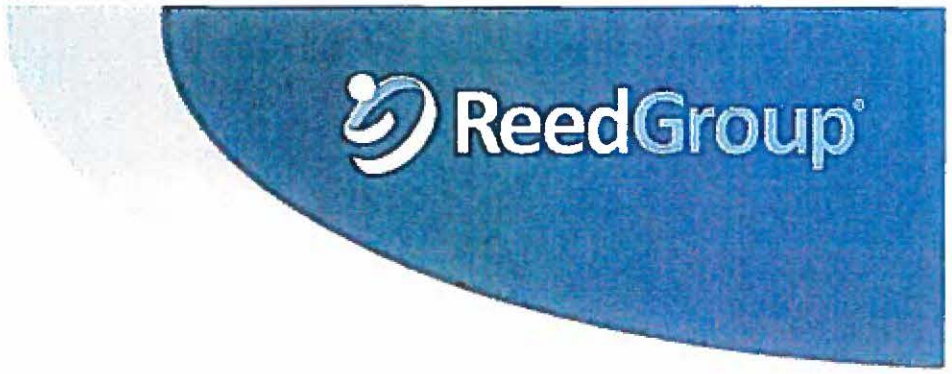

Testimony for Public Hearing
House Labor and Industry Committee
February 15, 2017

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Hearing on HB18 to Require a Drug Formulary in Workers' Compensation

Good morning Honorable House Labor and Industry Committee Chairs and Members. My name is Carlos Luna, Director of Government Affairs for Reed Group, Ltd., owners of the ACOEM-based Drug Formulary and Practice Guidelines researched and developed independently by the American College of Occupational and Environmental Medicine (ACOEM). I also serve on the Research and Standards Committee, Disability Management and Return to Work Committee, and Medical Issues Committee for the International Association of Industrial Accident Boards and Commissions (IAIABC) and the Claims Administration Committee and Medical and Rehabilitation Committee for the Southern Association of Workers' Compensation Administrators (SAWCA).

Since 1981, Reed Group has been a leading provider of EBM content and tools; our organization offers information and guidance focused on the therapeutic benefits of returning to work following a serious health condition. Reed Group's EBM content and tools are used by clinicians, insurers, employers, healthcare organizations, and government agencies to guide important decisions on treatment, pharmaceutical drug prescription recommendations, rehabilitation, and return-to-work expectations.

ACOEM represents more than 4,500 physicians and other health care professionals that specialize in occupational and environmental medicine (OEM), and is the nation's largest medical society that since 1916 has dedicated itself to promoting the health of workers through preventive medicine, clinical care, research and education.

While national in scope, the College is composed of local component societies in the United States and Canada, whose members hold scientific meetings and network on a regular basis. The Pennsylvania Occupational and Environmental

Medical Society (POEMS), a member of the College, was established in 1950 and represents approximately 130 physicians and providers in the Pennsylvania area dedicated to the ACOEM mission.

In 1993, Reed Group expanded to become a Third-Party Administration company. Today Reed Group serves 63 of the US Fortune 100 Companies and has grown to nearly 2,000 employees across the US, Canada, and India. We serve approximately 6M workers throughout the US who can potentially be impacted by work-related injuries and rely on adequate medical care and medications to support them in their recovery from injury or illness.

I am here today to share, from my perspective, how drug formularies can be used to improve the quality of medical care provided to injured workers to restore function post injury or illness and avoid dangerous health effects, like prescription drug addiction, due to inappropriately prescribed drugs.

I'd like to focus my comments this morning on the following:

1. What is a drug formulary?
2. Who benefits most from a drug formulary?

What is a drug formulary?

The formulary concept is not a new concept. The earliest version of a drug formulary that I was able to track down was in the 1700's. The purpose of the early versions of a formulary was to define a standard for the compounding and dispensing of medications in U.S. military hospitals. By the late 1950's and early 60's, formularies had been adopted by nearly every hospital in the country.

According to the Academy of Managed Care Pharmacy, formularies promote best therapeutic outcomes. The inclusion, or exclusion, of drug agents into a formulary is based primarily on sound clinical evidence. Cost considerations should only influence decisions after safety, efficacy, and therapeutic needs have been assessed.

The concept of a formulary has evolved well beyond the simple drug list of its origins. Today's options include formularies that consider the patient's medical condition, whether their condition is in the acute or chronic phase, and provides

visibility to the strength of scientific evidence. This modern application allows prescribers take into consideration each patient's unique medical needs.

Modern formulary versions also have clear links to the scientific evidence helping all stakeholders, providers, payers, employers, and employees, have access to view the science that supports the drug's recommendation, or lack thereof. These modern traits ensure that the right pharmacological therapy is provided to the right people at the right time.

Health benefits to injured workers are achieved by a formulary's separation of drugs into 2 categories using scientifically and evidence-based information: formulary (or recommended) and non-formulary (or not recommended). Formulary drugs are pre-selected, are preferred and their delivery can be simplified and expedited to injured workers. The primary goal of a drug formulary in workers' compensation is to keep injured workers safe from negative effects of drugs that are not medically necessary, are over-prescribed, or are not proven to be effective.

The best health outcomes can be expected when a formulary is part of an integrated patient care process that encourages prescribers/physicians, pharmacists, and payers to work together.

Non-formulary drugs are not part of the expedited streamlined approach and will require pre-authorization. Please note, this does not mean that non-formulary options are definitively unavailable to injured workers. It does mean that based on the preponderance of evidence and expert medical consensus, these options may not be the most effective, medically necessary, or the serious risks and adverse effects outweigh the benefit to the patient, thus requiring prospective utilization review prior to dispensing. Some jurisdictions, like California, create "special fill" (also called "first fill") policies making certain non-formulary drugs available to patients for short periods of time while the prospective utilization review process is completed.

The exceptions process, or requesting a variance, from the formulary that is implemented along with the formulary cannot be overly cumbersome - patients should not be denied medically necessary treatment.

For example, as often as opioids are being cast as the enemy, there are circumstances where these medications are necessary. Consider patients with severe or catastrophic injuries who may require opioids to manage their pain to facilitate recovery and maintain their quality of life. All things considered on this formulary discussion, patients/injured workers and their medical needs must remain the heart of drug therapy decisions.

Based on the information I've provide respective to what a drug formulary is and is intended to do, you may now be able to reach a conclusion on what a formulary is not: A formulary is not a license to say no to patients. A formulary is not a cost containment tool. A formulary is not a blunt instrument.

A formulary is a tool to help guide medical decisions on the best, most effective, pharmacological care for the functional restoration of injured workers.

Who benefits most from a drug formulary?

A properly implemented and regulation-supported drug formulary provides multifaceted benefits to the various system stakeholder groups.

The health benefits to the injured worker are the most important. In California, where according to the California Workers' Compensation Institute's (CWCI) Report *A Review of Preferred and Non-Preferred Drugs published August 2016*, 27% of all California workers' compensation prescriptions are Opioid Analgesics. All of the opioids are listed as Non-Formulary/Non-Preferred drugs, with the exception of limited special-fill/first fill prescriptions (e.g., Hydrocodone/Acetaminophen, Tramadol HCI, Oxycodone/Acetaminophen, and others) that are subject to prospective utilization review. Bulk Chemicals, which are raw ingredients for compound drugs (e.g., Gabapentin, Ketamine) represent just 3% of prescriptions and 11% of payments – they are considered non-formulary making them subject to prospective utilization review. The report also identified that the top 20 most common brand-name drugs within the study sample represented the majority of all prescriptions for the State's formulary's Preferred drugs.

In California's case, the formulary provides a framework that requires meticulous consideration, through prospective review, of drugs that are proven to have more risks associated with them, are considered experimental and non

FDA approved, and expedites the delivery of drugs that are proven to be safe, effective, and restore function to the injured worker.

In addition to the important health benefits provided to injured workers, a drug formulary can also bring significant benefits to the workers' compensation system, and its stakeholder groups, in the form of reduced friction.

A Formulary will create a short, clear path for payment of formulary drugs not requiring preauthorization. More importantly, all stakeholders from prescriber to carrier, will be basing their decisions around pharmaceutical care on a common shared standard to help the injured worker return to work and productive living. This clearly defined, non-adversarial path should encourage provider participation in Pennsylvania's Workers' Compensation system, making high quality medical care more accessible to injured workers. Reduced friction leads to process efficiencies. Process efficiencies lead to better return to work outcomes. Better outcomes lead to a healthier workforce.

I sincerely appreciate the invitation and opportunity to address this committee. My hope is that I've provided new insight to help each of you give thoughtful consideration to passing legislation to adopt a drug formulary for workers' compensation in Pennsylvania.

While I am speaking as an advocate for all those Reed Group represents in the State of Pennsylvania who are detrimentally affected by the absence of a standard for pharmacological care in workers' compensation, I also ask that you consider the neighbors and families that the drug epidemic has impacted.

Thank you,

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