Treatment Guidelines
Pharmacy Formulary

Texas Workers’ Compensation
Reforms

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Overview of Texas WC System

• More than 290 insurance companies actively writing WC

• $2 billion in direct written premium

• Including self-insured employers and governmental entities, more than 800 insurance carriers with WC claims

• 67% of private year-round employers have WC and all governmental entities have WC

• 81% of private sector employees covered by WC
Overview of Texas WC System

- About 225,000 new claims filed each year and about 340,000 claims receiving benefits each year

- Pharmacy accounts for 14% of medical payments
  - Opioids account for 4.6% of medical payments

- Utilizes evidence-based medicine treatment and return-to-work guidelines

- Requires certain services to be pre-authorized by the insurance carrier and allows retrospective utilization review to determine medical necessity
Overview of Texas WC System

• Sets fee guidelines for professional, inpatient/outpatient hospital, ASC and pharmacy services and allows pharmacy contractual discounts

• Has administrative dispute resolution process for medical necessity and medical fee disputes

• Collects medical charges, payments and utilization data for all medical services

• Allows certified networks, which require employees to select network treating doctors, but allows employees choice of pharmacy
Overview of Texas WC System

• Overall, Texas today has a healthy, stable, and cost effective system
• But that was not always the case
• Several statutory changes dating to 1989, 2003 and most recently (and effectively) 2005 helped reform the system, decrease costs and stabilize the marketplace
Pre- 2005 in Texas

• Costs Increased
• Medical disputes increased
• Insurance premiums increased
• Insurance carrier losses increased
• More employers dropped coverage (Optional)
• More physicians and hospitals refused accepting WC patients
• More employees had difficulty finding care
• Return to Work Outcomes Deteriorated
• Texas had highest Workers’ Compensation Medical Costs of all states studied
• Highest Average Medical Cost per Claim
• Highest # of Services per Claim
• Highest # of Chiro and Physical Therapy visits and services per Claim
• Hospitals provided fewer services but were paid more than other states studied
Overview of Texas WC System

- HB7 Texas Legislature 2005 Reforms
- Medical Treatment Guidelines
- Pharmacy Formulary
- Medical Fee Guidelines
- Utilization Review Guidelines
- Reforms to Dispute Resolution & Enforcement
- Certified Networks
• In 2005, Texas Legislature directed the Commissioner of WC to adopt Evidence Based Treatment Guidelines, Return to Work Guidelines and a Closed Pharmacy Formulary by Rule (HB7, 2005)

• Commissioner Adopted Official Disability Guidelines (ODG) published by Work Loss Data Institute (WLDI) effective 2008
Medical Treatment Guidelines

- ODG is widely used
- Contains print and web versions, mobile app
- Utilizes an Advisory Board of over 100 medical doctors and practitioners in all specialties
- Expedites access to Quality of Care while limiting unwarranted, excessive or inappropriate care
- Reflects medical appropriateness, not cost
Medical Treatment Guidelines - Texas

- Safeguards patients from inappropriate care
- Provides framework for addressing patient specific needs (ODG, Appendix D)
- Provides physicians greater clarity and expedites approvals and pre-authorization
- Limits denials and disputes
- Facilitates quicker resolution of disputes
- Improves reserve setting and cost containment
Pharmacy Closed Formulary - Texas

Adopted September 2011, Formulary includes all FDA-approved drugs prescribed and dispensed for outpatient use, but excludes:

- drugs with “N” status identified in the current edition of the Official Disability Guideline (ODG) Treatment in Workers’ Comp/ Appendix A, *ODG Workers’ Compensation Drug Formulary* and any updates

- any compounded drugs that contains a drug identified with an “N” status in ODG; and

- investigational or experimental drugs as defined in Texas Labor Code §413.014(a)
Timeline of the Closed Formulary Implementation

Open Formulary for Dates of Injury (DOI) prior to 09/01/11
(Legacy claims)

Closed Formulary for DOI 9/01/11 and after

Closed Formulary for all DOI*

01/17/11 09/01/11 09/01/13

Open Formulary for all DOI*

*Except Old Law Claims (DOI Dec 31, 1990 and before)
• Reduction in Medical Costs (WCRI 2011) - 23%
• Reduction in Insurance Premiums - 50%
• Reduction in Workplace Injuries - 27%
• Reduction in Claims Filed - 22%
• Reduction in Medical Disputes - over 40%
• Increase in Employer Participation - to 67%
• Increase in Employees Covered - to 81%
Post 2005 Reform in Texas

- More Timely Resolution of Disputes
- Fewer Disputes over Retrospective Denials
- Improved Access to Care
- Increased # of Physicians Treating Workers’ Compensation Patients to over 18,000
- Average # Claims per Physician dropped from 22 to 16
- Fewer Opioids and other not recommended drugs prescribed
Post 2005 Reforms in Texas

- Improved Return To Work Outcomes
- % of Claims Receiving Initial Non-emergency Care within 7 days increased from 79% to 82%
- % of Injured Employees receiving Temporary income benefits who Returned to Work 6 months post injury increased from 74% to over 80%
- Median days off work decreased from 26 to 21 days
Number of claims receiving pharmaceuticals, by injury year (Sept.–Aug.)

Change from 2010 (Pre-formulary) to 2011 (Post-formulary)
- All claims fell 2%
- Claims with Y-drugs increased 11%
- Claims with N-drugs decreased 65%

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2015.
Number of claims receiving pharmaceuticals, by injury year (Sept.–Aug.)

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2015.

Change from 2011 (Pre-formulary) to 2012 (Post-formulary)
- All claims fell 2%
- Claims with Other drugs increased 17%
- Claims with N-drugs decreased 67%
Number of prescriptions by drug type, by injury year (Sept.–Aug.)

Change from 2010 (Pre-formulary) to 2011 (Post-formulary)
- Total prescriptions fell 10%
- Y-drug prescriptions fell 3%
- N-drug prescriptions fell 76%

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2015.
Change in the number of opioid prescriptions, by injury year (Sept.–Aug.)

Change from 2010 (Pre-formulary) to 2011 (Post-formulary)

- Opioid prescriptions fell 11%
- Y-drug opioid prescriptions fell 9%
- N-drug opioid prescriptions fell 65%

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2015.
Change in the number of opioid prescriptions, by injury year (Sept.–Aug.)

- Opioid prescriptions fell 11%
- Other opioid prescriptions fell 8%
- N-drug opioid prescriptions fell 81%

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2016.
Generic substitution: prescriptions of N-drugs, by injury year (Sept.–Aug.)

- Generic substitution rate for N-drugs increased from 60% to 73%
- Use of brand drugs decreased from 40% to 27%

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2015.
Total costs by injury year (Sept.–Aug.)

Change from 2010 (Pre-formulary) to 2011 (Post-formulary)

- Total cost of all drugs fell 15%
- Total cost of Y-drugs fell by 2%
- Total cost of N-drugs fell 83%

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2015.
Total and average costs: N-drugs, by injury year (Sept.–Aug.)

- Total cost of N-drugs fell 83%
- Average per-claim cost of N-drug fell 49%
- Average per-prescription cost of N-drug fell 28%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2015.
Total and average costs: Y-drugs, by injury year (Sept.–Aug.)

- Total cost of Y-drugs decreased 2%
- Average per-claim cost of Y-drugs decreased 1%
- Average per-prescription cost of Y-drugs increased 2%

Source: Texas Department of Insurance, Workers’ Compensation Research and Evaluation Group, 2015.
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