

Prescription Drug Study 2007 Update

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How Are Workers Compensation Drug Costs Changing?

- What percentage of workers compensation (WC) medical costs are prescription drugs? How has the percentage changed over time?
- Do WC prescription drug costs differ by state?
- What types of drugs are prescribed most often?

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WC Prescription Drug Cost Containment Options

- Prescription drug-fee schedules
 - Used in a majority of states
 - Many use Average Wholesale Price (AWP)
 - Most also add a dispensing fee
- Negotiation of lower prices
- Mandated use of generic drugs
- Pharmacy Benefit Managers (PBMs)
- Formularies

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Key Findings

- There are some signs that the WC prescription drug share of medical costs is leveling off, at least temporarily
- Some states' WC prescription drug costs vary significantly from average
- Utilization is the significant driving force behind total cost

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Key Findings

- Anti-inflammatories and painkillers represent about half of total amount paid for drugs in 2005, and comprise 6 of the top 10 drugs
- For drugs with generic equivalents, generics were prescribed 87% of the time in Service Year 2005
- Additional savings of about 12% of total drug costs can be realized from using generic equivalents

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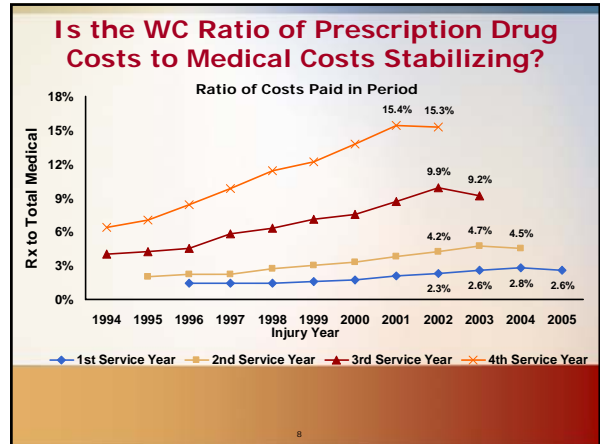
Study Design

- Data includes a nationwide sample
- Data covers claims from 1994 to 2005 and services from years 1996 to 2005
- "Prescription drug" is defined as a transaction identified with a National Drug Code (NDC) or with carrier specialized codes

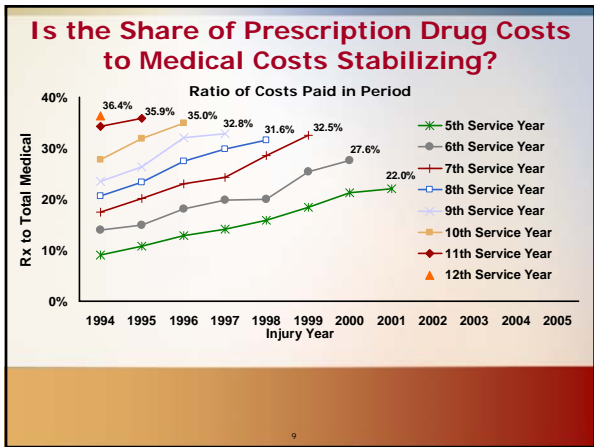
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Nationwide View

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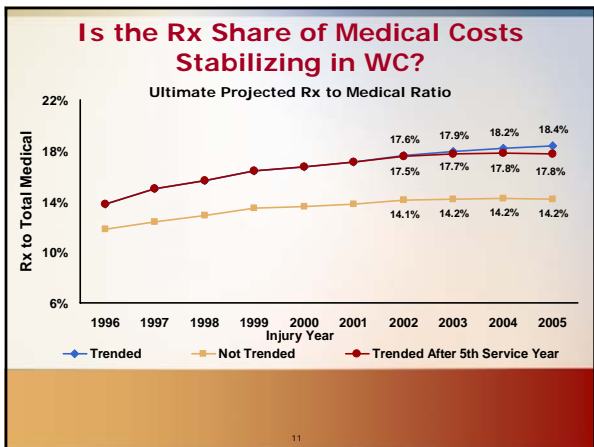


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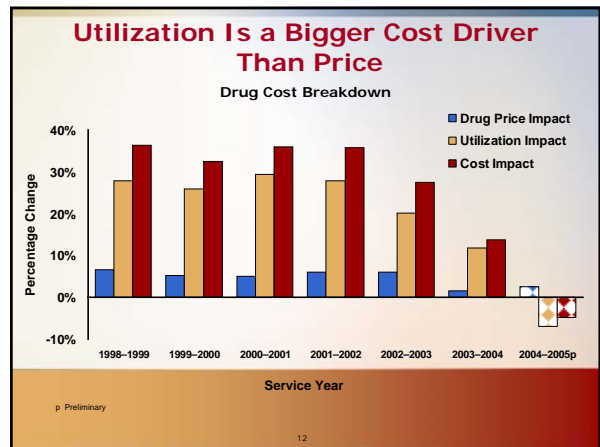
Forecasting Rx Share of Medical Cost

- Three scenarios naturally arise
 - Latest year is representative of the trend
 - Latest year is an aberration; trend will continue at historical rates
 - Trends will continue at historical rates only after the fifth service year
- We forecasted the Rx share under these three scenarios

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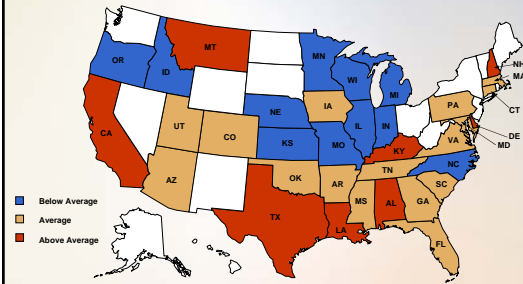
p Preliminary

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Regional View

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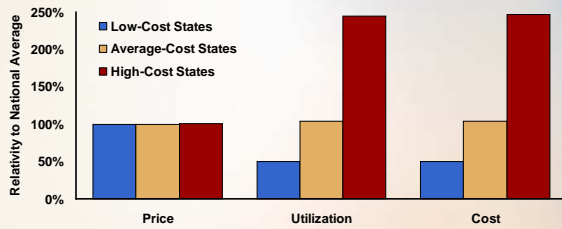
WC Rx Cost per Claim



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Utilization Is the Cost Driver

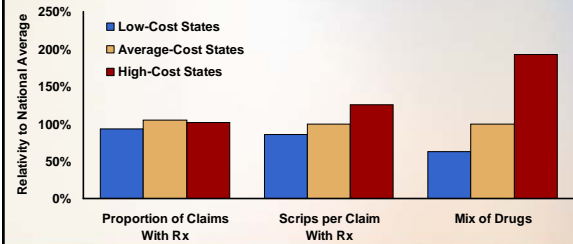
4-Year Average Cost Breakdown



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Utilization Is the Cost Driver

4-Year Average Cost Breakdown



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Detailed View

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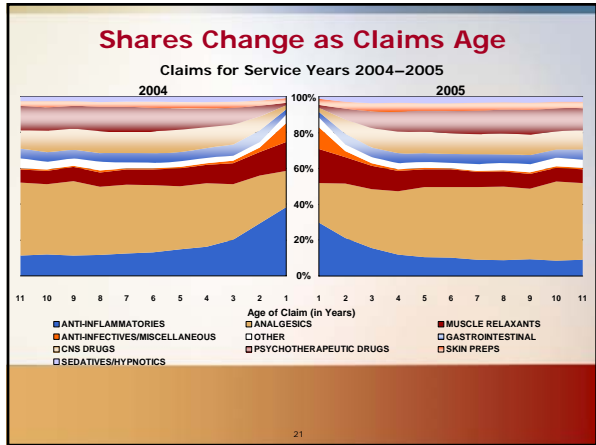
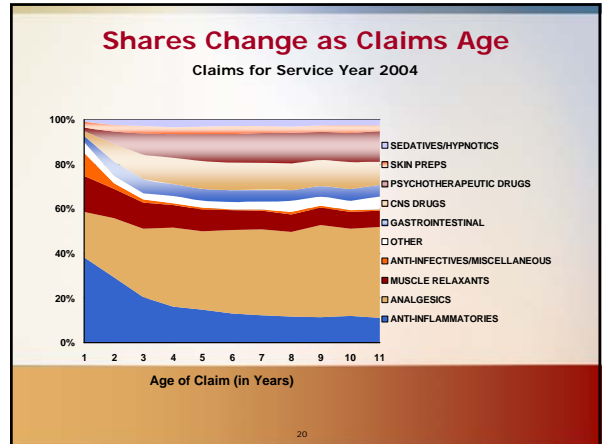
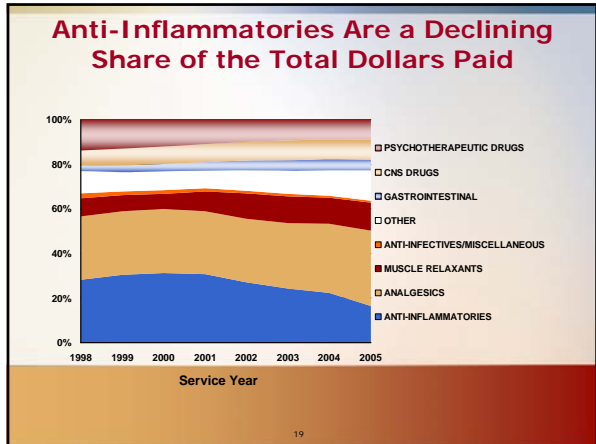
Top Drugs for 2005

Most Prescribed Drugs by Total Paid in WC

Drug Name	FDA Approval	Ranking			
		2005	2004	2003	2001-2005
Hydrocodone/Acetaminophen	7/85	1	3	4	3
Gabapentin	9/03	2	37	*	17
OxyContin®	12/95	3	1	1	1
Carisoprodol	<1/82	4	6	6	6
Celebrex®	12/98	5	2	2	2
Lidoderm®	3/99	6	10	15	11
Skelaxin®	4/64	7	9	10	9
Mobic®	8/00	8	21	25	18
Oxycodone HCL	<1/82	9	27	83	24
Naproxen	3/94	10	11	9	8
Actiq®	11/98	11	15	30	20

* Gabapentin was released in late 2003

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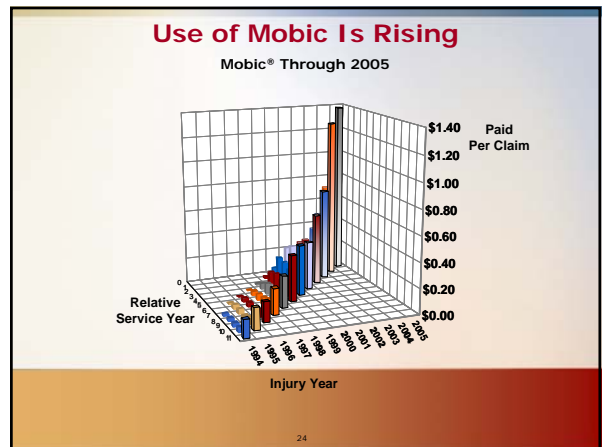
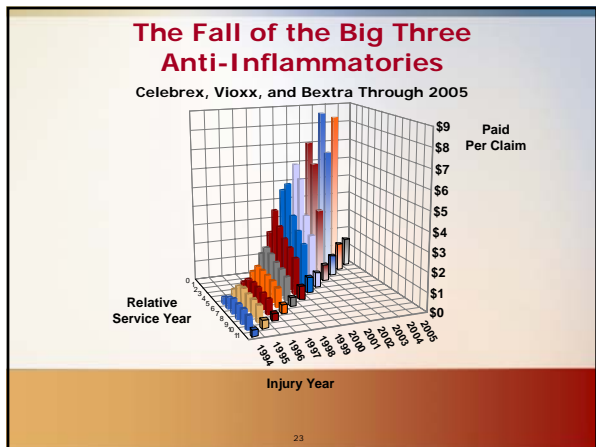


The Fall of the Big Three Anti-Inflammatories

- September 2004—Merck & Company voluntarily withdrew Vioxx® from the market
- April 2005—At the request of the FDA, Pfizer voluntarily suspended sales of Bextra®
- April 2005—The FDA allowed Pfizer to keep Celebrex® on the market, but with expanded risk information included in the labeling

In 2003, Vioxx® ranked 5th, Bextra® ranked 7th, and Celebrex® ranked 2nd in terms of total dollars paid.

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Questions and More Information

- Download the complete presentation materials on this and other research at **ncci.com**