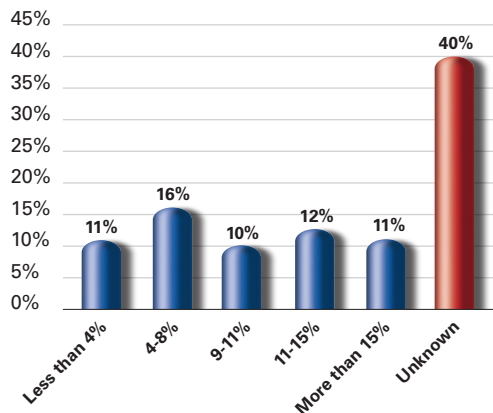


The development of new and expensive drugs combined with an increased demand for drug treatments continue to drive up prescription costs every year. Not only have pharmacy costs grown faster than any other medical expense, factors such as increased utilization and physician prescribing patterns contribute to these rising costs. As part of an ongoing effort to understand the issues affecting pharmacy programs, CorVel surveyed claims professionals about their prescription management programs and the following is a summary of the findings.

## Pharmacy Costs

The survey began by asking the respondents for the estimated percentage of pharmacy costs as compared to the total workers' compensation medical spend. The responses were fairly evenly distributed between the percentage groups. However, 40% indicated that they did not know their pharmacy cost. This creates an obvious challenge for the respondents because they do not have all of the cost data to review the effectiveness of their pharmacy program.

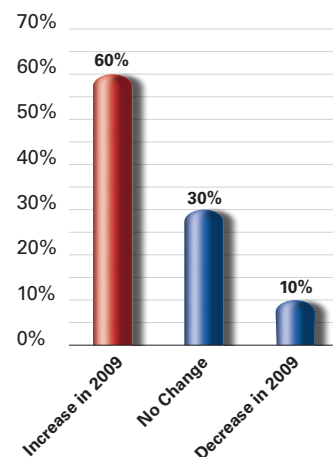
**Pharmacy Costs as a Percentage of Total Medical**



## Prescription Program Cost Changes

The next question asked was if overall pharmacy costs were expected to change in 2009. Of the respondents, 60% said they expect an increase and only 10% indicated they expected a decrease. Written comments about cost contributors included: "Injured workers are requesting specific medications," and "There is a general over-use of medications."

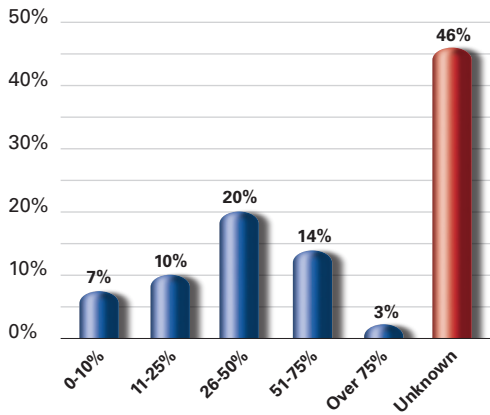
**Prescription Cost Changes in 2009**



## Generic Medications

To get a better understanding of generic usage, respondents were asked for the estimated percentage of generic prescriptions. Again, the responses were fairly evenly distributed between the percentage groups. However, 46% did not know their generic ratio. This raises obvious issues with the respondents because they do not have the data to review cost improvements for brand to generic ratios.

**Percentage of Generic Medication Usage**



## Annual Prescription Drug Costs

To gain insight into the causes of high prescription management costs, the respondents were asked to select from a list of cost contributing factors. An overwhelming 63% said their costs were due to doctors not prescribing generic equivalents, followed by 46% indicating that injured workers are seeing multiple providers resulting in multiple scripts. The following is a summary of all responses.

### Cost Contributor

Doctors not prescribing generic equivalents	63%
Injured workers seeing multiple doctors	46%
Increase in severity of injury	32%
Prescribing of medications that are not injury-related	25%
Prescribing of contradictory or duplicate medications	22%

## Cost Saving Measures

Next the respondents were asked to indicate which cost measures they have considered and/or implemented during the past year. While there are positive results with many implementing cost savings programs, there are several areas of opportunity that include increasing employee education and outsourcing to a Pharmacy Benefits Manager (PBM). The following is a summary of all responses.

Cost Saving Measure	Considered	Implemented
Medication review program	41%	58%
First fill program	38%	61%
Temporary ID cards	30%	68%
Review claims that meet dollar threshold	40%	60%
Review doctors with script threshold	72%	28%
Closer monitoring of utilization patterns	38%	62%
Development of formularies	54%	46%
Improvement of employee education	50%	50%
Outsourcing to PBM	34%	66%

## Pharmacy Benefits Management (PBM)

The following results are from the 54% that currently outsource to a PBM. The first set of responses is the rating of key features in their current PBM and the second is a list of the areas of improvement or "missing features" from the respondents' current PBM.

While 44% of the respondents are generally satisfied, the results show there are several areas for improvement. These include improvement of brand to generic ratios and more aggressive utilization management.

### Key Features of Current PBM

Prescription discounts	80%
Wide selection of pharmacy providers	80%
Claimant ID cards	68%
Mail order services	57%
Utilization review program	52%
First fill program	52%

### Improvement Needed from Current PBM

Brand to generic improvement ratios	47%
Aggressive utilization management	40%
Not satisfied with savings	32%
Formulary management options	25%
Mail order services	21%
Not satisfied with rates	14%
First fill program	11%
Larger selection of pharmacies	7%

## Conclusion

Over the past several years, there has been an increased focus on the management of prescriptions as pharmacy costs now account for approximately 14.2% (Source: NCCI) of total workers' compensation medical costs. The primary cost drivers continue to be pricing (the impact of Average Wholesale Pricing), utilization and drug usage trends. Effective internal cost saving measures and use of PBM partnerships can help mitigate rising costs through optimization of network penetration, increased generic utilization and improved mail order pharmacy use.

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