

2008 NASCIO AWARD NOMINATION

Digital Government to Citizen (G to C)

Oklahoma CompSource

Automated Prescription Drug

Cost Savings Program for Workers' Compensation

A. Cover Page

Title of Nomination: Oklahoma CompSource Automated Prescription Drug Cost Savings Program for Workers' Compensation

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B. Executive Summary

CompSource is a non-profit, self-supporting and self-sustaining insurance company created by the State of Oklahoma. CompSource Oklahoma was created in 1933 to provide a consistent, viable market for Oklahoma employers to obtain worker's compensation coverage that was both affordable and service-driven.

CompSource recognized medical costs are one of the largest contributors to rising workers' compensation costs, and prescription drug costs are part of that equation. CompSource needed a way to reduce prescription drug costs. CompSource wanted a program compatible with workers' compensation industry standards that would ensure timely, accurate payment to pharmacies while filling the injured worker's prescription in a timely, accurate manner. Additionally, CompSource wanted the program to be managed by an independent Pharmacy Benefit Manager (PBM).

CompSource hired an independent consulting firm to review the existing issues, define requirements to meet CompSource's objectives, recommend possible solutions, identify potential Pharmacy Benefit Managers and assist in the selection of the PBM.

The project was initiated in February 2006 and operational in May 2006. The PBM eliminates paper bills, increases efficiency and reduces processing time for claims staff and pharmacies while passing cost savings on to CompSource policyholders. It also provides convenience to policyholders and their injured employees. The estimated savings to date are \$769,740 as a result of this program.

C. Business Problem and Solution

Medical costs are one of the largest contributors to rising workers' compensation cost and prescription drug costs are a major component to this increase in cost. The following stakeholders play a major part in achieving the objectives to reduce costs: CompSource policyholders, injured workers, Oklahoma pharmacies and the PBM.

CompSource wanted a fully automated prescription drug cost savings program, compatible with workers' compensation industry standards, that filled injured worker's prescription timely and accurately, and correctly and timely paid pharmacies. Additionally, the following objectives were defined:

1. Select a Pharmacy Benefit Manager (PBM) that would provide maximum cost savings to policyholders by repricing prescription drugs below the State fee schedule.
2. Select a system that is a) highly efficient, b) accurate and c) fully automated with seamless operation to reduce phone calls and paperwork associated with prescription drug claims for CompSource Oklahoma's (CSO's) claims staff and adjusters, as well as save wait time for injured workers.
3. Select a PBM capable of taking CompSource's original data, converting it to the PBM's data format, repricing it and returning it back to CompSource's original data format accurately within a 24-hour time frame.
4. Ensure the system is electronically secure and capable of interfacing with CompSource's automated Workers Compensation System (WORCS). This is CompSource's core business software system.

The actions taken by CompSource to meet the stated objectives were:

1. Selected an independent consultant to assist in defining requirements, recommending potential solutions, identifying potential Pharmacy Benefit Managers and assisting in the selection of the PBM.
2. CompSource and KPMG, an independent auditing firm, performed an analysis and identified seven key players in the workers' compensation PBM arena. After evaluation, three finalists were chosen.
3. A CompSource committee conducted a series of evaluations of the PBMs; the committee reviewed KPMG's findings and selected three possible PBM vendors that met the objectives. The CompSource committee visited the three PBMs, toured their facilities and observed demonstrations. Healthsystems scored the highest based on the selection criteria and was awarded the contract.

4. CompSource's IS staff built an eligibility file to communicate daily with Healthsystems. Healthsystems updates the file daily to keep claim status current. When claims come in, the system verifies eligibility status of the claim. If the claim is still open, Healthsystems approves for payment. If it has been Joint Petitioned or closed, it will be rejected for payment. A secured data line was created through a virtual private network, a private connection in cyberspace, which interfaces with CompSource and Healthsystems.

The new process for approving and filling a prescription, paying the pharmacy and creating transaction record:

- a) Injured worker takes prescription to pharmacy.
- b) Pharmacy receives prescription from injured worker and processes the request online.
- c) Automated system matches prescription to claim.
- d) System sends approval to pharmacy to fill. Pharmacy is guaranteed payment.
- e) Healthsystems and CompSource have a final electronic claim file to adjust payment per contracted discount.

D. Significance of the Project

The implementation of this project benefited all of the stakeholders. The previous process was time consuming, costly and not customer friendly.

It could take up to three days to approve and fill an injured worker's prescription. A worker might have to pay for the prescription; then, file a paper claim to be reimbursed.

The use of a PBM improved operating efficiencies for CompSource, pharmacy, injured worker and reduced overall cost.

1. Savings to policyholders resulting from discounts by the PBM. The PBM discounts prescriptions below the maximum allowed amount set by the State of Oklahoma.
2. Customer service improved because the injured worker can get a prescription filled 24/7 with no out-of-pocket cost.
3. Reducing phone calls, referrals, requests to fill prescriptions has eliminated 70% of the work previously performed by CompSource personnel to approve a prescription to be filled.
4. Pharmacy can now verify eligibility online, thus not having to place a call to CompSource for authorization.
5. Injured worker can fill a prescription immediately. Also, the system allows newly injured workers a first fill form that guarantees a three-day supply to claimants who have not been entered into the CompSource workers compensation system.
6. The system eliminated paper billing by approximately 80%. Some pharmacies use their own third party billing vendor, thus all paper bills have not been eliminated.
7. The PBM system allows for streamlined operations, a 24/7 automated process that eliminates wait time and processing for all parties.

Implementation of the Heathesystems' PBM by CompSource hit the mark in three areas: customer service, resource management and red tape reduction. By eliminating 70% of the work associated with calls for prescription approval and approximately 80% of the paper billing, more focus can be given to customer service for CompSource policyholders and their injured workers.

E. Benefits

By implementing the Pharmacy Benefit Managers program, paper bills have been eliminated, efficiency increased, reduction in processing time for claims staff and pharmacies while passing costs savings on to Oklahoma employers. The benefits were achieved in the following areas:

POLICYHOLDER (EMPLOYERS) CUSTOMER SERVICE – Cost savings to policyholders through discounts below State fee schedule. The fee schedule represents the workers compensation maximum amount allowable to be paid as set by the State of Oklahoma. The PBM discounts below the State approved fee schedule. Estimate of savings in dollars:

Total Number of Prescriptions	Total Cost Per Fee Schedule	Total Paid Amount Discounted by PBM	Savings in Dollars	Savings Percentage
160,862	\$14,904,214.34	\$14,134,473.82	\$769,740.52	5.10%

INJURED WORKER CUSTOMER SERVICE – Injured worker is able to get a prescription filled immediately 24/7 with no out-of-pocket cost. Previously, the claimant might have to pay for the prescription and get reimbursed by filing claim paperwork. This caused many lower income injured workers to be unable to obtain medication when needed because of limited financial resources. Previously, it could take two or three days to get a prescription approved and filled for the claimant. The PBM electronic approval process can take the pharmacy less than an hour to obtain approval and fill the prescription.

RESOURCE MANAGEMENT – In addition to the direct monetary savings listed above, the PBM has improved operation efficiencies as well. Implementing the PBM has:

- Improved CompSource’s production level by eliminating approximately 70 percent of the work previously involved in filling prescriptions. The number of phone calls, referrals and requests for authorization to fill prescriptions has been significantly reduced and translates into savings for CompSource and policyholders.
- Reduced work of participating pharmacies that now enjoy the benefit of verified eligibility through system automation. The pharmacist is not spending time placing phone calls for authorization.
- Reduced wait time for injured workers because s(he) receive the needed prescription immediately. Previously, the claimant might have waited an entire day to get a prescription filled. The system offers a first fill form that guarantees a 3-day supply of medication to claimant even if automated system has no record. This is especially helpful for recently injured claimants who have not yet been entered in the CompSource workers compensation system.
- Reduced significantly CompSource’s processing time by eliminating bill processing, scanning, indexing, fee scheduling and pricing. System has eliminated paper billing

by approximately 80 percent. Today CompSource receives approximately 1,135 paper bills per month. Previously to Healthsystems (PBM), CompSource processed approximately 6,000 paper bills per month.

- Improved knowledge and efficiency of CompSource claim adjusters resulting from training provided by Healthsystems.

RED TAPE REDUCTION – The PBM system allows for streamlined operations, a 24/7 automated process that reduces wait time and processing for all parties.

Benefits to the policyholders was confirmed at a recently held CompSource “education fair” when several attendees indicated they appreciated the new service, its efficiencies and cost savings.