



Writers' Guild-Industry Health Fund

Jim Hedges, Chief Executive Officer

October 30, 2014

To: All Participants Covered Under the Writers Guild Industry Health Fund

SUBJECT: Pharmacy Plan Update

The Trustees of the Plan have approved the Compound Management Program by Express Scripts (ESI). Effective January 1, 2015, prescriptions for compound medications will be subject to preauthorization requirements. If any ingredient in a compound medication is on Express Scripts' list of excluded ingredients, ESI will work closely with the compounding pharmacy to replace the remove the non-covered ingredient.

Background:

Compounded drugs have always been a covered benefit under the Fund's prescription plan. What is important to know is that compounded prescription drugs are not approved by the Food and Drug Administration (FDA), however; if at least one ingredient in the compound has a National Drug Code (NDC) the drug was covered by the Plan.

Over the past two years, the cost of compound prescriptions has escalated exponentially, rising on average from \$90 to \$1,100 per prescription. This price increase has been shared by both the Health Fund and its' participants.

How did this happen? Before 2012, compounding pharmacy claims were paid based on the most expensive covered active ingredient in the compound. After January 1, 2012, the formula was changed and the pharmacies were paid for each ingredient in the compounded prescription with an NDC number. This change created a loophole, allowing the compounding pharmacies to add bulk powders and creams with NDCs', that add no clinical value to the compound drugs and to charge hundreds, even thousands of dollars for those unnecessary ingredients.

The Compound Management Program:

Express Scripts has introduced a program that will reduce the plan costs for compound drugs by over 90% while affecting less than 2% of our participants. Express Scripts' Compound Prescription Management Solution will do the following:

- Ensure that those individuals that need compound prescriptions will continue to receive them.
- Actively and regularly manage the use of compounded medications.
- Evaluate the ingredients in each compound drug claim to identify needless cost and waste.
- Target or block more than 1,000 ingredients (bulk powders and creams) whose prices have been greatly inflated but that provide no additional clinical benefit.

In many cases, individuals who take compounded medications do so because they cannot ingest the available FDA-approved drug alternatives. For example, someone who cannot swallow a tablet or capsule may need their medication crushed or liquefied. Pain management compounds are normally prescribed as a cream. But, by large, many ingredients in a compounded medication do not provide any additional clinical value over what is currently available as an FDA-approved prescription or its' over-the-counter alternative. In either case, with the new program in place, ESI will work closely with



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the compounding pharmacy to ensure that only covered ingredients will be included in compounded drugs.

If ESI and the compounding pharmacist are unable to come to an agreement regarding the excluded ingredient(s), the prescription will be denied by ESI. In this case, the patient will need to discuss the issue with the prescribing physician and ask to try a FDA approved alternative. The prescribing physician can appeal the denial directly with ESI on behalf of the patient.

Please read the question and answer (Q&A) section below as it may answer many of the questions you may have regarding compound drugs and ESI's new program. We have also attached ESI's Top 25 List of Compound Ingredient Exclusions developed by ESI based on current compound costs. We encourage you to share this list with your doctor if you are currently using or are in need of a compounded medication.

Q & A

QUESTION	RESPONSE
What are compounds and are they FDA approved?	According to the FDA, compounding is the practice in which a licensed pharmacist combines, mixes, or alters ingredients in response to a prescription to create a medication tailored to the medical needs of an individual patient. The active ingredients within the compound are FDA approved, but the FDA does not approve the quality, safety and efficacy of the compound with multiple ingredients.
What are the alternatives?	Only your medical provider and you can determine a suitable alternative since it is often difficult to determine the condition for which a compound medication is being prescribed. Ask your doctor if an FDA-approved drug is available and appropriate for your treatment.
My pharmacist prepares my bio-identical hormones. Will these continue to be covered?	Yes – most hormone replacement therapies are still available via compounding. Due to the FDA's warning of estriol's lack of safety and efficacy data, we have included this product in the Exclusion List. Express Scripts will continue to monitor this class of medications.
Why would my physician prescribe a compounded medication instead of something that is already on the market?	Physicians make therapy choices based on a variety of factors. Furthermore, these compounded products are not evaluated or verified for safety or efficacy by the FDA.
The compound medication that I have been using works really well for me. What are my options?	Your doctor may appeal the coverage exclusion to ESI. If denied, you will have to pay out of pocket if you still want the medication.



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What will be excluded?	The list of the top 25 excluded ingredients is attached to this notice, however; the entire list contains over 1,000 ingredients. The list was compiled by ESI and has been reviewed by an independent panel of pharmacists.
If my compound prescription is denied because the compounding pharmacy believes the excluded ingredient should be included, can I appeal the denial?	Yes, however; your prescribing doctor will have to contact ESI to appeal the denial on your behalf. Express Scripts recommends that you contact your physician to try a commercially available FDA-approved alternative.
Will pediatric compounds still be covered?	Yes. If a child needs to obtain an adult medication in a lesser dose and/or cannot swallow tablets, the pharmacist can compound the medication into a dosage form that the child can take.
When will the ESI Compound Management Program be effective?	January 1, 2015

If you have questions about the compound medication you are currently using, make an appointment with your prescribing physician and share the attached "ESI's Top 25 Compound Ingredient Exclusion List" with your doctor. Ask your doctor if an FDA-approved drug is available and appropriate for your treatment.

For other questions about the Fund's prescription drug benefits, please contact the Fund Office.

Compound Management Top 25 Exclusion List

The top 25 ingredients included in the Express Scripts Compound Management exclusion list represent almost 80% of current compound spend and nearly 85% are utilized for topical pain or a base (e.g. cream). Compound Management uses the following criteria to determine exclusions:

- Represent a significant cost and/or within the top 200 most expensive compound ingredients
- Availability of commercially alternative medications
- Available as an OTC product
- Products lacking clinical evidence within compounds
- Products with significant and/or continuous price increases

Compound Ingredient	Indication or Base
FLUTICASONE PROPIONATE POWDER	Topical Pain
GABAPENTIN POWDER	Topical Pain
LIPO-MAX CREAM	Vehicle (Base)
PRACASIL TM-PLUS GEL	Vehicle (Base)
KETAMINE HCL POWDER	Topical Pain
FLURBIPROFEN POWDER	Topical Pain
LIPODERM BASE	Vehicle (Base)
CYCLOBENZAPRINE HCL POWDER	Topical Pain
BACLOFEN POWDER	Topical Pain
BUPIVACAINE HCL POWDER	Topical Pain
ETHOXY DIGLYCOL LIQUID	Solvent
MELOXICAM POWDER	Topical Pain
VERSAPRO CREAM BASE	Vehicle (Base)
MOMETASONE FUROATE POWDER	Topical Pain
SPIRA-WASH GEL	Vehicle (Base)
DICLOFENAC SODIUM POWDER	Topical Pain
LEVOCETIRIZINE DIHYDROCHL POWDER	Scar Gel
VERSATILE CREAM BASE	Vehicle (Base)
LIOPEN ULTRA CREAM BASE	Vehicle (Base)
NABUMETONE MICRONIZED POWDER	Topical Pain
LIOPEN PLUS CREAM	Vehicle (Base)
TRAMADOL HCL POWDER	Topical Pain
KETOPROFEN MICRONIZED POWDER	Topical Pain
PRILOCAINE HCL POWDER	Topical Pain
RESVERATROL POWDER	Anti Inflammatory

This list is subject to change as Express Scripts continuously monitors compounds.