CANADIAN LEADERSHIP COUNCIL
ON DRUG PLAN PARTNERSHIPS

Effective drug plan management key to achieving workplace objectives

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In May, the 2023 Canadian Leadership Council on Drug Plan Partnerships brought together benefits plan advisors to examine the challenges facing Canadian private drug plans and explore ideas and solutions for plan sponsors.

Drug plans play an important role in supporting sponsors' goals and advisors are uniquely positioned to provide guidance, whether it's around offering improved benefits to attract and retain talent, managing the bottom line or improving chronic diseases.

ALL PHOTOS TAKEN BY MICHELLE OUANCE

Drug plan cost savings can fund benefits plan improvements

Close to 70 per cent of council members indicated via polling that plan sponsors weren't making changes to their drug plan design. Drug plan costs aren't increasing at a rate that exceeds other components of health and dental benefits, noted Cheryl Kane, senior vice-president at Hub International Ltd. "I think we're not seeing more drug plan changes because the overriding themes are a hot talent market and the need to address longstanding [diversity, equity and inclusion] and wellness issues."

The real theme is improving benefits, said Mark Goldasic, a partner and consultant at JDIMI Consulting Navacord. "For years, it's always been about managing and reducing costs, while looking at the bottom line. Now clients are having a more difficult time recruiting and keeping people. They feel they must compete and offer something different."

Plan sponsors may look for opportunities to manage drug costs, he said, so they can afford some of the other things they'd like to offer. "Our job is to talk to them about plan design changes that can generate savings to enhance other benefits."

However, it's important to note that the savings generated by theses changes may slow premium escalation and overall plan costs, but may not necessarily generate a specific amount that can be reinvested in other benefits.

Some council members expressed concerns that savings for drugs with annual costs greater than pooling thresholds may not be passed on to plan sponsors. One reason is that pooling is such a black box with the insurance companies, said Paul Sabat, managing partner at the Consulting House Inc. "There's a lack of trust in terms of whether program savings are going to get passed along to plan sponsors or just further line insurers' pocketbooks."

Bill Zolis, senior employee benefits consultant at Penmore Callery Group, agreed. "Maybe programs like biosimilar switching just help the insurance companies in the end. We are told that savings will offset newer high-cost drugs, but when these are for drugs over the stop-loss limit and there's no transparency, we can't track how much our client has benefitted."

Chronic diseases drive private drug plan costs

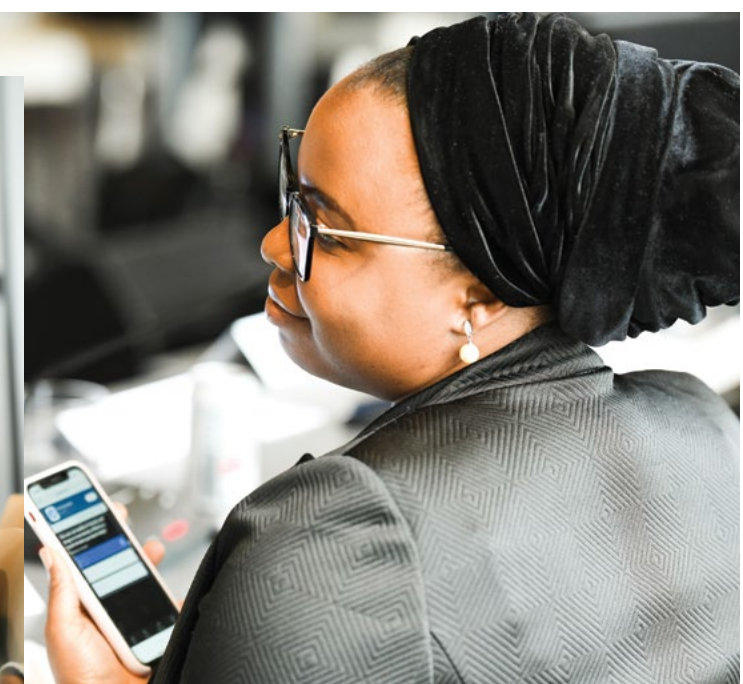
Chronic diseases are the No. 1 driver of private drug plan costs, said Joe Farago, executive director of private payers and investment at Innovative Medicines Canada. "Our cost driver analysis indicated that 70 per cent of private drug claims costs in Canada are for drugs for chronic diseases," he said, noting drug claims for chronic diseases also represented almost 84 per cent of claims' cost growth, driven primarily by utilization.

JOE FARAGO

JOHN MICHAEL O'BRIEN

This wasn't surprising to John Michael O'Brien, president and chief executive officer of the National Pharmaceutical Council, "because some of the most incredible results in human health were achieved because of advances in prescription medicines."

Over the past 30 years, major drug innovations have significantly improved patient health outcomes for six serious medical conditions: heart disease, lung cancer, breast cancer, human immunodeficiency virus infection, type 2 diabetes and rheumatoid arthritis, according to research by the NPC.



Preventing or managing chronic disease is a key element of plan sponsors' workplace health strategies. Mercer Canada is expanding the conversation with its plan sponsor clients about supporting members with chronic diseases, said Rakiya Oseni, the organization's senior consultant pharmacist. "We also recognize that chronic diseases could be a predictor of future disability costs."

"I'm a firm believer that you can reduce the reliance on medications by getting people proactively involved in health and wellness," said Glenn Fabello, principal and consultant at Pelorus Benefits.

When supporting people with chronic diseases, employers need to take a critical look at their plan design to assess potential obstacles to adherence, said Kim Siddall, national vice-president of account management of mid- and large-sized markets at People Corporation.

Supporting plan members with obesity can positively impact chronic disease

It's estimated that obesity will affect over a third of the adult population in Canada by 2025 and, without reliable intervention, will continue to grow exponentially, said Rachel Anisman, medical advisor at Novo Nordisk Canada Inc.

In recent years, she noted, there has been a paradigm shift due to an increased recognition of obesity as a chronic complex medical condition and new Canadian adult clinical practice guidelines for the treatment of obesity.

Obesity has been misunderstood and stigmatized as a lifestyle condition, with biologic, sociological and psychological factors making it difficult for patients to lose weight and keep it off, she said. "Once patients achieve weight loss, maintenance can be challenging because biology favours weight regain over time."

Only 20 per cent of people living with obesity who achieve a 10 per cent reduction in body weight can maintain it for at least one year, added Anisman, noting obesity is associated with comorbidities such as depression, anxiety, cardiovascular disease and type-2 diabetes — and life expectancy decreases as body mass index increases. Weight loss has been proven to improve health outcomes, but the challenge is sustaining the loss. Fortunately, there are newer obesity treatments, she said, which provide increased and sustained body weight reduction when used in conjunction with diet and physical activity.

Approximately 35 per cent of private plan members have coverage for obesity treatments, but only three per

cent have claimed for obesity drugs, according to Kanza Manzoor, patient access and senior manager at Novo Nordisk Canada.

Plan sponsors can support members living with obesity, she said, through coverage of dietitians, exercise support and cognitive behavioural therapy, in addition to obesity treatments as recommended in Canadian clinical practice guidelines.

KANZA MANZOOR (left) and **RACHEL ANISMAN**

Private drug plans play important role for Canadian workplaces

In Canada, private drug plans provide faster and broader access to innovative therapies than public plans and play an important role in keeping members healthy and productive at work.

On average, said Farago, it can take two years between Health Canada approval and a drug's listing on a public formulary, whereas private plans list new drugs much faster. Provincial drug plans cover fewer drugs than private, he added, citing Ontario as an example, where private plans reimbursed an average 49 per cent more drug identification numbers than the publicly funded program between 2018 and 2021.

Public plans cover very different populations than private plans, noted Farago, with public plan beneficiaries typically older or not working and private plans providing coverage for a working age population. As a result, he believes public plans don't value medications that improve productivity or reduce short- and long-term disability, while private plans provide access to medications that make a difference to sponsors and their members.

Goldasic shared the story of a plan sponsor client that changed its drug plan to mimic the Ontario public drug plan to save money. However, it only lasted one year, he said, because employees called it a "welfare plan" and complained about coverage.

Farago cautioned that if private drug plans increasingly mimic public plans, they erode the differential value they bring to plan members.

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>
> **Joe Farago**
> executive director, private payers and investment
> Innovative Medicines Canada

Public biosimilar programs driving private drug plan savings

While specialty drugs continue to drive private drug plans costs, they have also been game changers for patients, said Kirby Smith, national director of market access for the private market at Pfizer Canada Inc.

As the specialty biologic drug market matures — and products lose patents — the subsequent entry of biosimilars allows ongoing access to safe and effective treatments while generating savings opportunities, he added, estimating that biosimilars' potential cost offsets, based on list prices, for private plans could be $139 million in 2023 alone.

KIRBY SMITH

Smith attributed the accelerated uptake of biosimilars in private plans over the last two years to the implementation of Quebec's biosimilar switching policy and the approval of biosimilars such as products for Humira. He said he expects this trend to grow with the implementation of Ontario's biosimilar switching policy in April 2023.

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>
> **Kirby Smith**
> director, private market
> Pfizer Canada

The impact of public plan endorsement of biosimilar switching on private plans varies by province. There's a bigger impact in provinces with pharmacare, noted Siddall, because plan sponsors try to integrate their coverage to share drug claims costs with the public programs.

It's much easier for a plan sponsor to accept a switch when the provincial policy has changed, added Jean-Philippe Bernard, a principal at Normandin Beaudry. "There is acceptance by physicians, which makes it easier for patients to switch."

"I think that public plan policy of switching to biosimilars is currently the offering of some insurers and will be the future state for private plans," said Sandra Ventin, assistant vice-president at Arthur J. Gallagher & Co.

Plan members are fully supported through the biosimilar switching process, explained Smith, noting that, when a patient receives a notification of the required switch, they'll first consult their physician who'll refer them to the patient support program for their prescribed biosimilar. He also pointed out there are many resources in the public domain to support plan members when implementing a biosimilar switching program.

Diagnostic testing can inform targeted cancer treatment

Pharmacogenetic testing determines whether a patient has genetic mutations that influence the way they respond to certain drugs, said Johnny Ma, president at Mapol Inc., while a companion diagnostic test helps match a

JOHNNY MA

patient to a specific therapy by identifying whether a patient's tumour has a specific gene change or biomarker targeted by the drug.

An individual's genetic makeup impacts how likely they'll be to respond to precision medicine treatment, he added. Companion diagnostic testing can help determine the best course of treatment based on a patient's genetic makeup and tailor individual drug therapy for the best outcome. "Targeted therapies have a higher probability for success by matching a drug to the right patient at the right time."

Since there are provincial gaps for critical companion diagnostic tests, Ma suggested insurers consider reimbursing them. It's critical for private payers to bridge the gap for plan members to access companion diagnostic tests prior to public funding, he added, to ensure reimbursement and initiation of the appropriate life altering treatment.

Ineffective risk management can lead to restrictive drug plan coverage

Canada's current risk pooling methods can leave plan sponsors with significantly higher costs if one of their members has an expensive claim. This may lead plan sponsors to implement restrictive drug plans to mitigate future risk.

Plan advisors play a key role in helping plan sponsors navigate benefits plan renewals to ensure their costs are in line with their demographics and plan utilization. Because there's a lack of insurer transparency on how pool charges are determined, council members expressed concern about their ability to effectively represent their plan sponsor clients.

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"It is a tough pill for clients to swallow that we can't negotiate pooling on their behalf," said Siddall. "We negotiate premiums and connect increases with demographic change and utilization, but can't do the same for their pool charges."

"Last year, a client's pool charges increased 220 per cent. Although we argued with the insurer that they can't indirectly charge for high-cost drug claims, we ended up moving them to a new insurer," said Chris Sanderson, vice-president of operations at Maximums Rose Living Benefits Inc. He'd like to see increased transparency that shows how the insurer's block is performing to justify increased pool charges.

Since there's a "complete and total lack of transparency" on pooling charges, it could be a big profit centre for insurers, said Kathryn Zufelt, principal at the Leslie Consulting Group.

Innovative Medicines Canada's private payer drug claims cost driver analysis has shown the overall annual growth rate has been between five and six per cent for several years, said Farago, suggesting that, if these costs were shared across the industry, there would be less discussion about managing the impact of high-cost drugs.

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>
> **Kathryn Zufelt**
> principal
> The Leslie Consulting Group

The real issue is the volatility of the impact of high-cost claims on individual plans, he added. Depending on the number of high-cost claims, as well as the plan's underwriting and pooling arrangement, some plans may experience much higher growth rates than others.

"The insurance model hasn't changed for some time. Perhaps we need to look at changing the pooling mechanisms. I would argue that EP3 pooling via [the Canadian Drug Pooling Insurance Corp.] is probably not providing enough protection for the potential cost volatility on individual plans."

Quebec's pooling mechanism is significantly different, said Farago, including that the model is legislated and mandates participation for all payers, is much broader because it captures all plans covering fewer than 6,000 lives and its pooling thresholds, which are based on plan size, benefit smaller plan sponsors that can't take as much risk versus larger plan sponsors that can tolerate a higher threshold.

"One thing I really like about the Quebec Drug Insurance Pooling Corp. model is the transparency in the rate-setting methodology, as well as the disclosure of the pooling rates at the different thresholds," said Massimo Nini, vice-president of consulting and underwriting at AGA Benefit Solutions Inc. "There are fundamental differences between the QDIPC and CDIPC models, but I believe some aspects of QDIPC could be adopted by CDIPC."

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AGA Benefit Solutions Inc.

It may be a good time to generate more conversation to look at changes to the insurance model, suggested Farago, "because universal pharmacare is not going to take place anytime soon and the federal government funding for drugs for rare disease is going to the public system for the first round."

Jeff Kechnie, CEO of Kechnie Benefits, said he believes the Canadian Life and Health Insurance Association's exclusion of administrative-services only plans from the CDIPC is a huge mistake. "They need to step up and take some responsibility for this issue and include all plans to spread the risk and make everyone's lives easier. We all need, as stakeholders, to put pressure on them. I think that if they don't act, the government's going to come in and take it over."

Some plan sponsors are restricting their drug plans to reduce the pooling risk, he added, noting two of his plan sponsor clients have confirmed their plan members would be covered by the government drug plan before deciding to cap their plans. "[That] ultimately puts more pressure on the public system."

"We are in a golden age of pharmaceutical innovation, but the way we pay for drugs is based in the 1990s," said O'Brien.

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