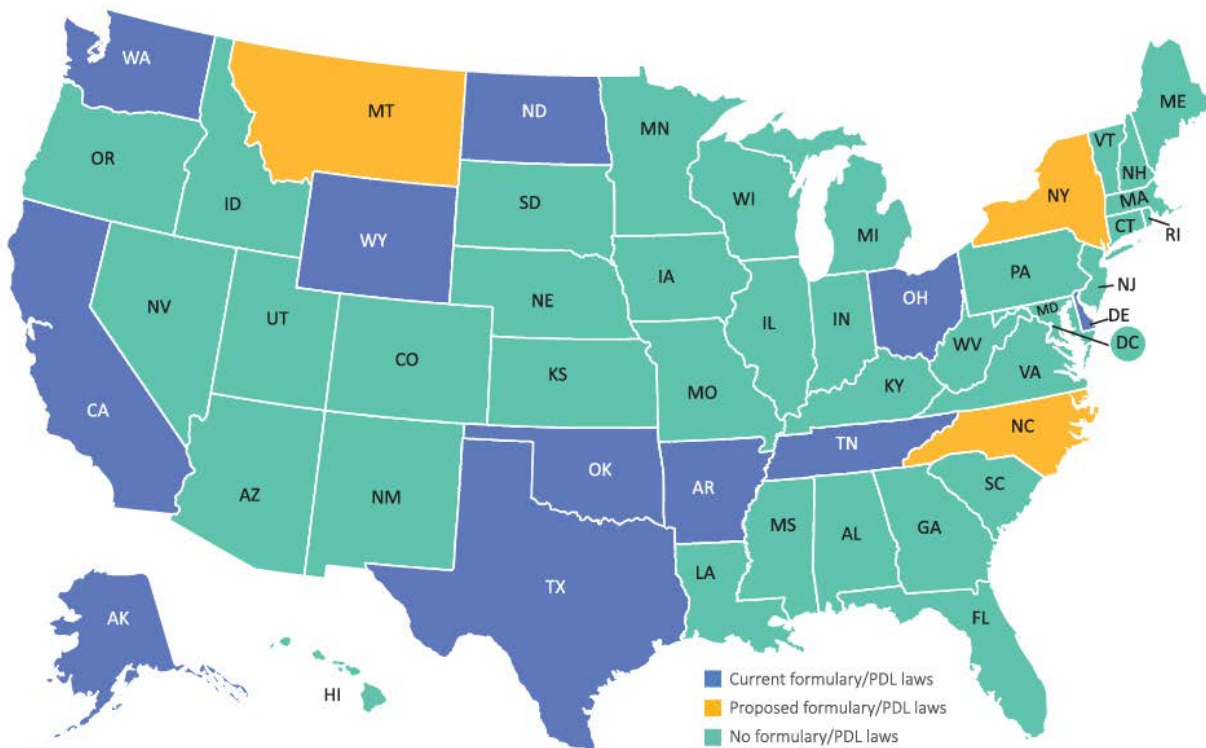




Subject: Update to State-Mandated Drug Formularies

State-mandated or “closed” formularies have become a popular administrative vehicle to manage a multitude of issues concerning workers’ comp pharmacy care. As of October 13, 2016, the following states have some form of a mandatory workers’ compensation formulary:



In addition to these states utilizing a mandatory formulary, the following states are either developing or considering the adoption of a formulary:

- **California (effective date 7/1/17)**
 - Formal rule-making will commence in November
 - A new “Preferred Drug List” will be put forth, with an expectation that the PDL will be based on ACOEM in whole or part and that the list will be either National Drug Code (NDC) or Generic Product Indicator (GPI) specific.
 - The PDL may be expanded to incorporate more medications, given a rising concern over the need for limited, short-term opioid prescribing.
 - A “legacy” claim period is not expected to be formalized, as the State believes medication therapy transition should have already started, based on the State’s release of the MTUS opioid guidelines. A reminder notice to prescribers may be issued to this effect by the State.
 - Prescriber dispensing language will be clarified to allow for only one instance of prescriber dispensing per injured worker.

- New York (*projected effective date – 2017*)
 - The New York Workers' Compensation Board released a "Pharmacy Benefit Plan" statement on October 7th that outlines several reform measures related to workers' compensation pharmacy care,¹ including:
 - The adoption of a mandatory formulary
 - A mandate that carriers and employers use a pharmacy benefits manager
 - Restrictive guidelines around Maximum Allowable Cost (MAC) pricing and the use of pharmacy rebates
 - Drug Utilization Review
 - Prescriber Dispensing
 - Comments in relation to the Pharmacy Benefit Plan are due on or before November 14th.
- Pennsylvania (*projected effective date – 2017*)
 - Legislation seeking the adoption of a pharmacy formulary for workers' compensation is expected to be filed and considered in early 2017, with a short development cycle lasting no more than nine months.
- North Carolina (*projected effective date – 7/1/18*)
 - The Industrial Commission will ask the Legislature for the approval to start formulary development, largely based on the Commission's 2016 report which modeled substantial savings for the State's own employees, utilizing an projected drug formulary based on the current Texas model²
- Montana (*projected effective date – None*)
 - The Labor Management Advisory Council will likely recommend that legislation be pursued in 2017 that would bring a pharmacy formulary to Montana, with existing state models being studied as possible solutions.

The eventual adoption of a formulary by these states, in conjunction with other monopolistic state systems³, will leave only Florida and Illinois as the large market states in which substantial pharmacy reform measures have not yet been developed. As your partner and advocate, First Script is committed to continual engagement with each state considering pharmacy reform, as we have done in each of the states that have already adopted a formulary. Our promise is to continue to be in-the-know and on the front lines of these regulatory issues so that we continue to deliver on the best possible pharmacy benefits management solutions in a rapidly-changing environment.

Should you have questions or comments, please consult your account manager.

¹ http://www.wcb.ny.gov/content/main/SubjectNos/sn046_856.jsp

² <http://www.ic.nc.gov/2016NCICAnnualReport.pdf>

³ Ohio, Washington, Wyoming, North Dakota