Physician dispensing in workers' compensation and private-label topical medications

Provided to the Division of Workers' Compensation November 2022

Optum

Overview

The practice of physician dispensing of medications across healthcare markets is often seen as a way to quickly provide patients with necessary medication therapy. While its use is limited in commercial and governmental markets, the practice of physician dispensing is more widespread in the workers' compensation marketplace.

Florida stakeholders recognize there are certain situations where the practice of physician dispensing or utilization of certain medications to treat a work-related injury are necessary. However, when treatment methodologies become a financial consideration, reform efforts become obligatory.

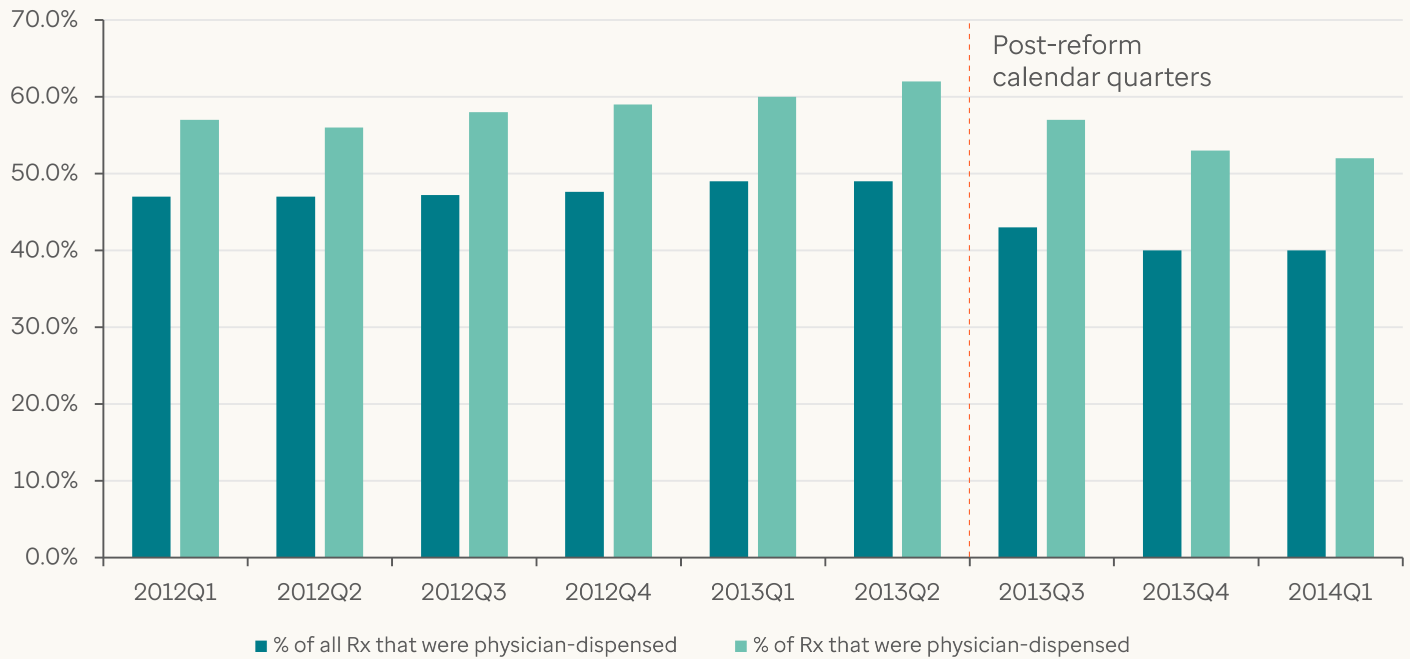
Optum Workers' Compensation and Auto No-Fault (Optum) provides the following information for consideration by the Division. Optum addresses the current state of physician dispensing and utilization of private-label topical medication in Florida's workers' compensation system by highlighting the following issues and offering support for balanced reforms.

History and cost drivers

The main cost driver to the workers' compensation system, employers and even the state budget **is not the *practice*** of physician dispensing. The main cost driver **is the *price*** of the dispensed medications. This includes high-cost repackaged boutique NDCs, prepackaged compounds and now private-label topical medications. Various Workers' Compensation Research Institute (WCRI) studies dating back to 2013 continue to reaffirm this position.

2016: WCRI study, "Early Impact of Florida Reforms on Physician Dispensing" published in 2016 (after legislative reforms in 2013) indicated the percentage of physician dispensed medications remained stable post reform, while overall cost of physician dispensed medications dropped by 10%.

Prevalence of Physician-Dispensed Prescriptions before and after Florida's reform[a]



Notes: The underlying data include all prescriptions filled from January 1, 2012, to March 31, 2014, for all medical claims that had injuries occurring within two years prior to a given quarter. 2014Q1 refers to the first quarter of 2014; similar notation is used for other calendar quarters.

[a] Effective July 1, 2013, Florida changed the reimbursement rules to cap the maximum reimbursement amount for physician-dispensed drugs to 112.5 percent of the AWP of the original drug used in the repackaging process. Calendar quarter 2013Q3 is the first full post-reform quarter for Florida. Calendar quarter 2014Q1 is the latest quarter of the study period.

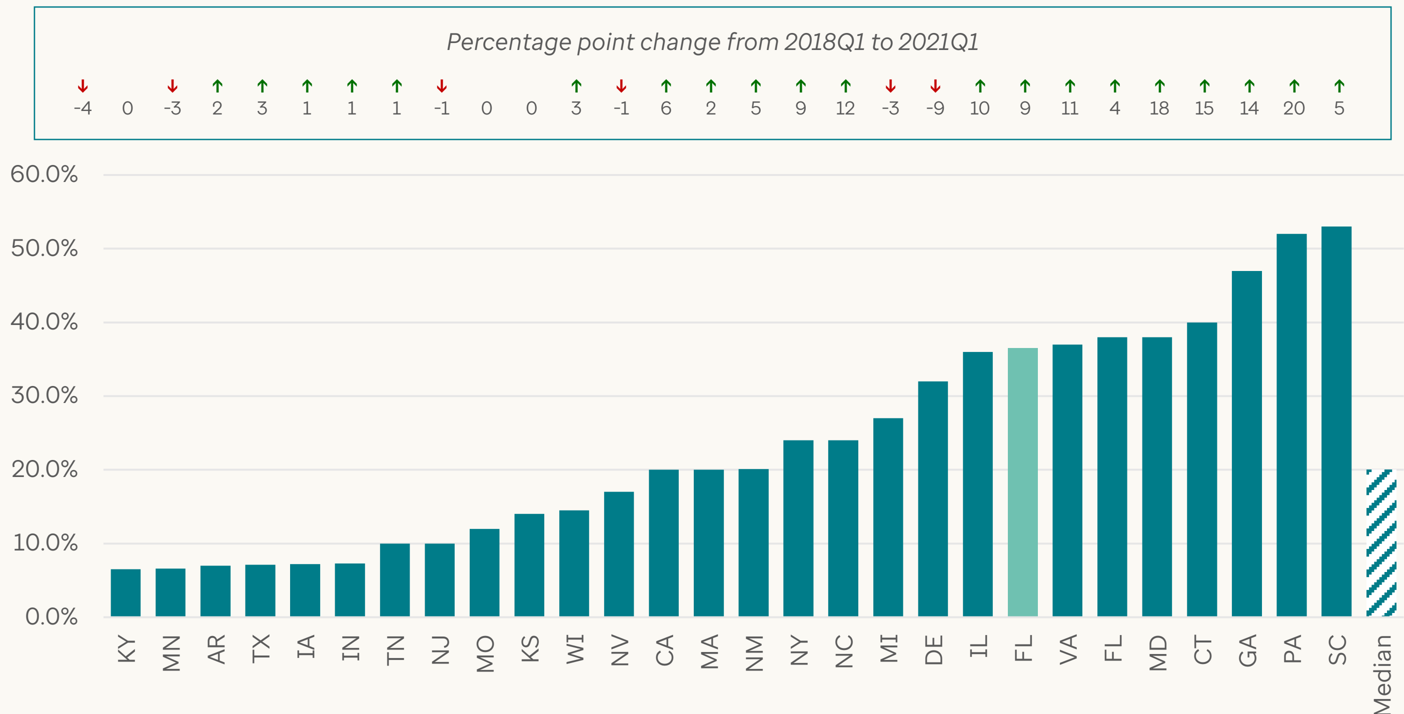
Key: AWP - average wholesale price; Rx - prescriptions

2020: A focus on controlling compounded medications by the division made an impact. The "Division of Workers' Compensation, 2019 Results & Accomplishments Report" showcases a decrease in cost and utilization of compounded medications, thanks to regulatory changes enacted.

However, while compounded medications decreased in the same time period, topical medications increased and sparked additional concerns about their use and cost.

2022: WCRI study, "Interstate Variation and Trends in Workers' Compensation Drug Payments: 2018Q1 to 2021Q1" published in 2022 indicated Florida remains among the highest states for payments for dermatological agents experiencing a payment share increase for these drugs of at least 10% between 2018 and 2021, and overall prescription payment(s) per medical claim increased in Florida by 17%.

Cost share of prescription payments for dermatological agents, 2018Q1 vs. 2021Q1



Notes: The underlying data includes all prescriptions filled in service quarters 2018Q1 and 2021Q1 for non-COVID-19 medical claims with injuries occurring within three years prior to the prescription fill date. Prescriptions are those prescriptions, over-the-counter, and compound drugs that were dispensed at physicians' offices or pharmacies and paid under workers' compensation.

Safety concerns

We recognize there are certain treatment situations where in-office dispensing can be a valuable tool for both physician and patient. However, in the commercial and government markets, these situations are limited while they appear more frequent in the workers' compensation marketplace.

Advocates for physician dispensing of private-label topicals argue that these medications are replacing utilization of dangerous opioid therapies. Opposing this theory, Optum argues utilization of dangerous opioids should never be prescribed to treat the same type of pain for which private-label topicals are designed.

The lack of clinical oversight by a pharmacist on out-of-network physician-dispensed medications is concerning. Physician dispensing presents an increased risk of dangerous drug interactions through potential duplication of therapy. As an example, overutilization of private-label topicals to treat pain and oral utilization of other NSAIDs such as Celebrex and Meloxicam carries cardiac and gastric bleeding concerns. Additionally, these treatments are provided outside the PBM network, meaning claims adjusters have zero visibility on these treatments until a bill arrives from the physician thirty to forty-five days later.

Finally, many of these private-label topical medications contain high concentrations of active ingredients such as menthol, methyl salicylate and capsaicin. These ingredients pose a serious skin irritation or skin burn concern for an injured worker, and these medications can also be passed on to other individuals simply by skin-to-skin contact.

Utilization and cost on the rise

As a pharmacy services provider with a large book of Florida claims, Optum is in a unique position to examine physician dispensing in the state. Reviewing our data, we were able to discern and identify interesting trends in the practice of physician dispensing. Similar to previous data shared with the Division, some of the highest utilized and highest cost medications have changed, but utilization of high-priced unique/boutique medications continues to increase.

When viewing medication utilization in the period from 2018 to 2021, it is easy to identify several trends. First, several of the most frequently physician dispensed medications are the same medications previously identified in our 2020 report. Of those, certain medications have experienced massive increase in utilization, while others previously on the top of the list have experienced a decrease.

Top dermatological pre-manufactured topical medications by utilization (Optum book of business)

Medication	Therapeutic use	2018	2019	2020	2021	Transaction variance 2018-2021
Diclofenac	Pain	232	399	701	1,309	464.2%
Lidoderm Dis	Pain	350	439	480	817	133.4%
Lidocaine Oin	Pain/Local Anesthesia	193	301	322	444	130.1%
Terocin Dis	Pain	164	180	220	368	124.4%
Solaraze Gel	Skin Condition	43	115	219	270	527.9%
Voltaren Gel	Pain	63	134	156	165	161.9%
Lenzagel Gel	Pain	6	5	21	74	1,133.3%
Dendracin Lot	Pain	79	65	33	22	-72.2%
Lidopro Pad	Pain	30	49	23	16	-46.7%
Lidorx Gel	Pain/Local Anesthesia	14	45	37	7	-50.0%

Utilization of Diclofenac increased 464%

Utilization of Lidorex Gel — which became over-the-counter in 2018 — decreased 50%

Turning our attention to the cost of physician-dispensed medications in the same time period, there are similar trends across the same named medications. It is almost impossible to ignore the total expenditures and increase in spend year over year on just a few of the high-cost, private-label topicals. Specifically, medications such as Diclofenac, Terocin Patches, Lenzagel Gel, and Solaraze Gel, which labeled usage is for treatment of Actinic Keratosis, a pre-courser of skin cancer related to extensive UV exposure.

Frequently dispensed PLTs and therapeutic alternatives (Optum book of business)

	Therapeutic use	Lower-cost alternative medication/topical
Diclofenac	Pain	Voltaren Gel (OTC)
Lidoderm Patch	Pain	Lidocaine 4% Patch (OTC)
Lidocaine Ointment	Pain/Local Anesthesia	Lidocaine 4% Cream (OTC) + Bengay
Solaraze Gel	Actinic Keratosis (skin condition)	Voltaren Gel (OTC) if used for pain
Terocin Patch	Pain	RA Hot & Cold Lidocaine Patch (OTC)
Lidopro Ointment	Pain	Lidocaine 4% Cream (OTC) +Bengay
Lenzagel Gel	Pain	Lidocaine 4% Cream (OTC) and Bengay

Top dermatological pre-manufactured topical medications by cost (Optum book of business)

Medication	Therapeutic use	Example of lower-cost alternative	2018	2019	2020	2021	2018-2021 variance	Approx. single treatment cost	Approx. total spend	Spend difference
Diclofenac	Pain	Voltaren Gel	$336,587	$679,066	$1,122,099	$2,179,472	547.5%	$63	$82,467	-$2,097,005
Terocin Dis	Pain	RA Hot & Cold Lidocaine Patch (OTC)	$254,100	$261,423	$334,262	$513,867	102.2%	$31	$11,408	-$502,459
Solaraze Gel	Skin Condition	Voltaren Gel, if used for pain	$87,572	$193,963	$423,547	$462,301	427.9%	$63	$17,010	-$445,291
Lidoderm Dis	Pain	Lidocaine 4% Patch (OTC)	$156,462	$196,431	$203,322	$350,944	124.3%	$56	$45,752	-$305,192
Lidocaine Oin	Pain/Local Anesthesia	Lidocaine 4% Cream (OTC) + Bengay	$155,983	$269,944	$320,396	$393,069	152.0%	$26	$11,544	-$381,525
Lidopro Oin	Pain	Lidocaine 4% Cream (OTC) + Bengay	$127,516	$90,008	$25,231	$50,479	-60.4%	$26	$1,482	-$48,997
Lenzagel Gel	Pain	Lidocaine 4% Cream (OTC) + Bengay	$4,954	$2,341	$21,957	$68,859	1,290.1%	$26	$1,924	-$66,935
Dendracin Lot	Pain	Bengay	$62,046	$44,030	$21,705	$14,268	-77.0%	$12	$264	-$14,004
Lidorx Gel	Pain	Lidocaine 4% Patch (OTC)	$4,686	$16,291	$11,265	$1,813	-61.3%	$14	$98	-$1,715
Lidopro Pad	Pain	RA Hot & Cold Lidocaine Patch (OTC)	$38,288	$75,666	$37,212	$18,414	-51.9%	$31	$496	-$17,918

Utilization of Soaraze Gel increased 427%

Utilization of Lidorex Gel — which became over-the-counter in 2018 — decreased by 61%

Optum has additional data points which we can share with the Division to support our position that the ongoing cost driver in Florida is not the practice of dispensing, but the dispensing of private-label topicals. To highlight this fact, we indicate how nearly all of the most frequent physician dispensed medications (PLTs) have a lower-cost, therapeutically-acceptable medication alternative, some of which are over-the-counter medications.

Frequently dispensed PLTs and their lower-cost alternatives (Optum book of business)

	Lower-cost alternative medication/topical	2021 Approximate cost for the lower-cost alternative treatment
Diclofenac	Voltaren Gel (OTC)	$63
Lidoderm Patch	Lidocaine 4% Patch (OTC)	$31
Lidocaine Ointment	Lidocaine 4% Cream (OTC) + Bengay	$63
Solaraze Gel	Voltaren Gel (OTC) if used for pain	$56
Terocin Patch	RA Hot & Cold Lidocaine Patch (OTC)	$26
Lidopro Ointment	Lidocaine 4% Cream (OTC) + Bengay	$26
Lenzagel Gel	Lidocaine 4% Cream (OTC) + Bengay	$26

WCRI data, as well as the Optum data, identifies the cost impact to medical spend — specifically pharmacy — in Florida's workers' compensation marketplace, carriers and employers can add additional insight into the total cost impact on other aspects of claims. We hope the Division and payer stakeholders closely examine the entire claim cost picture when moving forward with reforms. In short, while the practice of physician dispensing has a proper place in certain situations, over-utilization of this practice coupled with utilization of specific high-cost medications unnecessarily raises cost for all Florida employers.

Balanced reform

In the past, Optum has supported legislative changes which capped reimbursement for physician dispensed medications. We strongly supported the regulatory change adopted by the Division to establish a prior authorization requirement on compounded medications. Now, we believe it is time to bring balanced reform to utilization of high priced private-label topicals. This is the clinically appropriate and financially responsible next step for the industry and the state of Florida.

With these public hearings, the Division is taking the first step in what is, hopefully, the right direction. Stakeholders must consider various political, legal and treatment perspectives currently in play to bring forward balanced reforms, which serve the injured workers' needs. Thus, we respectfully request the Division to consider the following reform possibilities:

- Classify physician-dispensed, topical medications as specialty medications, within the Florida Workers' Compensation Health Care Provider Reimbursement Manual, which would automatically trigger prior authorization
- Impose a reimbursement cap on prescription-strength topicals while retaining the ability of physicians to dispense
- Require usage of over-the-counter topical medications before prescription-strength topicals
- Consider modifying existing data collection and analysis — EDI Pharmacy Reporting — to collect data associated with topical medications to provide greater insight on reform options

Optum has been directly involved in reform efforts in several states that targeted the control, utilization and costs of physician dispensing and PLTs. We respectfully urge the Division to review the reform efforts and adopted language in: Arizona, Colorado, Michigan, Mississippi and South Carolina. If necessary, we can share the associated regulatory language with the Division.

As an industry steward acting on behalf of our insurer and employer clients, we look forward to continued discussion on this topic. We offer to assist the Division in any way to quickly and properly address this issue.

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