

Pharmaceutical Policy Research Collaboration

May 30, 2012

Barbara Martinez
Principal

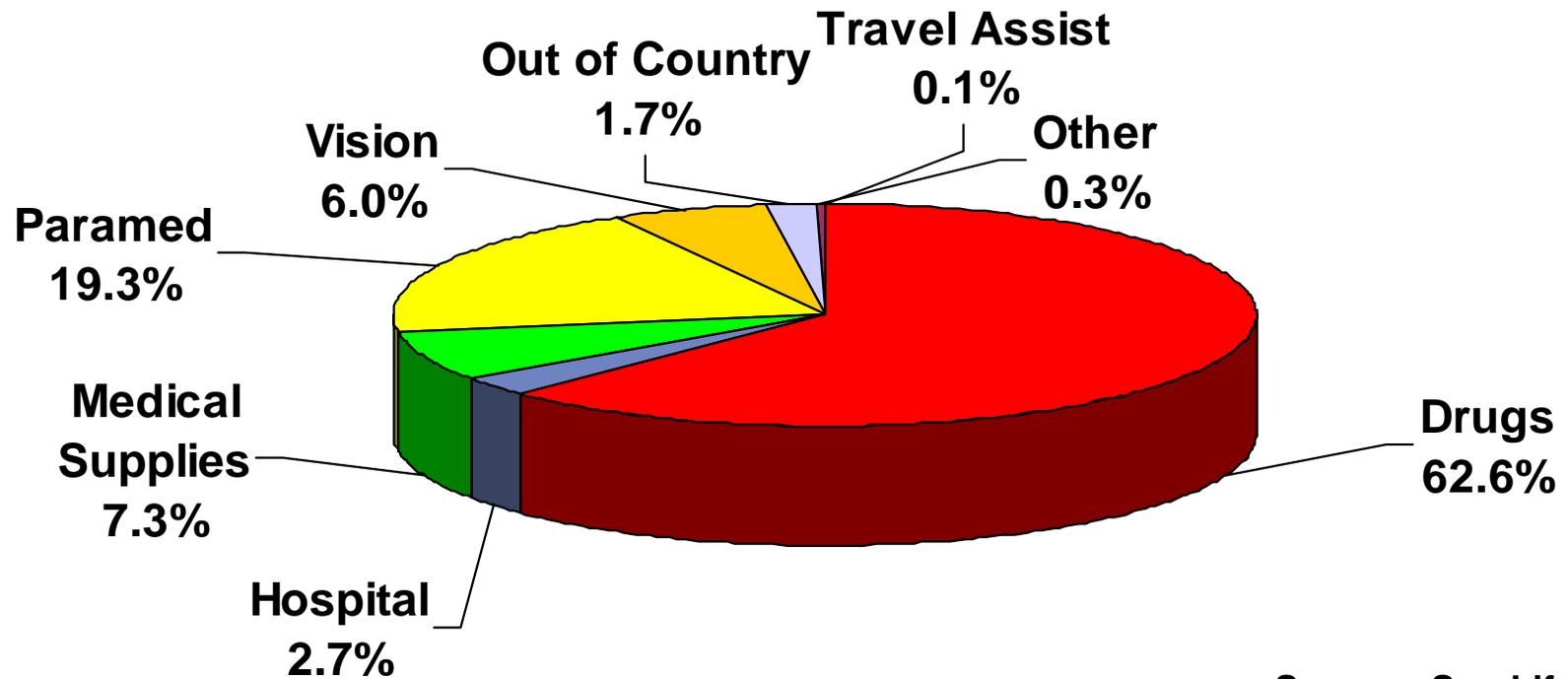
Toronto - 161 Bay Street

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

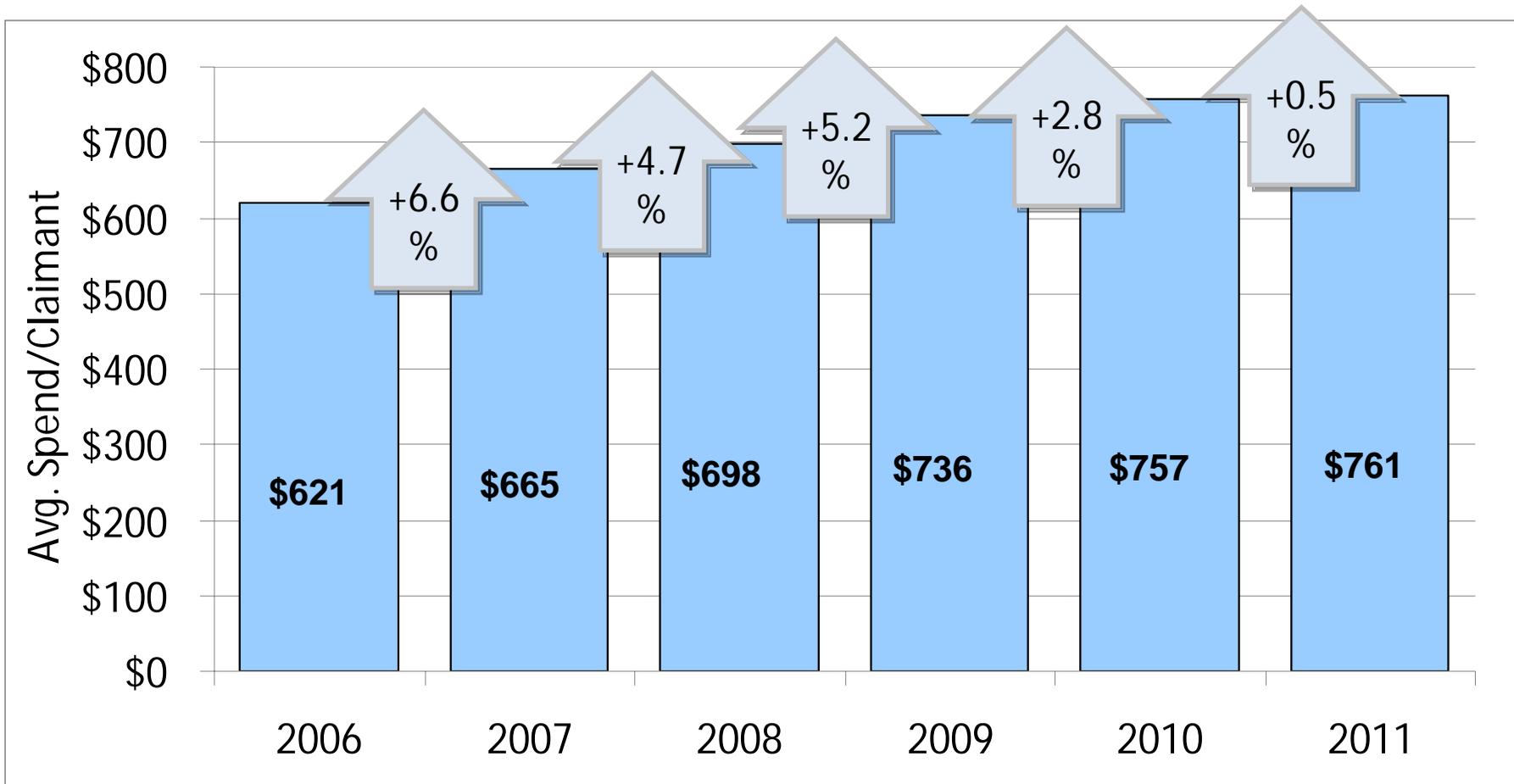
Benefit Costs

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



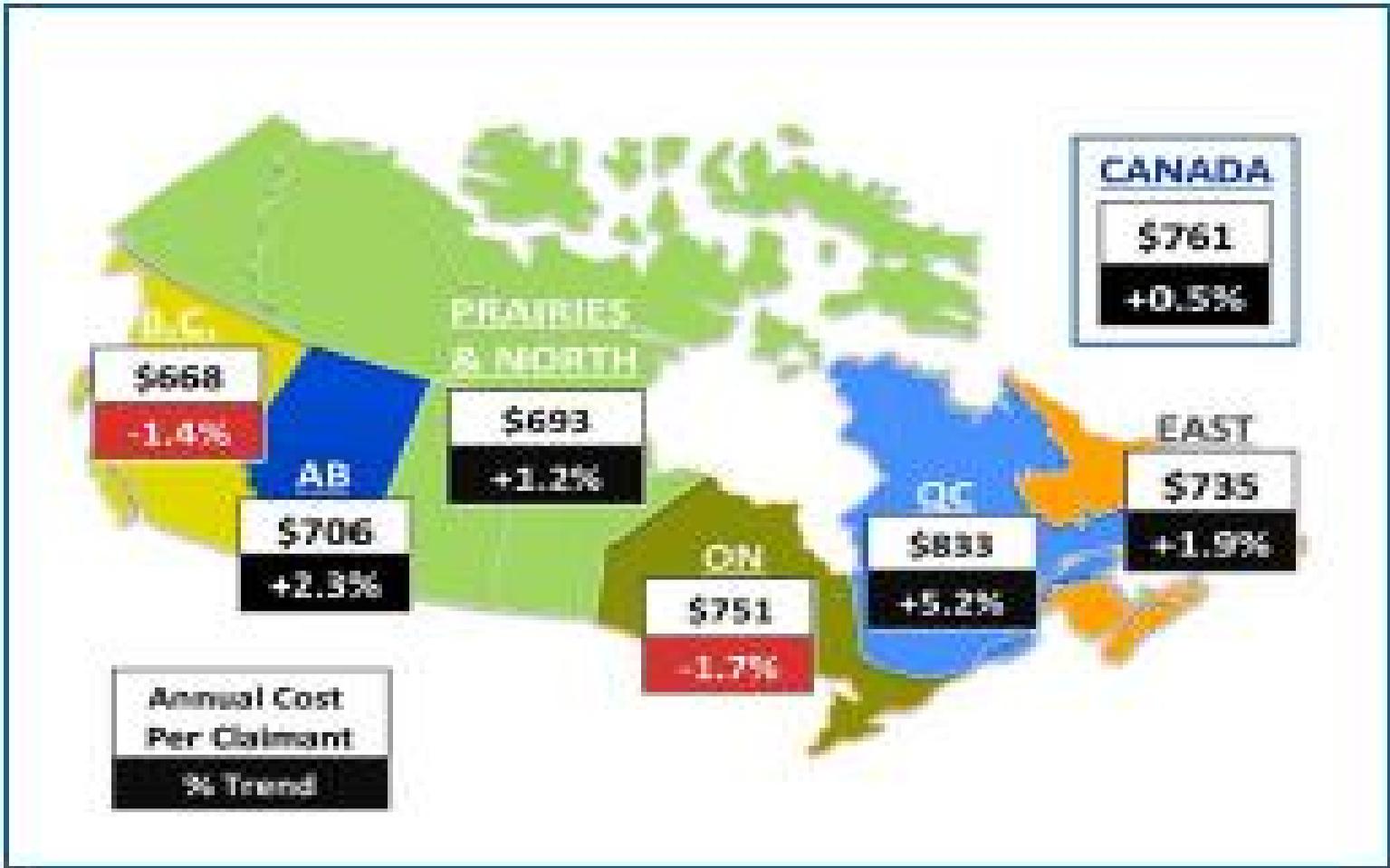
Source: Sun Life

Annual Drug Spend Per Claimant National



Source: ESI Canada

Annual Drug Spend Per Claimant by Region

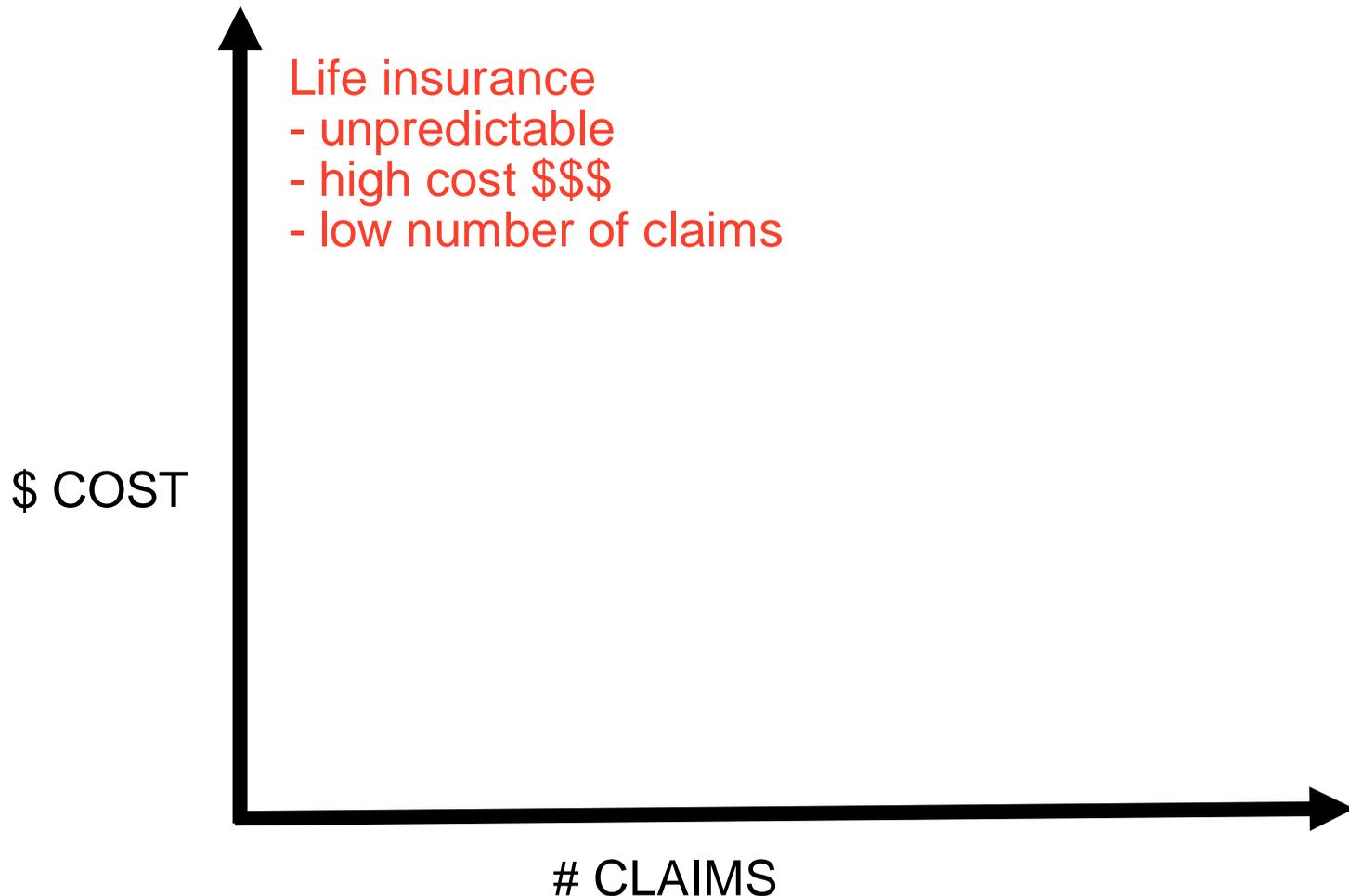


Source: ESI Canada

Why Drug Plans Are Not “Insurance”

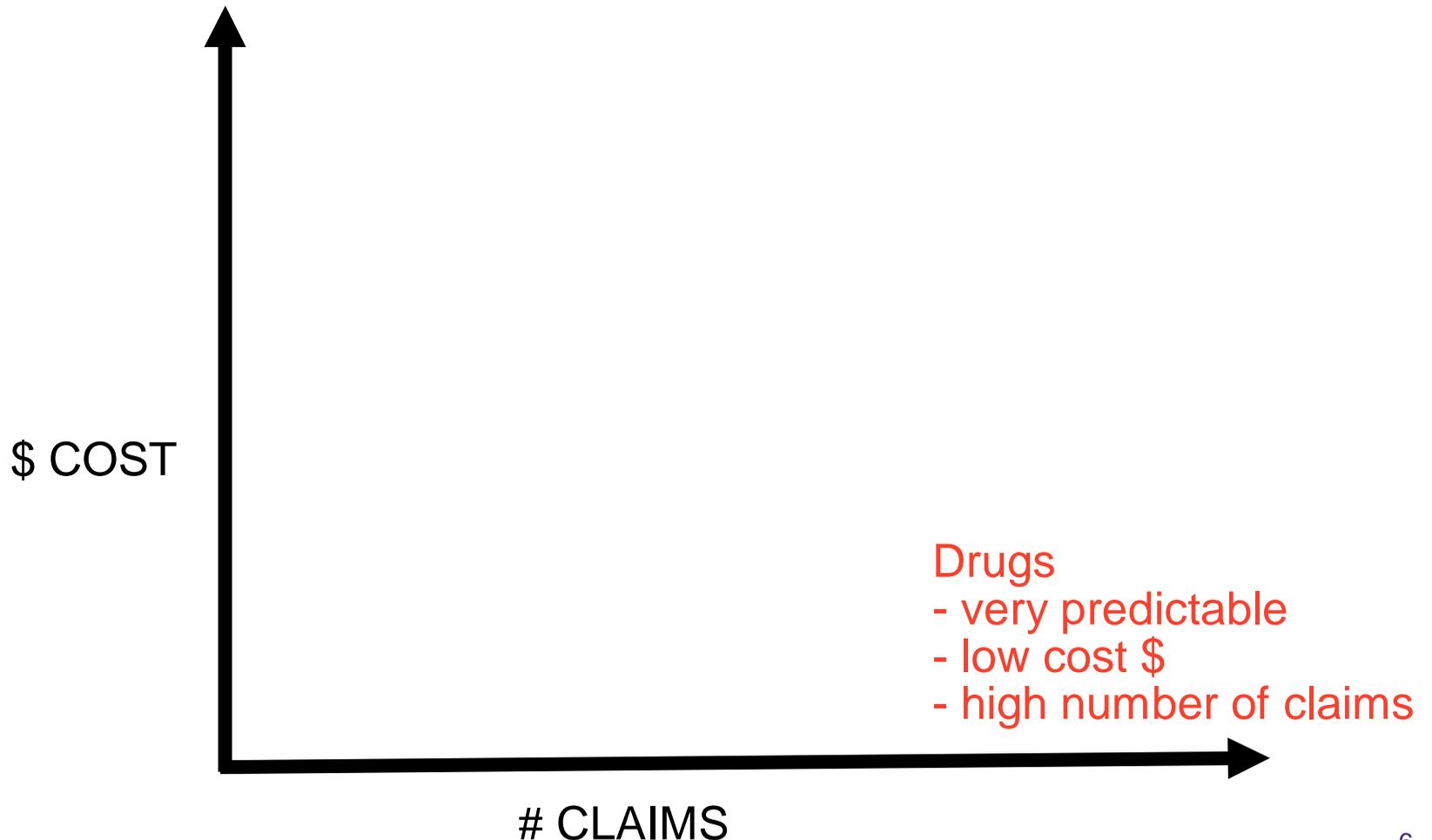
Wikipedia definition of insurance:

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)

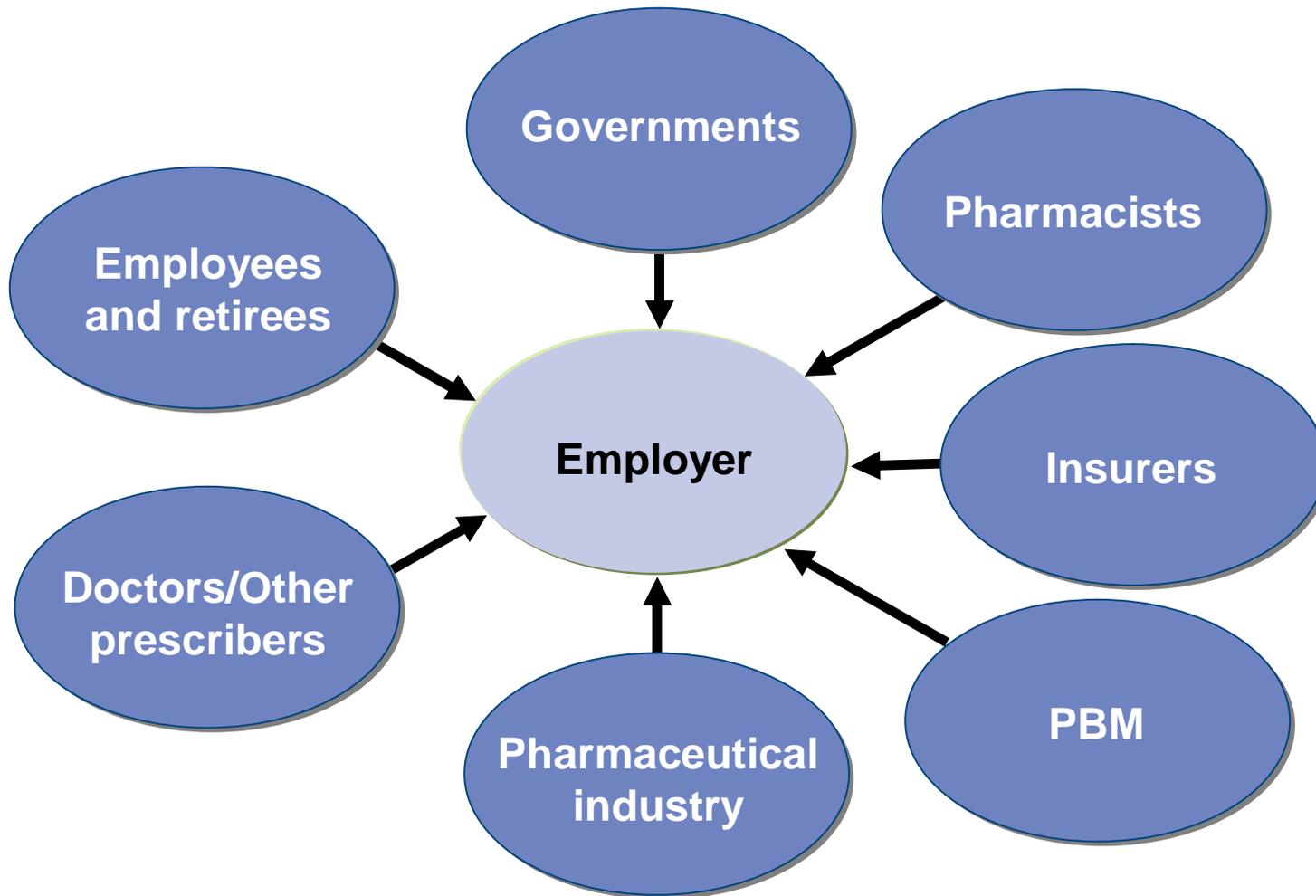
Employees Are Not Engaged

- 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"> Must cover all drugs on the RAMQ formulary 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Coinsurance of at most 32% 	<ul style="list-style-type: none"> Per prescription deductible not considered coinsurance but counts towards out-of-pocket maximum
<ul style="list-style-type: none"> Out-of-pocket maximum of at most \$963 per year per adult 	<ul style="list-style-type: none"> Children expenses counted toward employee out-of-pocket maximum
<ul style="list-style-type: none"> Participation: employees, retirees less than age 65. <ul style="list-style-type: none"> Mandatory participation to the group plan if eligible as an employee/retiree or as a dependent unless covered by another group plan 	<ul style="list-style-type: none"> If there is no coverage offered to retirees, no need to implement a plan
<ul style="list-style-type: none"> Participation: employees/retirees age 65 and over <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> If there is no coverage offered to retirees, no need to implement a plan
<p>Eligible dependents</p> <ul style="list-style-type: none"> Spouse: as defined under the Québec Income Tax Act (legally married, with children from union, common law spouse with one-year minimum cohabitation). 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 	
<ul style="list-style-type: none"> Distinctions: none based on age, sex or health status 	<ul style="list-style-type: none"> Cannot require evidence of good health to be covered Cannot define eligible employees as “those under age 65”, for example
<ul style="list-style-type: none"> Premiums: based upon market rules 	
<ul style="list-style-type: none"> General provision: Obligation to offer minimum drug coverage if other benefit is granted in case of accident, illness or disability 	<ul style="list-style-type: none"> Employer cannot cease to offer drug coverage unless it ceases to offer all insurance coverages except life insurance.

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

416-868-8905

