need to develop include important topics:

1. What types of drugs should be included in the formulary?
 - a. Should all FDA-approved prescription drugs be included? Over-the-counter drugs? Intracathecal drugs? Any non-drug items?
 - b. Should only outpatient drugs dispensed for home use be included? Should any drugs used during patient encounters in a hospital outpatient clinic, ambulatory surgery facility or physician office be included?
2. When should prior authorization be required?
 - a. What criteria should be used to classify drugs as requiring prior authorization? Should the classification apply across-the-board to the drug or differentiate by condition?
 - b. Should there be a “first fill” policy for new injuries?
 - c. Should different policies apply to physician-dispensed versus pharmacy-dispensed drugs?
3. What policies should apply to the use of generic versus brand names? Off-label usage? Compound drugs? Investigational or experimental drugs?
4. How do formulary policies integrate with medical treatment guidelines and the medical necessity review and dispute resolution process? If prior authorization is not required, under what circumstances should there be retrospective review? What occurs if the drug is subsequently determined to not be medically necessary (e.g., not consistent with treatment guidelines)?
5. With regard to both pharmacy-dispensed and physician-dispensed drugs, how are the formulary policies enforced at point of sale? How do the policies differ for network vs. non-network pharmacies?
6. How frequently should the formulary be updated? What update process should be used? What is the role of the Pharmacy and Therapeutics Committee? How should public input be obtained?
7. What special policies are needed, if any, for claims with dates of injury occurring before July 1, 2017 or for injured workers receiving drugs that are affected by a formulary update?

We will inform our analysis of potential policy options to address these topics by a review of the regulatory policies that other WC programs have adopted in implementing a WC formulary. These states include Ohio, Oklahoma, Texas, Tennessee and Washington.

We will also use the experience of states that utilize WC drug formularies to inform our impact analyses and monitoring plan. We will use pharmaceutical data from the Workers’ Compensation Information System to simulate the potential impact of the formulary on drug utilization and spending and to estimate the economic impact of implementing the formulary.

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