CADENCE Rx

Applying Generic Mandates to your Workers' Compensation Program

Author: Erin Laird, PharmD Cadence Rx

From prescribing to dispensing, a medication goes through several layers of clinical, regulatory, and transactional considerations before a patient can fill it. When that prescription is part of a Workers' Compensation claim, an additional layer of complexity exists with state-specific regulations, notably "state-mandated generic substitutions." Within the workers' compensation industry, these state-specific regulations dictate that when a brand-name drug has been prescribed and there is a therapeutically equivalent, less expensive generic version available on the market, then generic drug substitution is required by the pharmacy.

Some may see generic substitution as reducing the quality of care received. However, this perception of brand-name drugs equating to a superior product is false since generic medications offer the same benefits as their branded counterparts. Generic drugs undergo testing by the FDA to ensure they contain the same active ingredient and identical therapeutic properties such as dose, strength, and route of administration as their brand-name counterpart. Currently, 36 states have regulations to mandate generic substitution for workers' compensation claims.

Generic drug substitution is a crucial factor in providing equally effective and safe medications while reducing costs to patients and payors.

On average, substituting a generic in place of a brand saves our clients 86% per prescribed unit.

What is a "DAW Code"?

In limited cases, a patient may negatively respond to the generic medication, and it cannot be utilized. Reasons may include an allergic reaction to a nonactive ingredient used in the generic or patient-specific reduced effectiveness. In these occurrences, the brand name drug has been prescribed, and a "Dispense as Written" or DAW code is utilized in communicating to the pharmacy that the drug cannot be substituted with its generic.

Although ten different DAW codes exist, workers' compensation state regulations most commonly address two specific codes: DAW 1 and DAW 2. The use of DAW 1 indicates that the prescriber has deemed the brand medically necessary, and it cannot be substituted. In contrast, DAW 2 indicates that the patient has requested the brand medication.

Coverage Exceptions

To prevent unnecessary cost increases when DAW 1 or 2 are used, states with generic mandate regulations may also require specific actions to justify using these codes. These actions include:

- Requiring prior authorization *(Example: New York)*
- Requiring a patient co-pay, the difference between the cost of the brand and generic product *(Example: Tennessee)*
- Not allowing coverage of the patient requested brand (DAW2) under any circumstances. *(Example: Virginia)*

Conclusion

When these actions are considered, the role of a Pharmacy Benefit Manager becomes essential. A Pharmacy Benefit Manager ensures regulatory compliance has been maintained and optimal cost savings are achieved. The Cadence Rx Regulatory Compliance team, in conjunction with our clinical team, implements these regulations to follow state laws. Thereby optimizing economic outcomes for our clients and ensuring the right patient gets the right medication at the right time.

About the Author

Erin Laird received her Doctorate in Pharmacy from the University of South Florida College of Pharmacy in Tampa, Florida. She joined Cadence Rx in 2020. Prior to Cadence Rx, she worked at ----. Her expertise includes drug utilization management to ensure patients are receiving optimal care with appropriate medications.

About Cadence Rx

CADENCE Rx

Cadence Rx, a certified Woman-Owned Business Enterprise, is a nimble, service-focused workers' compensation PBM leveraging over 100 years of expertise alongside a proprietary suite of next-generation technologies. Commitment to service is the driving force behind Cadence Rx's innovation, resulting in cost savings for clients and improved outcomes for injured workers.

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Contact Cadence Rx:
Joy Black, Marketing Dept.
JBlack@CadenceRx.com
CadenceRx.com