



Bending the benefits cost curve

Pharmaceutical discounts

Life's brighter under the sun





The story in a perfect world...

- prices would be transparent, and plan members would always know what they're paying for
- drug manufacturers and health-care providers would only offer the best value
- plan members and health-care providers would always behave honestly and ethically.

Unfortunately, this is not always the case. Product and service prices can vary wildly, and benefits fraud prevention is necessary. As a result, benefits plan costs are higher than they should be.

Our goal is to move plan sponsors as close as possible to that perfect world – through programs and innovations that drive costs down. We do this in several ways:

- By empowering plan members as health consumers
- By encouraging providers to offer discounts
- By leveraging scale to negotiate pharmaceutical discounts
- By reducing the risk of fraud with data analytics

The information below highlights our ongoing work in negotiating pharmaceutical discounts – and the benefits of this work for plan sponsors.



Leveraging scale to negotiate pharmaceutical discounts

Prescription drug costs in Canada continue to rise – Private pay-direct drug plan costs are expected to grow almost 5% annually from 2017 through to 2019.¹

Drug costs remain the largest group benefits plans expense. With an aging population, and new highly effective – but expensive – drugs emerging all the time, many organizations face challenges in balancing drug plan sustainability with the needs of their plan members for effective coverage.

Plan sponsors play a key role in managing these costs. Several plan design features can help offset the increasing cost pressures on drug plans, without limiting plan members' access to effective drug therapies. These include:

- Prior Authorization
- Preferred provider networks
- Managed formularies
- Mandatory generic substitution
- Dispensing fee caps

¹ Private Drug Plan Drug Cost Forecast (2017-2019) Research Provided by Quintiles IMS for Innovative Medicines Canada.

The Sun Life role – and the benefits to plan sponsors

While plan design features offer important cost controls, managing high drug costs is more than just a plan sponsor responsibility. As a provider, Sun Life can help play a role. We can leverage our scale in the industry to negotiate discounts with pharmaceutical manufacturers. This in turn reduces costs for drug plans, and any out-of-pocket costs for plan members.

These pharmaceutical discounts, known as product-listing agreements ("PLAs"), can:

- Help dampen future pool charge increases
- Ensure drug plans remain sustainable in light of more and more high-cost specialty drugs coming to market
- Help ensure that plan members have access to the most effective and innovative drug therapies

When we negotiate a discount, the savings generated lower the drug cost for the plan sponsor and in some cases, even plan members directly at the point of sale. Plan members must use their pay-direct drug card at the pharmacy for these savings to apply.

The impact is substantial. Over the past five years, we have saved plan sponsors and their plan members more than \$100 million through PLAs.

More savings to come

The work in negotiating PLAs is ongoing – and our specialized negotiation team has targeted hundreds of millions of dollars in savings for plan sponsors over the next five years.

Our work to lower drug costs will continue to balance plan sponsors' needs for drug plan sustainability with the needs of plan members to access the innovative drug therapy they require.

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