

Medication MANAGEMENT

SUPPORTING PLAN MEMBERS AND EMPLOYERS' BOTTOM LINES

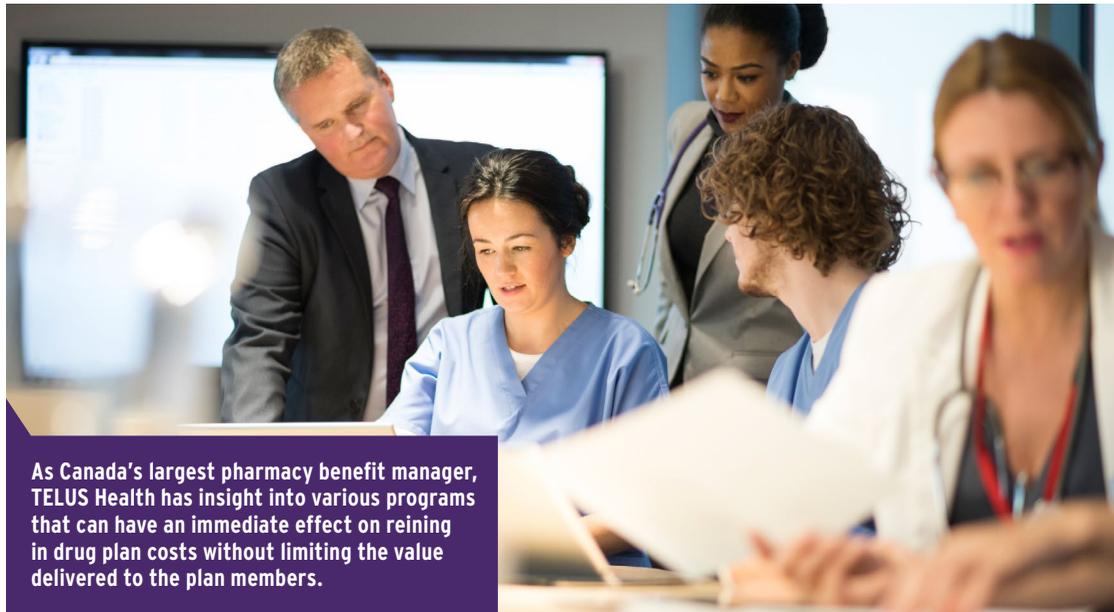
ABOUT

Medication management is an innovative benefit program that supports plan members' and employers' bottom lines.

As the costs of private drug plans grow, plan sponsors are looking to ensure that they get the best return on investment for the coverage they offer their plan members.

Treatments for chronic diseases and specialty medications can improve plan members' health outcomes, but also have a significant impact on private drug plan budgets. Chronic health conditions can be complex, and plan members may require support to manage their conditions and the medications they need. In particular, specialty medications require special handling, not only for distribution and dispensing but also to navigate coverage, manage side effects and ensure adherence.

This series will profile different programs and services that are available to plan sponsors to manage their drug spend and help plan members manage their conditions and treatments.



As Canada's largest pharmacy benefit manager, TELUS Health has insight into various programs that can have an immediate effect on reining in drug plan costs without limiting the value delivered to the plan members.

Is your drug benefit plan costing more than it should?

Introduction

Plan sponsors are expressing concerns about the rising costs of drug plans, however according to TELUS Health, very few are actually taking advantage of existing programs available to help them reduce their drug plan costs.

While much focus has been put on the impact of high-cost drugs, research shows that these drugs represent only about one-third of plan costs and are used by less than 2% of claimants, who often have limited or no alternative to manage their complex conditions.

The greater cost driver results from single-source drug claims, which often represent two-thirds of drug plan costs. Though mandatory generic substitution can save money, it does not address claims for those drugs where lower-cost, interchangeable generic alternatives are not available.

Today's benefit plans can leverage additional programs such as Maximum Allowable Cost (MAC) pricing, prior authorization and trial scripts, in conjunction with generic substitution, to generate considerable savings on drug plan costs, without limiting the value delivered to plan members.

BROUGHT TO YOU BY

 TELUS | HEALTH®

Biggest bang for your buck: is your drug plan delivering its best?

How to get drug plan costs under control and ensure your program is delivering its full potential

LIVING LAB

How TELUS achieved a 9.5%* cost reduction without limiting the value delivered to its workforce

In 2013, TELUS initiated a Living Lab with its own drug plan members and implemented a few changes to the company benefit plan that would contain costs without negatively impacting employees. By introducing mandatory generic substitution, Maximum Allowable Cost (MAC) pricing, a dispensing fee cap and a prior authorization program, TELUS was able to lower its drug spend by 9.5%. According to Carol Craig, director, human resources, benefits & pensions, had TELUS maintained its old plan, its costs would have increased by a minimum of 1.4%.

**Results are strictly based on the TELUS plan. Other plan sponsors' results may differ based on province, plan design and other factors. Speak to your insurance representative for more information.*

Employers across Canada share concerns about the growing costs of their drug benefit plans. And rightfully so. According to the TELUS Health 2014 Plan Sponsor Survey, 65% of plan sponsors surveyed experienced cost increases in their benefit plan in 2013. Yet, it appears that very few are using the various programs at their disposal to generate plan savings.

Surprisingly, 70% of plan sponsors faced with a cost increase made no changes to their plan design in response. Of the 30% who did make changes, 9% changed carrier, approximately 6% modified the deductible or co-pay, and only 9% changed the plan coverage.

As Canada's largest pharmacy benefit manager (PBM), TELUS Health has insight into various programs that can have an immediate effect on reining in drug plan costs without limiting the value delivered to the plan members. And, as one of the country's largest employers, TELUS also has the unique opportunity to try these programs nationwide with its own benefit plan (see Living Lab sidebar).

While there is little to be done about the rising cost of drugs, employers – and the brokers, consultants and carriers who advise

them – can find savings by implementing some proven strategies that are highlighted in this article.

But first, what is driving the rising cost of drugs?

What's driving the cost of drugs?

According to the TELUS Health 2014 Drug Trend report, between 2012 and 2014, the average cost of a claim (submitted amount of drug cost plus dispensing fee) grew 2.9%, and the amount paid for each claim grew 7.2%.

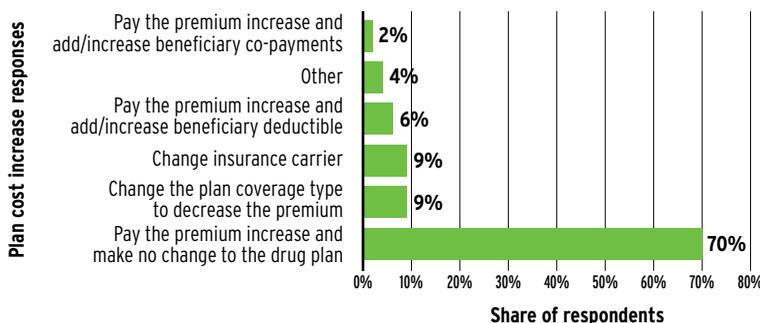
To mitigate this, the focus has been on trying to limit the impact of high-cost drugs. On average, the annual claim cost for these drugs exceeds \$10,000 and represents 33.3% of drug costs. While there is no denying that they stand out, high-cost drugs are used by only 1.7% of claimants, for whom there are limited treatment options. The conditions treated by these drugs are quite serious and complex and the medication can make a significant difference in the ability of employees to do their job and contribute to the bottom line.

What's often overlooked are claims for single-source drugs (with no lower-cost generic substitution) that are less than \$10,000 per year. These represent a larger portion of drug costs (38.8%) and a significantly larger portion of claims (30.5%). It begs the questions, what can be done to rein in the costs of these single-source drugs and what impact would that have on the cost of benefit plans?

Reducing drug plan costs without drama

As indicated in the TELUS Health book of business, a surprisingly low number of plan sponsors are implementing available programs to help contain their drug spend and drive savings year over year.

How plan sponsors responded to rising costs



What is not evident, according to Karen Kesteris, director, drug and affiliated services, TELUS Health, is that employers don't have to consider dramatic plan design changes to effectively manage rising costs. It can be as simple as taking a closer look at plan design with a broker, consultant or carrier to determine which proven programs can help control costs without limiting the value delivered to plan members.

As TELUS experienced in its own Living Lab, these programs have the potential to generate significant savings (for TELUS it represented 9.5% on drug plan costs alone), depending on the design of the existing plan.

Added value: two specialized programs worth considering to rein in costs

1. TRIAL SCRIPT

Some drug categories may be limited to a trial script of 7–14 days for the first prescription. The recommendation is to start with a smaller initial dose to see if the patient can tolerate the drug before dispensing a full month's supply. This is done to avoid drug wastage and save money. According to TELUS Health's analysis, there is potential to save 11% on specific drug categories included in this program (such as statins and channel blockers), or 0.3% of overall drug plan costs.

2. STEP THERAPY

Step therapy is a program designed to control costs and ensure that the safest drug has been prescribed by aligning claim reimbursement with therapy sequences approved by Health Canada and recognized clinical practice guidelines. The program ensures that a plan member begins medication for a condition with the most cost-effective drug therapy available and then progresses to other more costly drug therapies only if and when necessary. Plan members get the right treatment at the right time, while plan sponsors control costs by authorizing reimbursements according to approved treatment plans.

Getting started

These are just a few of the cost-management programs available to plan sponsors when developing plan designs. There is no one definitive approach to managing drug spend, but a few changes bundled together can have a significant impact on improving the

Programs designed to save

Cost management programs	% of TELUS Health book of business with these programs*	TELUS plan savings**
○ Mandatory generic substitution	50%	2.3%
○ Maximum Allowable Cost pricing	0.7%	4.4%
○ Dispensing fee cap	50.7%	1.9%
○ Prior authorization program	>50%	0.9%
Total potential savings		9.5%

*As of December 2014; **Results are strictly based on the TELUS plan. Other plan sponsors' results may differ based on province, plan design and other factors. Speak to your insurance representative for more information.

TELUS Health's "Fab Four"

The top four ways plan sponsors can start saving now

1. Mandatory generic substitution

As the strongest contributor to reducing plan costs, mandatory generic substitution ensures that a benefit plan pays for the cost of a generic drug when it is available. A plan member can choose the more costly brand version drug if preferred, but is then responsible for paying the price difference.

The 2015 TELUS Health Trends and Issues in Plan Design report shows that approximately 75% of plan members have a form of generic drug plan, and 44% of them have a mandatory generic drug plan. The mandatory generic substitution option ensures plan sponsors always pay the lower generic cost, even in cases where physicians have noted "no substitution." However, these programs do not address the claims costs for single-source drugs that have no lower-cost generic available, which still represent a whopping 67.1% of overall claim costs.

For those reticent to transition to a mandatory generic program, it may be worthwhile complementing generic substitution with other programs, such as Maximum Allowable Cost (MAC) pricing, prior authorization and trial script to optimize the opportunities for saving.

2. Maximum Allowable Cost pricing

MAC pricing is a program that dictates the maximum amount the plan will pay for certain classes of prescription drugs. Within a class of drugs, and where no difference in efficacy has been clinically demonstrated, the plan pays only the price of the most cost-effective product – whether brand or generic – in the class. As an example, after analyzing its plan consumption, TELUS applied MAC to five classes of drugs that it identified having the most potential impact on its plan costs, such as calcium-channel blockers used to treat high blood pressure.

3. Pharmacy dispensing fee cap

This program caps the maximum pharmacy dispensing fee per prescription, keeping costs predictable. (Not available in the province of Quebec.)

4. Prior authorization program for specialty drugs

With this program, plan members with new prescriptions for specific specialty drugs are required to ask their doctors to complete a prior authorization form to get approval from their group insurer before being eligible for reimbursement. To be approved, the plan member must meet specific medical criteria. This means that plan spending to cover specialty drugs, which are usually higher-cost, is incurred less frequently and under specific and controlled conditions.

bottom line. Talk to your broker, consultant and insurer alike to get started on identifying the right bundle of programs that can quickly impact your annual cost savings.

Visit www.telushealth.com/drugplanprograms to learn more.