The right plan design will help you—and your plan members—to actively manage costs, improve health outcomes and optimize the return on investment.

By Leanne MacFarlane

While many organizations view their drug benefit spend simply as a necessary cost of doing business—and approach plan management from a cost-containment perspective—some are recognizing that their drug plan is an investment in the overall health and well-being of their employees. Realizing that drug plans can have an impact on productivity and the bottom line, more organizations are approaching plan management from a strategic perspective, according to the 2010 Annual Employer Insights Survey. But regardless of how employers currently view their drug benefits, the key components of successful pharmacy benefits management are the same. They will deliver cost savings and health outcome advantages for members and the employer.

A number of factors affect the cost, use and effectiveness of a company’s drug plan. Positive factors include generic reform; the “patent cliff” (with several large volume molecules having recently or soon becoming available in generic format); expanded pharmacy practice authority, including regulated prescribing rights in some jurisdictions; pharmaceutical innovation; and advancements in technology/biotechnology. (Innovation also comes with its challenges, however, given the cost trends for biologics. The ESI Canada 2010 Drug Trend Report, for example, estimates that biologics will account for 33% of drug plan spend by 2014.)

Factors that can drive up plan costs include government cost-shifting; economic recession; drug cost inflation; entitlement attitudes among employees; influencers to treatment and prescribing decisions that don’t necessarily align with employer interests; and an aging and overweight demographic with increasing chronic disease burden. As reported in the 2005 Canadian Community Health Survey, chronic health conditions affect at least one-third of Canadians, and prevalence increases with age (e.g., more than three-quarters of seniors age 65 and older report having at least one of seven select chronic health conditions, including arthritis, cancer, chronic obstructive pulmonary disease, diabetes, heart disease, high blood pressure and mood disorders).

Whether you, as a plan sponsor, have already hit the wall when it comes to your drug plan spend or are fast approaching it, active plan management is the way forward. It all begins with a plan design that covers the right elements, incent for good behaviour, measures outcomes and funds responsibly.

Cover the Right Stuff

Formularies A winning drug plan design begins with your formulary. All drug plans have a formulary (the list of drugs that are covered). Formularies are commonly described as managed or open, depending...
on the degree to which drugs are covered or not covered, and with or without limitations, restrictions or criteria. However, not all managed formularies are created equal. Don’t let the term managed (which is often misrepresented as restrictive) dissuade you from pursuing a formulary based on sound care management principles and practices.

Best-in-class managed formularies use an evidence-based review process overseen by a pharmacy and therapeutics committee of qualified clinicians and practitioners. The committee assesses each drug based on its clinical merits, its relative cost-effectiveness and its place in therapy versus other comparable treatment options and effectiveness and its place in therapy versus other comparable treatment options and effectiveness. Pharmacy benefits managers, insurers and qualified consultants (e.g., in a collective bargaining agreement or to allow for qualified case-based exceptions). Pharmacy benefits managers, insurers and qualified consultants typically oversee formulary management.

Pharmacy care services The right medications work only in those who take them. Non-adherence—not taking medications as prescribed—is one of the major contributors to waste and avoidable cost in the healthcare system. The World Health Organization estimates that globally, only about half of patients take their medications as prescribed and that medication adherence would deliver a 10:1 return on investment.

But taking medication is a complex behaviour that is influenced by numerous factors. Therefore, it’s important to have broad strategies targeting adherence and to individualize and tailor interventions to the patient’s needs. Among those strategies are pharmacy care services, including medication reviews, medication therapy management and disease state management. Pharmacists are specially trained to address non-adherence and other medication-related problems. Indeed, studies in the U.S. and Canada have shown that for every dollar invested in pharmacist interventions, employers can realize returns as high as 12:1 and averaging between 3:1 and 5:1.

Incent for Good Behaviour Value-based plan design The essential quality of value-based plan design is that it promotes high-value health products and services, and it drives member and provider behaviour toward them. Value-based designs work hand in hand with managed formularies and pharmacy care services, and include generic drug strategies, multi-tiered plan designs and preferred pharmacy provider networks whose service offerings and execution align with value-based design.

Generic drugs Promoting the use of generic medications—especially with “mandatory generic” or “mandatory lowest-cost alternative” (LCA) plan designs—is one of the original and most widely used value-based plan design concepts in the Canadian marketplace. If your plan does not yet use a mandatory generic/LCA or “generics-first” protocol, putting one in place should be your first plan management step.

Although many provinces have addressed, or are in the process of addressing, generic drug pricing reform and several high-volume drugs have recently come off patent (e.g., Lipitor, Nexium), the overall generic fill rate (GFR) in Canada in 2010 was only 57.3%, according to the Canadian Generic Pharmaceutical Association (CGPA). It’s even lower for private plans, at 45% to 46%, according to research from Cubic Health. The CGPA indicates that for every 1% increase in generic drug use in Canada, Canadians would save an additional $236 million. In the U.S., generics are used to fill 78% of all prescriptions.

Tiered plan designs According to the CGPA, if the GFR in Canada had paralleled the U.S. rate in 2010, Canada would have saved an additional $3.5 billion. Why? Largely because of the common use of tiered plan designs in the U.S.

Tiered drug plan designs assign medications to a coverage tier based on

A LESSON IN WINNING PLAN DESIGN

The Halifax Professional Firefighters Benefits Trust has been actively managing its plan since going to an administrative services-only program and moving its drug plan to a pharmacy benefits manager (PBM) five years ago. This move meant adopting a preferred provider pharmacy solution for pay-direct drug benefits, which members supported with high participation rates.

The board of trustees is highly engaged in monitoring and managing plan usage, reviewing performance and plan coverage on a regular basis, and adopting the PBM’s managed formulary process, which includes prior authorization and step-therapy protocols. Plan members also benefit from medication review and disease state management services provided by its front-line pharmacists.

The trust is also focused on promoting wellness among its members, partnering with its PBM to offer health risk assessments (HRAs) and biometric screening clinics. In addition, it undertakes healthy eating initiatives by focusing on nutritious meal preparation at the fire stations.

These collective efforts contribute to a comprehensive and cost-effective benefits plan. Over the five years, the trust has achieved a consistent reduction in its overall per member drug claims use and costs by 9% and 8%, respectively.

Contributing to this trend are improvements in the generic fill rates and adherence to three-month supplies on maintenance drugs, along with a managed formulary process and optimization of co-ordination of benefits. The trust has also kept its $10 co-pay per prescription unchanged.

Impressively, the trust has demonstrated reductions in its cardiovascular and diabetes claim use and cost trends of more than 20% and 16%, respectively, since implementing the annual HRAs, biometric screening clinic and nutrition education in concert with its managed plan.

The trust is presently reviewing the opportunity to include some additional benefits, such as expanded vaccine coverage and more targeted health asset management services based on its overall program health.
their value proposition and align member cost shares by tier to encourage consumerism and cost-effective drug selection. For example, generics might be covered at 100%, with preferred brands covered at 80% and non-preferred brands covered at 50%. Medications for targeted disease states (e.g., diabetes and hypertension) can also be selectively layered into “preferred” tiers, and plan management tools such as step-therapy (in which access to second- or third-line treatment options is predicated by failure or contraindication to use of cost-effective first-line treatment options), therapeutic substitution and prior authorization can also be leveraged within a tiered plan design. Multi-tiered plan designs have dominated the U.S. marketplace since 2002, according to the Journal of Managed Care Pharmacy, and are now emerging in Canada, with just under 20% of plans using a tiered design in 2009 (per the 2010 Annual Employer Insights Survey).

**Tiered provider networks** Using tiered or preferred pharmacy provider networks is a logical consideration. When deciding which pharmacy group to partner with, look for like-minded organizations that are focused on delivering cost-effective and clinically appropriate patient care, are concerned with driving out inefficiencies and waste, and are experienced in offering comprehensive health and wellness programming. Consider the provider’s track record on key performance metrics and its ability to engage with your members and demonstrate measurable results.

**Pay-direct drug cards** To maximize the opportunities of value-based plan design, pay-direct drug cards are essential. In addition to managing the access and application of value-based design, pay-direct technology enables claim cost management on drug costs, markups and professional fees, preferred network adherence and real-time drug use review.

**Measure Outcomes and Fund Responsibly**

Know your key plan performance indicators. Understand what therapeutic categories are driving your plan experience and how they are changing over time. Know your GFR and adherence rate in key categories. Consider what your drug plan is telling you in terms of population health status, and guide your member communication and wellness strategies accordingly. It’s also important to review your underwriting, contribution, cost-sharing, pricing, administration and risk management arrangements regularly, and make adjustments as needed.

Drug plans represent a significant spend for organizations, but they’re also an important investment in employee health and productivity. By implementing winning plan design features and services, you can optimize the value of your drug investment dollar.

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**Appointments at Standard Life**

Jean Guay  
Senior Vice-President  
Sales and Marketing

Graham Nichol  
Senior Vice-President  
Customer Experience

Jean Goulet  
Vice-President  
Marketing

Standard Life has recently appointed Jean Guay as Senior Vice-President, Sales and Marketing, Graham Nichol as Senior Vice-President, Customer Experience and Jean Goulet as Vice-President, Marketing.

Mr. Guay joined Standard Life in 1984 and has been a member of the company’s executive team since 1997 in a number of capacities. Prior to this recent appointment, he was responsible for the group insurance division.

Before joining Standard Life in Canada, Mr. Nichol was Customer Service Director of Standard Life in the UK. He’s been with the company since 1982 and has worked in roles leading customer service operations across all markets.

Mr. Goulet returns to Standard Life after working for various institutions where he has delivered successful integrated marketing campaigns.

These key appointments facilitate Standard Life’s ability to carry out its plan to grow in Canada and to be recognized as a customer-centric company.

Standard Life plc is a leading long-term savings and investment company headquartered in Edinburgh, Scotland. In Canada, Standard Life has been doing business for 178 years. With about 2,000 employees, Standard Life serves more than 1.4 million Canadians, including group benefit and retirement plan members as well as individual investors.