



Commission on
Health and Safety and
Workers' Compensation

Impact of “Physician-Dispensed” Prescription Drugs

Update to the Commission
Oakland—July 6, 2006

CHSWC Members
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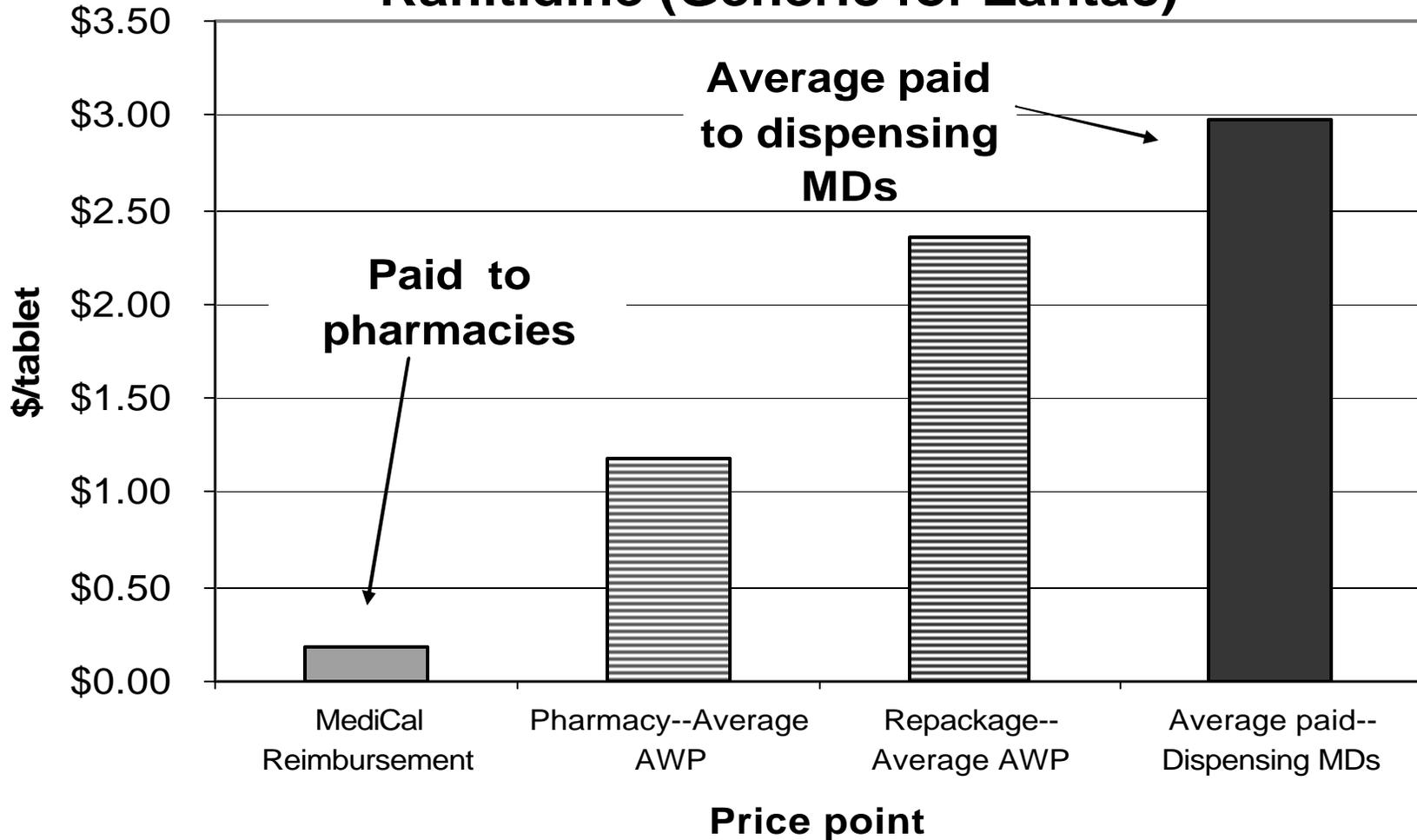
Christine Baker, Executive Officer

Summary

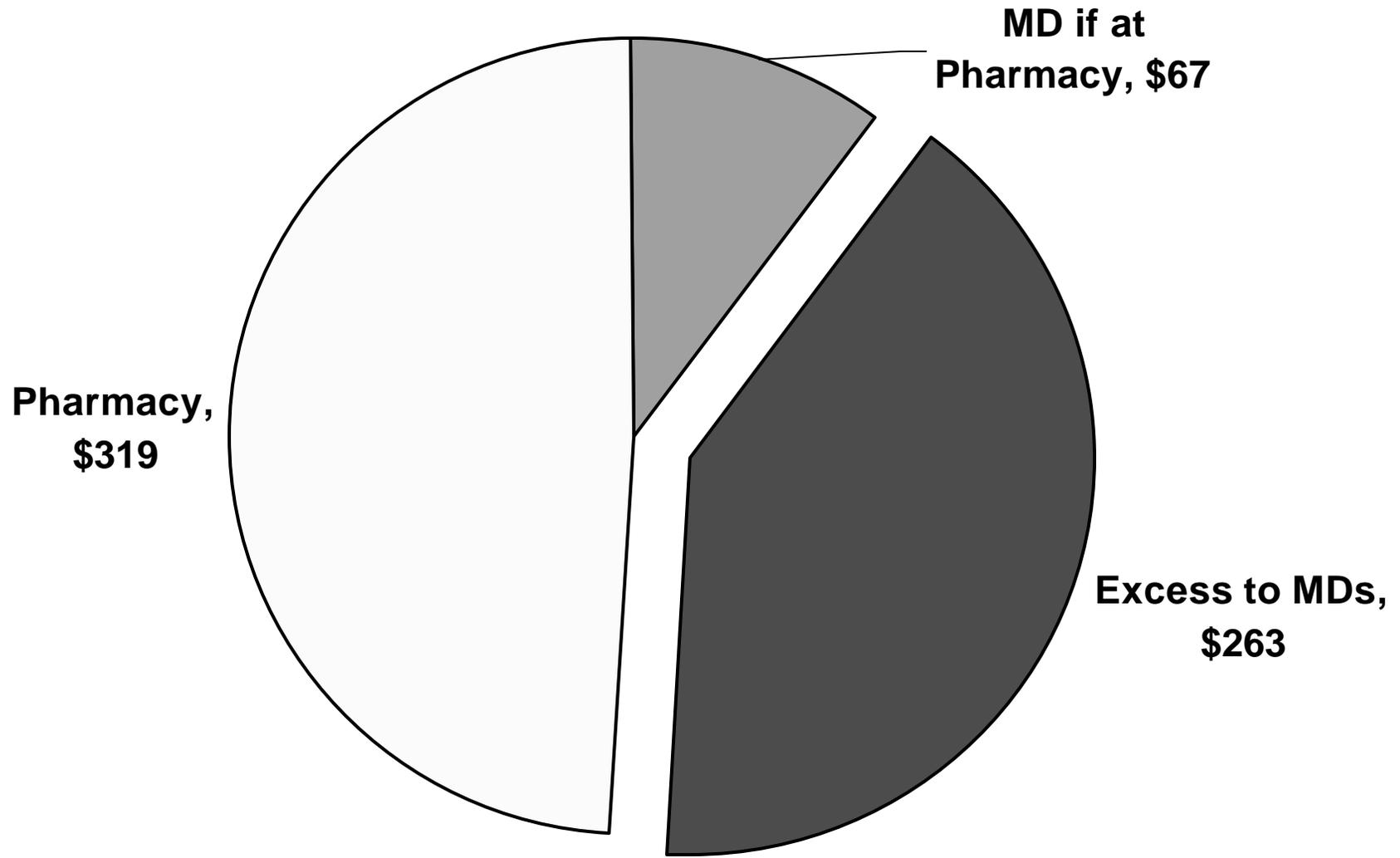
- **Substantial analysis in response to comments at April CHSWC Meeting**
- **More focus on paid amounts**
- **New estimates of pharmacy costs from WCIRB for 2005**
- **Impact: New estimates of cost impact**
- **Comment on proposed regs**

Drug Pricing

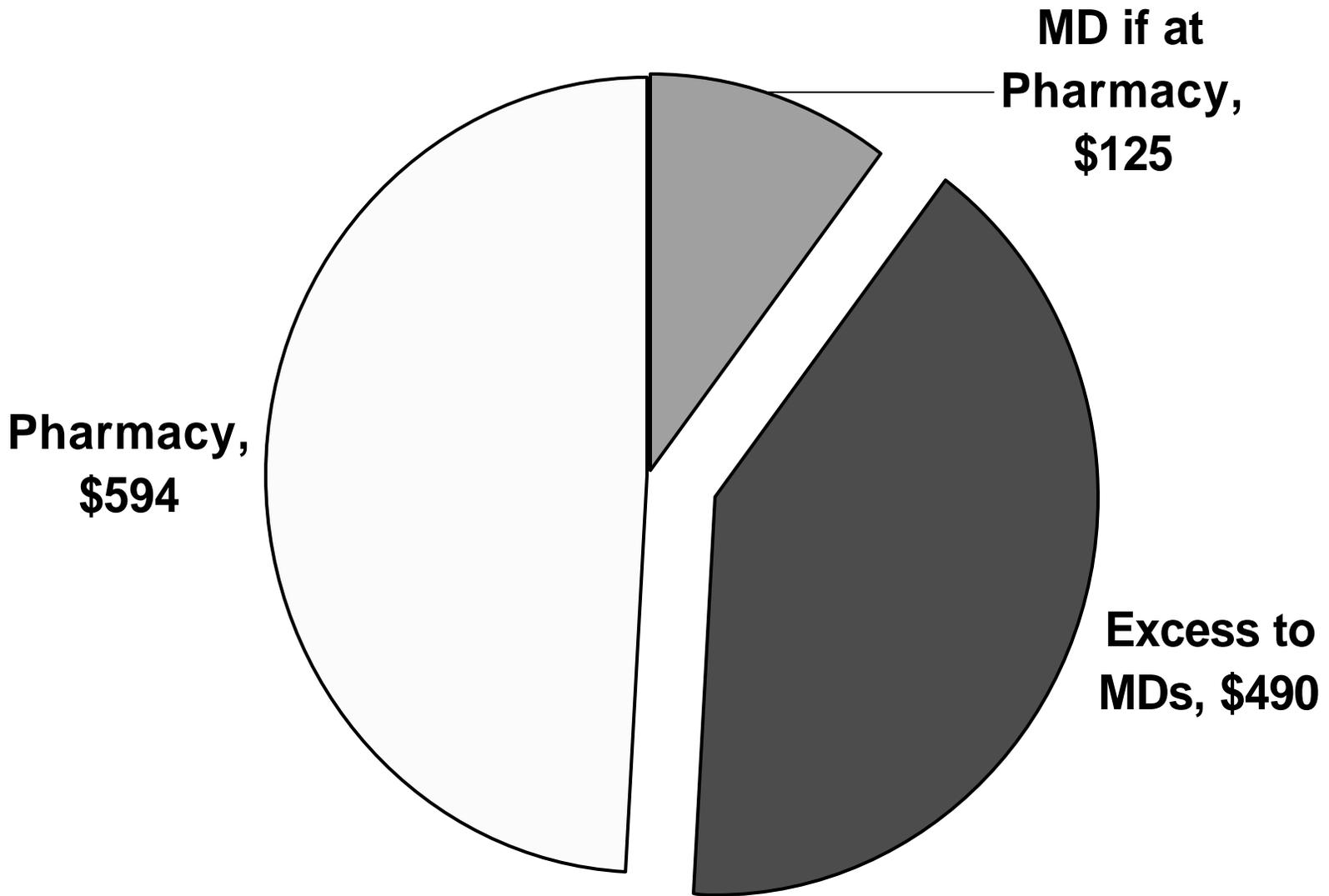
**Price Points and Actual Reimbursements--
Ingredient cost
Ranitidine (Generic for Zantac)**



Distribution of Total Rx Paid--2006 (\$millions)



Impact of Physician-Dispensing on Employer Premium--2006 (\$millions)



Physician-Dispensed Drugs Summary of Cost Impact

- **Half of Rx paid amounts go for physician-dispensed Drugs**
- **Physicians paid, on average, 4 times what pharmacies are paid for same drug**
- **\$263 million – Excess paid amount, 2006**
- **\$490 million – Excess premium cost for insured employers, 2006 policy year**

New Regulations Proposed by DWC

- Continues physician-dispensing
- Limits reimbursement to three step formula
 - MediCal, if NDC listed
 - MediCal, if NDC for original manufacturer listed
 - AWP – 17% for lowest priced Medical listed equivalent drug

Future Work

- **Evaluate impact of proposed regulations covering physician dispensing**
- **Evaluate the impact of incentives inherent in physician dispensing on physician prescribing practices**