

# Study finds Minnesota drug costs relatively low

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The Workers' Compensation Research Institute (WCRI) recently released a study of prescription drug utilization and costs in workers' compensation, *Prescription benchmarks, 2nd edition: trends and interstate comparisons*. This article summarizes the interstate comparisons in the study, which are based on prescriptions filled through March 2008 that were paid for by a workers' compensation insurer, for claims from October 2005 through September 2006 with seven or more days of lost time.<sup>1</sup> The complete study can be obtained from WCRI at [www.wcrinet.org](http://www.wcrinet.org).

## Findings

In general, the study finds Minnesota is substantially below average among the 17 study states for frequency and cost of prescriptions paid for by workers' compensation (see table). On the measures shown, Minnesota ranked from lowest to fourth-lowest among the study states. On the average prescription cost per claim with at least one prescription, Minnesota tallied \$347, giving it a rank of second-lowest. Contributing to this were relatively low numbers of prescriptions and pills per claim with prescriptions (fourth-lowest on both measures) and a relatively low average cost per pill (lowest). The latter, in turn, was brought about at least partly by relatively low percentages of prescriptions filled with brand names (as opposed to generics) and relatively low percentages of prescriptions that were physician-dispensed.<sup>2</sup>

### Selected results for Minnesota from the WCRI prescription benchmarking study [1]

	Minnesota	Average state	Median state	Minnesota rank among 17 states (lowest=1)
Pctg. of claims with Rx paid by a WC insurer	54%	62%	62%	5
Average Rx cost per claim with Rx	\$347	\$595	\$512	2
Average number of Rx per claim with Rx	7.4	9.5	9.7	4
Average number of pills per claim with Rx	342	447	435	4
Average Rx cost per pill	\$1.00	\$1.32	\$1.33	1
Pctg. of Rx filled with brand names	11%	16%	16%	2
Pctg. of Rx filled with brand names with generic equivalents available	0.4%	1.6%	1.4%	1
Pctg. of claims with Rx that had physician-dispensed Rx [2]	6%	31%	34%	4
Pctg. of Rx that were physician-dispensed [2]	2%	14%	10%	4
Pctg. of Rx payments that were for physician-dispensed Rx [2]	1%	13%	7%	4

1. Workers' Compensation Research Institute, "Prescription benchmarks, 2nd edition: trends and interstate comparisons," July 2011. The measures refer to prescriptions filled through March 2008 and paid for by a worker's compensation insurer for injuries from October 2005 through September 2006 with seven or more days of lost time. Seventeen states were included in the study.
2. Three of the study states do not allow physician-dispensing. Minnesota was the lowest among the remaining 14 states.

<sup>1</sup>In the study, a "prescription" includes a new prescription or a refill, but does not include a medication that was dispensed at a hospital or administered rather than dispensed.

<sup>2</sup>As shown by data in the report, physician-dispensed prescriptions tend to be more expensive than pharmacy-dispensed ones.

*Minnesota drug costs, continues ...*

### *Minnesota drug costs, continued ...*

Part of the interstate variation in cost per pill may arise from variation in the mix of drugs, since the study does not adjust for this (see below). However, the study presents the average cost per pill for 20 of the most commonly used prescription drugs in the study states (for pharmacy-dispensed prescriptions). Minnesota's average cost per pill was below the interstate median for each of these.

### **Caveats**

WCRI indicates the following caveats in the study.

1. The study does not adjust for interstate differences in industry and injury mix.
2. The study does not include the residual insurance market and also excludes some large regional insurers.
3. Because of issues concerning data completeness, the study only includes 26 to 51 percent of all claims, depending on the state (less than in CompScope™).
4. Given the data source, the study is only able to consider prescriptions paid for by a workers' compensation insurer, and claims with such prescriptions.



Regarding the last of these, WCRI expected most cases with at least seven days of lost time would be serious enough to have a prescription. However, it found that only 39 to 78 percent (depending on the state), and 54 percent for Minnesota, had at least one prescription paid for through workers' compensation (see table).

WCRI explains this by noting three factors: First, chiropractors are the sole treating provider in some states more often than in others and they do not prescribe. Second, some prescriptions paid for by workers' compensation may not be captured by the data, as when the injured worker pays out of pocket and is then reimbursed by the workers' compensation insurer without the cost being identified as a prescription. Third, some prescriptions may be paid for by non-workers'-compensation payors. WCRI presents evidence suggesting this factor is large.

WCRI acknowledges that some of the interstate differences it finds in measures of prescription frequency and cost per claim may arise from prescriptions being paid for outside of workers' compensation. However, the report indicates certain tests suggest such bias is unlikely to be large.

“At minimum,” the report states, “the benchmark metrics in this study should be thought of as measuring trend and interstate differences in the costs, prices and utilization of prescription drugs paid under workers' compensation. The sensitivity analysis suggests that these results are likely to be reasonable measures for characterizing the trend and interstate differences in all prescriptions received by the average patient.”

Because of these issues, the study does not focus on prescription drug costs as a percentage of total workers' compensation claim costs or medical costs.