

The Workers' Compensation System in Florida

Senate Appropriations Subcommittee on General Government

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Insurance Commissioner

2011 WC Medical Cost Distributions

| | Florida ¹ | Countrywide ² | Difference |
|-----------------------------------|----------------------|--------------------------|------------|
| Physicians | 33.7% | 41.5% | -7.8% |
| Hospital Inpatient | 17.2% | 14.5% | +2.7% |
| Hospital Outpatient | 18.2% | 15.0% | +3.2% |
| Ambulatory Surgical Centers (ASC) | 7.9% | 5.0% | +2.9% |
| Drugs | 15.1% | 11.3 % | +3.8% |
| Supplies | 6.0% | 8.1% | -2.1% |
| Other | 1.9% | 4.6% | -2.7% |
| Total | 100.0% | 100.0% | 0.0% |

Source: National Council on Compensation Insurance (NCCI); Pricing of Workers Compensation Proposals

¹ Derived from data provided by Florida's Division of Workers Compensation for Service Year 2011

² Derived from NCCI Medical Data Call, for Service Year 2011; Countrywide includes data for the following 35 states: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, and WV.



Cost Drivers

- **Drug Repackaging**
 - **Savings of \$27.3M**
- **Hospital Inpatient Reimbursement**
 - **Savings of \$75M - \$85M**
- **Hospital Outpatient/Ambulatory Surgical Centers Reimbursement**
 - **Savings of \$112M - \$122M**



Drug Repackaging – Workers’ Compensation Research Institute (WCRI) Study

- At least three states (MA, NY, and TX¹) have prohibited physician dispensing in general .
- 45% of Florida’s workers’ compensation prescriptions were physician-dispensed—the second highest among the 23 states studied.
- 62% of workers’ compensation prescription payments were physician-dispensed.

Source: Testimony submitted to the Florida Office of Insurance Regulation for the October 4, 2012 National Council on Compensation Insurance, Inc. (NCCI) public rate hearing

¹ In Texas, it is permitted in very limited circumstances - typically sparsely populated areas of the state.



Comparison of Prices for Common Rx's

| | Price per Pill Physician- Dispensed | Price per Pill Pharmacy- Dispensed | % Physician-Disp. Above Pharmacy- Dispensed |
|--|---|--|---|
| Hydrocodone- acetaminophen (Vicodin ®) | \$1.08 | \$0.43 | 151% |
| Ibuprofen (Motrin ®) | \$0.58 | \$0.31 | 87% |
| Meloxicam (Mobic ®) | \$5.25 | \$3.38 | 55% |
| Tramadol HCL (Ultram ®) | \$1.46 | \$0.84 | 74% |
| Cyclobenzaprine HCL (Flexeril ®) | \$1.70 | \$1.07 | 59% |

Source: Testimony submitted to the Florida Office of Insurance Regulation for the October 4, 2012 National Council on Compensation Insurance, Inc. (NCCI) public rate hearing



Drug Repackaging – Proposed Changes

- Current Florida workers' compensation pharmacy fee schedule is Average Wholesale Price (AWP) plus a \$4.18 dispensing fee.
- By adding “Original Manufacturer’s” in front of current “AWP plus \$4.18 dispensing fee”, NCCI estimates that the Florida workers' compensation system will save **\$27.3 million**.

Source: National Council on Compensation Insurance (NCCI); Pricing of Workers Compensation Proposals



Additional System Cost Attributed to Markup on Repackaged Drugs

NCCI estimates that the additional system cost from 2007 – 2011 that can be attributed to the markup on repackaged drugs is **\$250M**



Other Primary Cost Drivers

Hospital Inpatient Medicare-Based Proposals:

Reimburse at:

120% of Medicare

140% of Medicare

Dollar Impact:

-\$85M

-\$75M

Hospital Outpatient and Ambulatory Surgical Center (ASC) Medicare-Based Proposals:

Reimburse at:

120% of Medicare

140% of Medicare

Dollar Impact:

-\$122M

-\$112M

