

Maximizing the Value of Integrated Workers' Compensation Bill Review and Pharmacy Technologies

by Robert Gelb and Melissa Borchers



Employers, claims payors and workers' compensation care management organizations continue to be challenged to provide solutions for rapidly escalating workers' compensation medical costs. According to a recent study released by the National Council of Compensation Insurers ("NCCI"), pharmaceuticals and related costs account for approximately 14% of workers' compensation medical costs. Pharmacy spend in workers' compensation is now one of the top cost drivers for lost time claims. While technology and related services have been a significant component of medical cost management strategies, many employers have adopted a more advanced model that is driving significant levels of additional medical and pharmaceutical cost savings.

This newer model centers on the tight integration of information systems, as well as the involved procedural workflows between the claim payor (TPA or Insurer) and the cost management service providers (medical bill review and pharmacy benefit management (PBM) providers). Such tight and detailed workflow integration allows employers and payors to proactively manage and control the PBM process. As a result, financial effectiveness, process efficiency and information value are increased for all stakeholders.

Historically, PBM programs achieved 40-50% network penetration through the use of standard program elements, including: first fill approval at the point of sale, mailing identification cards to claimants for future fills, and enrolling long-term claimants into home delivery programs. Within this type of model, employers still face the problem of having to rely on compliance by the claimants (choosing an in-network pharmacy) as well as struggling to control program leakage and the involvement of third-party billers. Achieving more than 40-50% network penetration and greater than 10-15% discounts below fee schedule or medical charge benchmarked cost levels, has been a real challenge in this traditional model.

Beginning in early 2006, and with increasing frequency in 2007, employers have worked with their claims payors and cost management partners to create a tighter, more closed-loop system, where each workers' compensation medical bill received is reviewed for out-of-network prescription activity and outreach calls are placed to have pharmacies update billing information. By driving more in-network prescriptions at lower billing rates, improved savings levels and financial outcomes are realized.

According to Brian Carpenter, RPh, Vice President of Clinical Services for First Script Network Services, Inc., by implementing more tightly integrated workflows and information flows between the bill review and PBM provider, network penetration rates have exceeded 75% and employers have achieved incremental savings of 4-5% on their total pharmacy spend.

Additional incremental value comes from the employer's ability to establish payment rules based on prescription activity. Within the more tightly integrated program, the PBM can apply its standard adjudication

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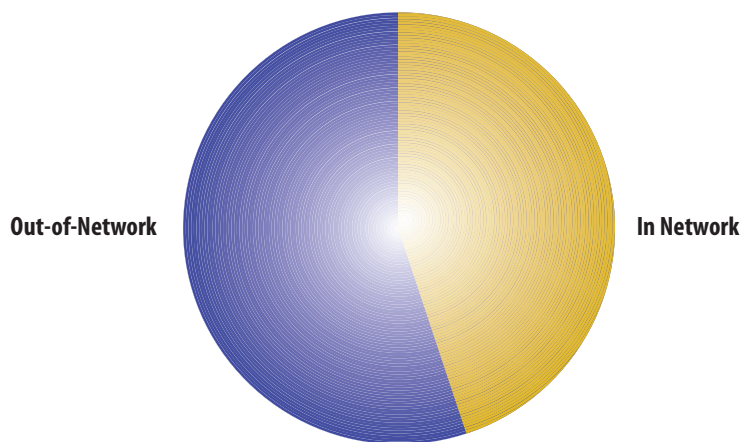
and payment rules on non-network bills as if the bill was processed through the network. These rules can include adjudication against ICD-9 or NCCI codes. Bills that generate adjudication exceptions can be pre-authorized by adjusters using standard, in-network approval processes. Denied bills are processed by bill review with a denial code included on the explanation of review (EOR). Approved bills are processed according to normal bill review protocols.

Increased informational and efficiency value is provided through an automated EDI process. The automated and electronic integration between pharmacy and bill review results in faster turn-around-times, more consistent application of adjudication rules and streamlined contact with the claim adjusters. According to Carpenter, “The more tightly integrated process turns bills around in 24 hours or less with adjudication exception rates similar to in-network prescriptions. At these rates, savings from denied prescriptions are in the range of 10-15%. Assuming that 75% of a payor’s pharmacy spend is already processed in network, out-of-network bill processing can save a payor an additional 3-4% off of their total pharmacy costs.”

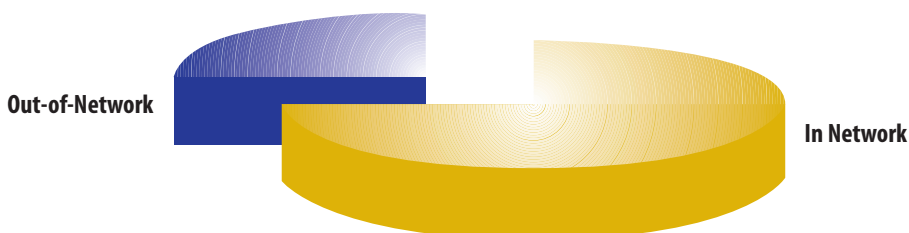
The bill review data also provides an opportunity for enhanced clinical management efforts. By showing all medication activity for the employer, the pharmacy benefit manager can review pharmaceutical trends across the entire employer’s book of business including overall prescribing practices, jurisdiction utilization, drug/injury relationships, and brand/generic utilization. This information allows for program calibration based on results and experience.

In summary, the tighter and more complete integration of bill review data into PBM workflows should be part of the employer/claims payors’ strategy to decrease claims costs and create improved outcomes for all parties. Such tight integration creates financial effectiveness, process efficiency and informational synergies that result in added value for all stakeholders.

Network Penetration - Stand Alone Pharmacy



Network Penetration - With Pharmacy and Bill



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Coventry Workers' Comp Services, a division of Coventry Health Care, Inc., is a leader in cost and care management services for workers' compensation insurance carriers, third-party administrators and employers. Our commitment to provide best-in-class outcomes is supported by investments in process efficiencies, unparalleled customer service and use of innovative technology solutions.

As a proven leader in the workers' compensation managed care industry, our integrated suite of care management, pharmacy benefit management, technology, and network solutions offers clients and their injured workers unmatched value in the industry.

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