Topical Medications in Workers' Comp.

Continuing Education Webinar

November 3, 2026

3:00 PM ET

All attendees are in listen-only mode.

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By EVERNORTH

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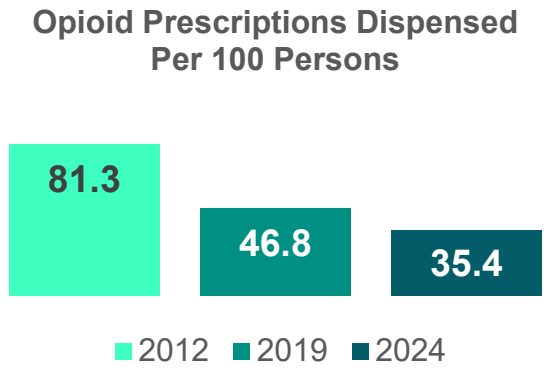
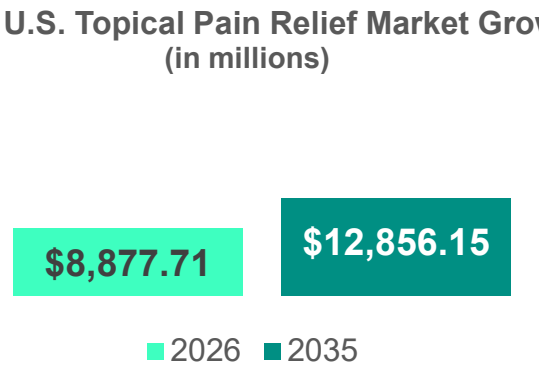
National opioid dispensing rates have steadily decreased over the last decade+



U.S. topical pain relief market has a compounded annual growth rate of 4.2%



+ https://www.cdc.gov/overdose-prevention/data-research/facts-stats/opioid-dispensing-rate-maps.html
+ https://www.marketgrowthreports.com/market-reports/topical-pain-relief-market-110529

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Agenda

- Defining topical medications
- Use in workers' comp. claims
- What are the challenges?
- State actions
- Managing topicals medications

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Defining Topical Medications

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Topical medications are products applied directly to the skin to produce localized effects

Local Effect

- Acts primarily at the site of application
- Minimal systemic absorption
  (Typically 1-7% of the applied dose reaches systemic circulation)
- Examples: Diclofenac gel, Lidocaine patch, Capsaicin Cream



The skin is the body's largest organ and serves as a barrier that topical medications must cross to exert their effects.

This is why formulation matters and why not all topicals are equally effective.

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Common Topical Medication Formulations

	Cream	Gel	Ointment	Patch	Solution/Spray
Advantages	Spreads easily	Dries quickly, non-greasy	Longer skin contact	Convenient, scheduled dosing	Easy application over large areas
Examples	Methyl Salicylate cream Lidocaine cream	Voltaren Gel	Lidocaine ointment	Lidoderm patch	Pennsaid topical solution

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Common Topical Medication Categories in Workers' Comp.

Category	Examples	FDA Approved?
Topical NSAIDs*	Diclofenac gel (Voltaren), Diclofenac patch (Flector)	Varies
Topical analgesics	Menthol (Biofreeze)	Varies
Liniments	Methyl Salicylate, Trolamine Salicylate	Varies
Topical anesthetics	Lidocaine, Benzocaine, Capsaicin	Varies

**NSAIDs: Non-Steroidal Anti-Inflammatory Drugs*

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Combination Topicals

Higher cost doesn't mean higher therapeutic outcome.

PREFERRED / LOWER-COST EXAMPLES

Bengay® combinations
Methyl Salicylate 30% + Menthol 10% + Camphor 4%

Muscle Rub Cream
Menthol 10% + Methyl Salicylate 15%

Icy Hot® combinations
Lidocaine 4% + Menthol 1% OR
Menthol 10% + Methyl Salicylate 30%

REVIEW CLOSELY / HIGHER-CONCERN EXAMPLES

Lidothol®
Lidocaine 4.5% + Menthol 5%;

Terocin®
Methyl salicylate 25% + Capsaicin 0.025% + Menthol 10% + Lidocaine 2.5%

Diclona®
Diclofenac Sodium 1% + Lidocaine 4.5%

See Active Ingredients 

Resource: https://www.nih.gov/

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Topical medications are a leading workers' comp cost driver

WCRI findings across 31 states | Prescription data through Q1 2022-Q1 2025

WCRI found that dermatological agents accounted for the largest share of prescription payments.

20 of 31

study states

Physician dispensing and **delivery pharmacies** accounted for more than **70% of dermatological payments.**

>70%

of dermatological payments

The threshold reached by those two dispensing channels in 20 study states.

80–95%

in highest-share states

The share represented by physician dispensing and delivery pharmacies in states with the highest dermatological payment shares.

Key takeaway: dispensing channel is central to the dermatological payment story.

Study period
Q1 2022–Q1 2025

Source: WCRI, Interstate Variation and Trends in Workers' Compensation Drug Payments, 6th Edition—A WCRI FlashReport, May 21, 2026.

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Case Study: High-Cost Topical

INJURED WORKER

Age: 54 years old
Gender: Male

Injury: Right knee sprain

Surgery not performed

PHARMACY UTILIZATION

Topical NSAID:
Diclofenac 2% solution

Cost per month: $2,477

CLINICAL INTERVENTION

Pharmacist recommendation to prescriber:

Replace therapy with lower cost alternative:
Diclofenac 1% gel

Cost per month: $35
Potential Savings: 98%

OUTCOME MEASURED

Prescriber changed to OTC alternatives

***New* cost per month: $35**

Annualized savings:
$30,504



New Pharmacy Utilization →

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Use in Workers' Comp. Claims

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Evidence-based indications for topicals in workers' comp.



Mild to Moderate **Musculoskeletal** (strains, sprains, contusions) Injuries



Neuropathic Pain (Complex Regional Pain Syndrome (CRPS), nerve damage, post-surgical nerve pain)



Joint Disorders (**osteoarthritis**, tendinitis, bursitis)



Soft Tissue Injury (Carpal tunnel syndrome, rotator cuff injuries, repetitive motion injuries)

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Why topicals are commonly prescribed in workers' comp.

Localized treatment can support pain relief while limiting reliance on systemic therapies.

Targeted local treatment

Delivers medication directly to the affected area for localized pain.

Evidence-based first-line option

Topical NSAIDs are recommended first-line for acute, non-low-back musculoskeletal injuries.

Lower systemic treatment burden

May reduce systemic exposure and gastrointestinal risk compared with oral NSAIDs.

Supports functional recovery

Non-sedating options can help avoid cognitive effects that may interfere with return-to-work goals.



Best suited to localized pain

Select formulation based on indication, site, and evidence.

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Topical medication safety: what warrants a closer look

Risk depends on the active ingredient, dose, application site, surface area, duration, and concurrent therapy.

Local application reactions

Burning, stinging, itching, dryness, or rash may occur at the application site.

Monitor skin tolerance

Therapeutic duplication

Review topical and oral products for overlapping drug classes or active ingredients, especially NSAIDs and local anesthetics.

Check the full regimen

Factors that may increase exposure

Large treatment areas, prolonged use, damaged or inflamed skin, excess dosing, and external heat can increase concern for systemic effects.

Use exactly as labeled

Lidocaine: Overuse → systemic toxicity; rare methemoglobinemia
Diclofenac: NSAID duplication → GI, renal, and cardiovascular safety concerns



Key review question

Is the product being used on intact skin, at the labeled dose and duration, without avoidable duplication?

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What are the Challenges?

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The Core Problem: Cost Exceeding Benefit

Workers' compensation programs are paying premium prices for topical products that lack evidence of superiority over inexpensive alternatives.

	Evidence for Clinical Consideration	Cost
Topical NSAID	Local therapeutic effect for acute musculoskeletal injury pain and osteoarthritis	$
Topical Anesthetic	Temporary relief of minor aches and pains of muscles and joints or localized nerve pain	$
Compounded Topical	Custom formulation with multiple ingredients for a specific patient	$$$$
Private Label Topical	Marketed by manufacturers as having unique formulations and special ingredient combinations	$$$$
NDC Outlier	Excessively priced compared to the same drug/strength/dose form of a different manufacturer	$$$$
Physician Dispensing	Dispensed directly from provider's office rather than a traditional pharmacy	$$$$

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Challenge #1: Compounded Topicals

Custom-made Formulations Specific to the Injured Worker's Needs

$912
Average cost for compounds



Require a prescription



Not FDA approved as a finished product (individual ingredients may be)



No review for safety, effectiveness and quality as FDA-approved drugs



Can be very high in cost



May be guided by state and federal regulations

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Challenge #2: Private Label Topical (PLT) Medications

Effective treatment option for some injured workers, but drives significant increases in workers' comp costs

+ High product cost relative to ingredient content
+ Unique ingredient combinations or strengths
+ Many similar products readily available OTC
+ Marketed under a proprietary name



Formulated as patches, creams, ointments, gels, lotions, solutions and kits



2026 average cost **$1,015 per Rx** across MMX BOB



Most have lower-cost, over-the-counter alternatives



Trends from independent pharmacies



Often dispensed in physicians' offices

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Challenge #3: National Drug Code (NDC) Outliers

NDC is a unique code assigned to every commercially manufactured medication that identifies the manufacturer, product, and package size

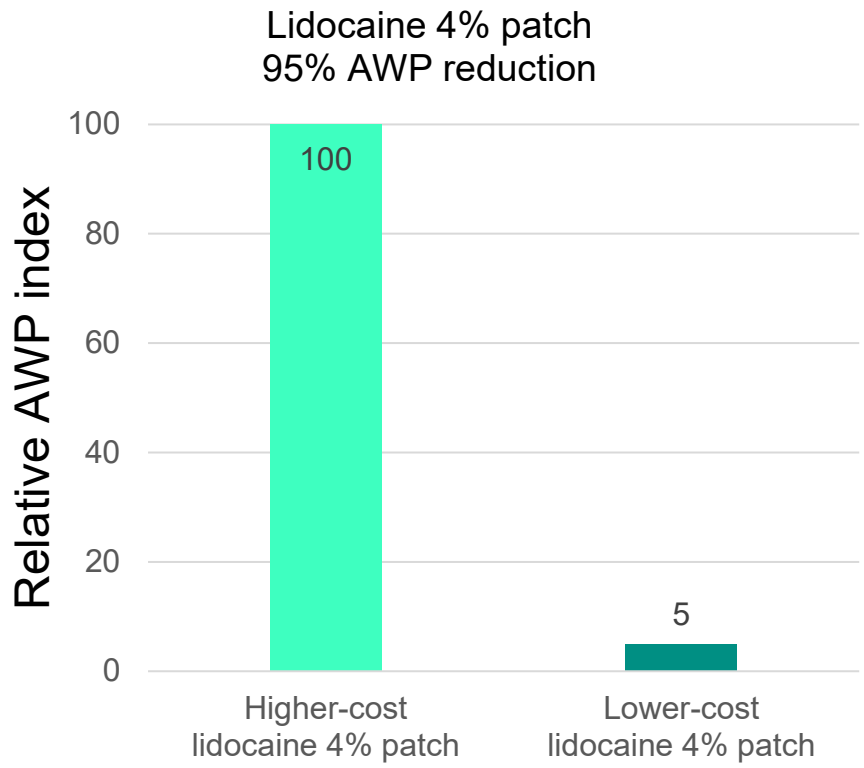
- Medications contain the same active ingredient, strength, and dosage form as the common NDCs with much lower costs
- NDCs from select manufacturers have significantly inflated costs due to higher AWP

Cost Implications:

Products billed for NDCs with higher AWPs result in inflated medication spend

Example medications:

- Lidocaine 4% patch
- Capsaicin 0.025% patch
- Methyl salicylate 25% cream



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Challenge #4: Physician Dispensing

Physicians purchase medications and dispense directly to patients from their office

- Permitted in 44 states with varying levels of regulations
- Financial incentive: physicians' profit from the markup on dispensed medications

$1,246
Average cost for topicals
(30-day supply)

Risks

Claims with physician dispensing has significantly higher*:

- Prescriptions per claim
- Pharmaceutical costs
- Medical costs
- Indemnity costs
- Time out of work (lost time)

Safety

Bypass pharmacist safety checks and drug utilization reviews
(drug-drug interactions, therapeutic duplications, overutilization patterns, etc.)

**Journal of occupational and environmental medicine/American College of Occupation and Environmental Medicine (ACOEM)*

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Dispensing outside of a traditional retail pharmacy

Physicians may use an independent home delivery entity, replacing in-office dispensing

Concerns

+ Limited or no patient education or counseling
+ Refills may be difficult to stop or cancel
  - Continued dispensing without reassessing ongoing need for treatment
  - Potential for unnecessary medication use
  - Refills may be sent without patient request
  - Wasteful stockpiling of medications
+ Higher-cost topical products are typically dispensed via this distribution channel, increasing pharmacy spend



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Cost-Effective Alternatives

Topical Medication		Lower Cost Alternative
Xrylix 1.5% Kit (Diclofenac Sodium Soln 1.5% & Adhesive Sheets)	**110x** more expensive	Diclofenac 1.5% Solution **and** Kinesiology Tape
Terocin 4-4% Patch (lidocaine 4%, menthol 4%)	**13x** more expensive	OTC Icy Hot Lidocaine plus Menthol Patches 4-1%
Lidocaine 4% Patch (Alexso manufacturer - NDC outlier)	**18x** more expensive	OTC Aspercreme w/Lidocaine 4 % Patch
Capsaicin 0.03% Patch (boutique medication)	**50x** more expensive	Capsaicin 0.025% Patch
Compound topical cream (Gabapentin, diclofenac, bupivacaine, ketamine, baclofen)	**100x** more expensive	Diclofenac 1% gel and/or OTC Aspercreme w/Lidocaine Topical Cream 4 %

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State Actions

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States actions to manage topicals (examples)



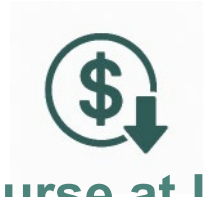
Dollar Caps

Georgia and South Carolina



Cost+ Reimbursement

Michigan



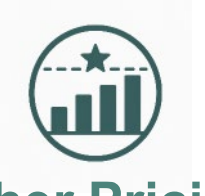
Reimburse at Lowest Cost Equivalent

Idaho



Prior Authorization

Colorado and Tennessee



Other Pricing Benchmarks

California

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States reviewing topical policies



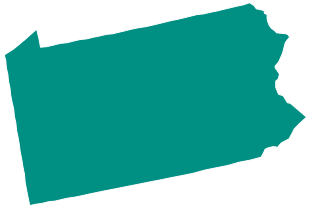
Alaska



Arizona



Colorado



Pennsylvania



Texas

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Managing Topical Medications

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Topical medication review: decisions and red flags

Use a consistent clinical, jurisdictional, and claim-specific review before selecting an intervention.

THREE DECISION LENSES

1. **Clinical fit**
   Injury relationship, diagnosis, evidence, first-line therapy, and FDA-approved options.

2. **State requirements**
   Formulary, prior authorization, dispensing restrictions, and reimbursement rules.

3. **Claim appropriateness**
   Medical necessity, quantity, duration, duplication, response, and lower-cost alternatives.

HIGH-COST RED FLAGS

Private-label topical	Common ingredients with an unfamiliar proprietary name or outlier cost.
Physician / delivery dispensing	Office or home delivery, paper billing, or a price above retail.
Compounded topical	Multiple ingredients, unclear contribution, limited support, or significant cost.
NDC outlier	Same ingredient, strength, and dosage form available through a lower-cost NDC.

A red flag should guide the intervention, not trigger an automatic denial.

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From red flag to resolution

Match the concern to the least disruptive action that addresses clinical appropriateness, compliance, and cost.

1. **CONFIRM**
   Injury + diagnosis
2. **CHECK**
   State + formulary
3. **COMPARE**
   Approved + lower-cost options
4. **VALIDATE**
   Need, quantity, duration, duplication
5. **ACT + MONITOR**
   Intervene + reassess

RESPONSE OPTIONS

DOCUMENT

Request documentation or an **LOMN** when the indication or ongoing need is unclear.

REVIEW

Use **utilization review** when evidence or medical necessity remains insufficient.

REDIRECT

Use **PBM or pharmacy intervention** for a lower-cost NDC, equivalent, or network dispensing.

DISCUSS + EDUCATE

Engage the **prescriber** and **injured worker** about duplication, expectations, or safe use.

Goal: clinically appropriate, jurisdictionally compliant, and cost-effective topical therapy.

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