



REFORMING PRIVATE DRUG COVERAGE IN CANADA: INEFFICIENT BENEFIT DESIGN AND THE BARRIERS TO CHANGE IN UNIONIZED SETTINGS

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CONTEXT

- Medical benefits were the principal cause of the 7.6% yearly growth in employee benefits between 1997 and 2009 (Great West, 2010)
- Private drug plans waste money (52%) by paying for higher priced drugs that do not improve health outcomes for users and by using sub-optimal dispensing intervals for maintenance medications (Express Script Canada, 2011)
- Half of Canadian employers indicate that cost-containment is a “very important” issue on their radar (Conference Board of Canada, 2012)
- 55% considered that prescription drug coverage should be the focus of their next major strategic review (Conference Board of Canada, 2012)



THE INTENT OF OUR RESEARCH

- Describe the factors that influence drug benefit negotiations between firms, unions, insurers, and plan advisors
- Identify the barriers to introducing cost-effective drug benefit plans for unionized private sector employees
- Suggest reforms to negotiating processes and public policy



METHODOLOGY

- We conducted 18 semi-structured phone interviews with experts working for prominent private sector companies (4), unions (5), insurers (4), and benefits consultants/plan advisors (5)
- Participants in this study were senior-level benefits experts (e.g. vice-presidents, directors) who have had direct exposure to the plan design process
- Respondents were asked to describe:
 - The negotiating process;
 - the role of various players in influencing plan design;
 - the strategies used by these players to achieve desired outcomes;
 - the system in which drug benefits are negotiated; and
 - recommendations for improving plan outcomes



WHAT THE PLAYERS WANT

Objectives	Employers	Unions	Insurers	Consultants
Monetary	- Cost-savings	- Generous benefits.	- Contracts.	- Employers purchasing services.
Non-Monetary	- Consistency of benefit provision with other players in the market. - Talent attraction and retention. - Control.	- Membership approval. - Demonstrating gains and thereby their utility to employees.	- A more direct relationship with their clients (cutting out the consultants)	- Maintain their usefulness.



PLAYER'S STRATEGIES

Employers	Unions	Insurers	Consultants	Big Pharma
<ul style="list-style-type: none"> - Balance proposals to maintain cost-neutrality - Control knowledge - Strategic communication - Maintain credibility and trust when necessary (often on a piecemeal basis) - Wellness programs - Threat of lock-out 	<ul style="list-style-type: none"> - Coordination of proposals - Research and preparation - Reintroduction of old proposals - Delay and time frustration - Threat of strike - Mutual gains bargaining 	<p>Little strategy, however:</p> <ul style="list-style-type: none"> - Adding value to services - Reducing costs of claims administration 	<ul style="list-style-type: none"> - Going to market for employer - Provide expert knowledge on costs - Serve as broker 	<ul style="list-style-type: none"> - Making special deals and price listing agreements with insurers - Cover part of the cost of biologics through deals - Establish deeper relationships with plan sponsors and advisors (becoming more frequent).



BARRIERS TO CHANGE

- **Resistance from unions and their members.** The democratic structure of unions serves as an obstacle for forms of innovation not supported by members
- **A lack of information sharing between the players.** Employers possess insufficient information for making informed benefit-design decisions. Unions have limited access to this information from employers, as well as from insurers and consultants who view information-sharing with unions as a conflict of interest.
- **Distrust between employers and unions** threatens the credibility of proposals for introducing positive changes to drug benefit design.
- **Insurance companies lack incentives for reducing the costs of plans.** The link between profits and commissions on claims constrains insurers' desire to trim volumes



RECOMMENDATIONS BY THE INTERVIEWEES

- There was a **consensus** between unions, employers, insurers, and plan advisors interviewed for this study on the point that drug benefits can be more cost-effective and sustainable.
- Respondents from all groups declared support for a **national drug plan**.
 - Some respondents supported the introduction of a universal pharmacare program for all drugs, while others favored programs tailored for catastrophic drugs and/or specific demographics (i.e. seniors).
 - Unions expressed greater support for universal pharmacare than respondents from the other categories.
 - Some employers/insurers/consultants had mixed views.
- Using a **national formulary** as a baseline for benefits providers was also suggested
- The need for government leadership and a more constructive conversation on solutions to the problem



DISCUSSION

- The players agree on the problem and the value of managing drug costs
- There is consensus on the need to educate employees/employers on their benefits
 - Satisfies the need for union members' buy-in
 - To build a more constructive relationship between the players
 - Bargaining blind has negative outcomes
- Is there an appetite for government intervention?
 - Yes!





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