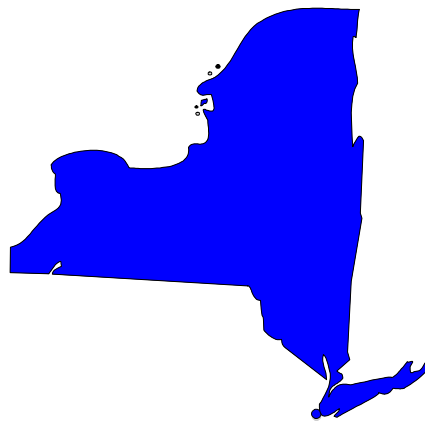


**TRENDS IN PRESCRIPTION DRUGS AND  
THEIR IMPACT ON NEW YORK  
WORKERS COMPENSATION COSTS**



## **NEW YORK WORKERS COMPENSATION**

### **Trends in Prescription Drugs and their Impact on New York Workers Compensation Costs**

Over the past several years, prescription drug costs have skyrocketed and adversely affected the overall medical costs for both health insurance and workers compensation. Although much has been said and published about these costs, the effect on individual state workers compensation systems has not been quantified or measured to date.

This Rating Board study will provide not only a national perspective on the costs of prescription drugs, but will also utilize actual New York data from several large workers compensation carriers to quantify the rise in drug costs and their relationships to New York workers compensation medical costs.

A 2003 countrywide study by the National Council on Compensation Insurance identified painkillers, muscle relaxants and anti-depressants as the three major categories of drugs prescribed for workers compensation injuries. The three categories comprise 89% of the total prescribed drugs and include such well known drugs as Oxycontin, Celebrex, Vioxx, and Ambient. This information, and data from the National Institute for Health Care Management, was used to quantify price and utilization changes from 1999 to 2001. Overall, for the most commonly prescribed drugs in workers compensation cases, total costs rose 96.8% between 1999 and the end of 2001. This data shows that, not only have average drug prices been rising (20.6%), but the number of prescriptions (utilization) for these drugs has soared (63.2%) and is a bigger contribution to the overall workers compensation costs than just price alone. The details underlying this huge increase can be found on Exhibit I with a graphical summary shown on Exhibit II.

To determine whether or not similar phenomena are also occurring in New York, specific New York data was obtained from several large workers compensation carriers. From this data, it was found that 42% of the total drug costs in New York are attributable to Oxycontin, Neurotin, Hydrocodine, Celebrex and Vioxx. This finding is consistent with the previously referenced countrywide studies that showed these drugs as some of the most frequently prescribed drugs in workers compensation cases. Furthermore, since the price of prescription drugs is fairly uniform across the country, the cost increases shown on Exhibit I apply to this large portion of New York costs as well.

Some of the cost drivers underlying the rising drug costs in New York are increases in the number of prescriptions per claim and, the number of pills per prescription. Exhibits III and IV graphically depict the changes in these measurements for calendar years 1998 through 2002 in New York.

Overall, as Exhibit V illustrates, prescription drug costs per workers compensation claim in New York have doubled from \$150 per claim in 1998 to almost \$300 in 2002. Extrapolating these average costs across all private carriers in New York, Exhibit VI shows steadily rising drug costs as a ratio to total workers compensation medical costs. Although it is too early to know 2003 results, one carrier has indicated that its ratio of drug costs through October 2003 in New York has risen to 14.3% of its total medical payments.

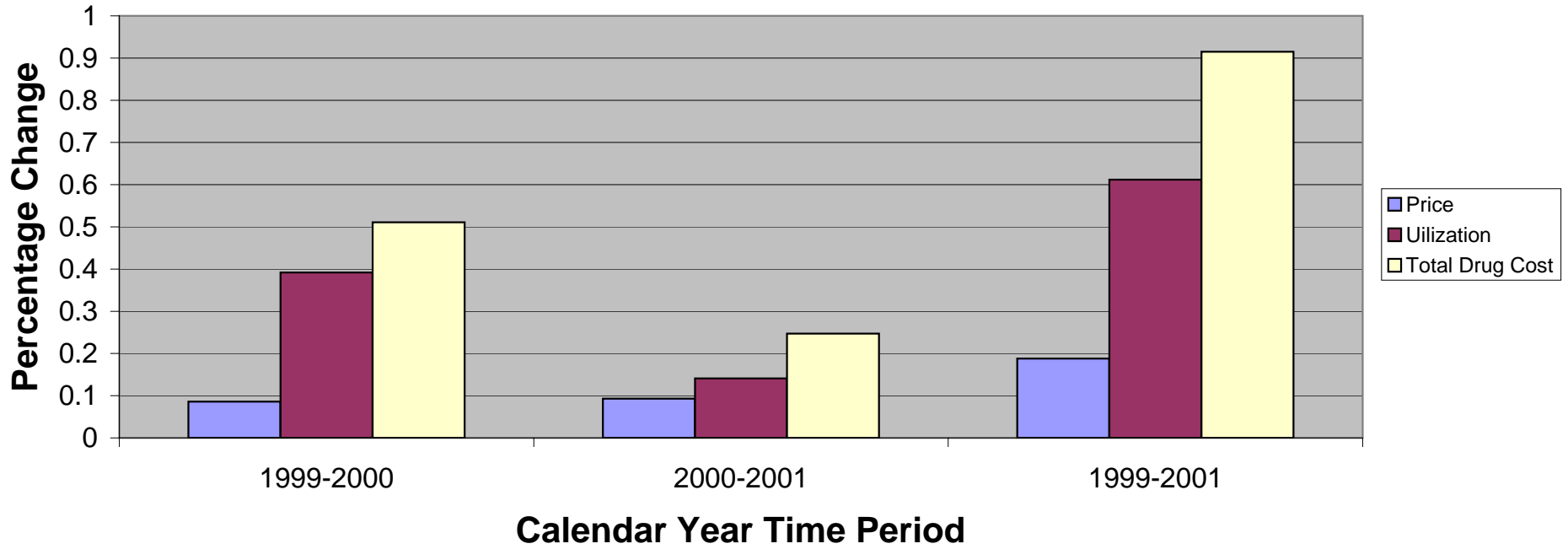
In conclusion, New York is experiencing drug costs and utilization of prescription drugs in its workers compensation cases comparable to the rest of the country. These costs are consuming an ever increasing portion of the medical claim cost dollars in New York and are contributing to the high medical claim cost trends seen in recent New York rate filings.

DRUGS MOST OFTEN PRESCRIBED FOR WORKERS COMPENSATION CLAIMS \*

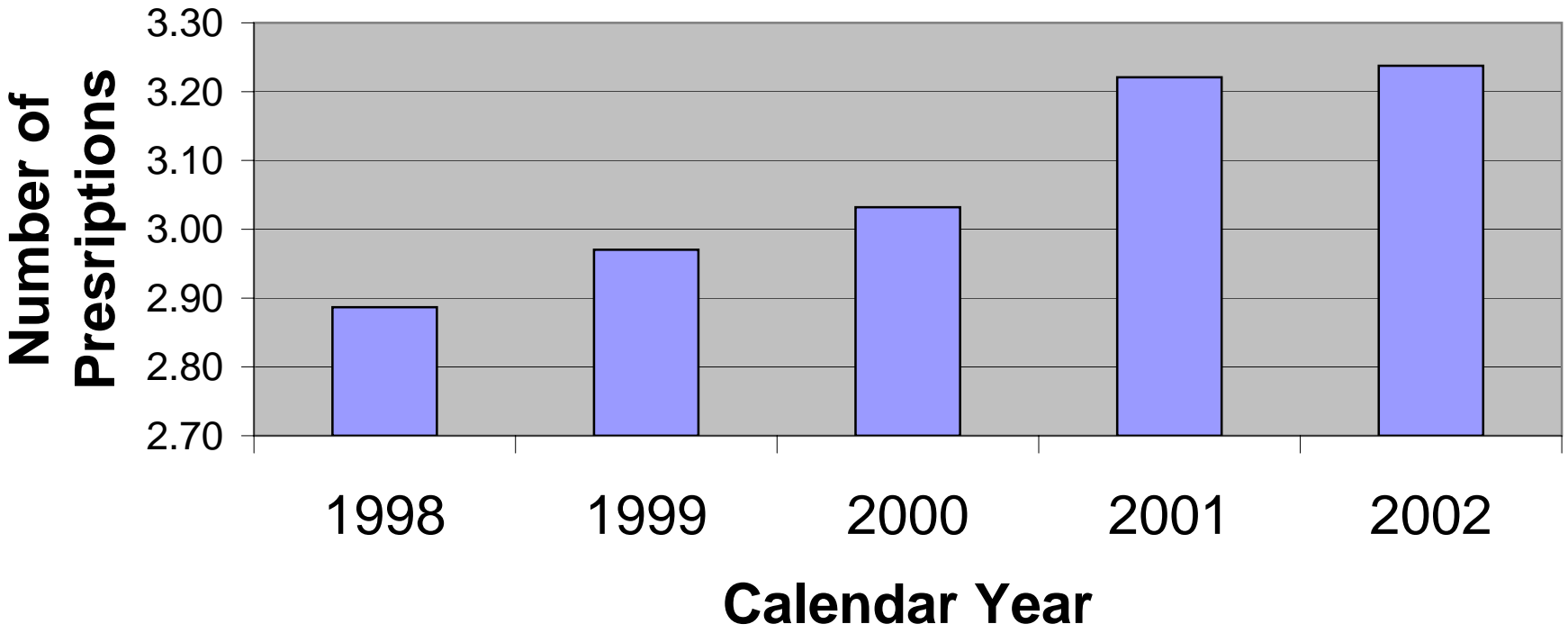
Drug Category	Change in Drug Prices and Utilization - 1999 to 2000			Change in Drug Prices and Utilization - 2000 to 2001			Cumulative Change from 1999 to 2001		
	Percent Change in Avg. Price	Percent Change in Utilization	Percent Change in Total cost	Percent Change in Avg. Price	Percent Change in Utilization	Percent Change in Total cost	Percent Change in Avg. Price	Percent Change in Utilization	Percent Change in Total cost
<b><u>Painkillers - 55%</u></b>									
Oxycontin	10.1%	72.7%	90.1%	15.4%	22.3%	41.1%	27.1%	111.2%	168.4%
Hydrocodone	10.2%	15.7%	27.5%	13.9%	12.3%	27.9%	25.5%	29.9%	63.1%
Neurontin	5.0%	45.9%	53.2%	4.4%	25.8%	31.3%	9.6%	83.5%	101.2%
Ultram	9.4%	4.6%	14.4%	9.2%	6.1%	15.9%	19.5%	11.0%	32.6%
<b><u>Muscle Relaxants - 20%</u></b>									
Celebrex	11.0%	42.4%	58.1%	9.4%	8.2%	18.4%	21.4%	54.1%	87.1%
Vioxx	6.9%	331.2%	361.0%	7.9%	23.7%	33.5%	15.3%	433.4%	515.2%
Carisoprodol	21.3%	14.8%	39.3%	10.8%	4.3%	15.6%	34.4%	19.7%	60.9%
Cyclobenzaprine	21.3%	14.8%	39.3%	10.8%	4.3%	15.6%	34.4%	19.7%	60.9%
Soma	21.3%	14.8%	39.3%	10.8%	4.3%	15.6%	34.4%	19.7%	60.9%
<b><u>Antidepressants - 14%</u></b>									
Ambien	5.6%	18.1%	24.7%	6.2%	23.5%	31.2%	12.1%	45.9%	63.6%
<b><u>Other - 11%</u></b>									
Other (total market)	8.0%	15.5%	24.7%	10.1%	6.3%	17.0%	18.9%	22.8%	46.0%
<b>Grand Total</b>	<b>9.7%</b>	<b>40.1%</b>	<b>53.7%</b>	<b>9.9%</b>	<b>14.9%</b>	<b>26.3%</b>	<b>20.6%</b>	<b>63.2%</b>	<b>96.8%</b>

\* Identification of drugs from 2003 NCCI study; Cost & Utilization from National Institute For Health Care Management 2001 and 2002 studies.

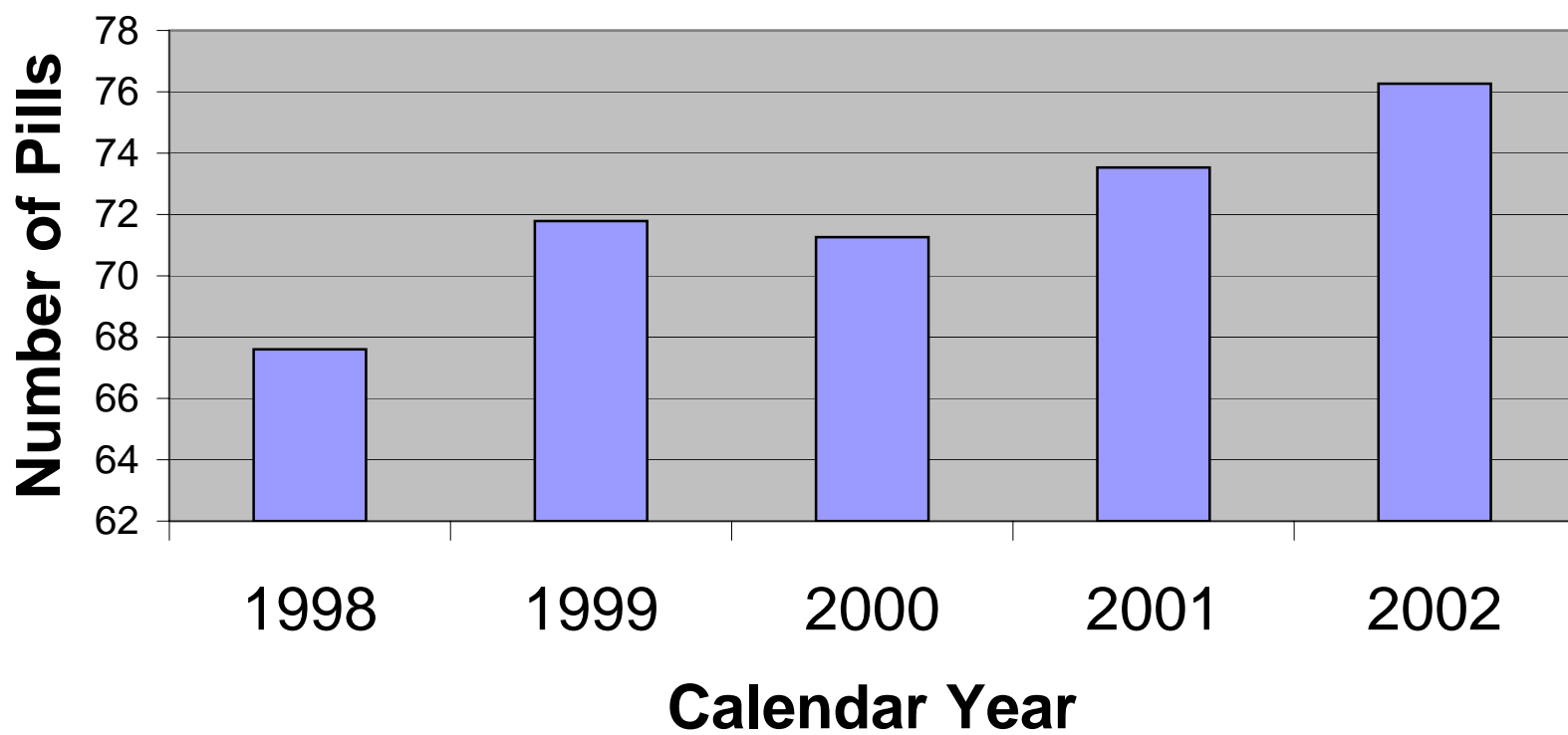
# Change in Prescription Drug Costs in WC



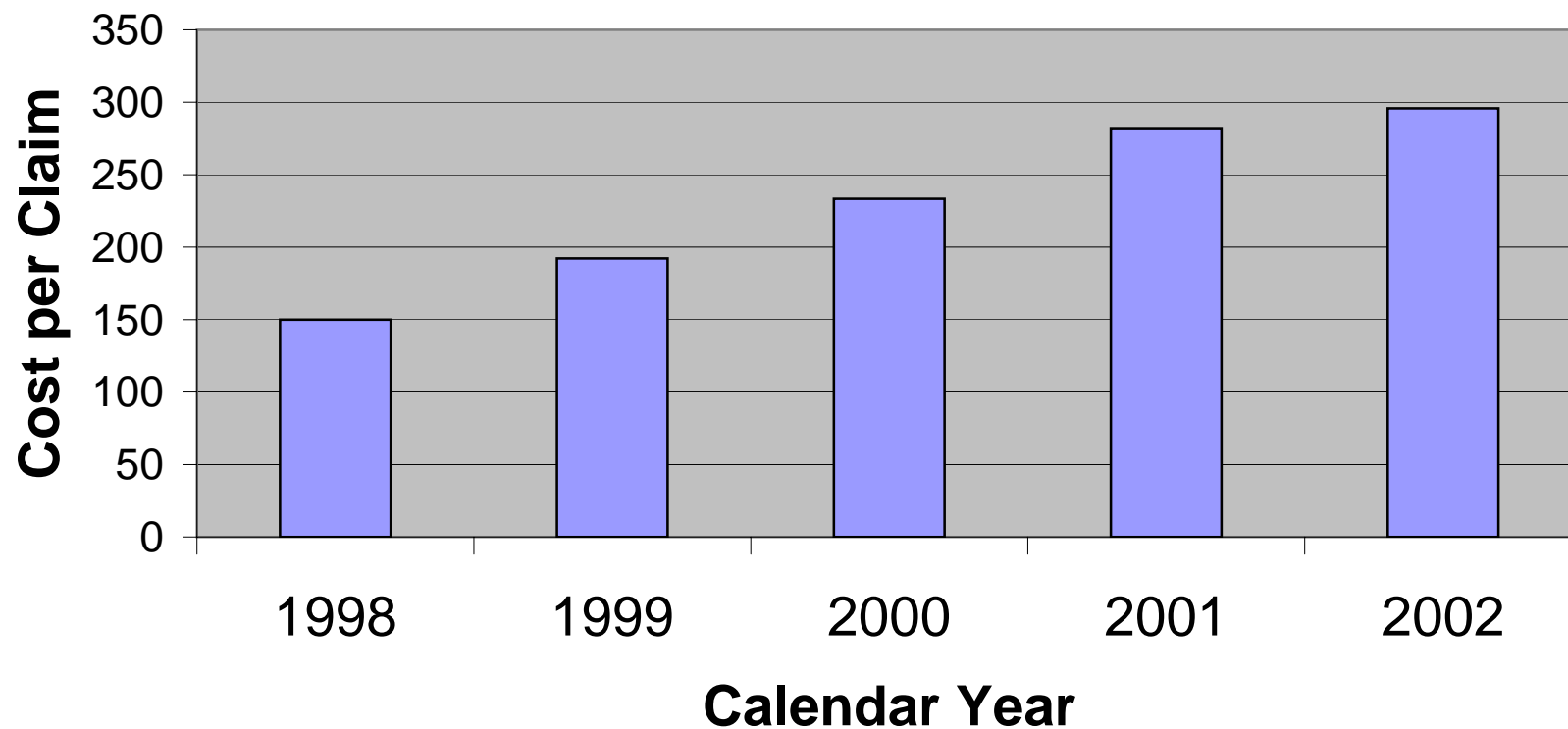
# New York Workers Compensation Prescriptions per Claim



## New York Workers Compensation Number of Pills per Prescription



## New York Workers Compensation Drug Costs Per Claim



# New York Workers Compensation Ratio of Drug Costs to Incurred Medical

