BACKGROUND

California Workers’ Compensation Pharmacy Fee Schedule in 2002
- Reimbursement Rate: Brand (AWP)*1.1 + $4.00
- Generic (AWP)*1.4 + $7.00
- No Formulary
- All NDCs Accepted
- Physician dispensing permitted by state law

- Non-equivalency due to repackaged dispensed drugs
- For 2 years, legislation and regulation reforms have been proposed to resolve the inconsistency between Medi-Cal and Workers’ Compensation Reimbursement
- Currently, no legislation has been passed to resolve the pricing of repackaged drugs
  - SB 292 attempted to reprice repackaged drugs based on underlying manufacturer NDCs (legislation not passed)

WHAT IS A REPACKAGED DRUG?

- A pharmaceutical product that is removed from the original manufacturer container with an original NDC and put into a new container with new quantities, therefore requiring a new NDC, with a new repackaging company label and price for the medication
- It is of interest to determine who dispenses repackaged drugs to determine the value provided
- Repackaged pharmaceuticals are provided through a company that may be referred to as a repacker, distributor (wholesaler), manufacturer, or retailer (pharmacy) making it difficult to define or identify repackaging companies
- To repack a pharmaceutical, a company at a minimum must be licensed as a manufacturer

OBJECTIVE

- The purpose of this paper is to assess costs, potential savings with alternative pricing systems, and model predictors of repackaged pain and pain-related pharmaceutical costs
- In addition, we describe the distribution of repackaged pharmaceuticals through the U.S. drug distribution system

METHODS

- Data Source and Sample
  - Non-profit research organization data from 2002 representing ~13% of all California WC pharmacy claims
  - Pain and pain-related pharmaceutical claims of insured employers
  - Utilization and Cost Analysis (SAS Version 8.02)
- Mean costs, utilization, and characteristics
- Cost savings with alternative reimbursement rates: t-tests
- Cost per analysis of manufacturer vs. repackaged drug costs with alternative reimbursement rates
- Log Ordinary Linear Regression (OLS) and Generalized Linear Model (Proc GenMod in SAS)
- Model to explain cost per pill of repackaged drugs

PRICE & DISTRIBUTION MODEL

Repackaged Pharmaceutical Characteristics

Repackaged Pharmaceutical Sources

RESULTS

Potential Costs Savings with Alternative Reimbursement Rates

Mean Cost Per Pill Using Alternative Reimbursement Rates:

- The majority, but not all NDCs that did not have a Medi-Cal equivalent cost are repackaged pharmaceuticals (55.3%)
- Generic medications accounted for the majority of repackaged costs (88%)
- Companies most commonly associated with repackaged pharmaceutical costs were Southwood Pharmaceuticals (33.1%) and Pharma Pac (31.7%)
- Total repackaged pharmaceutical costs could be reduced by 56% (53,091,177) using an alternative formula based on Medi-Cal formulae (AWP-17% + $7.25)
- On a per prescription basis, repackaging costs an additional $20 when compared to a Medi-Cal pharmacy dispensed medications
- Alternative rates: reductions on a cost per pill basis vary between 36%-40%
- AWP-10% + $7.25 (5.5% greater than the EAC) and AWP-10% + $8.75 (13.4% greater than the EAC)
- Regression Analysis: Variables that were significantly predictive of increasing total average repackaged costs per NDC included:
  - Generic medications (p=0.005) and time on market <7yrs (p=0.006)

CONCLUSIONS

- If the workers’ compensation legislation reimbursement rate is set too low
  - This could lead to patient access problems affecting overall patient care
  - Varying the dispensing fee may allow the dispenser such as a physician to keep more of the payment than if the AWP alone is charged; depending on negotiations made with pharmaceutical repackers and insurers, mitigating potential access limitations
  - To avoid access problems, step-wise reductions in reimbursement rates are appropriate
- Future studies should examine if the added price is worth the increased access that repackaged pharmaceuticals afford and what cost and value are acceptable for pricing repackaged drugs