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CARE MANAGEMENT SOLUTIONS

PHARMACY BENEFIT MANAGEMENT SERVICES

According to recent updates, prescription drug spending represents a disproportionately high percentage of workers' compensation costs.

A previous National Council on Compensation Insurance (NCCI) study showed that there was a 12% increase in per claim drug costs in 2009 and today prescription drugs account for about 19% of workers' compensation medical costs.*

Contributors to the rising costs include drug over-utilization, fraud, physician dispensing, costs associated with compound medications, an epidemic of opioid use and abuse, and inconsistent national oversight of providers resulting in duplicate therapies.

A few states are moving to impose legislation to address over-utilization and physician dispensing trends; however, jurisdictional regulatory changes will not address the national epidemic with the speed and uniformity necessary to ensure drug safety for injured workers.

A recent NCCI update regarding narcotic use in workers' compensation concluded:

- Per-claim narcotic costs have increased
- There have been changes in the way narcotics are commonly used
- Narcotic use is concentrated among a small percentage of claimants
- Initial narcotic use is indicative of future use

The question of course is how to ensure that pharmacy programs meet the needs of workers, employers, and regulators within the highly complex and rapidly changing workers' compensation environment.

Finding optimal ways to improve utilization and outcomes while managing costs is where Sedgwick's pharmacy services team steps in. We are one of the three largest providers of workers' compensation pharmacy programs in the nation; giving us a wealth of data, insight, and experience.

Setting the industry standard

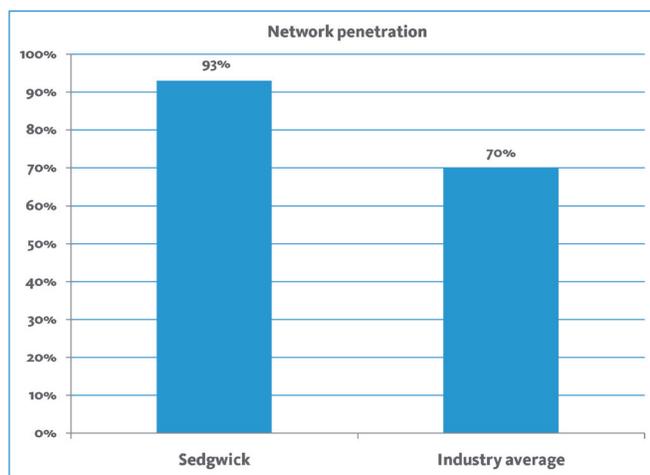
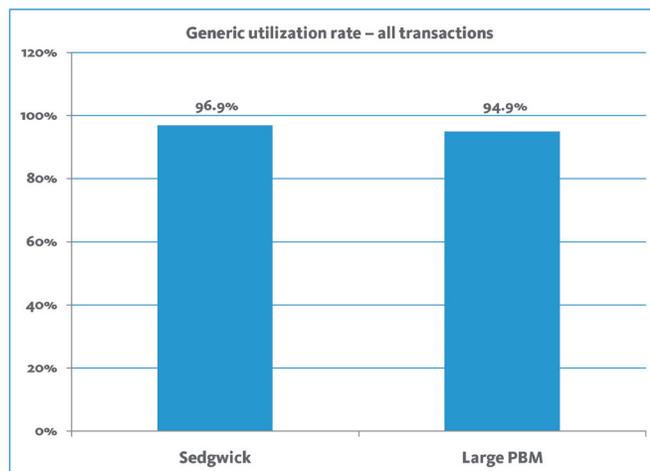
Through our innovative approach, Sedgwick is setting industry benchmarks in the pharmacy arena. A recent study** highlights our superior outcomes in several key categories, including medication therapy cost, generic utilization rate, mail order penetration, and network penetration. Also see charts on the following page.

- Sedgwick's average medication therapy cost per day was 9.3% less than the largest pharmacy benefit manager (PBM) in the industry
- Sedgwick's generic utilization rate was 97.3% for narcotics compared to 95.6% for a large PBM
- Mail order penetration was 15.4%



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A different approach to pharmacy management

We provide our clients with a comprehensive, integrated program led by industry-recognized experts. Our team consists of experienced nurse case managers, physicians, program managers, and claims examiners who understand your industry; the complex world of pharmacy benefits; and the unique challenges you face in returning your injured workers to the job quickly and safely.

In addition, colleagues from other Sedgwick teams, such as managed care product managers and experts from

our highly-regarded workers' compensation practice, collaborate with the Sedgwick pharmacy team to ensure we develop the most effective programs possible – based on all the latest industry data – for each of our clients.

We are more than just a TPA, more than a basic PBM that creates formularies and networks, and more than a medical review service provider.

Nowhere else can employers get that level of expertise, resources, and commitment.

THE SEDGWICK DIFFERENCE

- WE WORK WITH YOU TO CONTROL EVERY ELEMENT OF THE PHARMACY PROGRAM.
- OUR TEAM PROVIDES A HOLISTIC APPROACH.
- WE ARE FOCUSED ON QUICK FORMULARY DECISIONS AND CLAIMS PROCESSING.
- OUR EXAMINERS ARE GIVEN THE TOOLS, EDUCATION, AND RESOURCES NEEDED.
- WE WORK TO EMPOWER PATIENTS.
- OUR TEAM EDUCATES PRESCRIBERS AND PROVIDES INTENSE OVERSIGHT TO ENSURE APPROPRIATE UTILIZATION.

Filling in the gaps

The pharmacy management component of many workers' compensation programs today is focused on just that – managing pharmacy spend. However, what the industry misses with this singular approach is the big picture. What happens with those medications not on the formulary – with those medications filled outside of the network or at the physician's office? That's a critical question to ask as most narcotics are frequently not on the formulary – yet they represent one of the largest categories of drug spend.



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Another strategy used by many large workers' compensation programs today is to turn over all off-formulary or questionable claims to a medical review team, which includes nurses or other clinicians. The process works, but it is costly and time consuming.

At Sedgwick, our primary goal is patient safety. We understand the importance of a strong pharmacy management program and clinical oversight. But we go beyond the basics and take a more holistic approach that recognizes the need to help injured workers get the treatment they need quickly, and ensure they receive the appropriate guidance and support to keep them on a safe path to recovery.

Going beyond the basics

Our program is unique for other reasons as well. Sedgwick goes beyond the basics of claims management and network development to provide:

- Experienced nurse case managers and medical directors – Our team ensures there is a valid diagnosis for every prescription filled. If the injured employee's treating physician does not respond to proposed changes or is not open to best practices, a physician on Sedgwick's team who specializes in managing complex pharmacy issues will evaluate the case.
- Special care for injured employees complaining of pain – Narcotics are not always the right treatment for pain. We work to ensure the appropriate use of medication within guidelines that provide compassionate care and healing.
- Thorough drug education for employees – Using medical literacy techniques, our claims examiners and nurses will explain the dangers of using opioids. Training includes required screenings for risk of addiction or abuse (history of drug or alcohol abuse, or regular use of sedatives); and an opioid use

agreement/contract that covers urine drug screenings and avoidance of other sources for medication such as emergency rooms.

- Analysis of the medication's effectiveness – This helps to determine if the pain has diminished and if the employee can return to work. It includes an analysis of all medications compared to evidence based guidelines and industry best practices.
- Alternate therapeutic plans – In the event that the initial therapy fails or does not provide effective relief, we can suggest alternative pain control modalities such as non-opioids and options for employees who cannot tolerate opioids.

To further optimize medications and ensure efficacy, we encourage follow-up appointments within three days and only authorize three days of initial treatment. This is to assist with determining whether or not the medication has improved pain control and function.

Most importantly, we ensure our examiners have instant access to support when needed. If examiners have questions, they are encouraged to contact a nurse or physician for further guidance.

The role of examiners

At Sedgwick, our program is built around our highly trained and experienced examiners. We think that's the single most important differentiator between us and other workers' compensation pharmacy providers.

Our examiners represent the first line of defense in ensuring proper utilization, fraud detection, and cost control. They have the tools, resources, and instant access to claims data to quickly make decisions based on readily available best practices – and the ability and authority to contact nurses or physicians if needed for complex cases.



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Formulary development

About 90% of all off-formulary drugs are approved in standard workers' compensation programs. That represents a huge area for potential loss, abuse, fraud, and misuse.

A strong workers' compensation pharmacy program begins with a strong, yet flexible, formulary. Our team of pharmacists, nurses, and workers' compensation specialists work to create a tailored formulary that is highly specific for your industry, employees, and the needs of your organization.

Also, our formulary changes with the needs of the injured worker. For example, when a diagnosis changes from pre- to post-surgery, the formulary changes.

We then use our ability to build comprehensive networks of quality providers who support our formulary, and use technology to connect our examiners, nurses, claimants, and providers to ensure formulary utilization is maximized.

Sedgwick's pharmacy solution

Our pharmacy services include a review of the entire injured worker's profile, using both in-network and out-of-network transactions to evaluate actual medication use and ensure appropriate utilization.

Profiles are reviewed on a monthly basis to identify high-risk medication usage (high doses of medications, duplications of narcotic therapy, etc.). When high-risk therapy is identified, the following interventions are performed:

- Letters are sent directly to prescribers to alert them of the injured worker's high-risk medication use
- Claims examiners and designated nurse case managers are notified regarding injured workers with excessive high-risk or suspicion of inappropriate behavior, and a prescription management strategy is included in the claim's integrated action plan

- Sedgwick offers a sophisticated pharmacy clinical review program, which includes point-of-sale intervention and a retrospective adverse trend alert program managed by our nurses who review medications prior to dispensing. A number of factors will trigger our pharmacy clinical review program, including:

- Narcotic class medications for the treatment of pain (Oxycontin, Demerol, etc.)
- Use of multiple medications excessively or from multiple therapeutic classes
- Using medications not typical for the treatment of workers' compensation claims
- High cost medications
- Receiving high doses of morphine equivalents daily for treatment of chronic pain
- Using three or more narcotic analgesics
- Receiving duplicate therapy with NSAIDs, muscle relaxants, or sedatives
- Using both sedatives and stimulants concurrently
- Using compounded medications instead of commercially available products

We also have a centralized team of nurses and medical experts dedicated to helping employers prevent opioid abuse, avoid medically unnecessary prescriptions, and ultimately help them keep their employees safe. When an alert is received, this team takes aggressive steps to confirm it is the correct treatment for the injury and to ensure the physician makes any necessary prescription changes. They collaborate with the examiner until the pharmacy components of the claim are under control.

A commitment to patient safety

Sedgwick focuses first on the health and safety of our clients' employees. Sedgwick educates injured employees to ensure they receive the maximum benefit from drug



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therapies and to foster drug safety awareness. We also work diligently to educate providers and to ensure they are following best practices. Below is just one of the many examples of the ways our own colleagues exemplify this commitment.

Recently, Sedgwick began managing 40,000 workers' compensation claims for a Mid-Atlantic state. To resolve the claims, many of which were two years old or older, we divided our examiners and nurses into teams – one team was dedicated solely to examining claims involving narcotics. Many claimants suffered from spinal cord or back injuries where narcotics were clearly an appropriate therapy. The majority of claims were questionable and concerning. Recognizing that potential patterns of prescription abuse and misuse would continue to plague this client – and others in the region – our medical director decided to take a stand. She personally visited every physician with aberrant prescribing patterns and showed them their individualized prescription utilization reports. Nurses and other peers then provided information and education on patient safety. Within a few months, virtually every physician had significantly reduced the amount of narcotics prescribed – some by as much as 40%.

Helping physicians make better prescribing decisions

Sedgwick's commitment to best practices extends to helping the industry ensure physicians make the best prescribing decisions. Over the past few years, physician dispensing has undergone increased scrutiny. There are many physicians who dispense within guidelines and within contracted rates. It is often convenient for patients to have prescriptions filled at their physician's office.

There are some providers that abuse the physician dispensing function. If not contracted and managed, prescriptions dispensed from physicians' offices can cost

two- to three-times more than a network pharmacy. In addition, often medications dispensed don't follow best practice protocols.

In states that allow Sedgwick to steer injured workers to pharmacies for prescriptions, we do so. In those that do not, Sedgwick works to identify prescribers who are not following recognized guidelines, and to provide education and oversight, if needed, to ensure compliance.

Through our internal resources and pharmacy partners, we offer one of the most sophisticated utilization review programs in the nation.

Designing services to control costs

The value of a pharmacy program is intrinsically linked to the ability to have effective tools and practices in place to ensure the utmost safety for injured workers, and to minimize out-of-network activity. Sedgwick has worked closely with our pharmacy benefit management partners to develop a customized, aggressive First Fill program and flexible pharmacy card options that promote initial compliance and control costs at the point-of-sale. To further capture the full potential value of our pharmacy program and maximize network penetration to control costs for our clients, we offer out-of-network bill adjudication solutions and a comprehensive conversion solution developed to strengthen network penetration throughout the life of the claim.

Our pharmacy benefit management solution integrates key players in the workers' compensation pharmacy distribution system, such as Concentra, U.S. Healthworks, third-party billers, dispensing physician groups, compounding pharmacies, and multiple mail-order pharmacies. Our solutions include specialty network arrangements, automated re-indexing, and out-of-network conversion.



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Sedgwick's highly customized prescription management solutions also feature:

- Injury-specific formulary – A drug formulary is aligned with the diagnosis for maximum utilization control.
- Acute-to-chronic based formulary – Enhancements occur throughout the life of the claim to best manage drug utilization at acute and chronic stages.
- Drug spend evaluation – Sedgwick and our pharmacy benefit management partners evaluate each client's total drug spend monthly to identify opportunities to increase penetration.
- Authorization alerts – When drugs are outside of the formulary, claims examiners and nurse case managers receive notifications (based on triggers customized for each client), and their review and approval is required before it is filled at the retail pharmacy.
- Home delivery – Qualifying claims are identified through claims data eligibility provided through our electronic interfaces with the pharmacy benefit management partners.
- Out-of-network bill review – Out-of-network bills are electronically routed to our pharmacy benefit management partners to increase savings.
- Step therapy – Point-of-sale system edits alert the dispensing pharmacist of the opportunity for lower-cost alternatives and communicate the need for physician outreach.
- Drug trend alerts – Trend management notifications that interface with JURIS®, our proprietary claims management system, notify claims examiners of adverse drug utilization trends.

There are more than 60,000 participating pharmacies, physician clinics, and medical providers in our pharmacy benefit management program.

Improving outcomes and efficiencies through technology

Sedgwick's technology plays an important role in helping to manage every element of the prescription process. Our system monitors prescriptions as they are being written. If there are identical prescriptions by multiple prescribers, potential medication errors, or other problems, we can immediately alert our pharmacy benefit partners, who can reach out to physicians to change the prescription. To help further optimize our network penetration, when we receive an out-of-network bill, it is routed to the PBM to ensure the next fill is driven through the network.

Our technology is focused on ensuring that our nurses and examiners have access to the information they need to do their jobs quickly, appropriately, and in a manner that controls costs while ensuring the health and safety of injured workers. Instead of going to multiple websites for eligibility, history, utilization, and formulary details, examiners can access all of these in a central location. And, if there is information needed on authorizations or new prescription drug cards, our pharmacy benefit vendors can quickly send the details and any necessary links to examiners via email.

Sedgwick's pharmacy team also works to identify providers who are prescribing outside of guidelines, especially for narcotics. Those providers are flagged and the examiner can funnel information to a nurse or medical director for further research, intervention, or education.

Our technology helps us to communicate with pharmacy benefit partners to set formulary notifications based on specific claims so that we aren't applying a "vanilla" formulary across the board. We enable our examiners to get formulary information based on a specific diagnosis, as well as for acute and chronic injuries. This level of detail and access helps ensure claims are properly managed and costs are controlled while keeping the emphasis on superior outcomes.



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Reporting and accountability

Accountability and stewardship of your resources is something that all Sedgwick colleagues are committed to achieving. We provide a comprehensive array of reports to ensure clients have the information on performance to measure, analyze, and continuously improve their program – while also holding us accountable to achieve desired results.

Our outcome reports are provided from the client level to the examiner level. In addition, our reports pay special attention to physician prescribing patterns – so we know who is prescribing what and to whom. We also analyze examiners' approval rates, so that we can continuously work to ensure they have the tools needed to make quick and appropriate decisions.

With these insights, we can develop targeted interventions and solutions to address problem areas and provide the education needed. Provider education is vital to our program as we know that in many areas, access to physicians is limited. Working to educate and support those physicians so they adhere to best practices is an important step.

Sedgwick best practices

Sedgwick's superior results are due to a wide range of factors, including our experienced examiners, pharmacy benefit partners, and dedicated clinical staff. Sedgwick strives to ensure that we develop, implement, and use industry-recognized best practices.

We not only work for our clients, but believe we have a commitment to the entire workers' compensation industry. Sedgwick shares best practices and experiences through conferences, articles, and other venues, so that our industry colleagues can benefit from the knowledge and experience we have gained. It is Sedgwick's belief that best practices and knowledge that can help to benefit the industry as a whole should not be exclusive to a single organization – they should be shared.

Contact Sedgwick today to learn more about how our programs can help you control your company's pharmacy utilization and improve outcomes while ensuring optimal safety for injured employees.

800-625-6588

www.sedgwick.com

* NCCI Research Brief – https://www.ncci.com/documents/2011_ncci_research_rxdrug_study.pdf

** PMSI 2011 Drug Trends Report