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August 23, 2018

Submitted electronically to mro@azica.gov

Arizona Self-Insurers Association
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Maricopa County Risk Management

Industrial Commission of Arizona
 c/o Jacqueline Kurth, Manager
 Medical Resource Office
 P.O. Box 19070
 Phoenix, Arizona 85005-9070

RE: August 23, 2018 Public Hearing On Senate Bill 1111 Regarding Physician Dispensing In Worker's Compensation Claims

Dear Chairman Schultz and Members of the Industrial Commission of Arizona:

On behalf of the Arizona Self-Insurers Association, I am writing in support of the Industrial Commission of Arizona's efforts to develop reimbursement guidelines for medications dispensed in settings that are not accessible to the general public, such as instances of physician dispensed medications.

The members of the Arizona Self Insurers Association have found significant increased costs related to medications dispensed by physicians in a setting not accessible to the general public, compared to medications dispensed from a publicly accessible pharmacy. For instance, one public sector self-insurer identified the following comparison chart for medications prescribed between January 1, 2018 and May 31, 2018:

MEDICATION	QTY	DAY SUPPLY	B/G	PRESCRIPTION COST	RETAIL PRICE	DOLLAR DIFFERENCE	PERCENTAGE DIFFERENCE
ESZOPICLONE	30	30	Generic	\$349.80	\$106.57	\$243.23	228%
ESZOPICLONE	30	30	Generic	\$349.80	\$194.42	\$155.39	80%
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ESZOPICLONE	30	30	Generic	\$349.80	\$127.19	\$222.61	175%
NEW TEROGIN	240	60	Brand	\$932.45	\$859.26	\$73.19	9%
DULOXETINE HCL	60	30	Generic	\$452.40	\$261.10	\$191.30	73%
DULOXETINE HCL	60	30	Generic	\$414.60	\$261.10	\$153.50	59%
DULOXETINE HCL	60	30	Generic	\$414.60	\$261.10	\$153.50	59%
TIZANIDINE	60	30	Generic	\$81.72	\$50.35	\$31.37	62%
TIZANIDINE	60	30	Generic	\$81.72	\$50.35	\$31.37	62%
GABAPENTIN	90	30	Generic	\$109.65	\$68.42	\$41.23	60%
GABAPENTIN	90	30	Generic	\$109.65	\$68.42	\$41.23	60%
GABAPENTIN	90	30	Generic	\$109.65	\$68.42	\$41.23	60%
GABAPENTIN	90	30	Generic	\$109.65	\$68.42	\$41.23	60%
GABAPENTIN	90	30	Generic	\$109.65	\$68.42	\$41.23	60%
GABAPENTIN	90	30	Generic	\$109.65	\$68.42	\$41.23	60%
MELOXICAM	60	30	Generic	\$168.60	\$106.57	\$62.03	58%
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MELOXICAM	60	30	Generic	\$168.60	\$106.57	\$62.03	58%
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MELOXICAM	60	30	Generic	\$168.60	\$106.57	\$62.03	58%
MELOXICAM	60	30	Generic	\$168.60	\$106.57	\$62.03	58%
DULOXETINE HCL	30	30	Generic	\$199.30	\$126.43	\$72.87	58%
DULOXETINE HCL	30	30	Generic	\$199.30	\$126.43	\$72.87	58%
DULOXETINE HCL	30	30	Generic	\$207.22	\$131.55	\$75.67	58%
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CYCLOBENZAPRINE HCL	90	30	Generic	\$463.71	\$297.52	\$166.20	56%
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CYCLOBENZAPRINE HCL	90	30	Generic	\$463.71	\$297.52	\$166.20	56%
LIDOCAINE	30	30	Generic	\$269.03	\$171.55	\$97.48	57%
LIDOPRO	121	30	Generic	\$468.68	\$429.67	\$39.01	9%
ONDANSETRON HCL	60	30	Generic	\$2,062.30	\$1,331.90	\$730.40	55%
TOPIRAMATE	540	90	Generic	\$3,009.57	\$1,944.83	\$1,064.74	55%
TRAMADOL HCL	60	30	Generic	\$49.20	\$29.49	\$19.71	67%
MELOXICAM	60	30	Generic	\$190.20	\$106.56	\$83.64	78%
MELOXICAM	60	30	Generic	\$168.60	\$106.57	\$62.03	58%
GABAPENTIN	90	30	Generic	\$200.70	\$85.46	\$115.24	135%

This public self-insurer saw cost differences ranging from a \$19.71 increase from the retail price for TRAMADOL HCL to a \$1,064.74 increase from the retail price to TOPIRAMATE. From a percentage increase perspective, this insurer saw increased costs for physician dispensed medications ranging from 9% to 228%. In no instance did this insurer see a cost savings related to physician dispensed medications. On average, this Arizona public self-insurer saw a 67% increase in costs related to physician dispensed medications compared to retail costs. These instances of physician dispensed medication increased costs for this public sector self-insurer by \$5,355.89. These increased costs reflect the prescribing habits of only three worker's compensation physicians.

While Arizona's instances of physician dispensing are relatively limited today, 22 other states that have addressed physician dispensing saw the practice grow to the point of having major budgetary impacts. In Illinois and Florida, more than 60% of the worker's compensation prescriptions were physician dispensed¹. Drugs dispensed by physicians are typically between 60 and 300% more expensive than those dispensed at a

¹ Worker's Compensation Research Institute, Claim Comparison from 2007-2008, to 2010-2011

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retail pharmacy.² With prescriptions also growing to be the largest cost for insurers, the need to control costs is critical especially for tax payer funded organizations.

I want to thank the Industrial Commission of Arizona for responding to SB 1111 with careful consideration for the costs and patient outcomes related to physician dispensing. The Arizona Self Insurers Association and its Board believe this is a critical issue that if not addressed could have a significant fiscal impact on public and private sector self-insurers and taxpayers without a corresponding improvement to patient outcomes.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell D. Smoldon", with a long horizontal flourish extending to the right.

Russell D. Smoldon
CEO, B3 Strategies
Designated Lobbyist, Arizona-Self Insurers Association

² Worker's Compensation Research Institute, Claim Comparison from 2007-2008, to 2010-2011

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