August 24, 2018

Jacqueline Kurth, Manager
Medical Resource Office
800 W Washington St.
Phoenix, AZ 85007

Dear Mrs. Kurth:

Please accept this letter as ServRx's written comments regarding the Industrial Commission's public hearing pursuant to AZ SB1111. As an Arizona-based national provider of billing and workflow management solutions for workers' compensation pharmacy claims, ServRx has a unique perspective on the issues being considered by the Industrial Commission.

We would like to use this opportunity to both refute some of the most glaring inconsistencies with the PCG report and other oral comments presented at the public hearing on August 23rd, and to offer our suggestions for the record. ServRx would like Arizona to continue to have a healthy workers' compensation system that meets the needs of all stakeholders and does not compromise patient satisfaction, safety, or clinical outcomes to create winners and losers among special interests. We are confident that if the Commission takes a thoughtful and independent approach to the facts at hand, the biggest winner will be Arizona workers.

PCG Physician Dispensing in Workers' Compensation White Paper:

As a stakeholder in the workers' compensation pharmacy business for many years, ServRx is well aware of the data sources used to draw certain conclusions in the PCG paper. Generally, ServRx is concerned that this paper and the presentation of its content at the public hearing represent a skewed point of view that draws faulty conclusions about the present state of Arizona's physician dispensing business using irrelevant data from a completely different time and place.

Physician dispensing has become a major contributor to increasing prescription drug costs, often accounting for over 60-300% of the increase in prices paid for commonly prescribed medications compared to retail pharmacies in Workers' Compensation. -PCG

The data used to draw this conclusion comes from a 2012 WCRI study using 2010/2011 data on five drugs. In reference to the 60-300% increase observed in hydrocodone-

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acetaminophen, that same 2012 WCRI study states that "The higher and steadily growing prices for physician-dispensed prescriptions were mainly because of physician dispensing of repackaged drugs." Arizona's Industrial Commission took the step of limiting reimbursements of all drugs to the original underlying manufacturer's AWP, rendering PCG's 60-300% increase claim false and misleading.

For that same drug hydrocodone-acetaminophen, ServRx has billed an identical average of $0.60 per pill for *both* physician-dispensed prescriptions *and* pharmacy-dispensed prescriptions in Arizona. When we analyzed ServRx's billed charges per pill for all medications across nearly 7.5 million pills billed for Arizona injured workers since 2012, the variance between physician-dispensed charges and those dispensed in the pharmacy was practically zero. In fact, we found that the billed charges per pill in Arizona were *slightly lower* (less than 1%) for physician-dispensed versus pharmacy-dispensed prescriptions. This proves that Arizona's 2009 fee schedule change eliminating the use of repacked AWP's works. We theorize that the slightly lower cost per pill observed in our vast dataset is due to lower brand drug utilization in physician dispense, particularly among expensive narcotic preparations such as Oxycontin.

In 13 of the 20 states studied, a minimum of 1 in 6 prescriptions was dispensed at a physician's office. -PCG

The PCG presentation at the August 23rd public hearing emphasized the seemingly disproportionate volume of workers' compensation claims that run through physician dispensing sites versus retail pharmacies. The aggregation of injured workers at specialists who focus their practices on the treatment of injured workers should come as no surprise. In fact, ServRx' data reflects the same trend nationally. For example, for a 50-location Arizona-based supermarket/drug store chain client of ServRx, we process fewer than two injured worker claim per month per location. Some dispensing physicians have workers' compensation-focused specialty practices and see 75-110 injured workers per week.

The concentration of injured workers at these medication-dispensing practices solely drives the claim of 1 in 6 prescriptions filled at a physician's office. Furthermore, the concentration provides empirical evidence that many patients prefer getting their medications at the physician's office. No one forces an injured worker to choose to visit a physician who specializes in their care and provides the added service of in-office dispensing, but the free market speaks loudly and clearly in Arizona that patients enjoy the benefits of this option.

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Physician dispensing prohibits rigorous public health surveillance and monitoring of medication usage as well as drug-drug interactions due to the fact that data within each individual physician offices are often kept in their respective silos. -PCG

Like many of the other claims in the PCG report, this conclusion is dated and based on faulty information. However, unlike other misleading claims in the PCG report, this indictment on physician dispensing is not even cited to a primary source, and appears to reflect only the author's uninformed opinion. A.R.S Section 36-2608 of 2016 requires by law that physicians dispensing controlled substances in Arizona are subject to the mandatory reporting requirements of the Arizona PDMP. Currently, any controlled medication (Schedule II-V) that is dispensed by a physician must be reported to Appriss (the State-approved PDMP data collection agency) within 24 hours.

All of ServRx's Arizona physician-dispensing clients dispense from the same software platform using a company called MDScripts, which is the leading dispensing software platform in the US. Gary Mounce, CEO of MDScripts, confirms that "The MDScripts software application will not permit a physician to dispense a controlled substance unless every single required data element is present at the time of the transaction. These data fields include the provider, patient, pharmacy (location), and medication reporting segments. Compliance is mandatory---and the transaction is blocked until all of the necessary reporting requirements are in place." MDScripts submits over 90,000 controlled substance dispense reports per year in Arizona, with zero open errors reported back from Appriss.

In addition to the reporting requirements mandated by A.R.S Section 36-2608, in October 2017 Arizona began requiring physicians that prescribe or dispense controlled substances to check a patient's controlled prescription history by logging into the Arizona PMP database or through an EMR linked to Appriss' PMPGateway. MDScripts has an electronic connection to Appriss, and automatically retrieves a patient's controlled substance prescription history for the provider to review before a dispense is processed. Furthermore, ServRx data shows significantly less controlled substance utilization among physician-dispensed claims than pharmacy-dispensed claims.

ServRx's opinion of the PCG report is that the report presents faulty and misleading conclusions based upon a mix of old and irrelevant data, and unfounded opinions of the authors. A fact-based examination of the current workers' compensation landscape in Arizona would draw starkly different conclusions than those presented in the PCG report. At the August 23rd hearing, some comments by presenters reflected the PCG report, and

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other presenters clearly portrayed a negative view of physician dispensing driven by the desires of their special interests, particularly PBMs.

A representative of Copperpoint declared that physician dispensing is actually not more convenient for injured workers than receiving medications at the doctor's office, citing that most injured workers have "50 pharmacies" nearby and that mail order pharmacies are easier. Notwithstanding the business case that it is better for Arizona that dollars are spent at Arizona small businesses compared to out of state mail order pharmacies or national chain retail pharmacies, injured workers have the freedom and right to choose where they want to fill their prescriptions. Some patients prefer the retail pharmacy for certain reasons, others choose mail order, and a significant portion have decided that they want to fill their prescriptions at the doctor's office. Removing this option from the marketplace means diminishing the quality of care that these patients choose.

A representative from Corvel, a national workers' compensation PBM, spoke about physician dispensing circumventing the point of sale benefits that a PBM provides such as applying formulary denials and PMP reporting. This letter addresses the fallacy of physician dispensing bypassing PMP programs, both because of Arizona laws and excellent technology which, from ServRx's perspective, is ubiquitous among physician dispensing and retail pharmacy. Physician dispensing is also not immune to the same types of economic incentives that PBMs use in the form of point of care formulary denials. If a payor denies payment of a certain drug for any reason, like any other pharmacy a physician becomes less likely to dispense that same drug in the future. However, sometimes a payment denial or a PBM point of care denial comes despite the physician's opinion that the prescribed drug, denied for payment or not, is what's best for the patient. A physician is much more likely than a retail pharmacy to take the financial risk of dispensing the chosen therapy, as supported both anecdotally from the doctors themselves, and by ServRx's comparative collection rate data between out of network retail and physician dispense claims.

In conclusion, it is ServRx's opinion as a unique stakeholder in the discussion of physician dispensing in Arizona, that physician dispensing is and should continue to be an important option for injured workers in our state. Through the PCG report and presentations from special interests opposed to physician dispensing, the commission has been presented with outdated, irrelevant and misleading comments about this piece of the workers' compensation market. The most significant opponent to physician dispensing in Arizona is PBMs.

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PBMs have historically opposed physician dispensing because these entities traditionally do not sign PBM network contracts, so PBMs cannot capitalize on this group. If PBMs desire physician dispensing to be in their networks, they should innovate to design a compelling offering for these potential customers. Until then, the free market in Arizona continues to allow physician small business owners to offer an attractive service for injured workers.

Physicians are open to commonsense regulations, but the Arizona Industrial Commission has done an excellent job so far in regulating the industry independently and without succumbing to pressure from PBMs and special interests. For example, Arizona has a conservative pharmacy fee schedule at 85% of AWP for generic medications plus a $7 dispensing fee. Arizona has adopted the Official Disability Guidelines and is considering employing those guidelines even further for formulary controls. Arizona was one of the first states to mandate billing at the original manufacturer's underlying AWP for drugs, eliminating a major loophole that primarily drove cost in physician dispense. And finally, Arizona had mandatory controlled substance reporting and PMP checking laws on the books for physician dispensing even before the Governor's recent opioid epidemic push. ServRx would like the Industrial Commission to continue to maintain an equitable business climate for all stakeholders, and not to make recommendations that would legislate winners and losers in our state.

Sincerely,

ServRx, Inc.

Todd Delano, Chief Executive Officer

Craig Brown, Chief Operating Officer

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