



ANALYSIS OF FLORIDA DRAFT PROPOSAL TO REVISE REIMBURSEMENT RULES FOR REPACKAGED OR RELABELED PRESCRIPTION DRUGS EFFECTIVE UPON ADOPTION

NCCI estimates that adopting the proposed rules on reimbursement of repackaged or relabeled prescription drugs would result in a decrease of 1.1% (\$34M) on overall workers compensation costs in Florida.

Summary of Proposal

The proposal introduces a reimbursement rule for drugs that have been repackaged or relabeled. Under the proposed rule, reimbursements for such drugs are limited to the number of units dispensed times the per unit Average Wholesale Price (AWP) set by the original manufacturer of the drug, plus a \$4.18 dispensing fee. This rule does not apply in situations where the carrier has contracted for a lower reimbursement amount.

Currently, prescription drugs are reimbursed at the AWP plus a \$4.18 dispensing fee. There are no restrictions on reimbursements for repackaged or relabeled prescription drugs.

Actuarial Analysis

In Florida, drug costs represent 12.8%¹ of workers compensation (WC) medical costs. Repackaged drug costs represent 23.5%¹ of Florida's WC drug costs, or 3.0% (=23.5% x 12.8%) of medical costs.

In order to estimate the cost impact of this proposal, NCCI compared the cost of repackaged drugs to the cost of drugs dispensed in its original packaging from the manufacturer (not repackaged drugs). A repackaged indicator field from First Databank's *National Drug Data File™ (NDDF), Descriptive and Pricing Data*, was used to identify repackaged and not repackaged drugs within the Florida Workers Compensation Data licensed to NCCI.

NCCI has assumed the difference between the current reimbursement for repackaged or relabeled drugs and the current reimbursement for the equivalent of these drugs that are not repackaged, to be a reasonable estimate of the cost impact due to the proposed rule.

The current and proposed reimbursements for each drug brand name were calculated as follows:

Current Reimbursement = Average observed reimbursement for repackaged drug x Total Units of Repackaged Drug

Proposed Reimbursement = Average observed reimbursement for equivalent drug that is not repackaged x Total Units of Drug that is not repackaged

Where:

Average observed reimbursement = Total Paid divided by Total Units
Units = Total number of pills per prescription

¹ Based on Florida Workers Compensation Data licensed to NCCI for service year 2008.

**ANALYSIS OF FLORIDA DRAFT PROPOSAL TO REVISE REIMBURSEMENT
RULES FOR REPACKAGED OR RELABELED PRESCRIPTION DRUGS
EFFECTIVE UPON ADOPTION**

The current and proposed reimbursement is then summed to obtain total current and total proposed costs. The estimated direct impact due to the proposed rule is the ratio of total proposed costs to total current costs.

Note that the AWP is not subject to any law or regulation. Therefore, there are no requirements for the AWP to reflect the price of any actual sale of drugs by a manufacturer. In addition, since there is a lack of control over the AWP, it may be subject to significant upward pricing pressures (much like the "sticker prices" on automobiles). For these reasons, limiting the reimbursement for repackaged drugs to the AWP set by the manufacturer may result in less savings than anticipated.

The direct impact on prescription drugs is estimated to be -52.8%. This impact is then multiplied by the estimated Florida percentage of medical costs that are for repackaged prescription drugs (3.0%)¹. The resulting impact on medical costs is then multiplied by the percentage of Florida benefit costs that are medical (68.9%)² to yield the impact on Florida overall workers compensation system costs.

The impact due to the proposed rule is summarized in the following table:

	Impact
(1) Impact on Repackaged Prescription Drug Costs in Florida	-52.8%
(2) Repackaged Prescription Drug Costs as a Percentage of Medical Costs in Florida ¹	3.0%
(3) Impact on Medical Costs in Florida = (1) x (2)	-1.6%
(4) Medical Costs as a Percentage of Overall Workers Compensation System Costs in Florida ²	68.9%
(5) Total Impact on Overall Workers Compensation System Costs in South Florida = (3) x (4)	-1.1%

¹ Based on Florida Workers Compensation Data licensed to NCCI for service year 2008.

² Based on Calendar Years 2007-2008 Financial Call data projected to 9/1/2010. This estimated date is subject to change depending on the date the changes become effective.