



JSL Benefit*knews*

Winter 2005/06

Drug Utilization – Highlights of Interest

Managing the escalating costs of drugs in Canada continues to capture front line attention from plan sponsors and insurance companies alike. Traditional methods of cost saving measures are typical of plan sponsors today. Cost sharing initiatives like changes to co-insurance levels, deductibles, dispensing fees and negotiations during annual reviews are common. These changes require minimal administrative efforts and are easily understood by plan members. The disadvantage to these measures is the focus is primarily on the immediate bottom line impact, and little consideration of the influence on health outcomes. Drug utilization and plan management is now directly associated with overall state of employees' health and well being.

Influencing Factors to Higher Drug Costs

What factors are contributing to these escalating costs? The ever changing variables are inflationary costs, changes in utilization and therapeutic mix.

Increases in utilization are driven by the release of new drugs for conditions that were previously untreated or possibly under-treated. Other variables affecting utilization are an aging population. Many plan sponsors are seeing their employee population move into the 55 to 65 age category. These claimants utilize, on average, double the number of scripts per year as a person in the 35 to 44 age category. Typically, age-related diseases such as high blood pressure and elevated cholesterol begin to make their appearance at around age 45.

We here and read about inflationary costs significantly impacting drug plans. The trend is seeing low-volume, high-cost prescription drugs for catastrophic conditions spinning the average costs upward. Catastrophic illnesses such as Multiple Sclerosis, Cancer, HIV/AIDS now have breakthrough treatments available. Both Canada and the US are expecting a very large increase in this area as biological drug activities are in the pipeline. The average cost of these single-source, branded drugs is \$85/claim, and they account for over half of all claims processed.

Other reason for escalating costs include the introduction of new prescribing guidelines and direct-to-consumer advertising.

Innovative Measures

What measures could a plan sponsor consider adopting to manage these costs? What are other companies doing? Or, what are other countries doing? The fundamental difference in the deliverance of healthcare in the United States means more innovative or uncommon methods seen in Canada. Many are worth considering and possibly adapting in Canada. Samples are:

Multi-tiered Formularies: Different copays depending on the type of drug, such as low-cost generic vs. brand.

Mail-order Pharmacies: Receive a three month supply and avoid higher retail costs.

Prior Authorization: Patient must meet specific pre-defined clinical guidelines before certain drugs will be approved for reimbursement.

High Amount Pooling: A level of insurance embedded to guard against catastrophic conditions.

MAC and reference-based pricing: Maximum allowable cost (MAC) allows the plan sponsor to reimburse a reasonable amount of the treatment cost to their plan members.

Flex Benefits: Also Healthcare Spending Accounts are becoming more popular. These offer more flexibility and are tax effective for both employers and employees.

Focus on Wellness: A significant public shift which can take many forms such as EAP, health workshops, health risk assessments, or disease management programs.

Specialty Pharmacies: dedicated pharmacies handling the high cost drugs and conditions such as MS, HIV/AIDS, Cancer, Arthritis and Hepatitis to facilitate optimal treatment.

These examples of smart practices adopted in the US might be something applicable to your organization. Essentially plan sponsors must, in their goal setting, design a strategic plan for their drug program. The appropriate coverage position must be pre-



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determined, and implementing an ongoing monitoring and review process will help monitor costs. Responding to the reviews with innovative benefit design modifications is a very hands-on approach.

How to Keep Informed

With a focus on wellness being a serious priority for many employers and public at large, articles on medical breakthroughs and health awareness information is everywhere. How can the information you read be trusted? A Canadian website called Media Doctor is dedicated to improving the accuracy of media reports about new medical treatments.

Media Doctor reviews current news items about medical treatments, assesses their quality using a standardized 5 star rating scale and presents reviews of good and bad examples of reports on this website. It is anticipated that these independent and objective critiques will improve journalistic practices in reporting new medications and treatments in Canada. Stories are evaluated based on how well they do, providing the important information you need to make an informed decision about the drug or treatment being reported on.

Media Doctor does not provide medical advice, and does not assess the quality of the evidence on which the stories are based; instead focus is on the articles themselves.

Log onto www.mediadoctor.ca to find the best rated articles or to see how what you just read rated.

Other Provincial Methods

Effective March 1, 2006, if your benefits program is provided by Sun Life, it is introducing a new drug claims process that will coordinate drugs claims with the Manitoba Pharmacare or the Saskatchewan Special Support Program.

Eligibility for coverage under the provincial government program is based on family income and family prescription drug costs. As such, the amount covered varies. It is important that all individuals register under the provincial program.

As of March 1, 2006, Sun Life Financial's claim assessment process will be revised to include a claims payment threshold limit. Under 65, the threshold will be \$1,200. Age 65 or over 65, the threshold will be \$1,000.

Sun Life will continue to pay eligible drug claims, however as the employee or dependents approach the threshold limit stated above, Sun Life will notify the employee that they must confirm registration with the provincial program. If confirmation is not provided employees may experience a disruption in claims service after reaching the threshold.

Although this process is only applicable to Manitoba and Saskatchewan, it is an innovative commitment to co-ordinating drug costs with other provincial programs. We may see this approach adopted by other insurance companies and other provinces nationally as a measure to contain plan sponsor costs.

Other Cost Saving Measures - Dental

Dental fees in Canada are not regulated, allowing dentists to set their own fees for services. Suggested fees are provided by provincial dental associations, each year, and most dentist follow these guides. Alberta Dental Association however, does not publish a guide and insurers have responded by establishing their own reimbursement levels for dental services in Alberta using data compiled on an industry basis through CLHIA. Each year increases to the fee guides are presented and communicated.

Particularly in Alberta, and in any Canadian province, it is important that individuals ask their dentists about fees prior to receiving treatment. Getting a predetermination (fee estimate) approved by the insurance company will make both the patient and dentist aware of what exactly is covered. This can be submitted by the dentist to your benefit provider electronically, and response is usually instantaneous. Use this to negotiate with your dentist or shop around for the best fee for your treatment plan.

What's Ahead

We are excited to be introducing our new look through the launch of our new website in the forthcoming months. Visit www.jslinc.ca for the



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unveiling soon. In the meantime, you can contact any of our team members at:

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