

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

