



July 26, 2021

Commissioner Dale L. Schultz
Industrial Commission of Arizona
800 W. Washington Street
Phoenix, AZ 85007

Re: Comments for Public Hearing (7/29/21) on Proposed Changes
to A.R.S. § 23-908(B) – Pharmacy Fee Schedule

Dear Commissioner Schultz:

Please consider our thoughtful response to the staff's proposed pharmacy fee schedule in advance of the hearing on July 29, 2021. First and foremost, thank you for your continued dedication to listening and addressing stakeholder concerns in advance of finalizing the pharmacy fee schedule.

As we mentioned in prior meetings with you, Injured Workers Pharmacy (IWP) is a national home delivery pharmacy specializing in workers' compensation. We believe the proposed fee schedule change from AWP to NADAC cuts so deep that it will negatively impact injured workers' access to quality prescription care and limit patient choice of pharmacy.

The proposed shift from AWP to NADAC is concerning and actually quite rare in workers' compensation systems nationwide. Use of NADAC, for most pharmacies, does not offset acquisition costs, thus forfeiting possible business investment in Arizona. The NADAC model is problematic as it relies on voluntary information from provider surveys that can be inconsistent or unreliable. AWP is known and familiar to state stakeholders operating within the workers' compensation system. Moreover, many National Drug Codes (NDCs) continue to remain unavailable for NADAC pricing. Finally, NADAC does not consider the administrative burden inherent in workers' compensation that pharmacies, like IWP, are forced to navigate for each patient. Implementing the proposed fee schedule, would, in many cases, force many pharmacies to operate at less than cost.



The chart below depicts the drastic financial impact of the proposed pharmacy schedule specific to IWP, if adopted.

CHART

Product	Schedule	Strength	QTY/Rx (a)	NADAC (per Rx)	Proposed Fee Schedule	Product Cost (b)	Gross Profit	Cost to fill (c)
pregabalin (generic Lyrica)	C5	75MG	30	\$ 3	\$ 15	\$ 2	\$ 13	\$6.94 - \$18.74
Oxycontin ER	C2	20mg	30	\$ 238	\$ 254	\$ 248	\$ 6	\$6.94 - \$18.74
gabapenten	na	300mg	30	\$ 1	\$ 13	\$ 4	\$ 9	\$6.94 - \$18.74
oxycondone HCL-acetaminophen	C2	10-325	30	\$ 5	\$ 18	\$ 4	\$ 14	\$6.94 - \$18.74
lidocaine	na	5% patch	30	\$ 61	\$ 87	\$ 65	\$ 22	\$6.94 - \$18.74
oxycodone HCL	C2	10mg	30	\$ 4	\$ 16	\$ 4	\$ 12	\$6.94 - \$18.74
meloxicam	na	15mg	30	\$ 1	\$ 12	\$ 2	\$ 10	\$6.94 - \$18.74
duloxetine HCL	na	60mg	30	\$ 4	\$ 16	\$ 9	\$ 7	\$6.94 - \$18.74
tramadol HCL	C4	50mg	30	\$ 1	\$ 12	\$ 1	\$ 11	\$6.94 - \$18.74

(a) for illustrative purposes only.
 (b) WAC (typically used by wholesalers)
 (c) <https://www.nacds.org/pdfs/pharmacy/2020/NACDS-NASP-NCPA-COD-Report-01-31-2020-Final.pdf>
 AZ cost to fill range from 5th to 95th percentile, includes salaries, payroll taxes, benefits, rent and related facilities costs, insurance, insurance, billing and collection costs, professional fees including licenses.

AWP is a reference point, published by recognized national sources, like MediSpan or Redbook, where payors benchmark the rates for reimbursement. It does not reflect the actual cost paid by any prescription provider. The method is used in 49 states, covers acquisition costs, promotes business interest, and is an industry standard that is common and easy to utilize as well as understand. Many states using flat AWP or AWP plus fee schedules enjoy reduced premiums and declining costs. AWP continues to be the nationally recognized standard until another standard is proven effective and reliable.

IWP has proudly serviced thousands of injured workers in Arizona, and our parent company physically invested in the state purchasing a sister pharmacy in 2021 in Phoenix. While IWP is committed to remaining in the state and continuing to service our patients, the current proposal would reduce the patient’s ability to choose their pharmacy by pressing other workers’ compensation specialty pharmacies or even some independent pharmacies that service workers’ compensation claims to reassess whether they are able to afford and continue fulfilling medications for injured workers. With reduced pharmacy options, injured workers may experience delays, leading to a lack of medication adherence and ultimately an extension of their recovery time and return to work.

The current proposal is based on [NCCI data](#) published in 2019 and collected in 2017; it ignores significant regulations implemented during the intervening time period. The ODG formulary



adopted in October 2016 is only specific to opioids and chronic pain and had only a brief timeframe to have an impact on costs prior to the data collection for the NCCI report. The treatment guidelines were also formally adopted in October of 2018, after formal data collection. NCCI's most recent data discounts 2019 physician dispensing regulations as well that placed strict measures on the practice. While Arizona [leads in affordability](#), it also records just a one percent difference from the national average in drug costs. Overall, the study has significant setbacks as only 38 states are included in the report, and states such as CA, MA, NY, PA, TX, and WA are excluded from the report's data averages. The states visibly missing from the data also represent some of the most populous states in the nation.

The ICA must consider the administrative burden that dedicated specialty pharmacies such as IWP take on before considering drastic reimbursement cuts with a switch in model pricing. Arizona should aspire to create a competitive workers' compensation system, but not at the expense of injured worker access to needed pharmacy services necessary to their full recovery. The focus of all changes should be to treat injured workers quickly with high quality care to get them back to work.

The current proposal would cripple the access and quality of care for injured workers across Arizona and would be one of the lowest reimbursement rates in the country. Without pharmacies such as IWP, too many injured workers would be left behind as coverage information may not be available at the first fill with a retail pharmacy, and the validity of the claim may be in question for several refills. The result of the current proposal is that many injured workers will not receive adequate prescription coverage, which translates to a decline in return-to-work outcomes and, quite possibly ever-increasing medical interventions, driving up the total cost. The state fee schedule should act as a safeguard for injured workers; granting pharmacies the ability to greatly diminish the uncertainty in obtaining quality prescription care. We strongly urge you to reject this proposal and look to other neighboring states as well as states within the region for examples to ensure injured workers continue to receive specialized pharmacy care throughout the duration of their claim.

If you have questions or comments, please feel free to reach out to me directly at (978) 809-2148 or jkresac@iwpharmacy.com.

Thank you for your consideration.

A handwritten signature in cursive script that reads 'Jayne Kresac'.

Sincerely, Jayne Kresac, Esq.
VP of Legal, Government Affairs, and Communications, Injured Workers Pharmacy