It takes a village.
Sustainable drug plans that reduce spend; not access

The high cost of drug plans is perhaps the number one acknowledged challenge for Canadian plan sponsors, most of which are employers that deliver drug benefit coverage to nearly half the population. In one survey, 66% of plan sponsors reported that their total benefit costs increased over the past three years, and 80% are concerned that growing costs will exceed the rate of inflation during the next three to five years.

Concern is mounting, as are costs, and this is leading to plan redesigns and policy reforms on several fronts:

- Plan sponsors – 70% of whom are concerned their drug plans will not be sustainable in the long term – are reacting to cost pressures with controls like generic substitution, prior authorization and plan maximums that not only reduce spend, but limit access to some drugs as well. After all, 83% believe that new drugs coming to market are too expensive for their plans.

- Some provinces, including Ontario, are looking at ways to coordinate benefits between private and public plans.

- At the Federal level, there is strong political will to lower drug costs on a national scale. Indeed, the Health Minister’s mandate calls for a reduction of drug costs, which by extrapolation will help plan sponsors – both private and public – gain access to more equitably priced drugs.

While redesigned drug plans and policy reforms at both Federal and Provincial levels can go a long way to resolving the pain many Canadians experience in getting access to much needed medications, these measures alone are not enough.

In keeping with the African proverb, ‘it takes a village to raise a child’, so too will it take all members of the healthcare and health benefits ecosystems to make it possible to deliver drug plans that reduce spend without overly restricting access. This means that physicians, pharmacists and those insured (plan members) need to see themselves as connected parts of this ‘village’. Each has a role to play in creating a drug benefit ecosystem that is affordable, sustainable, and that provides equitable access to the medications people need to maintain their best possible health. Insurance companies also have an important role to play, in terms of consolidating leverage when it comes to drug pricing as well as deriving cost management strategies for specialty drugs.
Initiatives led by plan sponsors, such as designing plans that incorporate prior authorization or caps on drug spend, appear to be on the rise. While a lot of emphasis has been placed on high-cost specialty drugs, these represent only a fraction of the actual claims put forward. Plan sponsor-led programs address the vast majority of claims involving traditional drugs, where even a small percent savings can have significant impact on sustainability.

Removing waste from the system

Data shows that patients and physicians are not taking full advantage of lower-cost alternatives to costlier brand-name drugs. This, along with pharmacy dispensing fees for 30-day supplies in most parts of the country, versus 90-days, is amounting to significant unnecessary spending. Multiple sources estimate that anywhere from 10 percent to 20 percent of Canada’s overall spend on drugs (representing $3 - $6 billion) could be optimized. For example, some brand name drugs for reducing cholesterol cost $230, whereas the generic version that is equally effective from a clinical standpoint, costs $40. Unnecessary costs also come from dispensing fees. For example, rather than filling a prescription for a 90-day supply of medication all at once, a pharmacy may dispense a 30-day supply, requiring a patient to pay a dispensing fee three times, instead of one time. While there may be valid patient safety reasons for limiting the supply, in many instances this could be deemed unnecessary.

The solution begins, at a basic level, with education to help physicians and patients see themselves as having a role in the drug cost equation; as opposed to their traditional prescriber/patient roles. Today, doctors are not cost aware when prescribing and a prevention mindset is not prevalent among many patients. To shift status quo, physicians and patients need to be informed about drug costs and the options available to them – as prescribers and as plan member-patients. And, when coupled with a culture of prevention and individual accountability to maintain best possible health and wellness, the need for medications – specifically medications that address manageable conditions, such as diabetes and mild depression – will decline, thereby lowering costs.
Turning plan members into ‘smart shoppers’

When employees have visibility into their drug coverage and the cost of various drug options, they can play an important role in opting for lower-cost options that are clinically effective. Several insurance carriers have taken steps to address this need, providing plan members with tools, like drug look-up apps. The challenge is that approaches are not uniform from carrier to carrier and it places the onus on plan members as patients to advise their physicians on prescription options.

Preferred provider networks (PPNs) are another option that most private payors now offer, often for specialty medications. This is done to reduce the acquisition cost of the medications and use specialty pharmacists to ensure the condition is well managed and drugs are used effectively. While some patients prefer to deal with the pharmacy of their choice, PPNs offer increased savings.

Helping plan members manage their health

While the high cost of specialty drugs garners much attention, in fact these treatments represent a very low volume of claims. Seventy four percent of the dollar amount of claims is for traditional drugs, not higher-cost specialty drugs. And, 68 percent of those claims are maintenance (versus acute) drugs for controllable conditions, such as diabetes and mild depression; conditions that can be managed with a combination of medication and wellness practices.

While the role of plan sponsors as wellness ambassadors is debatable, there is no question that offering education and access to programs can be helpful. For those plan members with a desire to proactively improve their health and wellness and overall ‘betterment’, the right program can lead to happier, healthier and more productive lifestyles, which in turn, reduces the need for drugs. Indeed, education and prevention are an area where the public health sector, while not a topic in this paper, also plays a key role.

Enhancing physicians’ visibility

Another supporting piece is to equip physicians with visibility into a patient’s coverage and the impact of price options. The technology exists to enable physicians to check their patients benefit coverage online at the point of prescription. And, several insurance providers offer apps that enable plan members to do the same. The challenge here is primarily cultural. There is currently no clinical impetus for physicians to take the time to understand drug prices, a patient’s coverage and the important impact changing their prescribing behaviour could have on reducing overall drug spend. In some cases, patients may not be adhering to medications because they simply cannot afford them and a physician would not know.

Taking on drug access and affordability

The Federal focus: reducing drug prices

Millions of Canadians cannot afford to pay for their prescription drugs and Canada pays more for prescription drugs than other OECD countries6. With the arrival of the new Liberal Government, Prime Minister Trudeau’s mandate letter to the Health Minister, Dr. Jane Philpott calls for making prescription drugs more affordable.

In a recent interview with CBC’s Fifth Estate news documentary, Minister Philpott observed that there are new drugs coming on the market that are not necessarily offering additional value, yet are contributing to the increasing costs that Canadians (and plan sponsors) are paying. She asks why Canada does not consider models from other countries, such as New Zealand, where no matter the prescription, the cost to a patient is only five dollars.

It is the authors’ view that there are no silver bullets to resolving the challenges presented by rising drug costs. Rather, as the title of the paper indicates, it is an ecosystem of traditional and new players working in new ways that holds the key to progress. It is instructive to look at how other jurisdictions are tackling the challenge of providing citizens with access to medications while maintaining reasonable costs. None are perfect; however, Canada can take some lessons learned to determine what is best for our citizens in terms of level of coverage, cost management and improved outcomes.

Europe’s emphasis on reference pricing

As put forward by the European Observatory on Health Systems and Policies, reference pricing (RP) schemes are used widely in Europe as a means of constraining pharmaceutical expenditure and regulating drug prices. For example, the classification system in France draws on a drug’s therapeutic benefit relative to existing substitutes. The Dutch system classifies drugs according to whether or not they are interchangeable. In Germany, drugs are classified according to therapeutic classification and comparability. Reimbursement for drugs classified in a reference group is fixed according to the prices of other similar or therapeutically equivalent substances in that group. Innovative drugs and those without any therapeutic equivalent are exempt from categorization in the RP system and are reimbursed in full.4
New Zealand

The New Zealand model stands in sharp contrast to Canada's approach. Their formula places significant emphasis on reducing costs, i.e. the least expensive drug wins. While the country has achieved the lowest per-capita spending on universal drugs in the world, critics of New Zealand's 'draconian' approach are apt to point out the limited choice of drugs, limited access to innovative drugs and the social impact of choosing not to cover high cost drugs.

In 1993, New Zealand created the Pharmaceutical Management Agency (PHARMAC), which looks at effectiveness, suitability and cost to decide what’s covered by the government and negotiates prices on behalf of the entire country. By tightly controlling the country’s formulary, it has been able to keep costs flat while drug use has risen. One study found that New Zealand paid 51 percent less than British Columbia for four large, established classes of prescription drugs.

New Zealand’s population is about one eighth the population of Canada. As a small country, this model has met with success from a sustainability standpoint, which may not be scalable in a larger system. Nor would it be desirable from an access to drugs standpoint. While there are no silver bullets, perhaps the main lesson that Canada can take from this example is the benefits of taking a focused and consolidated approach to drug pricing and the buying power this enables.

Canadian Innovation: Ontario’s coordination of benefits.

In Ontario, the provincial government is planning to roll out an improved and automated coordination of benefits between the Trillium Drug Program (TDP) and private insurance plans in the Fall of 2017. The planned enhancement will create an online network that will allow pharmacies to submit coordination-of-benefit claims for TDP recipients with private insurance and eliminate the need for patients to submit paper receipts to verify that their deductible has been met. Many in the private payor community perceive this change as an enabler to shift the burden of high cost drugs to the Ontario government.

This change could lead to significantly more coordination of benefits between private and public drug plans for high-cost drugs.

A shared responsibility

Over the past few years, the drug benefit ecosystem has been affected by several key drivers, including:

- higher costs for expensive and recurring drug treatments
- aging population
- rapid growth of specialty drugs
- shorter hospitalizations, which have the impact of transferring costs from the public health system to private health benefit plans

In parallel, plan sponsors are experiencing rapidly growing costs of drug plan premiums, often faster than the rate of inflation. And, there is greater awareness – and desire for more transparency – among patients on the costs of medication and treatment.

Creating sustainable drug plans that reduce spend without reducing access is a shared responsibility that requires new players working in concert. There’s a need for a change. The question is: how can we do this? Like other sectors that have transformed their business models – e.g. the taxi industry with uber; the music industry with Spotify; even online banking – the health benefits ecosystem needs to create consumer value at each point of inflection. Disruptive transformations that have gone before have all been driven by meeting consumer needs and enabled by digital technology.
References

3. CBC Fifth Estate - The High Cost of Pharmaceuticals: Canada’s Drug Problem (Broadcast Date: January 13, 2017).
4. Pharmaceutical policies in Finland, Challenges and Opportunities, European Observatory on Health Systems and Policies, 2008.
5. As above.