

**AB 1124: Drug Formulary in the California Workers'
Compensation System
Interim Status Report**

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AB 1124 Interim Status Report

Assembly Bill 1124 (Statutes 2015, Chapter 525) requires the adoption of an evidence-based workers' compensation drug formulary by July 1, 2017. In this status report, the Division of Workers' Compensation (DWC) in the Department of Industrial Relations provides an overview of the steps taken to date in the development of a formulary.

Formulary Project Goals and Criteria

The goal is to adopt an evidence-based drug formulary, consistent with California's Medical Treatment Utilization Schedule (MTUS), to augment the provision of high-quality medical care, maximize health, and promote return to work in a timely fashion, while reducing administrative burden and cost.

In order to achieve these goals, the DWC identified preliminary bases for evaluating potential approaches to the formulary.

- Reliance on evidence-based criteria in determining the drugs and recommendations for the formulary
- A process for regular updates to the formulary drugs and recommendations
- Transparency in the decision-making process used to establish and maintain the formulary drug list and recommendations
- Compatibility with the MTUS treatment guidelines
- Accessibility and ease of use

The DWC has been considering a variety of approaches to the formulary in light of the goals and preliminary criteria. In consultation with RAND, the DWC has been gathering information from workers' compensation system participants, as well as other jurisdictions and payment systems, to identify formulary issues and best practices.

Identification and Evaluation of Formulary Design and Implementation Options: RAND Consultation

The DWC contracted with the RAND Corporation, an independent research firm, to conduct research and provide consultation on the design, implementation, and economic impact of the formulary and related policies. RAND has been employing a variety of methods to identify options and issues, including literature review, stakeholder interviews, participation in the public meeting, and interviews of official representatives from other jurisdictions. RAND has evaluated the formularies used by the following

states and organizations as possible models for the workers' compensation formulary in California.

- Ohio
- Washington
- American College of Occupational and Environmental Medicine (ACOEM) / Reed Group
- Official Disability Guidelines (ODG) of the Work Loss Data Institute
- Medi-Cal

RAND will issue a report analyzing the various formularies examined, the benefits and disadvantages of each approach, and the potential applicability to California workers' compensation. The report will evaluate the extent to which each formulary relies on evidence-based criteria, the compatibility with the MTUS, the established process for regular updates, the transparency of the decision-making process, the accessibility and ease of use, and the extent to which the formulary focuses on drugs needed for injured workers' medical conditions. In addition, the report will consider the feasibility and administrative burden of deriving and maintaining a formulary derived from MTUS guidelines.

The RAND report will also outline options for ancillary policies that should be considered for adoption as part of the regulatory framework. A wide variety of issues are under consideration, including policies relating to "first fill," dispensing by physicians, pharmaceutical compounding, rules to encourage preferred drugs through easing the "prospective review" requirements, formulary updates, and the Pharmacy and Therapeutics Committee.

Public Input to the Formulary Project

The DWC, directly and through RAND, has been gathering public input from a broad spectrum of the public, including employers, insurers, labor representatives, physicians, pharmacists, pharmacy benefit management companies, and attorneys representing injured workers.

A public meeting was held September 8, 2015, prior to the final passage of AB 1124, to discuss issues related to the development and implementation of an evidence-based formulary. The DWC invited input on how a formulary could improve appropriate care through dispensing evidence-based medicine, expedite treatment for injured workers, reduce delays, improve the efficient delivery of medical benefits, and reduce administrative costs.

After AB 1124 was passed, a public meeting was held on February 17, 2016, to discuss its implementation. RAND researcher Barbara Wynn presented an overview of the

formulary project. All stakeholders had the opportunity to provide input on development of the formulary and implementation of the bill.

The Director of the Department of Industrial Relations Christine Baker, DWC Acting Administrative Director George Parisotto, and DWC Executive Medical Director Raymond Meister, M.D., testified at the state capitol before committees of the Senate Labor and Industrial Relations Committee and the Assembly Insurance Committee. The March 2, 2016, hearing on “Implementing AB 1124 (2015): A Joint Hearing of the Senate Labor and Industrial Relations Committee and Assembly Insurance Committee on the Creation of a Workers’ Compensation Formulary” provided an opportunity for the Department to present the legislature and the public with a status report and overview of issues involved in developing the formulary.

Next Steps

The DWC is considering the input from stakeholders and evaluating information and analysis provided by RAND. Within the next few weeks, the DWC is expected to open another public comment period to allow all interested stakeholders to present further input on the development of a formulary. The DWC will post draft formulary regulations and the pre-publication RAND formulary report on the DWC Forum webpage for public review and discussion.

Formal rulemaking is expected to begin later this year so that the formulary can be adopted before the July 1, 2017, statutory deadline.