

TACKLING RUNAWAY DRUG PLAN COSTS

– strategy and innovation are the keys to success

By Mark Rolnick

The time to act to lower drug plan spending is now. Runaway cost increases have slowed by about half in recent years,¹ owing to a large number of drugs coming off patent, as well as lower generic prices.

The bad news? The current slow-down is temporary, and a storm of rising drug costs is likely coming. New specialty and biologic therapies – combined with an aging population and greater patient-driven demand – are poised to set drug costs rising sharply again in the near future.

The opportunity to sustain

Many employers have already questioned the sustainability of their current drug plans, and, as rapid growth in costs resumes, a great number more will begin to do so.

What employers may not realize is that there is a window of opportunity to take action on rising costs now – before the next major wave of increases hits. And there are drug plan innovations and proven, researched implementation strategies that can help break down the barriers to change within your organization.

“Employers have a real opportunity to reduce costs, introduce greater accountability into their plans, and maintain coverage levels over the long term for their employees,” says Helen Stevenson, who previously oversaw the entire restructuring of Ontario’s public drug plan, and recently founded Reformulary Group Inc.

Biologic drugs – rapid development

According to IMS Brogan, there are 110 new biologic drugs in the pipeline in Canada.



Accepting change: High level of employee understanding

Many organizations have expressed concerns about the acceptance of drug plan changes by their employees. That’s why Sun Life Financial commissioned Ipsos Reid to conduct research in 2011 to uncover what employees thought about cost containment measures related to their drug plans.

The research was comprehensive, involving a survey of a random sample of over 800 Canadians covered by an employer-sponsored drug plan. It revealed

Four ways the Sun Life Evidence-based drug plan saves you money

Cost containment changes

What employees DO want

- 82% of employees said that prior authorization of medical treatments was somewhat or very acceptable
- 79% of employees said that generic substitution was somewhat or very acceptable
- 65% of employees said that evidence-based drug plans were somewhat or very acceptable

What employees DON'T want

- 69% of employees said it was somewhat or very unacceptable to raise premiums
- 68% of employees said it was somewhat or very unacceptable to reduce coverage levels

Source: Sun Life and Ipsos Reid research, 2011

a high level of employee awareness of the cost increase issue. In fact, 70% of employees said that rising costs and use of prescription drugs would make it difficult for employers to maintain their current drug coverage.

In addition, employees were open to many cost containment measures, such

as prior authorization for special drug programs, generic substitution, maximum allowable cost (MAC) pricing, and evidence-based drug plans. Employees were strongly opposed to containment measures involving reduced coverage levels or higher premiums.

For employers who choose to make plan changes, many will find that their employees are aware of the cost issue. And with the right types of modification and an appropriate change management strategy, employees will be more open to the changes you introduce than you might have thought.

Innovation in drug plan management – Sun Life's Evidence-based drug plan

Cost increases have been, and will likely continue to be, significant. Ensuring drug plan sustainability requires much more than tweaking existing plan designs – it calls for real, transformational change.

An advanced solution that accomplishes such a change is available now. Sun Life has formed an alliance with Reformulary Group, a pioneer and leader in the development of drug plan management solutions, to use their Reformulary as the basis of our Evidence-based drug plan.

- 1 Expert evaluation of drugs for both clinical effectiveness and cost effectiveness
- 2 Employees encouraged to choose high value, lower-cost alternatives through higher reimbursement rates
- 3 Discounts on drug costs
- 4 Integrated cost containment strategies, such as prior authorization for specialized drug treatments

Evidence-based drug plans are built based on an evaluation of the clinical and cost-effectiveness of drugs in a specific class. With our evidence-based plan:

- Pharmacy and medical experts measure a drug's demonstrated clinical effectiveness to see how it compares to similar medications.
- Reformulary Group weighs the clinical effectiveness measurements against a drug's cost to determine the level at which it will be covered by the drug plan.



- Drugs that provide a high level of clinical effectiveness at a reasonable cost are reimbursed at a higher rate, compared to those that do not provide the same level of value.

Six strategies to successfully manage change – what the research says

While Sun Life's Evidence-based drug plan transforms the way drug coverage is delivered to employees, we've heard from many employers about the challenges they anticipate facing when they introduce an innovative drug plan into the workplace.

For this reason, we undertook a second study with Ipsos Reid in January 2012 to investigate perceptions and attitudes toward evidence-based drug plans. Employees, doctors, and pharmacists all took part in the research.

Through this qualitative focus group study, we identified six strategies for success in managing the change from a more traditional drug plan to an evidence-based model.

1 Make the case for change

Employees must be provided with a clear, honest message explaining why the plan change is occurring. Providing anything less will cause greater cynicism and resistance to the change than is truly warranted.

2 Emphasize positives

Employers should emphasize the many positives that the plan change can provide – and these should appear prominently in the “case for change” messaging. These can include the potential for higher reimbursement for drugs on Tier 1, and any commitment the employer wants to make to “reinvest” the savings into improved health or wellness benefits.

3 Empower the employee

With evidence-based drug plans, it will be up to employees to know and understand how their plan works – not their doctors and pharmacists. So plan information should be concise, easy to understand, and made available via multiple channels to make accessing it easy and fast. And employees should be encouraged to discuss their plan with their doctor before a prescription is written.

4 Take special care with employees on chronic medications

Employees currently on chronic medications are the ones with the potential to be most immediately and deeply affected by the plan change. You should include criteria and a process for “grandfathering” medications to ensure that employees who truly need drug continuity get it. And provide employees on chronic medications with special, targeted communication well in advance of the change.

5 Include some flexibility

There can be unique situations beyond an employee's control that require coverage flexibility. These could include an employee whose response to treatment was different than that of the general population, or an employee with more than one condition who requires a unique combination of drugs to avoid unintended interactions. A plan without “special situation” flexibility may not be well received.

Employees, doctors and pharmacists were unanimous that a person should not be penalized because their unique situation (one totally out of their control) does not fit into the model. A clear appeals process should be developed to deal with exceptions when they occur.

6 Avoid overly detailed technical explanations

Providing too much detail – even using relatively simple language – could be detrimental to employees understanding the “bigger picture” message and gaining their acceptance. So strike a balance. People need enough detail to understand the “essence,” but providing more than this creates a risk of generating unnecessary skepticism.

Opportunity is knocking:

Take action now

While we're on the cusp of a new era of drug cost increases, the good news is that innovations such as the Sun Life Evidence-based drug plan can deliver comprehensive drug coverage for employees – with significant cost savings for your organization.

With greater employee awareness of this trend, and greater employee acceptance of cost containment solutions than you may have thought, there is no better time to consider the potential plan changes that can be made to address this issue.

And by choosing a carrier who understands the challenges of implementing such a plan – and works with you to provide the solutions needed for a smooth transition – you'll enjoy

Evidence-based drug plan

Tier 1

- Generic drugs
- Lower priced brands
- Low employee co-pay (0 to 20%)**
- Employee pays less**

Tier 2*

- Higher priced generics
- Mid-priced brands
- Medium employee co-pay (30 to 50%)**

Tier 3*

- Higher priced brands
- High employee co-pay (60%+)**
- Employee pays more**

*For Quebec employees, drugs on Tier 2 or 3 on RAMQ are reimbursed at a rate of 68%.



YOUR PRESCRIPTION FOR MANAGING RISING DRUG COSTS

With drug costs rising and employee awareness and understanding of cost issues at a high level, there is no better time to consider your plan design to help manage drug costs more effectively.

For more information on how our drug plan management solutions can work for your organization, visit sunlife.ca/brightchoices.

Life's brighter under the sun



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Solutions that fit – always the focus

Sun Life Financial offers multiple levels of drug plan management – from default offerings that include integration with provincial drug plans, to advanced solutions with evidence-based plans.

Sun Life's multiple levels of drug plan management

Default Settings**

Features that all plans should have in place

- Provincial Integration
- Enhanced Prior Authorization
- Mandatory Generic Substitution
- Category Caps

Value-Add Capabilities

Additional cost management solutions

- Dispensing Fee Frequency Limits
- Maximum Mark-Up Caps
- Maximum Allowable Cost (MAC) Pricing
- Worksite Pharmacy Pilot

Advanced Solutions

Leading edge solutions

- Evidence-based drug plan
- Patient assistance program
- Preferred Provider Networks

** Employers can opt out
Note: Some solutions are in development.

a competitive advantage with a plan that's both highly valued by employees and well-positioned for long-term success.

Take the opportunity and use this information to ensure that your organization's drug plan is sustainable, and that it's there for a long time to attract and retain future generations of employees.

¹ IMS Brogan File, January 2012

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Find out more – from Sun Life Financial

You'll find more research insights relating to drug plan cost containment in two recent Bright Papers – **Tackling runaway drug plan costs: Drug management solutions not as tough a pill for employees to swallow** and **Walk in their shoes: Enabling a successful employee transition to an evidence-based drug plan**. Both are available now at sunlife.ca/brightchoices.

