

State of South Carolina

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Workers' Compensation Commission

TO: SCWCC Commissioners

FROM: Hal Willson, Chairman
Pharmacy Fee Schedule Advisory Committee

DATE: November 10, 2011

RE: Pharmacy Fee Schedule Advisory Committee Recommendation

Issue: In recent years, the South Carolina Workers' Compensation system has seen a significant rise in the volume of physician dispensed, "repackaged" medication. The reimbursement model currently employed by the SCWCC does not equitably address "repackaged" medications, creating substantial imbalance in the WC prescription medication marketplace and driving up overall system costs.

Challenge: Given the presence of "repackaged" medications in the WC system, the SCWCC is tasked with determining a reimbursement approach/methodology that effectively regulates "repackaged" medication in a manner that is equitable for all involved.

Background: Acting in response to concerns raised within the Workers' Compensation community, on March 21, 2011, the South Carolina Workers' Compensation Commission approved the formation of a "Pharmacy Fee Schedule Advisory Committee" (membership roster attached) to develop a strategy for addressing the presence of "repackaged" medication in the Workers' Compensation system. The committee convened on June 24, 2011 with Mr. Harold Willson serving as Chair. Over the course of meetings held on June 24, August 26 and October 7, Mr. Willson and the committee examined numerous elements of the "repackaged medication" issue. These elements included:

1. Review of the existing Pharmacy Fee Schedule model.
2. Reconsideration of "Average Wholesale Price" (AWP) as the key determinant in prescription reimbursement.
3. Issues of fair and equitable return for local pharmacy operators under a revised reimbursement model.
4. Consideration of the cost components that comprise the "repackaging" process.
5. Comparison of the cost of repackaged medication to non-repackaged medication.

Recommendation: Based upon the research and study conducted by the members of the Pharmacy Fee Schedule Advisory Committee, the following recommendation is proposed:

Payment for prescription drugs is limited to the amount established by the following formula, or by the pharmacist's or health care provider's usual and customary charge, whichever is less. The formula applies to both brand name and generic drugs. However, all prescriptions must be filled using generic drugs, if available, unless the authorized treating physician directs that it be dispensed as written.

Average Wholesale Price + \$5.00 Dispensing Fee

All bills under this section shall be itemized for proper reimbursement. Bills submitted for reimbursement shall be based on the original manufacturer's Average Wholesale Price (AWP) of the drug product on the date the drug was dispensed, and must include the National Drug Code (NDC) of the product dispensed. Medi-Span, published by Wolters-Kluwer Health, shall be used as the source for determining the average wholesale price (AWP). Where the AWP of a medication is not published by Medi-Span, any nationally published pharmacy price index may be used as a secondary source. Any issue arising as to the source of average wholesale price may be administratively reviewed by the Commission's Medical Services Division.

Any medication or drugs not specifically prescribed by the treating physician shall not be reimbursed. In the event that treating physician recommends and/or prescribes a particular drug or medication that can be purchased over the counter (without a prescription) and the injured employee pays for the drug or medication, the injured employee is entitled to reimbursement for the purchase upon submission of the appropriate receipts to the employer/insurance carrier.

The price determined by the formula will be the maximum allowable payment a provider can be paid under the Workers' Compensation Act. In instances where the pharmacy's charge is lower than the maximum allowable payment, or where the pharmacy has agreed by contract with an employer, insurance carrier or their agent to a contractual amount that is lower than the maximum allowable payment, reimbursement shall be made at the lower amount in accordance with the terms of the contract.

Bills for repackaged drug products must include the original manufacturer or distributor's stock package NDC used in the repackaging process. Reimbursement for a drug that has been repackaged or relabeled shall be calculated by multiplying the number of units dispensed times the per-unit AWP set by the original manufacturer for the underlying drug, plus a \$5.00 dispensing fee, except where the carrier has contracted for a different amount.

If the original manufacturer's or distributor's stock package NDC information is not provided or is unknown, the payer shall select the most reasonable and closely associated AWP to use for reimbursement of the repackaged drug. In no case shall the repackaged or relabeled drug price exceed the amount otherwise payable had the drug not been repackaged or relabeled. Manufacturers of a repackaged or relabeled drug shall not be considered an "original manufacturer".

Compound drugs shall be billed by listing each drug included in the compound by NDC, and calculating the charge for each drug separately. Payment shall be based on the sum of the fee for each ingredient, plus a single dispensing fee of \$5.00. If the NDC for any compounded ingredient is a repackaged medication NDC, reimbursement for the repackaged ingredient(s) shall be calculated as provided above. No payment shall be required for an ingredient not identified by an NDC.