# Drug Plan Issues Require Mutual Solutions

Participants in the **'1st Annual Benefits Advisors' Drug Plan Outlook'** were, *front row, left to right,* Noel MacKay, The Williamson Group; Bill Luedey Sr., Luedey Consultants; Joe Hornyak, Benefits and Pensions Monitor; Sarah Beech, Accompass; Greg Pallone, TRG Group Benefits & Pensions; Rebecca Szilagyi, GlaxoSmithKline Inc.; Paula Allen, Morneau Shepell; Stephen Allain, AstraZeneca Canada; Luigi Formica, Roche Canada; Elizabeth Dunton, Lundbeck Canada; Yvan Tran, Mapol Inc. *Back Row, left to right* – Gordon Polk, Mapol Inc.; Daniel Drolet, Normandin Beaudry; Brian Lindenberg, Mercer; Geoffrey Loucks, Astellas Canada Inc.; Dave Patriarche, Mainstay Insurance Brokerage Inc.; Johnny Ma, Mapol Inc.; Jason Lee, Biogen Idec; John Simmons, Powershift Communications; Graham Henry, Celgene Inc.; Joe Zadzora, Coughlin & Associates; Michael Marentette, Mapol Inc.

The sustainability of drug benefits plans, mandatory generic drug substitution, and preferred provider networks were under the spotlight at the '1st Annual Benefits Advisors' Drug Plan Outlook.' Mapol Inc., in partnership with *Benefits and Pensions Monitor,* brought together benefits advisors from across Canada with representatives of Canada's brand pharmaceutical manufacturers on December 11, 2014, at the Trump International Hotel in Toronto, ON, to identify key developments in the benefits industry as they pertain to drug plans and to formulate recommendations for finding mutual solutions that will guide plan sponsors with group benefits and plan designs.

To set the stage, Stephen Allain (Senior Manager External Relations, Private Payers, AstraZeneca Canada) covered some recent environmental issues, particularly as they relate to challenges being faced by plan sponsors with cost increases for all elements of the benefits mix. As well, Johnny Ma (President, Mapol Inc.) raised the issue of whether or not plan sponsors are getting good value for the premiums being paid under insured plans. This included a reference to a 2014 study entitled *The Increasing Inefficiency of Private Health Insurance in Canada*[1], which demonstrated that the spread or dollar difference in the amount of premiums collected by insurance carriers over the past 20 years versus the value of benefits received by plan

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members has consistently increased. The advisors at the session were split when polled on the question of whether employers are getting 'less bang for their buck' today than 20 years ago.

Brian Lindenberg (Senior Partner, Mercer) suggested that the research isn't accounting for the fact that the underlying risk for insuring benefits has changed dramatically over the years. And while there was consensus that the insurance industry is doing well as a result of increased premiums, Dave Patriarche (Owner, Mainstay Insurance Brokerage Inc.) says small group plans are also being hurt because some brokers are charging increasing levels of commission.

### Sustainability Of Drug Benefits Plans

Given the rising cost and the lower value for plan members, the sustainability of private drug plans was the next issue tackled.

Graham Henry (Senior Manager, Private Payer Markets, Celgene Inc.) referenced a study published by the Canadian Health Policy Institute (CHPI) that analyzed the most recent data from the Canadian Institute for Health Information (CIHI) and the Patented Medicine Prices Review Board (PMPRB) to estimate the cost of new medicines and other privately insured healthcare costs. Over the five-year period from 2006 to 2011, private insurance spending on new medicines grew by only 11.7 per cent compared to 22.7 per cent for dental services, 32.2 per cent for vision care services, 53 per cent for other professionals, 30.8 per cent for hospitals, and 35 per cent for administration.

There was agreement that drugs play a vital role that is often more affordable than other components of healthcare. However, Sarah Beech (President, Accompass) said the industry can't just focus on drugs as this benefit is only one piece of a benefit plan. "As an industry, we need to look through the whole lens, not silo off little parts of the coverage," she said.

Daniel Drolet (Partner, Normandin Beaudry) noted that currently one to two per cent of employees account for 25 per cent of the drug claim. This, said Greg Pallone (Principal and Managing Director, TRG Group Benefits & Pensions Inc.), creates an opportunity for risk management. Employers need to take a holistic approach to benefits and over the last five years "unique management practices" have reduced the drug trend line. And cost management is the "wrong conversation," said Lindenberg. This holistic approach can be applied to determine the return on investment. If employers are getting healthier people who show up for work and do a good job, that's a good return, he said.

Still, said Patriarche, small groups don't have the same choices. Large drug plans, he said, will always be more sustainable due to the spread of risk and all they need to do is alter formularies or put caps on. This is compounded on the small group side by a lack of product. Insurance companies don't want to be in the area so stop loss caps keep rising, he said.

Beech echoed this sentiment by reinforcing the notion that employees need to be active and healthy. The greater context is that disability costs have a greater impact on the affordability of benefits, emphasizing the need for having healthy employees on the job.

### EP3 Pooling

As an environmental issue that has received widespread attention, the introduction and application of EP3 pooling affects all stakeholders involved with the renewal contracts for insured benefits plans. Ma said this protects employers from the impact of high cost drugs. In 2014, there were more than 4,000 claims for drugs costing more than $25,000, double from two years before. Moreover, the pooling initiative seems to be working. Joe Zadzora (Managed Care Consultant, Coughlin & Associates Ltd.) says it has served its purpose in helping the small group benefit plans sector.

However, Pallone said even insurers are unsure how it will work going forward. It is "not ready for prime time," he said, as he doesn't think it was thought through. Patriarche suggested that it was not meant to protect employers. "They have stop-loss," he said. "All this does is add cost and paperwork." In fact, he said, it was meant to protect insurers. Beech concurred, saying employers are not asking about it, don't understand it, and don't know very much about it.

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>
> *– Sarah Beech, President, Accompass*

Another issue is no-one is sure about the rules. Noel MacKay (Senior Director, Employee Benefits and Corporate Health, The Williamson Group) said the industry doesn't know what the rules will be next year making it challenging to make decisions on plan design. They "could decide to only pick it up on stop loss for one year, after that is the employer's dime," he said, making it somewhat arbitrary.

### Mandatory Generic Substitution

One area where plan sponsors can attempt to control costs is around

**"The value to plan sponsors (of PPNs) may be limited because plan members still want flexibility"**

*– Bill Luedey, President, Luedey Consultants*

mandatory generic substitution which is being included more often as on element of plan design. However, Geoff Loucks (National Private Payer Manager, Astellas Pharma Canada, Inc.) stated that unintended consequences can happen when established policies like mandatory generic substitution are applied to newer drugs. An example presented referred to the use of generic alternatives for transplant medicines. The unintended result of a mandatory generic policy could be the loss of an organ graft after transplantation and, as a result, the downstream costs to employers can be very significant. Another example put forth is the impact of switching from brand name drugs to generic alternatives for the treatment of various mental health conditions.

Yet, he said the real challenge may not be generic substitution, it is "uncontrolled switching in a generic environment." In a multi-generic environment, uncontrolled switching means the healthcare professional doesn't know what a patient is taking and changing the drug therapy without proper monitoring can have a significant impact. For optimal outcomes, drug use needs to be consistent and monitored as it is "not just about drug costs when it comes to critical dose transplant drugs."

The best approach is evidence based treatment for each patient, said Drolet. Yet, today there are no links around the patient and everyone is working in silos. Plans are being created that are not perfect which do nothing and end up costing more.

### Preferred Provider Networks

Another approach to control increasing costs is the use by plan sponsors of Preferred Provider Networks (PPNs), particularly as they apply to dispensing of prescription drugs at the retail pharmacy level. Luigi Formica (Private Healthcare Manager, Hoffmann-La Roche Limited) said all the major insurers are offering PPNs through designated pharmacy organizations. Most PPNs target specialty drugs and offer a mix between mandatory and optional usage. However, the debate is over the potential savings that may be achieved versus adoption rates by participating plan sponsors and plan members. Bill Luedey (President, Luedey Consultants) has clients who have participated in a PPN for many years and he confirmed they can provide some measurable savings. At the same time, the value to plan sponsors may be limited because plan members still want flexibility in the choice and location of the pharmacies that they utilize.

Another issue, said Pallone, is "you are now talking about changing behaviour" – to get people to move from a pharmacy they may have been using for years to a preferred provider.

Formica said there are also issues with PPNs for those in remote locations.

He sees their value and benefits, but it is frustrating because "it is part of our business as well. We can find solutions in a cloud setting," however, consultants need to put pressure on the insurers to bring all parties together to find a solution. Yet, said Beech, it is a business decision. "Unfortunately, the insurers are large organizations, and while well-meaning, sometimes what's created in a marketing depart-

## What The Panelists Think

*During the discussions at the '1st Annual Benefits Advisors' Drug Panel Outlook,' panelists were polled on some of the topics. Here are the results:*

1. *Do you think employers are getting 'less bang for the benefits buck' today than 20 years ago?*
   Yes – 44%
   No – 44%
   Don't Know – 12%
2. *Do you think there is a true risk to the sustainability of private drug plans?*
   Yes – 45%
   No – 22%
   Don't Know – 33%
3. *Do you see a similar trend in your clients' benefits plans?*
   Yes – 56%
   No – 44%
4. *How has industry (EP3) pooling affected your business?*
   Don't Know – 11%
   Negative – 78%
   No Change – 11%
5. *Do you think industry (EP3) pooling is working as a long-term solution?*
   Don't Know – 22%
   No – 78%
6. *What percentage of your business has implemented Mandatory Generic Substitution Drug Plans?*
   25% – 56%
   50% – 44%
7. *In your opinion, how effective are health case management programs in managing the health of the patient?*
   Don't Know – 22%
   Not Effective – 22%
   Somewhat Effective – 22%
   Very Effective – 33%

ment may not be what clients and their employees are looking for at the end of the day," she said. Paula Allen (Vice-president Research and Integrative Solutions, Morneau Shepell), noted that plan sponsors will not raise these issues with insurers.

Zadzora suggested that PPNs need to evolve further so that health outcomes can also be measured with the services that are being utilized. Patriarche expanded upon this notion by indicating that insurers are treating plan sponsors as a commodity business such that participation options are presented without any accompanying measurements of effectiveness.

### Health Case Management

The effectiveness of any offerings by insurers was expanded upon further during discussions around health case management. Jason Lee (Associate Director, Market Access, Biogen Idec Canada Inc.) said the Big 3 insurance carriers are offering these programs and one example is multiple sclerosis. The case management approach being utilized by Biogen Idec's own Patient Support Program can have significant impacts on plan sponsors. Some of the advisors were not aware of the detailed support that is being provided to patients through these types of programs. MacKay also noted that insurers don't get too involved with client claims. In fact, a percentage of claims are not filled because they are abandoned through some of the prior authorization processes.

Pallone raised another issue around health case management as it pertains to undefined timelines for adjudication of claims. He indicated that adjudication can take a long time and that there are no performance standards across the industry.

The bottom line, said Luedey, is if "we want to get the best drug for the disease for a patient, it should not be a problem. There needs to be better connections between all parties as well as better collaboration so the best vehicles for case management can be used."

### Workplace Health Initiatives

The topic of workplace health initiatives with employers represented an activity that both advisors and pharmaceutical manufacturers want to see expanded with new ideas and new initiatives. Given the high visibility of mental health issues within the workplace, Beth Dunton (Senior Market Access Manager – Private Payers, Lundbeck Canada Inc.) gave examples of how they are collaborating with other stakeholders such as insurers and plan sponsors to provide programs both within and outside of the workplace. Despite the support for these types of initiatives, Allen indicated that there needs to be an evidence-based approach going forward that includes wrapping metrics around planning and execution. Such services enhance the effectiveness of drug treatments and help plan sponsors get better value from benefits expenditures.

And the time to act is now. Lindenberg said mental health in the workplace is a huge issue and 10 years from now it will be around disability costs related to mental health in the workplace. However, Allen said the issue is knowing where to start, "what can you as an employer do to do no harm and then how can you help?"

With any workplace health initiatives, the problem may be employers are not looking for health. "They want return on investment," said MacKay, "when it should be about creating a healthy culture in the workplace." The hurdle for pharma is to get past the self-interest and start discussing mental health and new issues such as diabetes. The initiatives are not talking about wellness, they are about risk management and employer culture. Formica concurred, saying they need to pull "a trigger before we get to drugs, before we get to liability" and find a trigger not tied to a claim. Unfortunately, he does not know where that is.

**"Adjudication can take a long time and there are no performance standards across the industry"**

*— Greg Pallone, Principal and Managing Director, TRG Group Benefits & Pensions Inc.*

### Looking To The Future

A look into the future was put forth by Rebecca Szilagyi (Manager, Pricing and Trade Strategy, GlaxoSmithKline Inc.). New developments include the use of applications for mobile devices being used by plan members. Claims for almost all types of healthcare services can be submitted via smartphones. Members can seek pre-determination on claims to see eligible dollar amounts and applicable copays, as well as plan design restrictions or limitations. Online reports and account balances are available in real-time to all users with direct payments processed instantaneously. The use of mobile devices has provided plan administrators with new tools for communication.

1. M. R. Law, J. Kratzer, I. A. Dhalla. **The increasing inefficiency of private health insurance in Canada.** *Canadian Medical Association Journal*, 2014; DOI: 10.1503/cmaj.130913