PHARMACARE AND PRIVATE PLANS: AN OPPORTUNITY TO SHARE THE RISK?

Canada is one of three developed countries in the world with a universal health-care program that does not include prescription drugs[1] and, as such, medication needs have been met with a patchwork of public and private drug coverage. Although the federal government's current focus is to reduce the cost of prescription drugs,[2] there seems to be renewed discussion on the development of a national pharmacare program. This is likely due to reports by the House of Commons standing committee on health and the parliamentary budget officer on national pharmacare.[3]

In December 2017, Benefits Canada invited a group of benefits plan advisors to the Canadian Leadership Council on Drug Plan Partnerships in Toronto to discuss the impact of national pharmacare on the private health benefit industry.

CANADIAN LEADERSHIP COUNCIL ON DRUG PLAN PARTNERSHIPS: PLAN ADVISOR FORUM

To kick off the session, Thy Dinh, director of health economics and policy at the Conference Board of Canada, briefed the group on **how national pharmacare could involve and affect the health benefits industry**.

She noted that the current Canadian drug coverage landscape includes a mix of public programs and private plans. The recent Conference Board of Canada report *Understanding the Gap: A Pan-Canadian Analysis of Prescription Drug Insurance Coverage*[4] determined that most provinces have some level of coverage for all of their residents and that less than 2% of Canadians, who are primarily in Ontario or Newfoundland and Labrador, are truly uninsured. In addition, 11.3% of Canadians without private insurance do not enrol in public plans, despite being eligible. A survey conducted as part of the study reported that less than 1% of Canadians who received a prescription in the past six months cited cost as a reason for not taking their medication as prescribed. The primary reasons reported were that patients felt they no longer needed their medication (2.3%) or there were side effects, an allergic reaction or the medication was too strong (1.6%).

Joe Farago, executive director of healthcare innovation at Innovative Medicines Canada, notes that "most pharmacare proposals provide a solution without identifying the problem. This report confirms that the current dual system of public and private drug plans serves the bulk of the Canadian population, and identifies a small number of uninsured who would benefit from additional coverage."

There is no agreed-upon description of what a future pharmacare program could look like, so Dinh proposed three different options for the council's consideration:

Status quo: This would be a mix of provincial and territorial public drug programs, private plans and out-of-pocket spending, each representing approximately a third of the costs. Each program would have a wide variation of drugs that are covered, and the federal government's role would include coverage of unique populations, transfer of health-care funds and regulation.

Modify the current system: This format would increase federal health-care funding to the provinces and territories, which, in turn, would review and adjust their own programs and work together to establish a minimum national formulary. The federal, provincial and territorial governments would work with private insurers and pharmaceutical companies on drug pricing

One-payer public coverage: This format would include one national program, which would be a federally funded and administered formulary. Provincial programs would either disappear or be redesigned to become complementary to the federal program. Private insurance would be available only for purchase to cover drugs not covered by the government plan.

Rx WHAT IS THE POTENTIAL COST OF PHARMACARE?

PARLIAMENTARY BUDGET OFFICE ESTIMATE[3]

Current costs incurred by:	Billions
Government	$11.9
Private insurance	$9.0
Patients	$3.6
Eligible for national pharmacare[*]	$24.6
Estimated pharmacare cost	$20.4
Potential pharmacare savings	$4.2

**Totals may differ slightly due to rounding.*

MANAGING THE RISK

The concept of pharmacare has become an appealing option to plan sponsors that are feeling the pressure of covering high-cost specialty drugs. "As more high-cost drugs are coming to market for larger populations, private drug plans are being stretched to their limits," says Suzanne Nagy, drug consulting leader at Mercer Canada.





"If it weren't for specialty drugs, we wouldn't be here," says Mark Goldasic, a principal at Benemax Financial Group Inc. "The problem is really stop-loss pooling. I have large groups whose stop-loss insurance is a third of their health costs, and it is becoming unaffordable.' "

Dave Patriarche, president of Mainstay Insurance Brokerage Inc. and founder of Canadian Group Insurance Brokers Inc., notes that "small- to medium-sized private plans are capping more and more because employers are saying, 'This can't keep going... We can't keep paying for it.' "

According to many of the advisors on the council, there's little insurer accountability for pool charges. There's no way to validate insurers' pool calculations because when a plan has high-cost, recurring claims, "I have no alternatives and I can't change carriers," says Goldasic.

The council discussed engaging the government to help manage high-cost drugs in different ways:

High-cost claims

The government plans could reimburse the cost of extremely high-cost specialty or orphan drugs, "which would allow private plans to focus on managing the balance of the maintenance drug costs effectively," says Sandra Ventin, associate vice-president of Accompass Inc.

Government pooling

"Insurance carriers are telling us that our clients' plan costs are increasing significantly, but when we go to industry conferences, we hear that drug claim cost growth across the industry is stable," says Chris Pryce, managing director of Human Capital Benefits.

"Perhaps it's time to pool claims costs more broadly to share the risk," he adds.

"Maybe it would be better if everyone shares in the overall cost to provide better access on a larger level," says Kathleen O'Keefe, president of Crillion Benefits Advisory Group Inc.

Currently, if a small-to-medium-sized drug plan experiences a recurring high-cost drug claim, its premiums can change dramatically, whereas if the risk is spread across a bigger group or fully pooled, "the overall cost increase can be affordable and sustainable," says Patriarche.

The council proposed that the government could administer and manage claims pooling on behalf of private plans. "It could potentially be more efficient and cost-effective, and plan sponsors could pay their pool charges to the government instead of the insurers," suggests Goldasic.

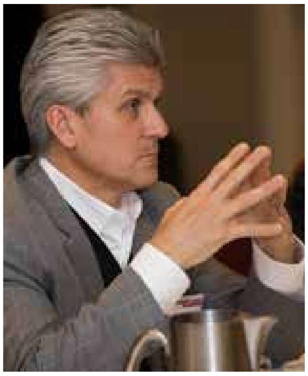
Alternatively, the government could manage high-cost drug pooling similar to the way the Canada Mortgage and Housing Corporation[6] deals with high-ratio mortgage loan risk or how the Facility Association[7] manages high-risk drivers in the area of automobile insurance.

WHAT COULD **PHARMACARE** LOOK LIKE?

The council discussed that if pharmacare were to be introduced, then there could be a common formulary across the provinces with a minimum standard of which drugs would be covered, potentially with an income-based deductible. The government would determine which drugs to cover based on efficacy and cost-effectiveness.

Employers could distinguish themselves by paying the income-based deductible for their employees or offer a drug plan that covers drugs the government plans do not include. Because health benefits are a form of tax-effective compensation, employers could also offer enhanced coverage for other products, such as vision care or paramedical treatments.




The benefit of a government drug plan is plan sponsors can let someone else make the decision on high-cost drugs. Employers don't have to determine if an employee gets a high-cost specialty drug. "That's not their core business. With the government making drug coverage decisions, employers can focus on things they do have influence over, such as how to bring employees back to work after a disability or how to accommodate them in the workplace," says Ellen Whelan, principal at Eckler Ltd.

PROCEED WITH **CAUTION**

Although the opportunity to shift costs to the government is appealing, some council members offered some cautions about a government-funded pharmacare program.

If the costs of private drug claims are transferred to the government, how will the additional budget be funded? "What is the trade-off?" asks Tim Wade, vice president for eastern Canada at JLT Canada.

"Will there be other additional costs for employers, such as increased taxes?" asks Noel MacKay, director of national benefits consulting, Cowan Insurance Group Ltd.

"If drug funding shifts to a national government plan, Canadian workers with very good private plans could end up losing benefits and coverage of medications," cautions Farago. "Ensuring these Canadians have coverage of the medications they need should be our priority. The current dual system of public and private coverage serves the vast majority of Canadians extremely well."

AT THE TABLE

Kevin Ashe,
Vice President, Corporate Development, Mosey & Mosey

Paul Beecher,
Corporate Manager, Private Healthcare, AbbVie

Joseph Chan,
Vice President, Stem Capital

Becky Chin,
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Moderator: **Suzanne Lepage,** Private Health Plan Strategist, Suzanne Lepage Consulting Inc.

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[1] OECD (2017), Health at a Glance 2017: OECD Indicators, OECD Publishing, Paris. http://dx.doi.org/10.1787/health_glance-2017-en
[2] http://www.cbc.ca/news/health/health-minister-jane-philpott-drug-prices-1.3932254
[3] http://www.pbo-dpb.gc.ca/en/blog/news/Pharmacare
[4] http://www.conferenceboard.ca/e-library/abstract.aspx?did=9326
[5] http://www.pbo-dpb.gc.ca/en/blog/news/Pharmacare
[6] https://www.cmhc-schl.gc.ca/en/co/moloin/index.cfm
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