

Canadian Leadership Council  
on Drug Plan Partnerships 2019



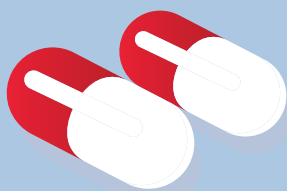
# PARTNERING FOR DRUG PLAN SUSTAINABILITY

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The 2019 Canadian Leadership Council on Drug Plan Partnerships brought together a number of group benefits plan advisors to examine the pressing challenges of Canadian private drug plans.

Effectively managing the drug benefit is an ongoing challenge due to a variety of factors<sup>1</sup> that drive the increasing costs of plans. However, rather than responding with plan changes that bluntly reduce coverage, the advisors discussed industry issues that could be improved to better serve plan sponsors.

The advisors examined the role of drugs within the overall health benefits spend and how health benefits are insured, pooled, and renewed. They also discussed the wide range of drug plan management strategies that payers offer across the industry, and whether there needs to be better alignment of these strategies or whether they're a competitive differentiator.



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## Managing the Risk

Overall, the private drug plan claims market grew by 3.5% per year between 2016 and 2018 (down from 4.7% from 2012 to 2016<sup>2</sup>), according to an analysis by IQVIA on behalf of Innovative Medicines Canada (IMC).

Some advisors expressed concern that the overall private payer industry data analyzed by IQVIA and IMC did not take into consideration the impact of high-cost claims on a small business's drug plan. "It would be great if we could partner together to access relevant data



## MOVING TO SOLUTIONS

The advisors recommend a wide range of solutions to ensure the sustainability of plan sponsors' health benefits budget and risk:

1. Increased transparency on how insurer administration fees, trend factors, and pooling charges charged in clients' renewals are developed.
2. New government-managed pooling of high-cost claims.
3. Manage dental benefits the same way drug plans are managed.
4. Use real-world data and measure the impact on private plans after a drug launch.
5. Look at health benefits plans holistically to determine the potential impact of the drug plan on the disability plan.
6. Align drug plan designs with patient experience.
7. Increased collaboration between industry stakeholders to improve dialogue, education, and transparency.

to further refine this type of analysis," said Priscilla Nykolation, Senior Manager, Payer Relations, Private Market, with AstraZeneca, "because right now we are limited to high-level aggregate data."

The 3.5% historical growth differs significantly from the insurers' projected health benefits renewal trend factors of up to 11.5%.<sup>3,4</sup> With actual growth consistently lower than projected, the advisors question why insurers are not adjusting trend factors in future renewals. "The insurers don't share how they set the trend factors, or what they're based on," said Lizann Reitmeier, Health Practice Leader with Buck. The advisors would like to see increased transparency on how administration fees, trend factors, and pooling charges that are charged in their clients' renewals are developed.

When it comes to pooling risk, the advisors feel it's nearly impossible to buy true insurance to manage drug plan risk. "It's difficult to buy true stop-loss protection, as insurers reserve the right to change risk terms on an existing claim," said Rob Taylor, Executive Vice-president with TRG Group, a division of HUB International. Employers purchase insurance to protect them against large claims, explained Noel MacKay, Director,

National Benefits, with Cowan Insurance Group. Yet, based on actual year-over-year renewal analysis, "you could argue that their health pool charges are actually experience rated," he added.

The advisors also agreed there hasn't been a lot of innovation in the insurance industry regarding how pooling charges are handled, other than raising pool charges and thresholds. Plan sponsors with large claims find there's very little competition to bid for their businesses and drive down their costs. "Once a plan sponsor has high-cost claims, they become hostage to that carrier, because no other insurer will take on the risk," said Tara Anstey, a Principal with Mercer. The promise of plan portability for insured plans with recurring high-cost claims that came as part of the insurance industry pooling<sup>5</sup> rollout has not materialized.

The advisors also discussed a model where the pooling of high-cost claims could be managed by public plans. The idea generated support because, as the administrator, "public plans would not be driven by profit and would be efficient, develop consistent rules, and keep prices low, much like the CPP," said Mark Goldasic, a Partner with Benemax Financial Group Inc.

## DENTAL SERVICES NOT HELD TO THE SAME STANDARD

**A**lthough the session was focused on drugs, many of the advisors felt that dental plan costs are also a concern, but receive little attention. According to the Canadian Life and Health Insurance Association, dental claims were the second highest benefits plan cost (after drugs), at \$8.1 billion in 2018.<sup>6</sup> These costs are poised to grow; a recent announcement from the Ontario Dental Association indicated fees will increase an average of 4.19% in 2019, a substantial change from the 1.86% average increase in 2018.<sup>7</sup>

"We're talking a lot about health and drugs, yet we never talk about dental," said Chris Pryce, Managing Director of Human Capital Benefits. "Unfortunately, there's not a lot of analytical information when it comes to dental costs," said Rosemary Marsh, Managing Partner with Business Insurance Services.

Many of the advisors questioned why insurers don't manage dental benefits the same way they manage drug plans. "Rather than just accepting the fee guides set by dentists, why don't insurers set limits on procedure codes, like they do on drug prices?" asked Pryce.

But the standard to evaluate and list a new drug is much higher than dental services. "New drug coverage requires analysis of the clinical evidence and the return on investment to assess the value versus the price for that medication," explained Suzanne Lepage of Suzanne Lepage Consulting Inc., "yet we don't see the same rigour applied to evaluating dental treatments."



### The Impact of Drug Plan Design

While slowing drug plan growth is good news to the advisors, they want to better understand the root causes to ensure continued sustainability. "How much of the reduced trend is due to the recent restrictive plan design changes, such as delayed listings or plan maximums?" asked Anstey.

"One of the biggest challenges I've noted is the emergence of prior authorization," said Taylor. "When we move clients between insurance carriers, there's no consistency in their prior authorization. Is there a competitive advantage for insurers to have different prior authorization criteria? If they're all reviewing the same clinical evidence, why are there differences?"

Some advisors see managed formularies as a key tool to ensuring only cost-effective treatments are covered. "Prior authorization will only validate that the claimant meets the clinical indication for the drug, whereas formularies actually assess whether or not the drug should be covered," explained Anstey.

Given the competitive landscape between drug plan managers in Canada, it can be a challenge in assessing or evaluating the merits of the different programs offered. "There are so many formularies out there in the market," said Elaine Gringauz, Vice-president, Benefit Services, GTA, with NFP Canada. "They all have different philosophies, designs, and potential savings, and it

can be challenging to analyze them and select the right one for our clients."

"Plan sponsors don't have the skills to manage their own formularies, so they want to know they've selected a partner with the expertise to help them," says Ellen Whelan, a Principal at Eckler Ltd. Plan sponsors want to ensure that the formulary managers they choose are considering the workplace impact of covering drugs. In contrast to government formulary management, plan sponsors want their formulary managers to consider the impact of a new drug's potential to improve workplace productivity, reduce absenteeism, or prevent a disability claim – all of which aren't considered by public plans. If this data is not readily available in clinical trials, explained Andrew Wynn, Senior Manager, Private Healthcare Planning, at AbbVie Corporation, "then perhaps we have to use real-world data and measure the impact over time after the drug launches." Although plans have real-world experience in managing their own short-term and long-term disability plans, "the link between a plan sponsor's drug and disability plan isn't yet strong enough," said Paula Allen, Vice-president, Research, Analytics and Innovation, with Morneau Shepell. "We need to do driver analysis to determine the impact."

Considering the challenges of different drug plan designs, the advisors recommended a variety of solutions. At the outset, plan sponsors





need to look at their health benefits plans holistically. Gringauz cautioned that “a plan sponsor may make a drastic formulary change to save on drug plan costs, yet they might later see an impact on their disability claims, because they don’t realize they’re taking a drug away from an employee who needs it to keep their condition stable and stay at work.”

Plan sponsors also need to consider aligning their drug plan designs with the patient experience, said Kim Siddall, Vice-president, Local Practice Leader, with Aon Canada. “A plan sponsor may implement these tools to mitigate rising drug costs, yet there can be a disconnect with the patient experience. Patients have such short visits with their doctors; they don’t have the time or necessarily the foresight to discuss the coverage and the financial impact of the drug.”

“Tackling these issues requires collaboration among all industry stakeholders,” concluded Marsh. The advisors agreed there’s a need for increased dialogue, education, and transparency to meet the business needs of insurers, support the health of plan members, and ensure the sustainability of plan sponsors’ health benefits budget and risk.

## AT THE TABLE

Paula Allen  
*Morneau Shepell*

Tara Anstey  
*Mercer*

Paul Beecher  
*AbbVie Corporation*

Becky Chin  
*Amgen Canada Inc.*

Paul Crossdale  
*benefitsConnect*

Peter Demangos  
*PDF Benefits & Collage HR*

Glenn Fabello  
*Pelorus Benefits*

Joe Farago  
*Innovative Medicines Canada*

Jason Faulkner  
*BSMW Financial Inc.*

Mark Goldasic  
*Benemax Financial Group Inc.*

Elaine Gringauz  
*NFP Canada*

Nina Hewson-Stoner  
*GSK*

Rose Kwan  
*Mercer Canada*

Christopher Lee  
*Harry James Group*

Suzanne Lepage  
*Suzanne Lepage Consulting Inc.*

Noel MacKay  
*Cowan Insurance Group*

Rosemary Marsh  
*Business Insurance Services*

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*AstraZeneca*

Kathleen O’Keefe  
*OMG Benefits Consulting Inc.*

Jason Ovsenny  
*People Corporation*

Chris Pryce  
*Human Capital Benefits*

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*Buck*

Kim Siddall  
*Aon Canada*

Kathy Sotirakos  
*Amgen Canada Inc.*

Adrianna Stuart-Hagge  
*Accompass*

Robert Taylor  
*TRG Group, a division of HUB International*

Louis Theriault  
*Innovative Medicines Canada*

Frederic Venne  
*Normandin Beaudry Eckler Ltd.*

Matt Whitehead  
*GSK*

Kevin Wong  
*Willis Towers Watson*

Andrew Wynn  
*AbbVie Corporation*

Bill Zolis  
*Penmore Callery Group*

Kathryn Zufelt  
*The Leslie Group*

## OUR SPONSORS







1. The drug portion of a health benefit premium includes more than the price of the drugs. There are many other factors that drive premiums, such as wholesaler and pharmacy markup, pharmacy dispensing fees, utilization, insurer charges, commissions, trend factors, and pool charges.  
 2. Innovative Medicines Canada  
 3. [http://static.ow.ly/docs/Eckler\\_GroupNews\\_2019March\\_EN\\_8ifu.pdf](http://static.ow.ly/docs/Eckler_GroupNews_2019March_EN_8ifu.pdf)

4. <https://cdn2.hubspot.net/hubfs/2938312/2019%20Accompass%20Insurer%20Trends%20Survey.pdf>  
 5. <https://www.benefitscanada.com/benefits/health-benefits/insurers-to-share-costs-of-high-priced-drugs-27241>  
 6. [https://www.chia.ca/web/chia\\_lp4w\\_ind\\_webstation.nsf/resources/Factbook\\_2/\\$file/2018+FB+EN.pdf](https://www.chia.ca/web/chia_lp4w_ind_webstation.nsf/resources/Factbook_2/$file/2018+FB+EN.pdf)  
 7. <https://www.benefitscanada.com/news/ontario-dental-fees-to-increase-by-4-19-on-average-in-2019-127936>