Impact of “Physician-Dispensed” Prescription Drugs

Update to the Commission
Oakland—July 6, 2006

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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)

<table>
<thead>
<tr>
<th>Price point</th>
<th>MediCal Reimbursement</th>
<th>Pharmacy--Average AWP</th>
<th>Repackage--Average AWP</th>
<th>Average paid--Dispensing MDs</th>
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<td>$0.50</td>
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Average paid to dispensing MDs
Distribution of Total Rx Paid--2006 ($millions)

- Pharmacy, $319
- MD if at Pharmacy, $67
- Excess to MDs, $263
Impact of Physician-Dispensing on Employer Premium--2006 ($millions)

- Pharmacy, $594
- Excess to MDs, $490
- MD if at Pharmacy, $125
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