American Property Casualty Insurance Association℠
INSURING AMERICA apci.org

June 28, 2019

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

Re: Comments on Staff Proposal for 2019/2020 Arizona Physicians and Pharmaceutical Fee Schedule

Dear Members of the Industrial Commission of Arizona:

The American Property Casualty Insurance Association ("APCIA") appreciates the opportunity to provide comments on the Staff Proposal of 2019/2020 Arizona Physicians Pharmaceutical Fee Schedule ("Proposal"). APCIA represents nearly 60 percent of the U.S. property casualty insurance market and nearly 70 percent of the workers' compensation insurance market, including the broadest cross-section of home, auto, and business insurers of any national trade association. We thank the Commission for the work on the Proposal and urge adoption.

The Proposal achieves the Arizona Legislature's goal to curb the demonstrable cost-abuse of physician-dispensed medication, a practice that has mushroomed in recent years, enriching a relatively small number of physicians, adding millions of dollars to Arizona's workers' compensation system, and providing no corresponding benefit to injured workers.

The business model of the repackaging/physician-dispensing industry changed in response to the reform legislation and regulations across the country, including Arizona. Physicians are now dispensing new drug strengths of common drugs supplied by the repackaging industry, which are assigned a much higher average wholesale price ("AWP") by the original manufacturer than the more common dosages for those drug products.

Examples of these physician-dispensed drug products that have new dosage strengths or formulation include:

- 7.5-milligram cyclobenzaprine HCL (muscle relaxant)
- 150-milligram tramadol HCL extended release (opioid pain reliever)

- 2.5-325-milligram hydrocodone-acetaminophen (opioid pain reliever)
- Lidocaine-menthol patches (topical pain relief patches)

According to Workers Compensation Research Institute (WCRI) studies, cyclobenzaprine HCL is a commonly prescribed muscle relaxant. Historically, this drug has been prescribed in 5- and 10-milligram strengths. These common strengths are typically reimbursed at $0.35 to $0.70 per pill. However, the new 7.5-milligram dosage is assigned a much higher AWP by the manufacturer of this new drug product, which results in a dramatic increase in reimbursement rates to $2.90 to $3.45 per pill. The data on the other listed physician-dispensed drug products show a similar pattern of pricing escalation.

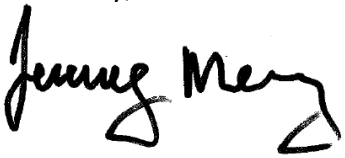
The problems encountered by workers' compensation systems with physician-dispensed drugs are not found in the private health insurance market or public assistance programs, which generally do not reimburse for physician-dispensed drugs. By allowing the reimbursement, Arizona's workers' compensation system creates a conflict of interest, whereby physicians can profit by prescribing more medications, in unusual dosages with no increased efficacy for longer durations.

More troubling than the unnecessary system costs created by physician dispensing is the injured worker outcomes. Studies by the Journal of Occupational and Environmental Medicine and the California Workers' Compensation Institute both reveal that physician dispensing leads to delayed return-to-work. Additionally, physician dispensing creates patient safety concerns. Physicians treating workers' compensation patients typically never have seen the person before; they do not know what other medications the patient is on, and have no way to ensure the drugs they are dispensing don't conflict with other medications. This can lead to dangerous drug interactions.

The Proposal addresses these issues with a balanced approach that places appropriate limits on the practice of physician dispensing. It allows injured workers to receive medications from physicians during their initial treatment, providing time to coordinate future prescriptions with a local or online pharmacy. The Proposal also allows physician dispensing for injured workers who live in areas with limited access to pharmacies and it permits physician dispensing in hospital settings. Finally, the Proposal creates reasonable rules around reimbursement for compound and repackaged medications – still allowing physicians to prescribe while reducing financial incentives.

We again thank the Commission for the opportunity to provide comments on the Proposal. The Proposal, if implemented, will benefit both workers and employers in Arizona workers' compensation system. We respectfully urge the Commission to adopt the Proposal.

Sincerely,



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