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North Carolina Industrial Commission

April 1, 2016

NCIC Releases Report on Implementing Drug Formulary in Workers' Compensation Claims

FOR IMMEDIATE RELEASE:

Raleigh, N.C. – In accordance with the North Carolina General Assembly's directive in Session Law 2015-241, the North Carolina Industrial Commission has released a study on the implementation of a drug formulary in workers' compensation claims filed by State employees. The legislation required the Commission to study the following factors and report back its findings and recommendations by April 1, 2016:

- the pharmacy-related expenses incurred by the State on an annual basis in workers' compensation claims
- the savings, if any, that would result from the use of a drug formulary
- whether a drug formulary would result in more efficient delivery of medications, provide workers with reasonable and necessary care, and provide disincentives for health care providers to utilize costly name brand drugs and habit forming opioids and narcotics
- and the adoption of an appeals process that would allow health care providers and injured workers to seek approval for the use of drugs that are not on the formulary's approved list.

The legislation also allowed the Commission to consider any other issues relevant to the implementation of a drug formulary in workers' compensation claims. The report was provided to the chairs of the House of Representatives Health Committee and the Senate Health Care Committee and the Fiscal Research Division in accordance with the session law.

To analyze the fiscal effect of a drug formulary as directed by the session law, the Commission engaged the services of the Workers' Compensation Research Institute ("WCRI") to perform a data analysis of State workers' compensation pharmacy data for calendar years 2012 through 2014 gathered from State agencies. For purposes of the analysis, WCRI applied the drug formulary adopted by Texas in their workers' compensation system to project potential effects on State employee claims in North Carolina. The Texas formulary was chosen because of the availability of detailed results of its impact in Texas. WCRI projected a potential savings to the State of up to \$8.7 million dollars over three years under a Texas-like formulary.

After studying the potential implementation of a drug formulary under the General Assembly's guidelines, the Commission made the following recommendations in its report:

- Preliminary study has yielded encouraging results, suggesting that a drug formulary could be beneficial for State employees as well as the entire North Carolina workers' compensation system.
- The complexity of potential adoption of a drug formulary necessitates further study, including any possible system-wide savings.
- The Commission should investigate the advisability of implementing medical treatment guidelines necessary to support a drug formulary.
- If additional study justifies, the Commission should pursue implementation through administrative rulemaking pursuant to its authority in N.C. Gen. Stat. § 97-25.4 and 97-80(a), with an effective date no earlier than July 1, 2018. The Commission requests a fiscal note exception for purposes of administrative rulemaking for a drug formulary and any associated treatment guidelines.
- In the interim, the Commission should immediately begin exploring implementation of a generic drug mandate applicable to all workers' compensation claims through administrative rulemaking. The Commission would request a fiscal note exemption for this purpose.

“I would like to thank the Commission staff who worked diligently to research this complex issue and report our findings to the General Assembly,” said Chairman Charlton Allen. “I believe the approach of the Commission balances the need for injured workers to timely receive medication, while curbing rising costs and halting the troubling increase in opioid abuse. We look forward to continuing this research as we consider implementation of a drug formulary for the workers' compensation system of North Carolina.”

The full report can be found [here](#).

For more information, contact:

Kim Genardo
Director Strategic & Economic Development Communications
North Carolina Department of Commerce
(919) 814-4610 office
Kim.genardo@nccommerce.com