

Workers' Compensation Working Group
September 21, 2016

Bill Dispute and
Physician Dispensed Medicines

Provider of service
bills employer for
medical services
rendered to
claimant

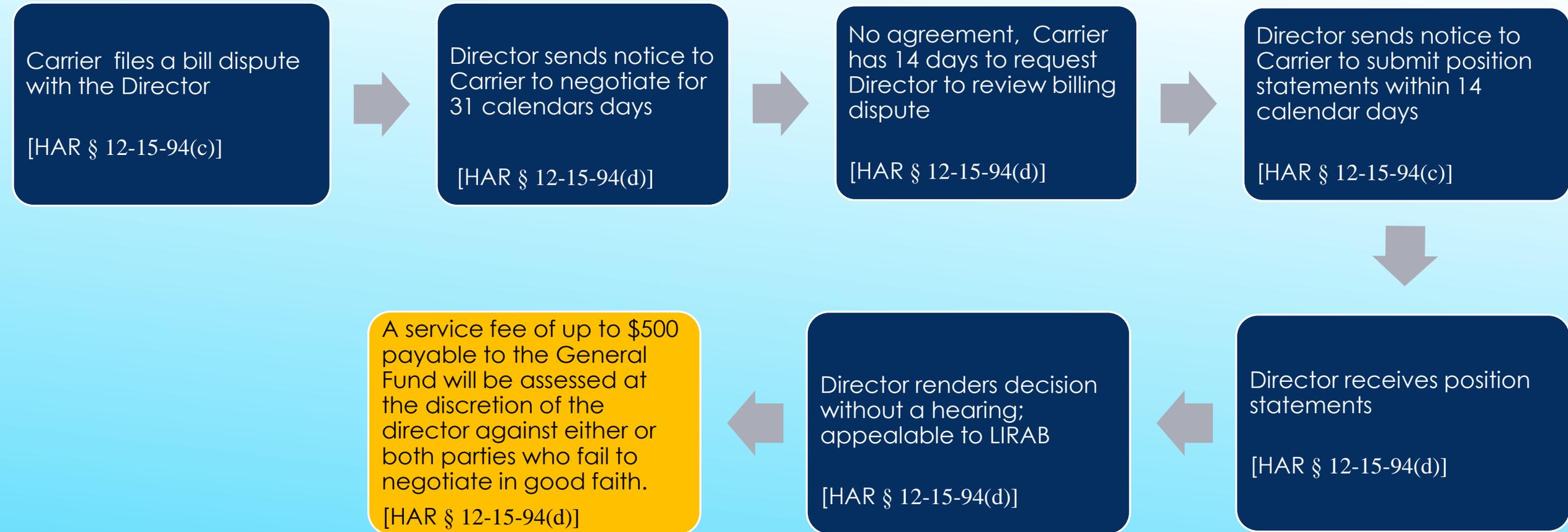
Employer accepts
or denies charges
within 60 calendar
days of receipt

Physician accepts
payment or
negotiates with
Employer

No resolution,
intervention by
the Director

PAYMENT OF MEDICAL BILLS

BILL DISPUTE PROCESS



Bill Dispute
Decision
rendered

Appeal
Director's
Decision to
LIRAB

Settle Case
at LIRAB

“UNLESS OTHERWISE PROVIDED, THE DIRECTOR OF LABOR AND INDUSTRIAL RELATIONS SHALL HAVE ORIGINAL JURISDICTION OVER ALL CONTROVERSIES AND DISPUTES ARISING UNDER THIS CHAPTER.” -- HRS § 386-73

200 - 300

- # of Outstanding Billing Disputes

Over 85%

- % of Outstanding Billing Disputes due to physician dispensed medications

10

- Approximate number of Bill Disputes received per week

CURRENT BILL DISPUTES STATISTICS

2014 LEGISLATIVE LAW

Section 386-21.7 Prescription drugs, pharmaceuticals.

- Payment for all forms of prescription drugs including **repackaged** and **relabeled** drugs shall be 140% of the average wholesale price set by the original manufacturer of the dispensed prescription drug as identified by its National Drug Code and as published in the Red Book, [HAR386-21.7(b)]
- Payment for **compounded** prescription drugs shall be the sum of 140% of the average wholesale price by gram weight of each underlying prescription drug contained in the compounded prescription drug, [HAR 386-21.7(c)]
- All pharmaceutical claims submitted for repackaged, relabeled, or compounded prescription drugs shall include the National Drug Code of the original manufacturer. If the original manufacturer is not provided or is unknown, then reimbursement shall be 140% of the average wholesale price for the original manufacture's National Drug Code number as listed in the Red Book. , [HAR 386-21.7(d)]

EXAMPLE OF PHYSICIAN DISPENSED MEDICATION LOOPHOLE

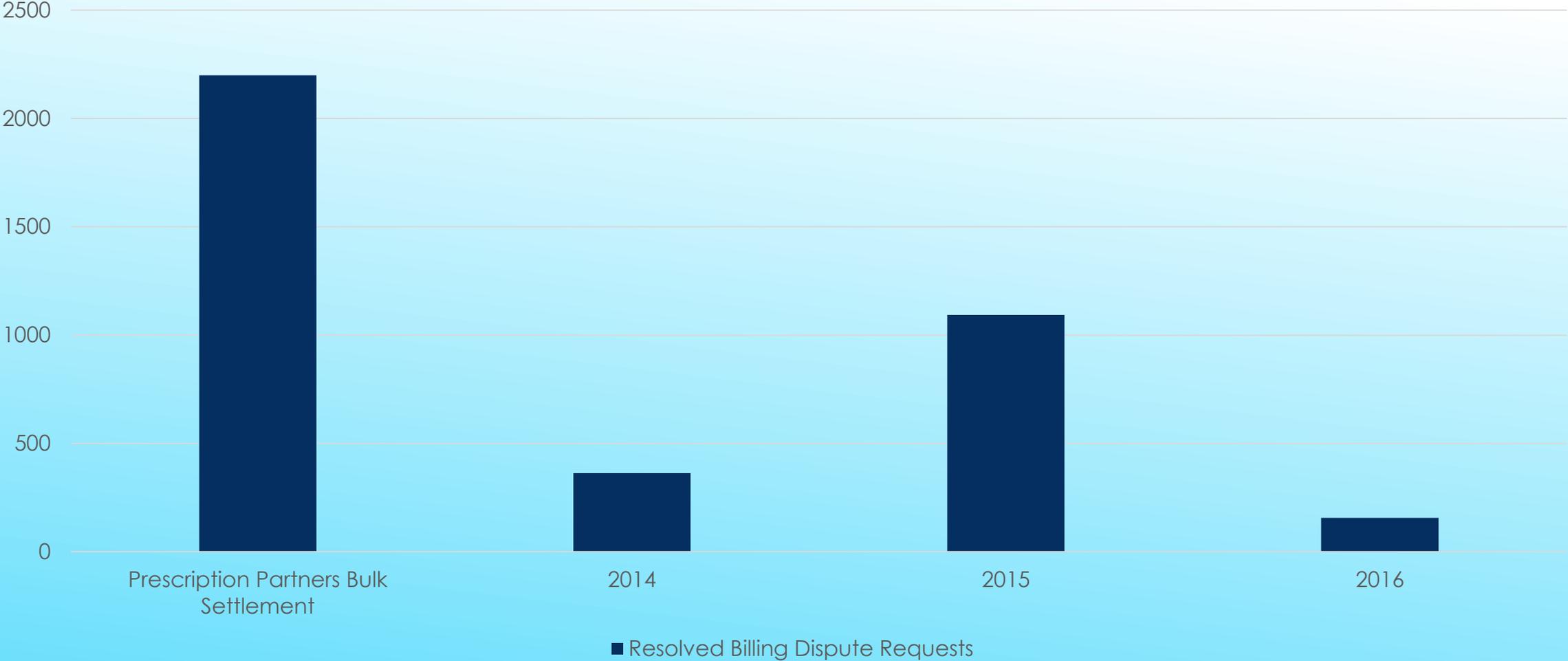
An entity recently submitted a bill for Tramadol 150 with the "original manufacturer's" National Drug Code (NDC). The per unit Average Wholesale Price (AWP) for that particular drug is set at \$10.74 per pill. At a fee schedule of AWP plus 40%, a one month prescription consisting of 270 pills would cost \$4,059.72 (AWP + 40%). Until recently, this particular drug has not been manufactured or prescribed in Hawaii. Moreover, to the best of our knowledge, the medication is not available at major retail pharmacies in Hawaii.

By comparison, the most commonly dispensed form of Tramadol is a 50 mg pill. The AWP for that drug is \$0.81 per tablet or \$2.43 for 150 mg. At AWP plus 40%, the same prescription in a regular dosage would only cost \$918.54. Thus a party selling Tramadol 150 will be making a monthly profit of \$3,141.18 per each Tramadol 150 prescription. Conservative estimating that a provider prescribes Tramadol for only ten of his or her patients, that entity is making or sharing a profit of \$31,411.80 a month or \$376,941.16 a year just on that one particular medication.

As evidenced by the situation set forth above, the suggested amendments are critical to control the costs of prescription medication in Hawaii.

(underline added)

Resolved Billing Dispute Requests

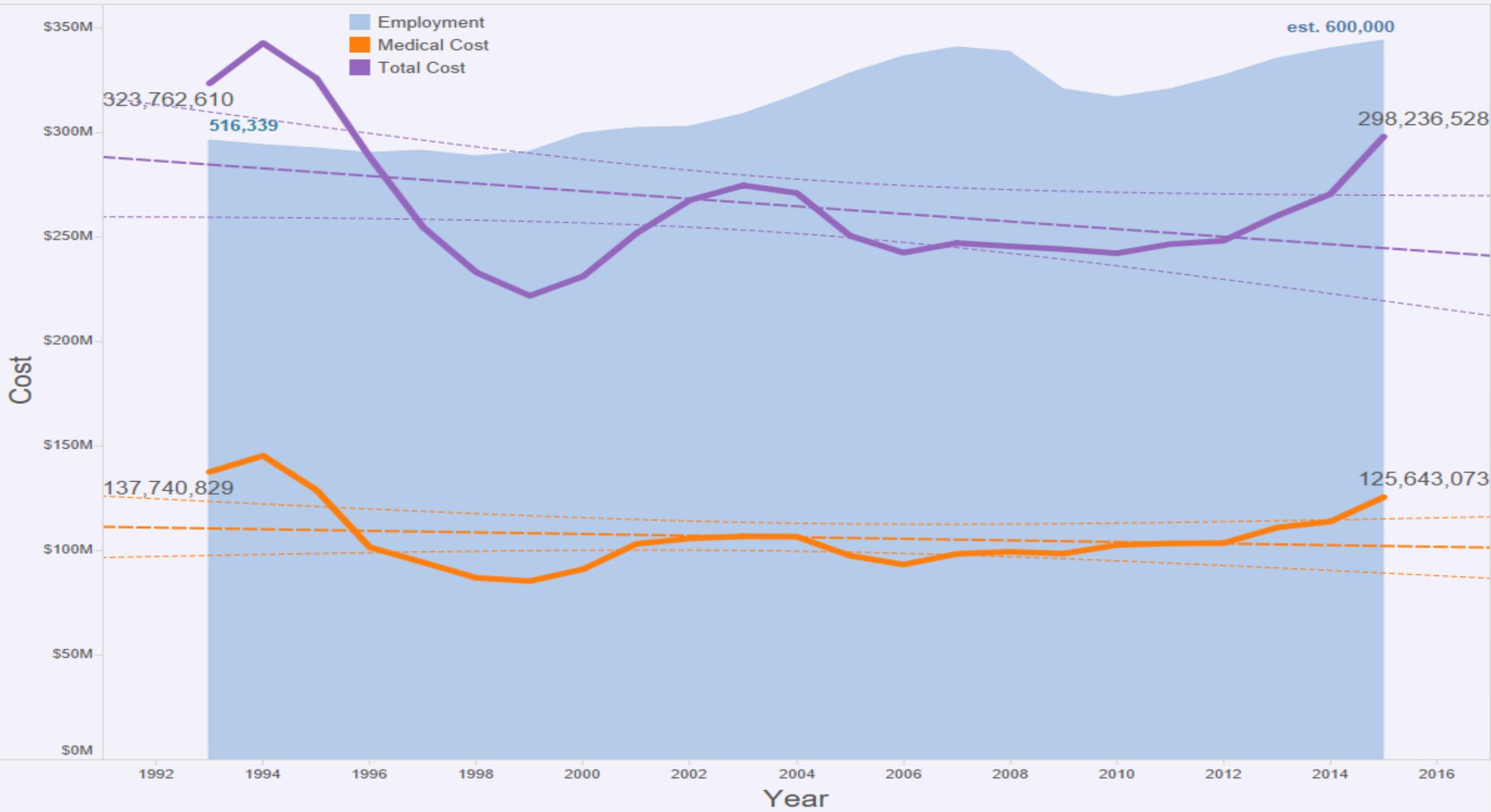


RESOLVED BILLING DISPUTES (ALL ISLANDS)

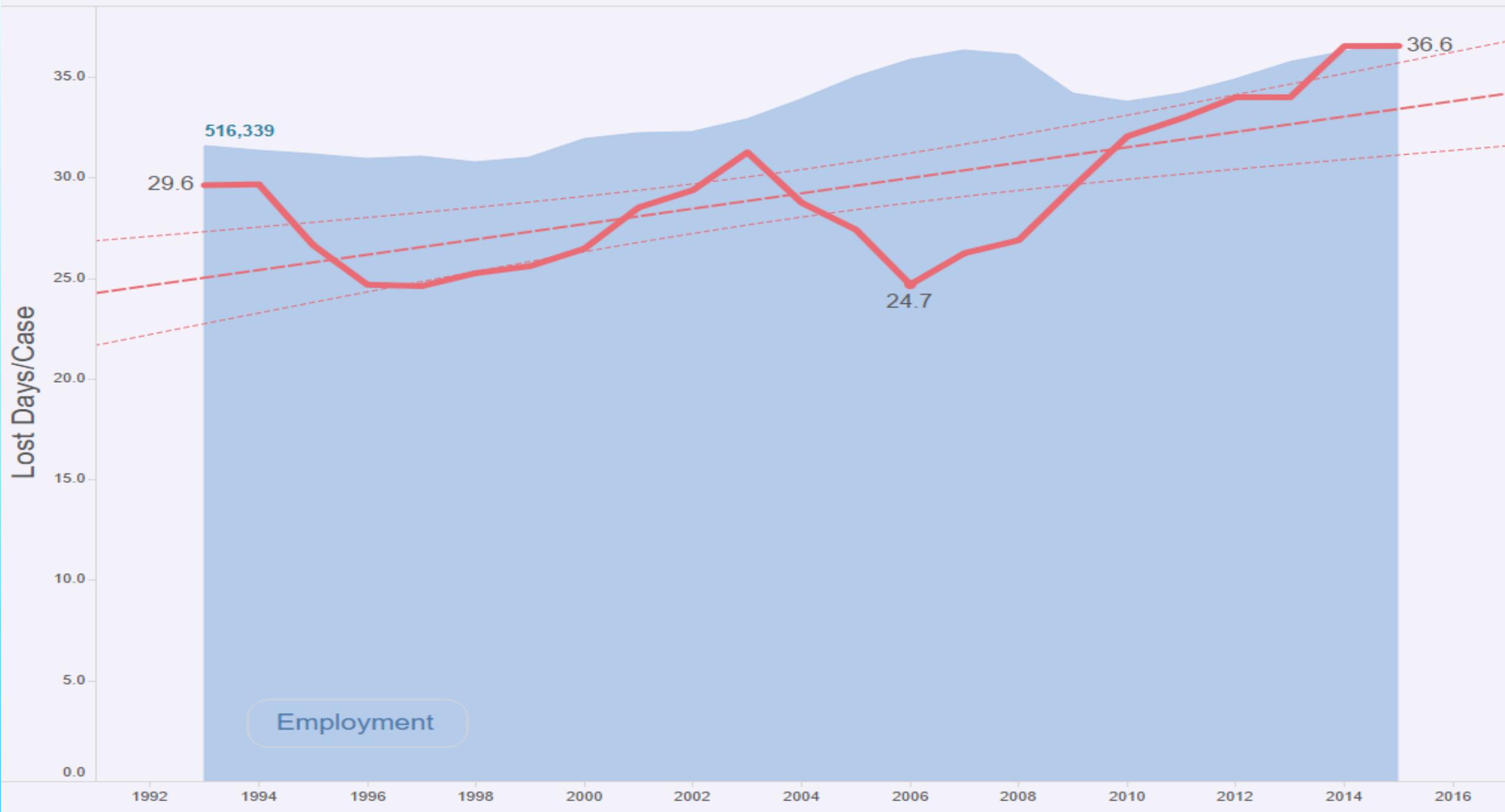
- Industry Statistics

Data Sources: Hawaii Workers' Compensation Data Book 1993-2015
Representative WC Payor Data - Anonymized

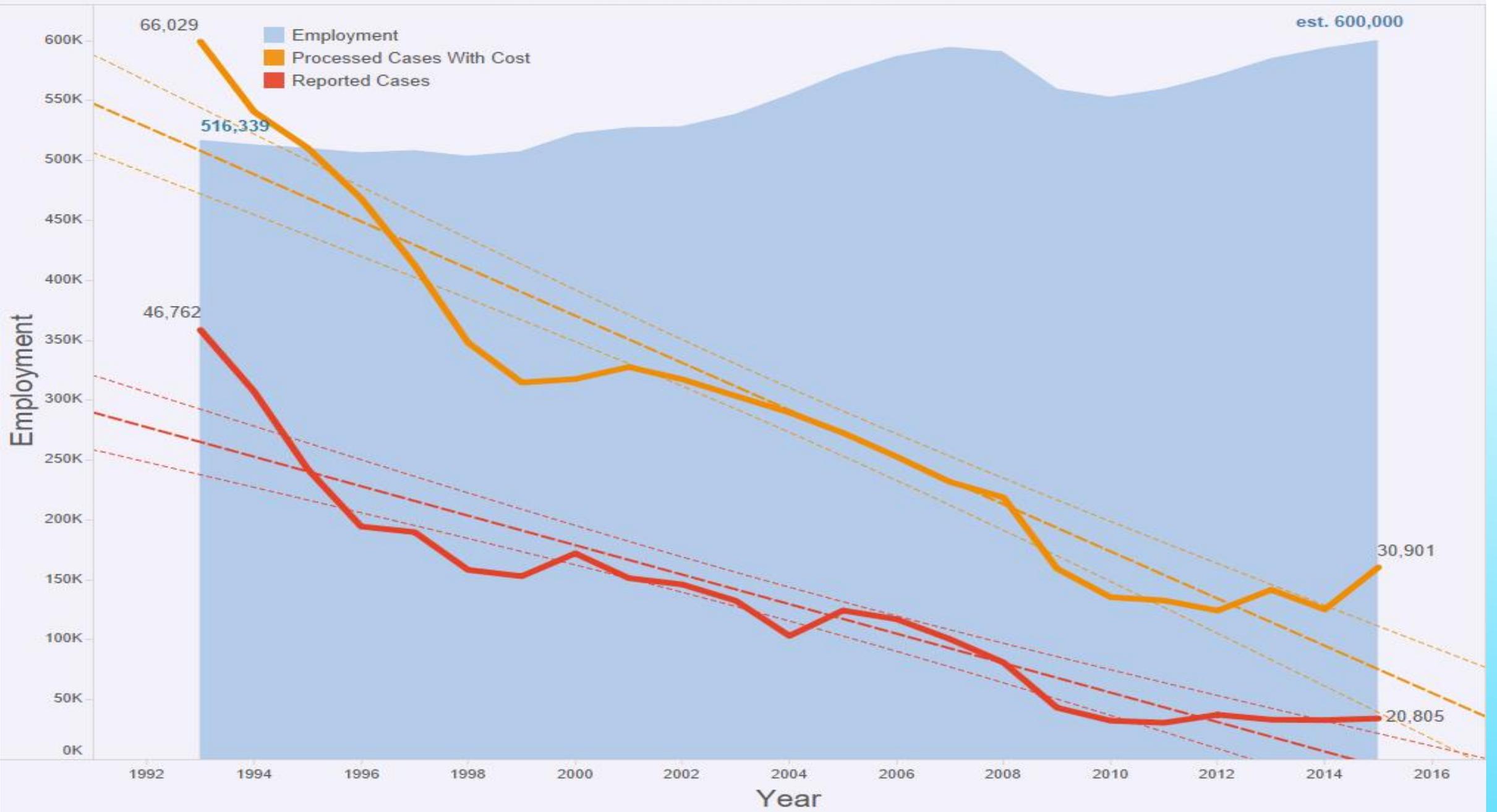
Costs are increasing again. . .



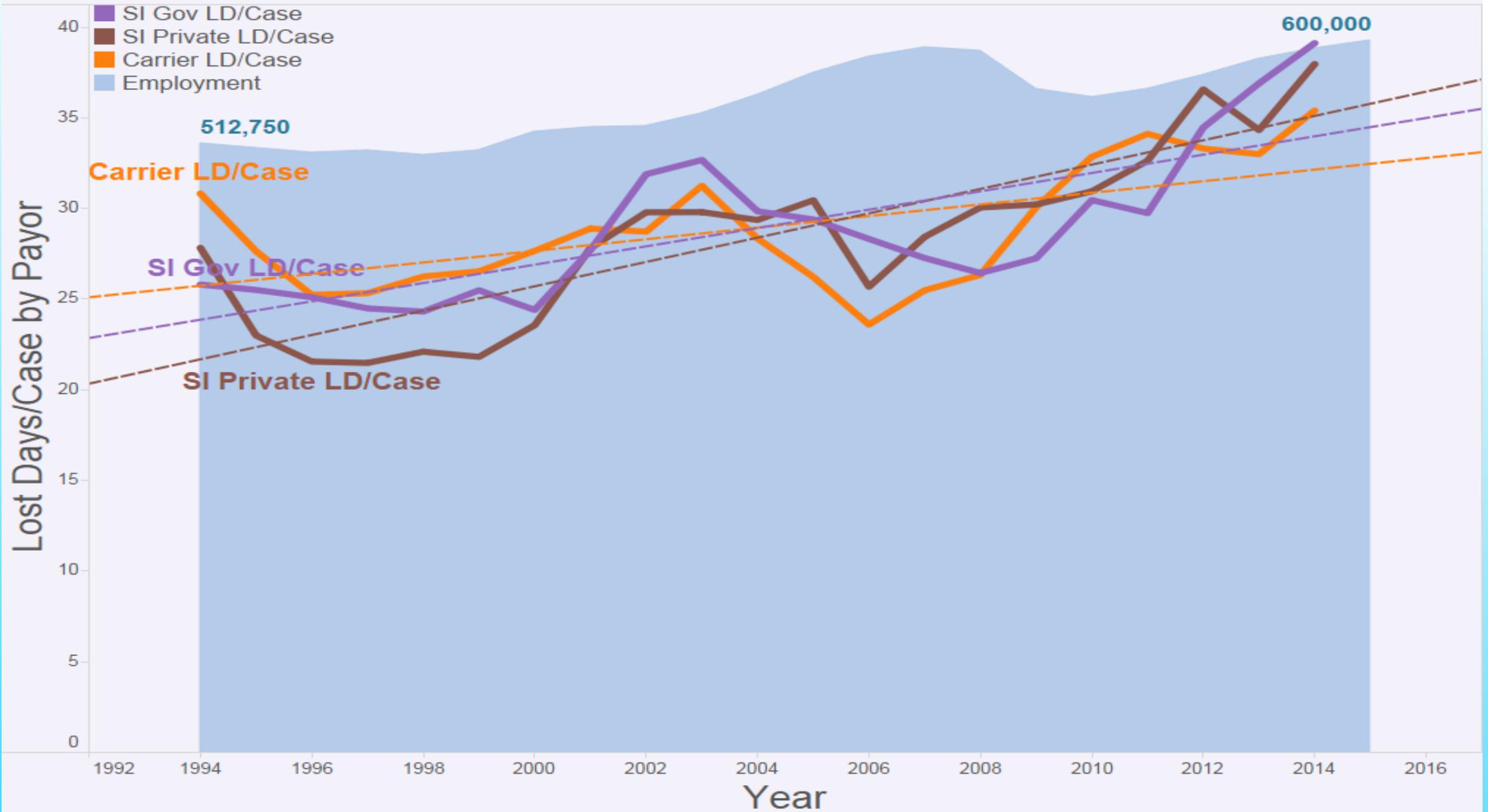
Lost Days per Case. . . Highest Ever



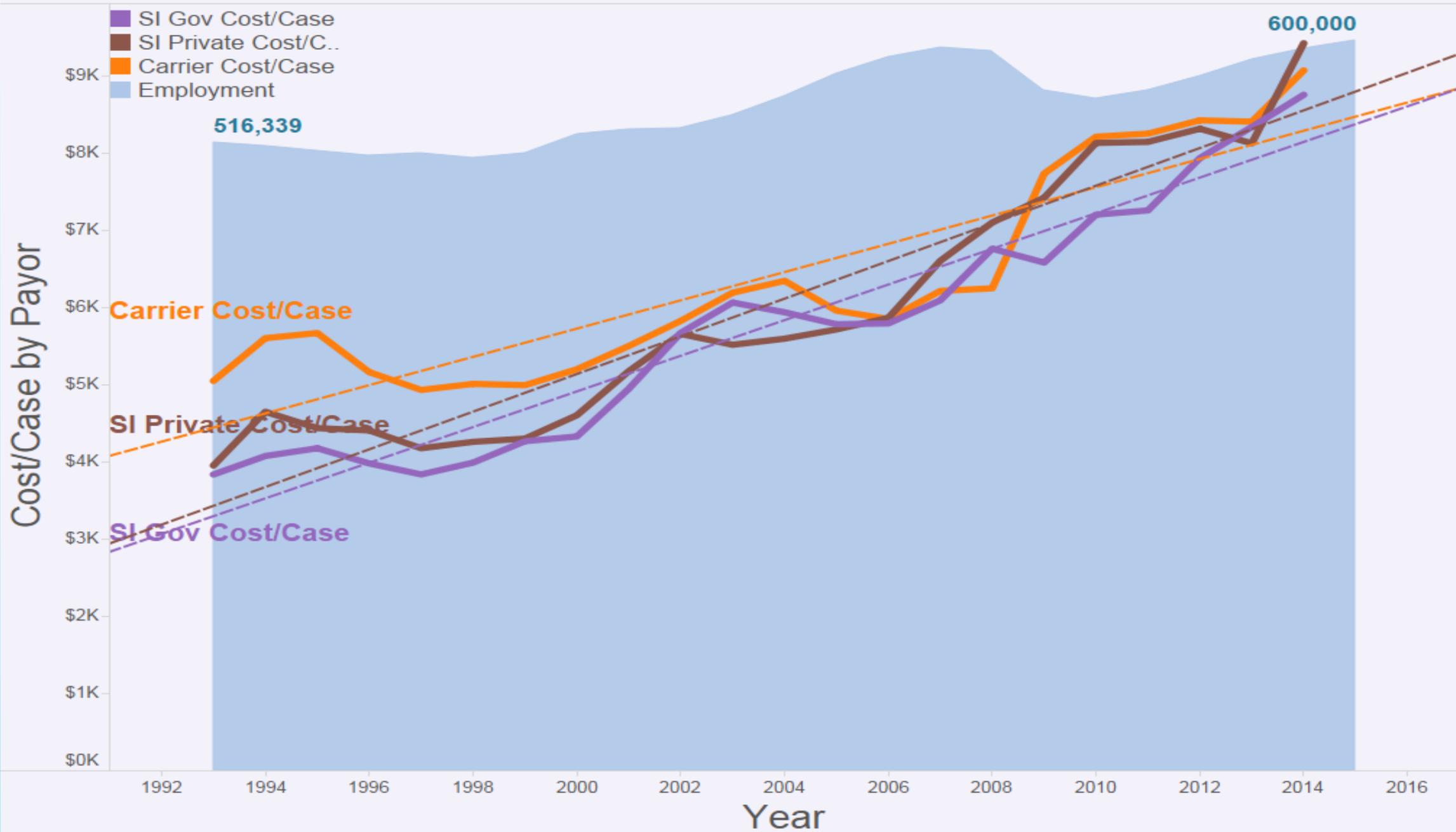
Cases are staying open longer. . .



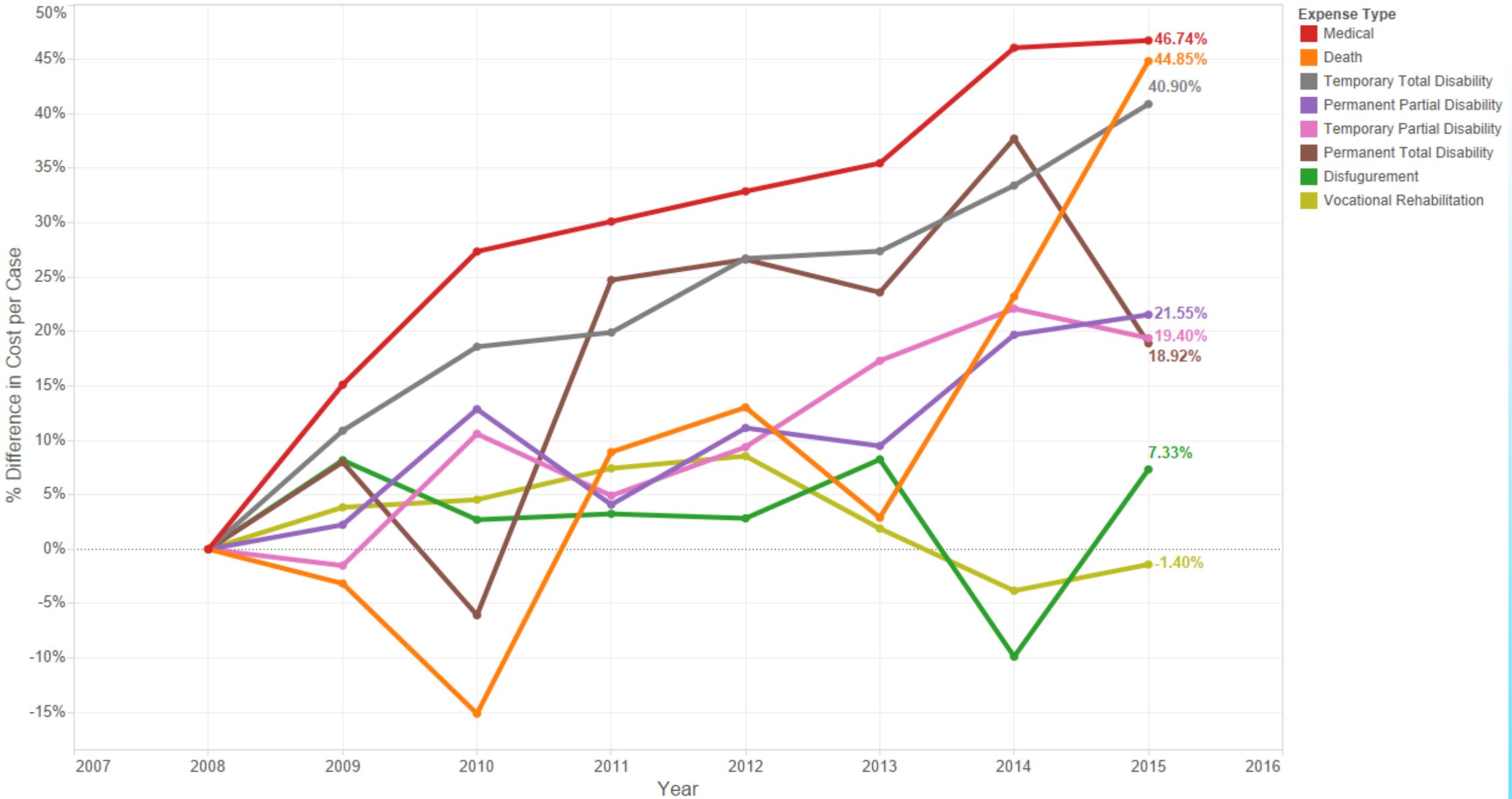
Lost Days per Case by Payor



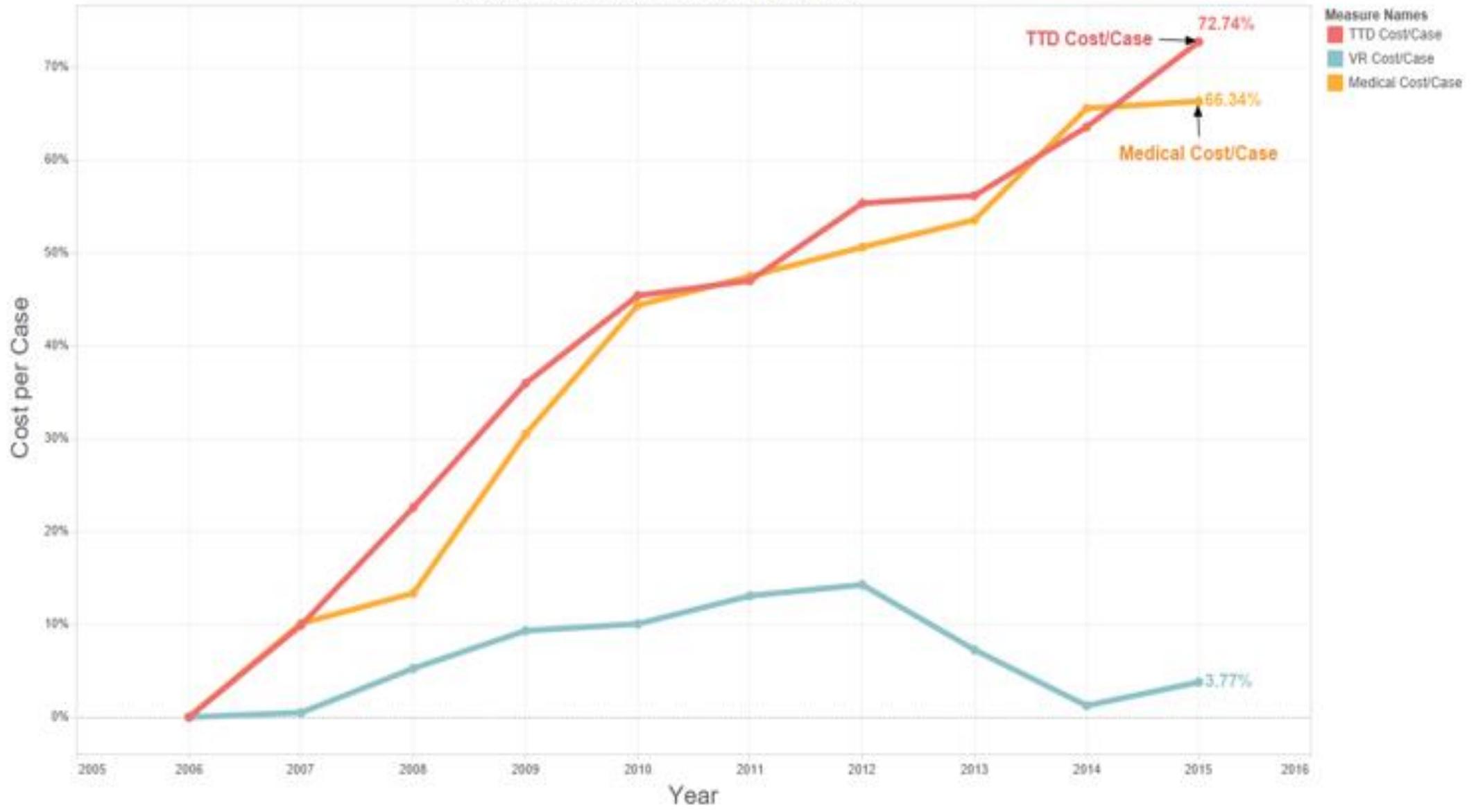
Cost per Case by Payor



Cost per Case by Expense Type



Medical/TTD Cost per Case Rising Rapidly



Physician vs. Pharmacy Dispensed

**Data from Representative Industry Payor

Total Prescription Drug Cost

Total Prescription Drug Cost

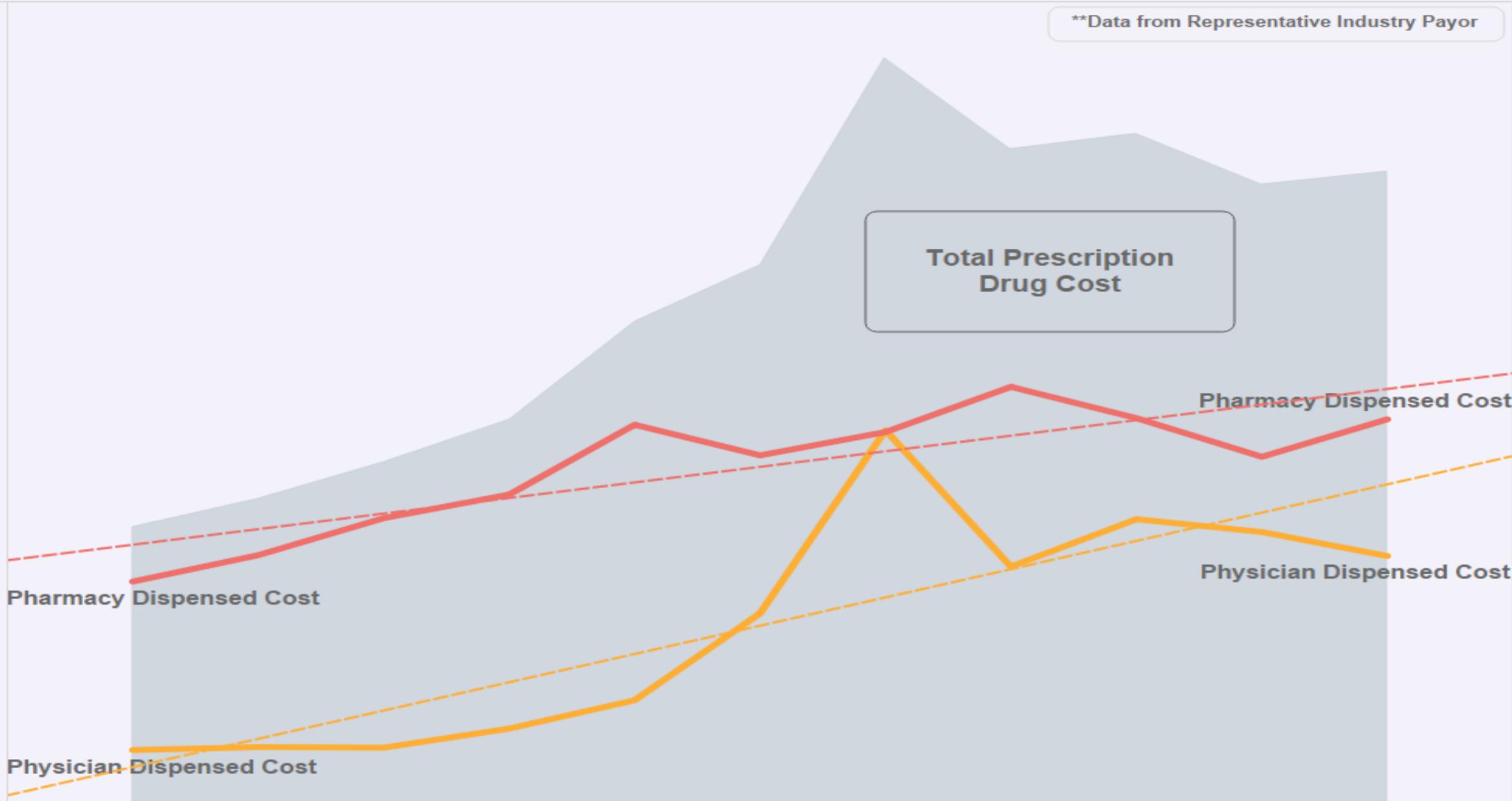
Pharmacy Dispensed Cost

Physician Dispensed Cost

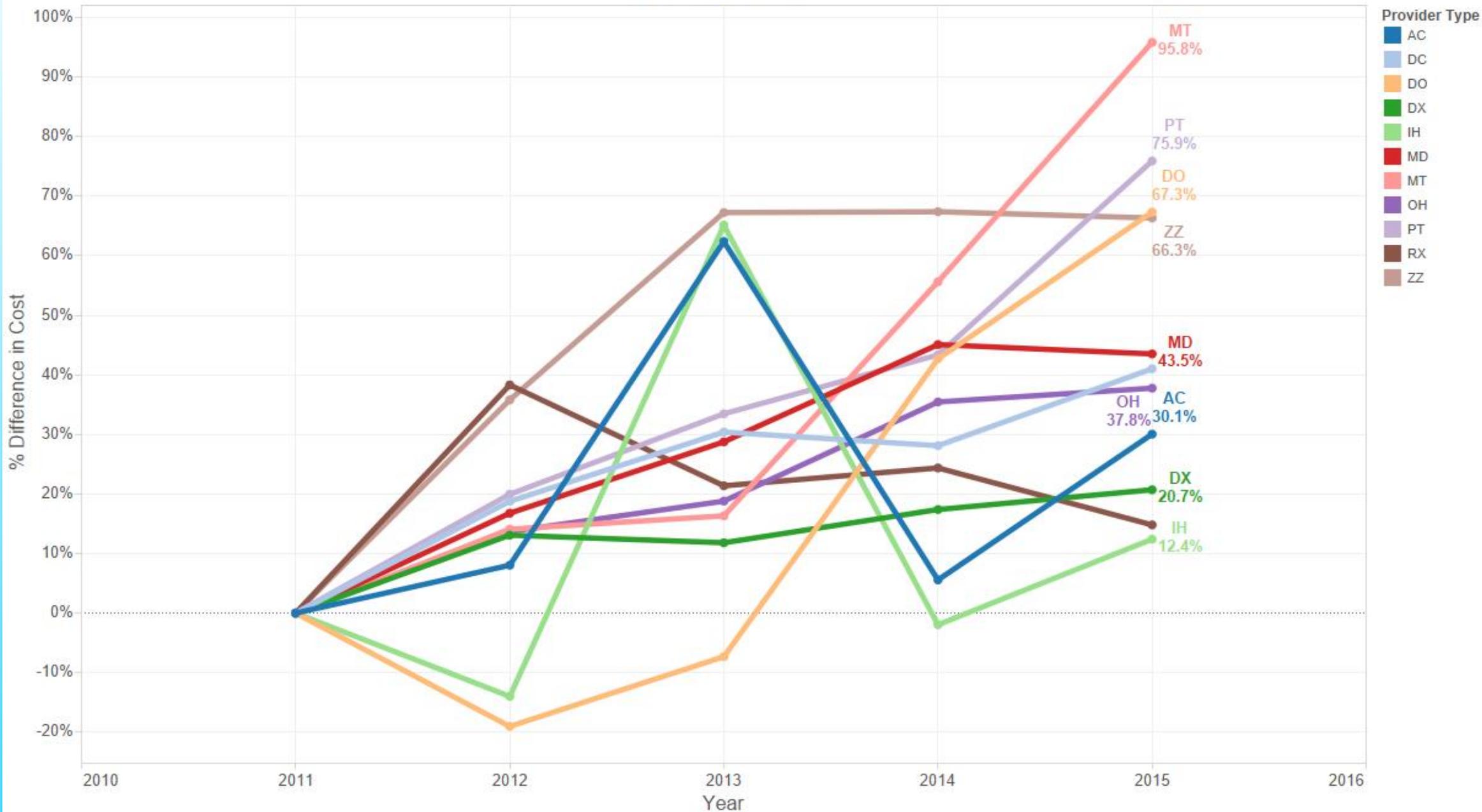
Pharmacy Dispensed Cost

Physician Dispensed Cost

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017



RT - Cost by Provider Type

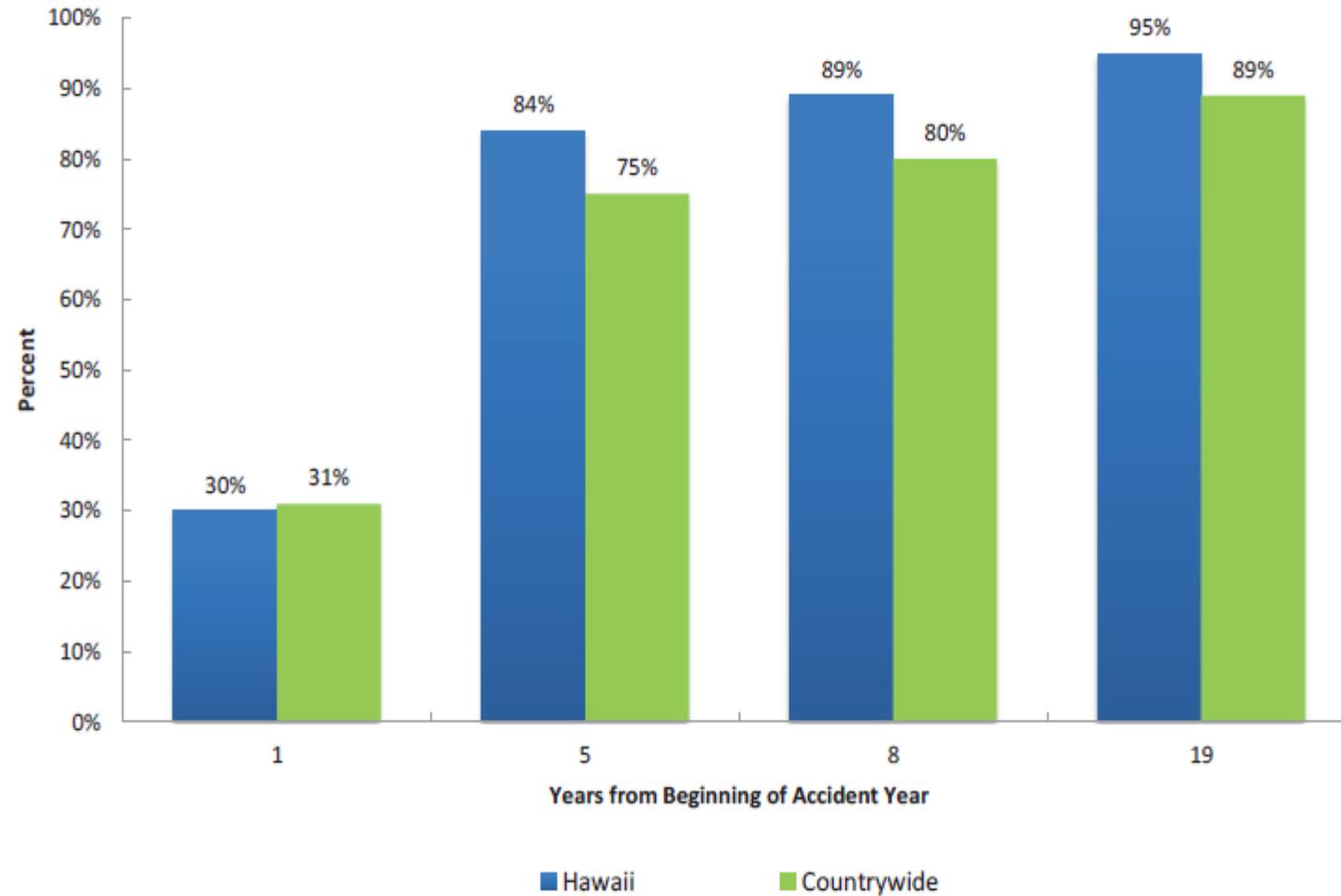


National Council on Compensation Insurance

**Medical Data Report
September 2015**

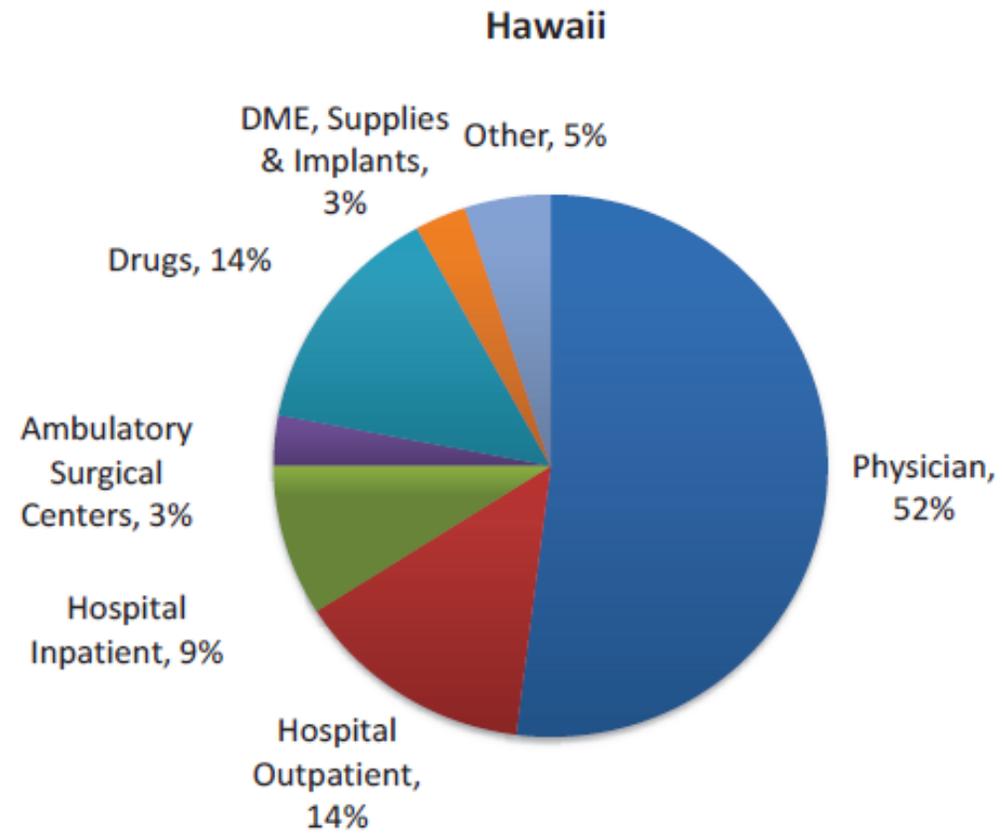
Chart 3

Percentage of Medical Paid by Claim Maturity



Source: NCCI Calendar-Accident Year Call for Compensation Experience. Countrywide includes data for the following states: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, and VT.

Distribution of Medical Payments



Top 10 Workers Compensation Drugs by Prescription Counts for Hawaii

Name of Drug	Type	% of Drug Prescriptions	Paid Per Unit Hawaii	Paid Per Unit Region	Paid Per Unit Countrywide
Hydrocodone-Acetaminophen	Generic	10.4%	\$0.74	\$0.55	\$0.56
Ibuprofen	Generic	4.2%	\$0.52	\$0.46	\$0.44
Oxycodone-Acetaminophen	Generic	3.8%	\$2.04	\$1.60	\$1.81
Oxycodone HCl	Generic	3.8%	\$0.93	\$0.97	\$1.07
Tramadol HCl	Generic	3.2%	\$0.87	\$0.63	\$0.68
Meloxicam	Generic	3.1%	\$3.00	\$2.59	\$2.63
Gabapentin	Generic	2.7%	\$1.64	\$1.13	\$1.27
Cyclobenzaprine HCl	Generic	2.7%	\$1.41	\$0.85	\$1.15
Naproxen	Generic	2.2%	\$1.32	\$0.87	\$0.95
Lyrica®	Brand Name	2.1%	\$4.90	\$4.56	\$4.65

Overview:

1. **Hawaii Administrative Rule, Title 12, Chapter 15, Workers' Compensation Medical Fee Schedule requires negotiation from both parties, with a \$500 penalty for failure**
2. **Over 85% of Bill Disputes are related to physician dispensed medications**
3. **HRS 386-21.7, regulated prescription drugs, pharmaceuticals**
4. **Workers' Compensation Medical costs continue to increase**
5. **Major expense costs are Medical and Temporary Total Disability**
6. **Cases are staying open longer**
7. **Narcotics costs are increasing**
8. **Abuse of opioids**
9. **Medical costs rise as claim matures**