

Texas Department of Insurance  
Division of Workers' Compensation



Compound Medications  
Plan-Based Audit

April 28, 2016

## Section I: General Statement and Overview

The Texas Department of Insurance, Division of Workers' Compensation (TDI-DWC) is required by Texas Labor Code §413.002 to "monitor health care providers, insurance carriers, independent review organizations, and workers' compensation claimants who receive medical services to ensure the compliance of those persons with rules adopted by the commissioner relating to health care, including medical policies and fee guidelines." Furthermore, Texas Labor Code §413.0512 allows the Medical Quality Review Panel (MQRP) to recommend to the medical advisor appropriate action regarding doctors, other health care providers, insurance carriers, utilization review agents, and independent review organizations.

TDI-DWC will manage the medical quality review process in a manner that is fair to all workers' compensation system participants, open and transparent to the extent consistent with state confidentiality laws, and provide the subject of a review the opportunity to participate throughout the Medical Quality Review Process. Medical quality reviews aid TDI-DWC in monitoring compliance with the Texas Workers' Compensation Act and TDI-DWC rules help to ensure that injured employees in the workers' compensation system receive medically necessary and appropriate health care that is timely and cost-effective, and facilitate functional recovery and appropriate return-to-work outcomes.

The 79<sup>th</sup> Texas Legislature passed House Bill 7, which amended Texas Labor Code §408.028 concerning pharmaceutical services. The pertinent provisions stated: "The commissioner by rule shall adopt a closed formulary under Section 413.011. Rules adopted by the commissioner shall allow an appeals process for claims in which a treating doctor determines and documents that a drug not included in the formulary is necessary to treat an injured employee's compensable injury."

The workers' compensation closed formulary includes all Food and Drug Administration (FDA) approved drugs. Drugs included in the closed formulary may be prescribed and dispensed without preauthorization but are subject to retrospective review of medical necessity. The formulary excludes drugs identified with a status of "N" in the current edition of the *Official Disability Guidelines (ODG)*, the TDI-DWC adopted evidence-based treatment guidelines.

An "N" drug is not included in the formulary because it is not recommended as a first-line treatment in the *ODG*. Also excluded in the formulary is any compound that contains a drug identified with a status of "N" and any investigational or experimental drug as defined in Texas Labor Code §413.014(a). Drugs that are excluded from the formulary may be prescribed and dispensed if they are determined through the preauthorization process to be medically necessary.

## Section II: Purpose for Plan-Based Audit

- Promote the delivery of quality health care in a cost-effective manner, including protection of injured employee safety.
- Ensure that doctors adhere to the *ODG / Appendix A, ODG Workers' Compensation Drug Formulary* and medically accepted standards of care for prescribing compound drugs.
- Determine the appropriateness of medical decision making related to doctors or those acting under the doctor's supervision prescribing compound drugs.

### **Section III: Scope and Methodology for Plan-Based Audit**

- Doctors who have prescribed compound drugs where the
  - doctor was listed as the prescribing doctor as reported through medical bill reporting pursuant to 28 Texas Administrative Code (TAC) Chapter 134, Subchapter I (i.e., Medical EDI data);
  - compound drug was billed with an ingredient of either powder or adjuvant (this could include an excipient ingredient); and
  - compound drug was filled from September 1, 2014 through August 31, 2015.
- Procedures for determining medical necessity and appropriateness of health care services are set forth in Section II of the Medical Quality Review Process. See also Texas Labor Code §§413.002, 413.013, and 413.05115.

### **Section IV: Selection Criteria for Plan-Based Audit**

- Time frame to select data
  - prescribed compounds that were filled from September 1, 2014 through August 31, 2015.
- Exclusions
  - compound drugs where the only ingredient was a laxative drug.
- Subject selection
  - select no more than 10 doctors from a consolidated assigned ranking of the following two groups:
    - doctors that prescribed the highest number of compound drugs per the selection criteria; and
    - doctors that accounted for the highest amount billed of compound drugs per the selection criteria.
  - in the event of a tie, select the doctor that prescribed the highest number of compound drugs per the selection criteria.

The consolidated ranking of the doctors will be determined by placing the identified doctors in a rank order in both the prescribed and billed sort with the number 1 assigned to the highest in each sort. The rank order from each grouping will be added for each doctor and the sum will be the consolidated assigned rank order with the lowest sum being the first selected doctor.

- Case selection
  - for each of the selected doctors, select the top five prescription compounds based on the highest dollar amount billed; and
  - include only the highest dollar amount billed for a compound prescription per injured employee.

## **Section V: Roles and Responsibilities**

### Information Management Services

- Provides a list of doctors based on the scope, methodology, and selection criteria.
- Selects the subjects and case files for medical quality review based on selection criteria.

### Health Care Quality Review

- Notifies subjects chosen for medical quality review and requests documents.
- Requests from Information Management Services another subject or case if the nurse investigator verifies in writing that a subject or case was not selected in accordance with the approved Plan-Based Audit criteria.
- Selects MQRP members to perform a review in accordance with Texas labor Code §§408.0043, 408.0044, and 408.0045, and 28 TAC §180.1 and §180.22.
- Provides an executive summary to the commissioner of workers' compensation upon conclusion of the Plan-Based Audit.

### Medical Advisor

- Develops questions for the MQRP experts. The questions will be approved by all undersigned parties prior to any records being sent to the MQRP experts.

## **Section VI: Conflicts**

This *Compound Medications Plan-Based Audit* incorporates the approved Medical Quality Review Process in effect. However, if a specific conflict exists between this Plan-Based Audit and the Medical Quality Review Process, this Plan-Based Audit prevails.

## Section VII: Approvals

This *Compound Medications Plan-Based Audit* is respectfully submitted by:



David G. Davis, M.D.  
Medical Advisor

Date 4/28/16

This *Compound Medications Plan-Based Audit* is respectfully approved by:



W. Ryan Brannan  
Commissioner of Workers' Compensation

4/27/16  
Date