



American Insurance Association

September 13, 2018

Industrial Commission of Arizona
c/o Jacqueline Kurth
Manager, Medical Resource Office
800 West Washington St.
Phoenix, AZ 85007
mro@azica.gov

RE: SB 1111 Reimbursement Guidelines for Physician-Dispensed Medications

Dear Members of the Industrial Commission of Arizona:

The American Insurance Association (AIA) welcomes the opportunity to provide comments on the Industrial Commission of Arizona's (ICA) Reimbursement Guidelines for Physician-Dispensed Medications. AIA is a national trade association for the U.S. property-casualty insurance industry. AIA's members write all types of property-casualty insurance, including workers' compensation policies, and our membership is comprised of the more than 330 companies collectively writing more than \$134 billion in premium each year.

Physician dispensing continues to be an unnecessary system cost driver in Arizona's workers' compensation system. The practice circumvents policies created to control pharmaceutical costs. It bypasses pharmacy networks that provide negotiated rates for medications, rates that are significantly less than prices for medications dispensed at a physician's office. Moreover, studies have revealed that physician dispensing relates to poorer outcomes for injured workers, resulting in longer recovery times, frequent over-prescription of unnecessary medications, and a delay in achievement of the ultimate goal of returning the injured worker to his or her job.

A number of states have experienced positive outcomes by enacting reforms, including reforms that restrict physician dispensing of certain drugs and/or limit timeframes for physician dispensing. The Workers' Compensation Research Institute (WCRI) examined the results of these reforms and reported in July 2017 that in states that enacted reforms the prices for many physician-dispensed drugs decreased and there was a reduction in the overall number of physician-dispensed prescriptions.

Additionally, the WCRI recently did a separate review of recent reforms in Pennsylvania and found a significant decrease in frequency of physician-dispensed drugs and in the cost share of physician dispensed versus all prescription workers' compensation costs. In Pennsylvania prior to the reforms, one out of every three workers' compensation prescriptions was physician-dispensed. After the reforms, this ratio decreased to one out of 10. The average price paid to physicians for the top ten most prescribed pills decreased by 15 percent and the workers' compensation cost-share of physician-dispensed prescriptions compared to all workers' compensation prescriptions decreased from 51 percent in 2013 to 4 percent in the 2014-2016 period.

With this experience of other states in mind, AIA makes the following recommendations for ICA's consideration:

- Limit reimbursement to first fills of the medication dispensed within a limited timeframe from the date of injury.
- Create limitations on the supply of medication eligible for physician dispensing.
- Apply these limitations to all classes of medications including compound and generic medications.

Thank you for your consideration of these comments.

Sincerely,

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