Navigating the challenges of drug plan management:

Tackling risk management, access and sustainability

PHOTOS BY MICHELLE QUANCE

In May, *Benefits Canada*'s Canadian Leadership Council on Drug Plan Partnerships brought together industry thought leaders to discuss innovative solutions to ensure the sustainability and effectiveness of private drug plans in Canada.

The Canadian private insurance industry is crucial for getting lifesaving and life-enhancing medicines to patients and its value lies in its differentiation of faster and broader access versus public drug plans, said Ugur Gunaydin, vice-president and general manager at Amgen Canada Inc.

In 2023, the annual growth in the cost per drug claimant was 2.7 per cent and despite the group benefits industry's focus on higher cost specialty drugs, almost 80 per cent of claims growth came from lower cost drugs for chronic diseases, said Joe Farago, executive director of private markets and investment policy at Innovative Medicines Canada.

Joanne Jung, pharmacy and clinical practice leader at WTW, suggested the focus on high-cost specialty drugs may be because although there's a lower growth trend for drugs that cost more than $10,000 annually, plans that don't have a high-cost drug claim are still seeing their pooling charges increase at an exponential rate.

POOLING

Council members suggested that paying for expensive drugs may not necessarily be the issue; instead, plan sponsors are restricting their drug plans to mitigate the risk of high-cost drug claims due to the high cost and perceived inefficiencies of pooling. It really comes down to the financial sustainability of the plan, said Karen Kesteris, vice-president of payer partnerships at Shoppers Drug Mart Inc. "No matter how good a drug is, sometimes a plan cannot afford it."

The cost of participating in pooling can be high, particularly for smaller employers, said Paul Henricks, associate director of data innovations and insights at PDCI Market Access, who noted in 2022, only 0.3 per cent had claims exceeding $50,000 per patient per year. However, when they did have a high-cost claim, their median cost per claimant was 20 times higher. "Annual benefit plan costs are becoming unaffordable for plan sponsors, which are driven by insurer pooling costs."

Some council members expressed frustration with the inefficiencies of current group insurance pooling mechanisms in providing plan sponsors' protection from high-cost claims.

"Most of my groups are having discussions at renewal, where pool premiums are surpassing pooled claims quite significantly," said Chris Newns, principal for group solutions at People Corporation.

Health pooling charges are one of the largest cost factors when pricing and doing renewal calculations for clients, echoed Anthony Feher, owner of A.F. Group Benefits Inc. "We don't know how they are calculated, why they are set this way or why the attachment levels are so high for smaller cases."

Canadian employers are predominantly small- and medium-sized companies that can't handle the cost of newer drugs on their own, said Elaine Yedlin, chief operating officer at Johnston Shaw Inc.

Pooling appears to benefit the largest employers, said Maureen Campbell, group benefits advisor at Flashlite Benefits. "We are evolving into a two-tier system where small and medium size employers are forced to cap their drug plan and provide lesser benefits."

While, in theory, fully insured plans for small- to medium-sized employers were intended to share risk, "when the pooled part of the program is experience rated and clients are being penalized, it's not working."

"Considering how most employers in our economy are small- and medium-sized [companies] I think we need truly pooled insurance for this marketplace," she said, adding while plan sponsors want to provide their employees with benefits comparable to those offered by large companies, it's becoming more difficult for them.

It can be challenging to explain pooling to plan sponsors, when even plans that don't have high-cost drug claims still see pool charges go up at exponential rates every year, said Jung.

Unfortunately, rather than understanding or advocating for improved pooling, some plan sponsors "only care if their costs are going up or down and, if they go up, they want to tender and move the group," said Glenn Fabello, co-founder and principal at Pelorus Benefits.

The current pooling systems may not cover a sufficiently

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large number of lives, said Henricks. Not all plan sponsors participate in pooling arrangements and when plan sponsors face increased pool charges, some may modify their plan designs to reduce or eliminate the risk of high-cost claims. “The unfortunate part is that this will impact overall private plan sustainability because it further reduces pool participation, which limits the ability to effectively distribute risk and mitigate the financial impact of high-cost claims. Mandatory participation may be necessary to achieve a broad risk spread.”

The group discussed the need for the Canadian group benefits industry to explore ways to improve the effectiveness of risk pooling to protect against high-cost claims. In light of the federal government developing a national pharmacare program, Edward Sabat, partner at The Consulting House, suggested that instead of covering contraceptives and diabetes drugs, the government consider implementing a national pooling program.

The Quebec Drug Insurance Pooling Corporation system is often recommended as a potential model for drug pooling across the country. All Quebec residents must enrol in drug coverage either through the public plan or their employer-sponsored benefits plan, which means no one can opt out. In addition, all drug plans that cover fewer than 6,000 members are required to participate in the program, where the pooling thresholds and charges are standardized for all participants based on the plan’s size, rather than their insurer’s proprietary pooling program.

“The QDIPC program offers transparency and participation at large enough scale to distribute the risks, which we don’t see in other Canadian pooling programs,” explained Henricks.

The group questioned what it would take to bring about change to insurers’ current pooling systems, given their reluctance to work together on joint solutions. There was discussion that the only way to achieve significant change would be a regulated industry solution.

CHRONIC DISEASE

Employer-sponsored benefits plans can play an important role in chronic disease management. Chronic diseases, such as obesity and diabetes, can have a substantial impact on individuals and their workplaces, including physical, emotional and economic burdens.

Canadian plan members with diabetes and associated complications and comorbidities cost employers $1,500 more per year, said Martine Carbonneau, director of field patient access and public affairs at Novo Nordisk Canada Inc., adding indirect costs tied to obesity and its comorbidities — such as decreased productivity, absenteeism and disability — were close to $3 million.

Plan members living with diabetes are absent two to 10 more days than their peers and uncontrolled diabetes is two-times more costly than well-controlled diabetes. “Evidence shows that the more complications or comorbidities a patient has, the more days of work they will miss.”

Chronic diseases are often linked and improvements in one condition can lead to improvements in others. For example, research found that a reduction in obesity can have a positive impact on a range of chronic

diseases, said Amine Mohammed Bouchaib, director of patient access at Novo Nordisk Canada.

There are a growing number of innovative new medications that not only treat specific conditions but also hold additional benefits for associated complications and commodities. For example, a diabetes drug can reduce weight and improve cardiovascular outcomes.

"I find it very interesting that with a chronic disease like obesity there is a reluctance to pay for treatments, but there is a willingness to pay for medications for the comorbid conditions caused by obesity," observed Kesteris.

Plan sponsors can best support employees living with chronic diseases by providing access to effective treatments, offering comprehensive health-care plans and creating a supportive work environment that recognizes the challenges faced by individuals with chronic conditions, said Carbonneau.

It's also important that pharmaceutical companies provide data that demonstrates the reduction in comorbidities and financial benefits of their treatments, said Jeannette Makad, senior consultant for group benefits at NFP Canada. "This data is crucial for plan sponsors to see the return on investment to justify covering innovative new medications."

Private plans also need to consider the long-term impact of covering new medication for chronic diseases, said Cheryl Kane, senior vice-president at Hub International Ltd. "What if 10 years ago, we had said, 'We're not going to cover new treatments for rheumatoid arthritis?' Would we have people who wouldn't be working today?"

FORMULARIES

Benefits plan advisors play a critical role in educating clients about the intricacies of drug formulary management.

A panel discussion reviewed insights and recommendations regarding the management of drug formularies and prior authorization within employer-sponsored health plans.

Within formulary management, there's inherent tension between providing access to treatments and ensuring that the plan is sustainable, said Nina Lathia, founder and chief executive officer at Healthcare Decision Making. "Formulary drug coverage decisions are quite complex and will become increasingly more complex when we look at the drug pipeline."

Plan sponsors could face legal, reputational and financial risks if their plan denies coverage for drugs and plan members challenge the decision, explained Philippe Lagacé, principal of health and benefits at Mercer Marsh Benefits, noting plan sponsors have a fiduciary responsibility to their plan members and shouldn't simply outsource drug management to an insurer, pharmacy benefit manager or other third parties without oversight. In addition, plan sponsors could be responsible for paying a claim, even if the insurer denies it.

"They need to understand which drugs are covered by their plan because, at some point, a drug may be denied and they will need to explain the reasons for the denial."

Despite the recommendation for better plan sponsor oversight of formulary management, there isn't a lot of transparency about how payers are managing formularies. While public plans have transparency regarding the status and rationale for their drug review decisions, private plans lack this visibility, said Farago, noting this approach can leave stakeholders uninformed about the status or reasons for coverage delays or denials, potentially resulting in risk, frustration and even deterioration of health.

A matter of perspective

Discussion also centred around whether private plans should use drug assessments designed for the public healthcare system, such as the Canada Drug Agency (formerly known as CADTH or the Canadian Agency for Drugs and Technologies in Health).

"CADTH may provide a reasonable baseline, but it lacks the employer perspective, particularly regarding productivity," said Lathia, noting plan sponsors expect drug evaluations specific to their employee populations that include productivity metrics.

Small payers may lack the expertise to conduct thorough drug assessments, said Gary Walters, chief actuary at GroupHEALTH Benefit Solutions. However, part of the role

of a payer is to provide cost-effective analysis to private plans and if they instead choose to follow public drug plan recommendations, they lose their distinction of being different than the government plan.

DELAYS

Private drug plans provide significantly faster access to new drugs than public plans and waiting for government drug plan decisions can delay plan member access to medication.

"Plan sponsors need their employers at work and productive," said Denise Balch, project manager for the Simplify Prior Authorization Initiative, principal consultant at Crosslinks and president of Connex Health Consulting. "When they face delays or barriers to access, there can be a direct workplace impact for plan sponsors."

Plan members who are waiting for a potentially lifesaving or life-changing drug could miss a treatment window because they've become too disabled and aren't able to take it anymore, said Kim Steele, director of government and community relations at Cystic Fibrosis Canada.

Unfortunately, plan sponsors may not be aware of coverage challenges, because "an employee that's using a high-cost drug maybe reluctant to go to their human resources department," said Jung.

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THIRD PARTIES

Plans sponsors occasionally engage third parties to manage their formularies or prior authorization processes. These organizations operate outside the conventional drug plan management model, where the payer that insures the risk also manages the formulary.

While external providers may provide more transparency, there are some caveats, said Lagacé. The employee experience might suffer, because plan members must deal with two

parties — the insurer and the external provider — and it may take longer to access the medication they need. He also cautioned that the provider's decline could potentially be a liability for the plan sponsor.

PRIOR AUTHORIZATION

There has been little progress in reforming prior authorization processes because advisors and plan sponsors haven't understood the issue until recently, resulting in a lack of insurer initiative and industry demand, said Balch.

The biggest issues with prior authorization are the delays in getting the form completed by the doctor or patient support program, and the appropriate medical records into the hands of the insurer. Until insurers agree to adopt electronic prior authorization, there will still be back and forth by mail and fax. "In this day and age, you can do almost anything online, however it can take weeks to get a prior authorization form completed properly with the associated medical records, only to have insurers exclusively accept them by mail and fax. That's just downright embarrassing and unacceptable."

There was a consensus that the industry needs to promote the adoption of ePA to reduce administrative burdens and speed up the approval process for necessary medications.

PLAN SPONSOR ENGAGEMENT

Plan sponsors were encouraged to be more than just passive participants in drug plan management.

"I would advocate for [plan sponsor] engagement, so that they have confidence that their objectives will be met," said Kane.

Payers are the stewards of the budget plan sponsors set aside for benefits, said Marie-Hélène Dugal, manager of pharmacy benefit strategy at Medavie Blue Cross. "Our clients ask us to provide sustainable, affordable coverage, which means that sometimes we need to say no. We need to do so in a way that makes sense, based on an understandable philosophy."

Plan sponsors might not have the expertise themselves to make drug coverage decisions, but they should be able to rely on their providers' expertise and ensure they understand their drug plan management philosophy.

"We must continue to challenge ourselves to improve how we communicate the rationale behind our decisions and enhance the overall plan member experience," said Frédéric Leblanc, strategic leader for drug programs at iA Financial Group.

Plan sponsors need to have a very good understanding of

their benefits plan's philosophy. For most, it's a fine balance between access and sustainability, but this philosophy can be the cornerstone of decisions regarding their benefits offerings, said Kesteris.

Private benefits plans must navigate the delicate balance between cost management and ensuring access to life-saving medications. Pharmaceutical manufacturers, insurers, advisors and plan sponsors need to collaborate to develop innovative solutions to manage costs without compromising access to medications. Some of the needed innovations include improvements to pooling mechanisms, formulary management and prior authorization systems.

However, the distinction of private plans lies in their ability to provide timely access to necessary medications, noted Farago. Thus, innovation in plan design should focus not only on cost reduction but also maintaining the financial viability of plans while ensuring comprehensive drug coverage for all beneficiaries.

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