A mixed bag for plan sponsors

As the new year gets underway, it’s a busy season for predictions about what’s ahead for 2018. When it comes to employer-sponsored drug plans, costs have been a rising concern in recent years. According to projections released by Aon Hewitt in December, costs for extended health-care plans will likely rise by six per cent in 2018. After inflation of 2.1 per cent, the net projected cost increase is 3.9 per cent. That’s down measurably from an overall cost increase of eight per cent in 2017 and a net rise of 6.1 per cent. And the numbers compare well to the global gross cost increase of 8.4 per cent.

Over the period of 2017-21, projections presented at Benefits Canada’s Face to Face Drug Plan Management forum in December suggested private drug plan costs would rise by 6.1 per cent per year. Together with the numbers offered up by Aon Hewitt, then, it looks like plan sponsors should see some relief this year. And for those organizations with significant numbers of employees in Ontario, the provincial government’s new youth pharmacare program, which covers drugs for Ontarians under age 25 and launched at the beginning of January, offers added relief. Figures presented at the December event suggested the program would deliver savings of roughly four per cent to private drug plans. Of course, exactly how the issue will play out will depend on the plan itself and an organization’s member population and demographics.

An overall cost rise of six per cent for plan sponsors across Canada, however, is still significant. And while developments in the drug industry, such as the growth of biosimilars, offer some options for cost relief, the conference heard the Canadian market faces a number of limitations in that area. Drug utilization rates, of course, are another factor that’s difficult for plan sponsors to control. Plan sponsors, then, would do well to step up their efforts to take advantage of the cost management solutions that are more accessible to them.

Plan sponsors do, of course, have many options for managing their drug plans but they’re often leery of the challenges involved, particularly the reaction from their members. But as speakers at the Face to Face event in December noted, there are ways to find savings in order to manage the high costs of specialty drugs while minimizing the impact on plan members. In its case, Mercon Benefit Services focused on distribution costs by dealing with dispensing frequency for maintenance drugs. And while it also moved to more carefully limit which new drugs it would cover and stepped up its processes for prior authorization by moving to a disease state-based approach, it ensured those already taking expensive medications could continue to do so. The organization is now considering whether getting directly involved in retail pharmacy itself would deliver even further plan savings.

So as with many issues, drug benefits continue to be a challenge for plan sponsors. While limited relief is on the way, those organizations that are willing and have the resources to be more deliberate about how they manage their drug plans should see the biggest benefits.