

# Pharmaceutical Policy Research Collaboration

## May 30, 2012

**Barbara Martinez**  
Principal

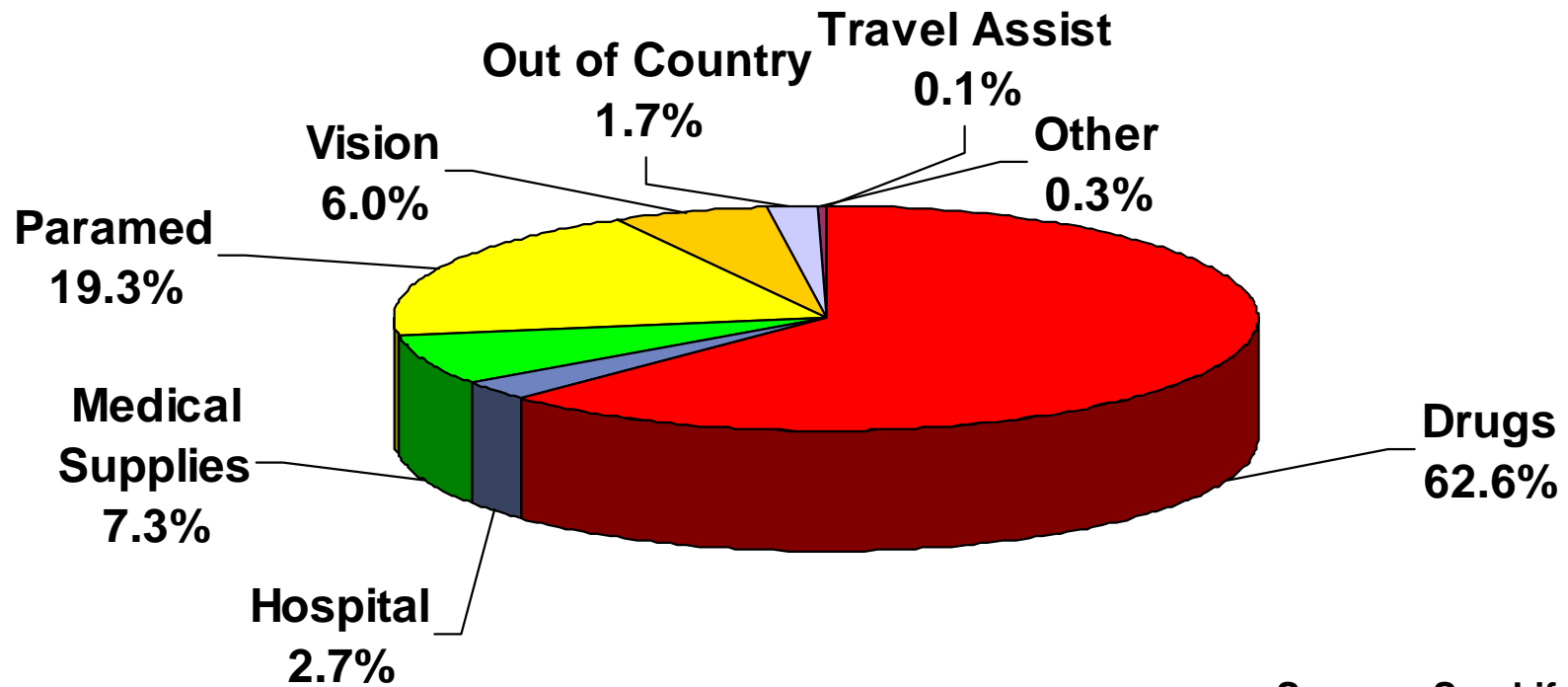
Toronto - 161 Bay Street

# Key Messages

- Employer drug plan costs and trends
- Why employer drug plans are not “insurance”
- Why current employer drug plans are not sustainable
- What needs to be done

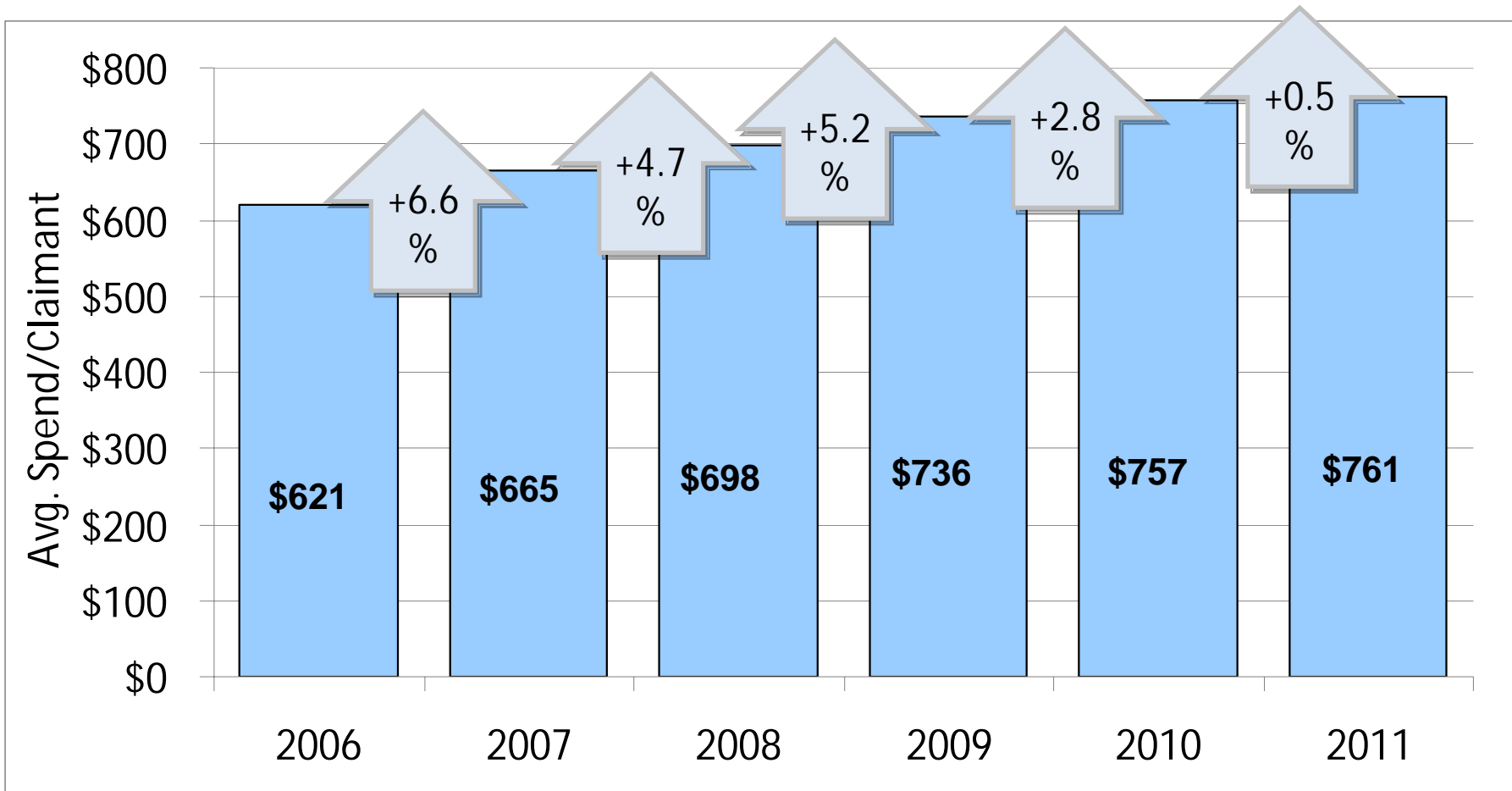
# Benefit Costs

Trends – Health Claims – January 1, 2011 to December 31, 2011



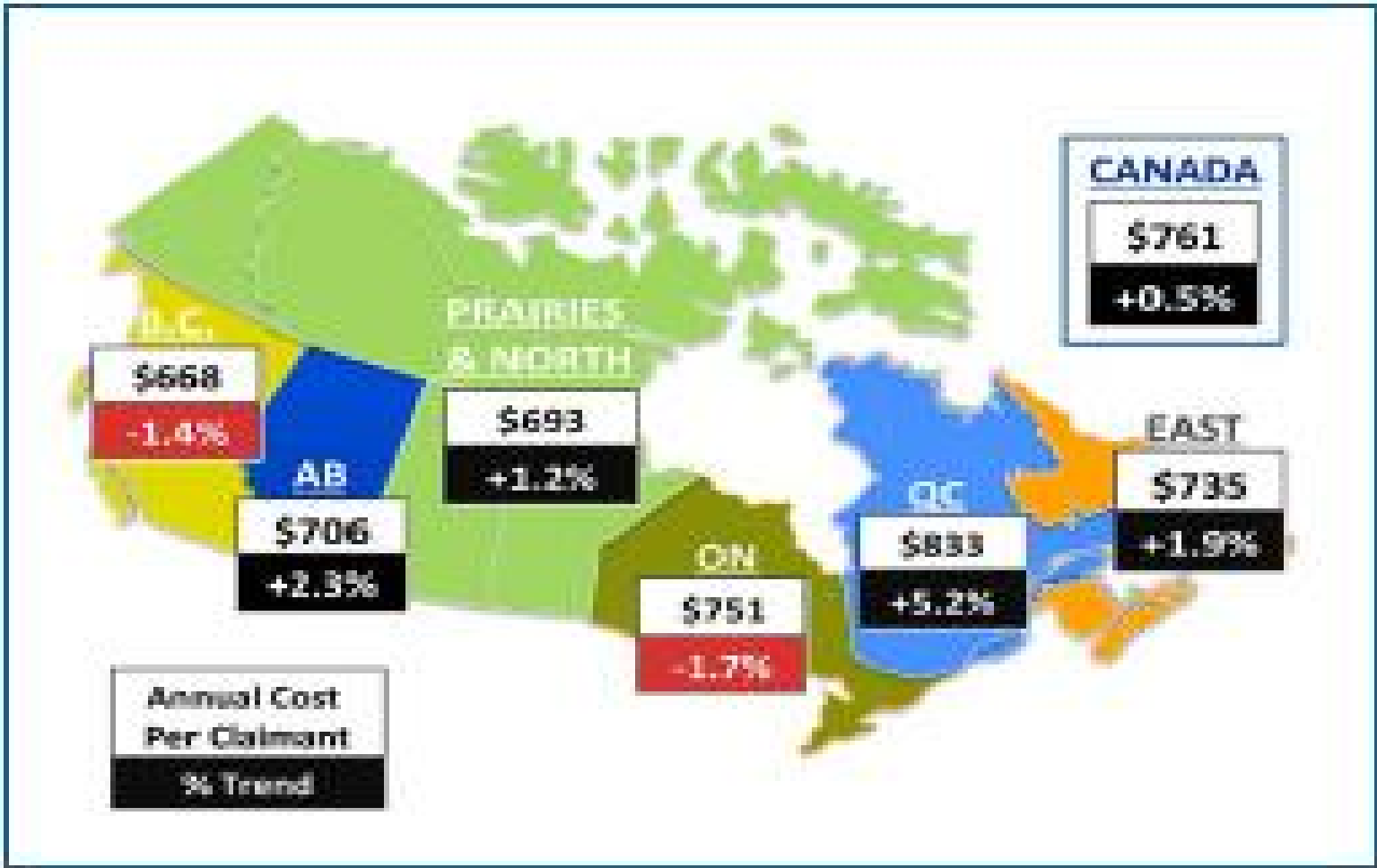
Source: Sun Life

# Annual Drug Spend Per Claimant National



Source: ESI Canada

# Annual Drug Spend Per Claimant by Region

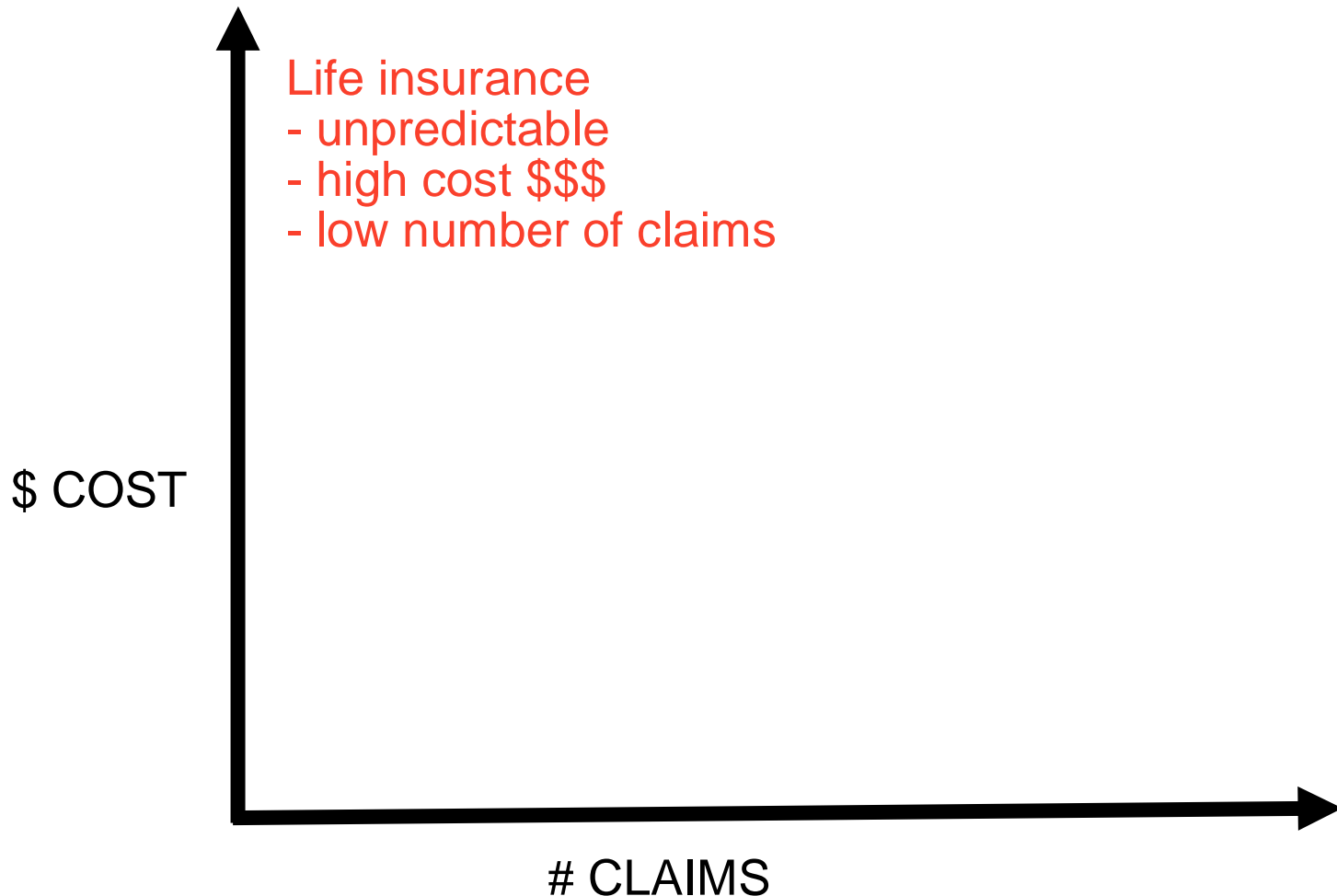


Source: ESI Canada

## Why Drug Plans Are Not “Insurance”

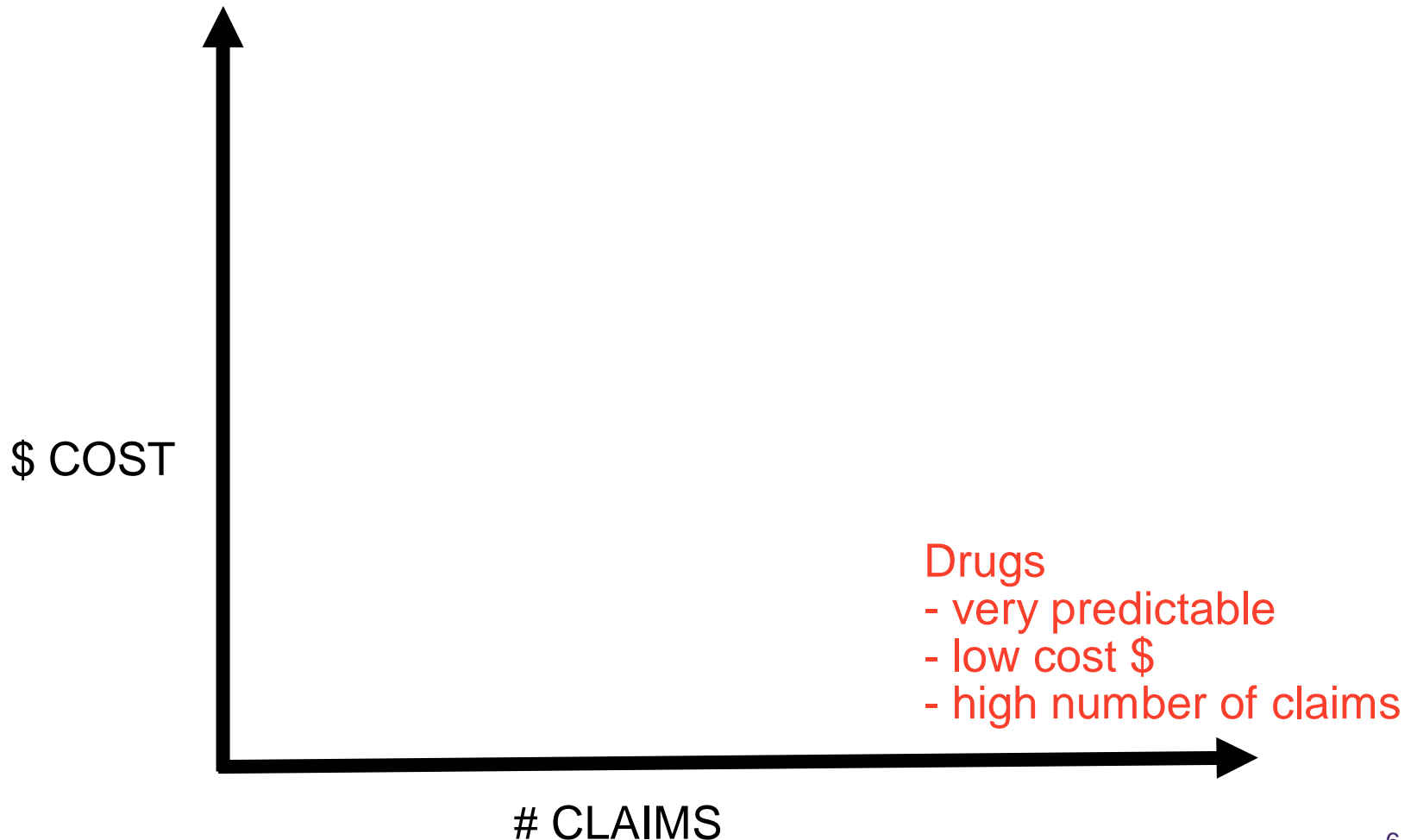
Wikipedia definition of insurance:

a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.



## Why Drug Plans Are Not “Insurance”

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# Sustainability of Employer Drug Plans

## ESI Canada 2010

### Average Cost per Claimant \$757

Traditional Drugs	Biologic / Specialty Drugs
82.5% of cost	17.5% of cost
\$51 per prescription	\$1,185 per prescription
Grew by 0.8%	Grew by 13.2%



# Sustainability of Employer Drug Plans

## Mercer Client Examples

Examples	Traditional Drugs	Biologic / Specialty Drugs
Plan A	82.7% of cost \$61 per prescription Grew by 6.5%	17.3% of cost \$5,511 per prescription Grew by 20.8%
Plan B	78.6% of cost \$53 per prescription Grew by (1.2%)	21.4% of cost \$2,224 per prescription Grew by 9.0%
Plan C	78.5% of cost \$58 per prescription Grew by (3.9%)	21.5% of cost \$1,983 per prescription Grew by 11.2%
Plan D	81.1% of cost \$84 per prescription Grew by (0.3%)	18.9% of cost \$1,786 per prescription Grew by 18.2%

## Drug Plan Designs in Canada

Not changing quickly enough to adapt

- 36% of plans 100% reimbursement
- 95% of plans No mandatory generic substitution
- 75% of plans No dispensing fee cap
- 95% of plans Prescription by law or prescribed formulary
- 66% of plans Do not share premium costs with employees
- 99% of plans No lifetime drug maximum (unlimited liability)

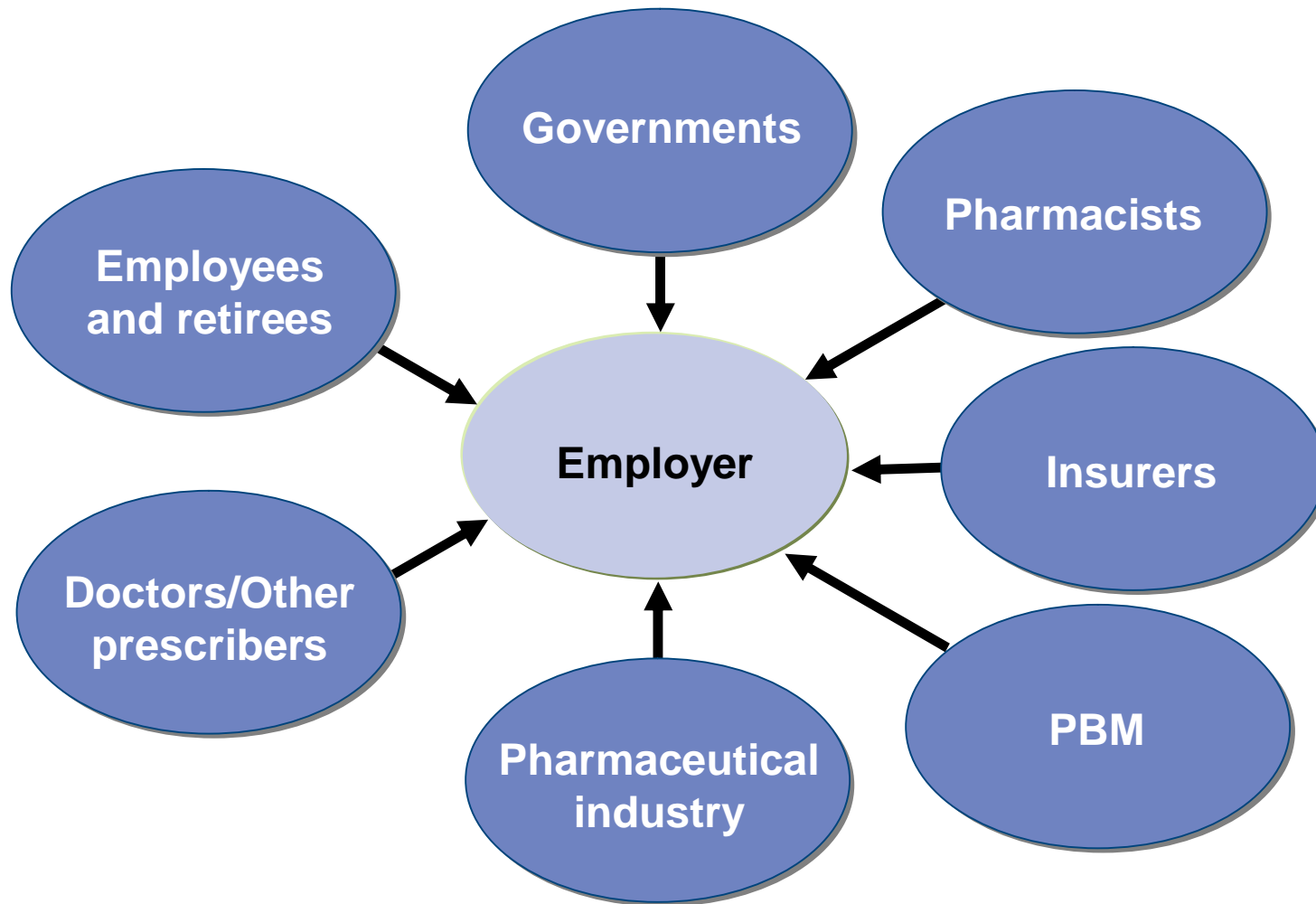
## Employees Are Not Engaged

- When employees have little or no cost, there is no consumerism and no desire to manage spending
- Doctor asks “Do you have a drug plan?” before writing a prescription
- Doctor is really asking “Do you care how much this costs?”

## Minimum standards applicable to group insurance plans covering Québec residents

Requirements	Comments
<ul style="list-style-type: none"> <li>Must cover all drugs on the RAMQ formulary</li> </ul>	<ul style="list-style-type: none"> <li>For example, smoking cessation products added to the RAMQ formulary effective October 1, 2000 ☞ Had to be picked up by private plan regardless of group contract exclusions</li> </ul>
<ul style="list-style-type: none"> <li>Coinsurance of at most 32%</li> </ul>	<ul style="list-style-type: none"> <li>Per prescription deductible not considered coinsurance but counts towards out-of-pocket maximum</li> </ul>
<ul style="list-style-type: none"> <li>Out-of-pocket maximum of at most \$963 per year per adult</li> </ul>	<ul style="list-style-type: none"> <li>Children expenses counted toward employee out-of-pocket maximum</li> </ul>
<ul style="list-style-type: none"> <li>Participation: employees, retirees less than age 65.                             <ul style="list-style-type: none"> <li>Mandatory participation to the group plan if eligible as an employee/retiree or as a dependent unless covered by another group plan</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>If there is no coverage offered to retirees, no need to implement a plan</li> </ul>
<ul style="list-style-type: none"> <li>Participation: employees/retirees age 65 and over                             <ul style="list-style-type: none"> <li>A person aged 65 or over must be given the choice (with respect to RAMQ drugs) to be covered either by the group plan or by the RAMQ</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>If there is no coverage offered to retirees, no need to implement a plan</li> </ul>
<p>Eligible dependents</p> <ul style="list-style-type: none"> <li>Spouse: as defined under the Québec Income Tax Act (legally married, with children from union, common law spouse with one-year minimum cohabitation).</li> <li>Child: less than 18, less than 26 if full-time student, disabled of any age with no spouse if disability started before 18 and living with parent</li> </ul>	
<ul style="list-style-type: none"> <li>Distinctions: none based on age, sex or health status</li> </ul>	<ul style="list-style-type: none"> <li>Cannot require evidence of good health to be covered</li> <li>Cannot define eligible employees as “those under age 65”, for example</li> </ul>
<ul style="list-style-type: none"> <li>Premiums: based upon market rules</li> </ul>	
<ul style="list-style-type: none"> <li>General provision: Obligation to offer minimum drug coverage if other benefit is granted in case of accident, illness or disability</li> </ul>	<ul style="list-style-type: none"> <li>Employer cannot cease to offer drug coverage unless it ceases to offer all insurance coverages except life insurance.</li> </ul>

# Stakeholders are Driving the Cost



## What Needs to be Done

- Employers must develop a comprehensive pharmacy benefit strategy to counter-act the stakeholder initiatives that drive cost:
  - Determine what is covered under the drug plan and the plan limitations
  - Identify financial and other risks
  - Deliver tactics to contain costs and influence responsible provider and employee behaviours
  - Communicate to plan members and teach them how to shop smart
  - Measure effectiveness on an ongoing basis and adjust accordingly

# Questions?

[barbara.martinez@mercer.com](mailto:barbara.martinez@mercer.com)

416-868-8905

