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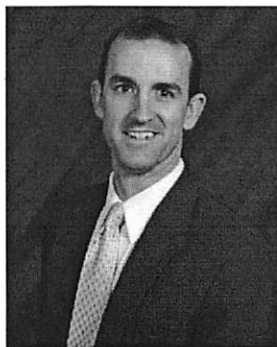


Michael Gavin: Functional Formularies

March 3, 2015 - WorkCompWire

By Michael Gavin, President, PRIUM

The phrase "closed formulary" is in the air these days. It is both self-explanatory and cause for consistent confusion. A "closed formulary" is just that – a drug formulary (or list of medications) that is closed to certain medications that cannot be prescribed and/or dispensed without explicit authorization from the payer. Sounds simple. But in my experience, the saying "if you've seen one, you've seen them all" simply doesn't apply here; if you've seen one closed formulary... you've seen one closed formulary. Approaches vary widely across the country with respect to formulary development, formulary management, authorization mechanisms, enforcement protocols, and dispute resolution processes.



Ensure Regulatory Infrastructure is in Place

The process of implementing a closed formulary requires several prerequisite regulatory mechanisms. States that attempt to implement any formulary concept without properly assessing the readiness of the state's managed care and utilization review rules is likely attempting to do too much, too quickly. A few key questions that legislators and regulators should be asking:

Is the concept of "pre-authorization" well-defined in our state? Are prescribers used to dealing with the defined process? How will the process change if we begin to require authorization for medications (vs. other medical treatments that may have historically required authorization)?

Since the absence/cessation of drugs could create a medical emergency, how will an expedited dispute resolution be made available?

Are we simultaneously introducing new medical treatment guidelines along with the closed formulary? How will we educate physicians and other stakeholders?

How will the requirement for authorization affect pharmacies and pharmacy benefit managers? How will the workers' compensation regulatory body communicate changes in practice to pharmacies in the state?

The guiding principle: states should recognize that a successful closed formulary will be the result of a methodical and thorough regulatory approach. States with well-defined utilization review processes, recognized medical treatment guidelines, and effective communication mechanisms with physicians, pharmacies and other stakeholders are best positioned to implement a closed formulary.

Rely on Third-Party Guidelines

Many of us are familiar with the conversation in workers' compensation (and healthcare in


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general) regarding evidence-based vs. consensus-based medical treatment guidelines. While I won't explore all facets of that important debate here, I do want to focus attention on one important aspect of evidence-based guidelines critical to the successful implementation of a closed formulary. Evidence-based guidelines are typically developed by third parties that take on responsibility for updating the guidelines based on evolving contemporary medical evidence. Given the number of medications available to physicians for the treatment of injured workers, the rate at which new medications are introduced, and the speed with which medical evidence around existing medications evolves, there is simply no way for a state regulatory body to maintain a drug formulary over time. The rules that define a closed formulary should clearly spell out not just the third party set of guidelines upon which stakeholders should rely, but also stipulate clearly that the state will always rely on the latest version of those guidelines. For example, the Work Loss Data Institute updates Appendix A of the Official Disability Guidelines on a monthly basis. It is unrealistic to expect a state to update internally developed, consensus-based guidelines at that pace.

Establish a Single Standard of Care

Among the most important decisions any regulatory body must make with respect to a closed formulary is the "effective date." But this seemingly simple decision is fraught with complications. If a state chooses a single effective date for all claims, two potential problems arise. First, injured workers hurt before the given date may be subject to different regulations (and, therefore, different medical treatment) than those injured workers hurt after the given date. This creates two different standards of care of injured workers, an illogical and unfair approach to medical treatment. Second, a single effective date doesn't allow for any remediation of long-term, complex, chronic pain cases. Clinically, it's irresponsible to subject an injured worker who has been taking a high dose opioid for multiple years to immediate cessation of his medication. The best practice for states is to explore a phased-in approach with two distinct effective dates – one for new injuries and a separate one for older, or legacy, injuries.

In next week's article, we'll analyze individual state approaches and compare them against these important characteristics of successful closed formulary implementation.

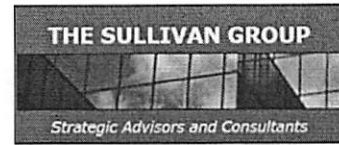
About Michael Gavin

As president of PRIUM, Gavin is responsible for the strategic direction and management of the medical intervention company. He brought considerable experience in several major sectors of the health care industry to PRIUM when he joined as Chief Operating Officer in 2010, and he is the author of the thought-provoking Evidence-Based blog.

Prior to joining PRIUM, Gavin was a consultant with Kurt Salmon Associates, a leading provider of strategic advisory services to the healthcare provider sector. Previously, he served as the vice president of operations for MDdatacor, Inc., a health services start-up that provides innovative information technology solutions to support pay-for-performance programs in the ambulatory care environment. He began his career as a consultant with The Monitor Group, a global strategy consulting firm in Cambridge, Mass.

About PRIUM

An Ameritox solutions provider, PRIUM sets the industry standard for workers' compensation medical interventions through its ability to secure higher agreement rates and to help ensure compliance with modified treatment plans. The hallmark of the medical intervention company's success is a collaborative physician engagement process encompassing evidence-based medicine, clinical oversight, and jurisdictional guidelines to facilitate optimal financial and clinical outcomes. PRIUM helps eliminate unnecessary treatment through a comprehensive approach that includes complex medical interventions, utilization reviews, urine drug monitoring, and



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