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Drug Plan Management Through Changing Times

Navigating tremendous change was on the minds of the stakeholders attending this year's Face to Face Drug Plan Management Forum in Toronto on December 1, 2009. Drug reform, changes to the scope of pharmacists' practices and how to navigate the coming transformations were the themes explored by the speakers and panelists. The overwhelming message from the day's discussions was the need for more transparency, increased cooperation among stakeholders and a greater understanding across the industry, so everyone can successfully make it through this tumultuous time.

The Changing Role of Pharmacists and the Impact on Employers

DENNIS DARBY

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The healthcare landscape in Ontario is changing due to the aging population, increased utilization of healthcare services, long wait times, impeded access, etc. Ontarians need increased access to a range of qualified health professionals and seamless patient focused care, which will be optimized through collaborative practice across and between all health disciplines. Pharmacists in particular have an important role to play.

Keynote speaker Dennis Darby provided an overview of the objectives of Bill 179 (Ontario's Regulated Health Professions Statute Law Amendment Act, 2009) and focused on the proposed expanded scope of practice for pharmacists and the great importance of creating synergies between healthcare professions. The four key new scope of practices for pharmacists are prescribing, administering injections, performing a procedure on tissue below the dermis and ordering and receiving lab tests. The benefits accrued from these services for employers and employees were discussed.

The second part of the presentation included the trends in public and private healthcare spending over the past three decades, and the implications for employers, private payers and employees. It also covered the major driver of healthcare costs, expenditure related to drugs and healthcare professionals and the steady increase in chronic disease prevalence among Ontarians that could lead to higher demand for services.

The last part of the presentation was focused on the value of pharmacy, and identified a number of professional services that could be offered by pharmacists to assist in addressing issues of quality, access, efficiency and productivity of the healthcare system. These professional services include, but are not limited to, chronic disease prevention and management, refills of chronic care medications, medication therapy and management, refusal-to-fill programs and minor ailments programs. The implementation of these services would also translate into financial and economic benefits to employers, third party payers and employees.

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Generics Pricing Changes and the Effect on Employers

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Employer benefit plan affordability and sustainability is at risk from a number of forces. Demographic change, post-retirement accounting, public plan downloading, deteriorating health and new treatments represent cost drivers threatening employer and public plan ability to maintain programs in their current form. Globalization and cost competitiveness represent cost constraints compelling employers to better manage their benefit programs.

Ontario's 2006 passage of Bill 102, or the Transparent Drug System for Patients Act (TDSPA), resulted in unanticipated increases to employers' drug expenditure. TDSPA was meant to decrease Ontario's public drug expenditures by reducing generic drug ingredient costs from an average of 63% of the cost of a brand drug to 50%. Prior to TDSPA, individuals and employer plans paid the same as the public plans with the exception of the dispensing fee. The legislation removed restrictions on what pharmacies may charge private payers for generic drug ingredient costs. Pharmacies have shifted the public plan savings to private payers by increasing generic drug costs by almost 20%. Private plans now pay between 70% and 85% of brand drug cost, or 75% on average. Each pharmacy may charge differently for the same generic drug, making cost management more difficult.

Understanding how generic drugs are priced and how pharmacy revenue is derived are critical to knowing what cost management options employers have available and what will serve to lower drug costs.

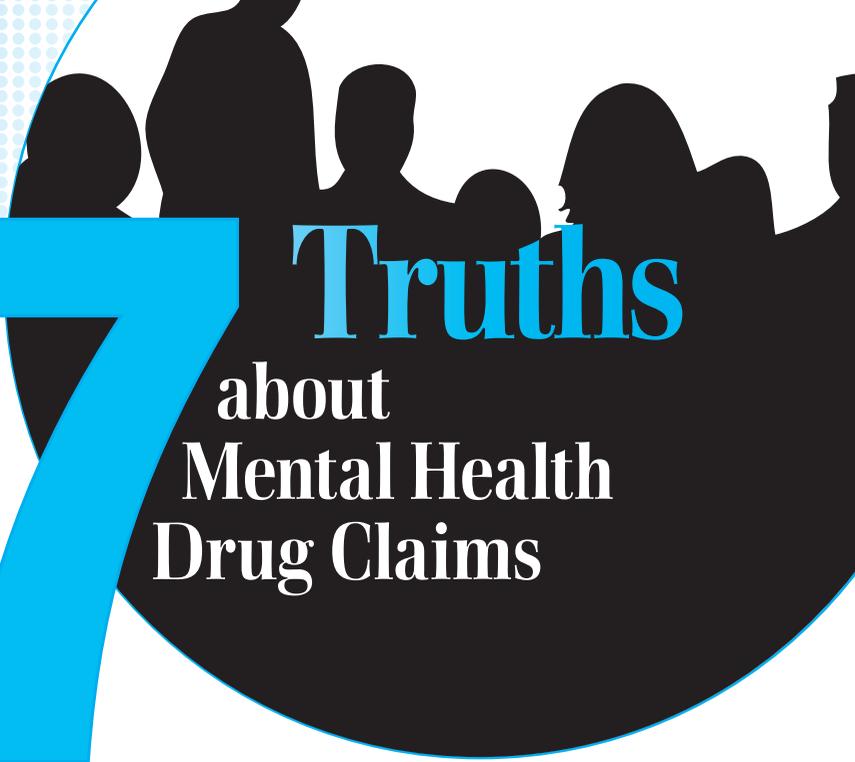
Mercer represented the Employer Committee on Health Care Ontario (ECHCO) and our client interests during a public consultation process by Ontario's Ministry of Health. Our recommendations included returning public and private payer generic pricing to a uniform pricing arrangement. At a subsequent meeting, we also recommended that rebates be eliminated with appropriate pricing and transparency at all stages of the delivery system. In other words, let the ingredient cost be the cost of acquisition, allow the pharmacy to add charges sufficient to cover their costs and profit and let the private payer determine their own reimbursement level. During this discussion, the Ministry indicated a preference for uniform pricing.

Employers need to consider alternative arrangements that best serve their interests. PBMs and insurers with low expenses may be costing the plan much more in claims than the savings from the expense. It is worth exploring alternative provider arrangements to reduce drug expenditures without increasing employee cost share and still achieve cost management.

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Dr. Sam Ozersky spoke about the following crucial truths related to the so-called drug benefits crisis:

7 Truths about Mental Health Drug Claims

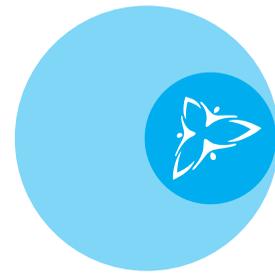
DR. SAM OZERSKY
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1. Mental disorders affect one in five people, cost \$6,000 per life/year in healthcare and disability and are a major cause of short-term and long-term disability.
2. They are diagnosed and treated poorly, with only one in eight getting good care.
3. Studies show that increasing drug spending may represent better diagnosis and treatment adherence. The increase in drug benefit costs is more than compensated for by the savings in healthcare and disability costs.
4. Web-based disease management systems for mental disorders are a very cost-effective way to improve diagnosis and treatment at the family practice level where 90% of mental healthcare is delivered.
5. Optimizing care at the GP level and improving adherence may remove the biggest sources of waste, which are patients starting a drug then stopping it prematurely, the right diagnosis but the wrong drug and the wrong diagnosis but the right drug.
6. Thirty percent of healthcare spending in the U.S. is waste, with a significant portion due to drug adherence problems.
7. Various drug delivery and adherence programs involving pharmacists show demonstrable return on investment in getting the most cost-effective results from drug therapy.

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The Impact of Drug Benefit Review: Ontario and Beyond



Cooperation and transparency is what's needed in the industry today, according to the panelists at the Face to Face Drug Management Forum. "Adjudicators, pharmacies, payers, employers and others all have a stake in the new drug plan environment," said Dave Jones, Vice-president, Market Development, Group Benefits, Sunlife. "We can choose for this to be adversarial or we can choose to work together. I think what's needed is a willingness to share data and information, which will increase transparency for everyone."

Paul Foley, Director, Pharmacy Private Health, Shoppers Drug Mart, agreed on the need for working together. "We need to be aligned on principles and on the goal of helping the plan sponsor. We also need to understand that within a restricted funding envelope we're going to bump heads once and a while," he said.

Acknowledging the business relationship was key for Suzanne LePage, a private health plan strategist. "I think that some of our challenges arise because we don't understand each other's businesses and fail to recognize the commercial interests that come into play. I think understanding those details at more senior levels will help to build stronger relationships," she said. Bill Redden, senior director of Pharmacy Services, Lawtons/Sobeys Pharmacy Group, added that being in business together isn't a bad thing and that everyone does share one thing in common. "We do have a similar focal point being the person needing healthcare, so we need to understand each other's businesses better so we can all help that person together," he said.

As for how involved the government should be in with respect to drug pricing and creating agreements among stakeholders, the panelists had varying opinions. Foley and Redden strongly feel that there should be no more government intervention. "From a pharmacy perspective, we firmly believe that the government should not be regulating price in the private sector and should not interfere in the pharmacy sector. We believe there is enough in the marketplace right now to help manage that relationship with the pharmacy agreements that are in place and the many other tools that exist," said Foley. Redden added that the problem with government regulation is sustainability. "I would have to question the sustainability of continued regulation by the government. There needs to be change and the government has a role in making sure there is a level playing field among industry players, but that doesn't mean regulating the drug costs," he said.

Jones stated that the government is already regulating prices and impacting how the industry functions. "The real question is does the government want to continue to do exactly what's doing or does it want to make a different choice, and can we influence what that choice is?"

LePage questioned how effective the government regulations can even be. "I don't know if the government can understand the complexity of our business. There are so many different players involved in the transactions for processing drug claims. The government may not be able to truly understand the complexity and make the best decision for us," she said.

The complexity of the industry, potential government regulation and the significant changes coming in the next year are all reasons why stakeholders need to work together more. The panelists stressed the need to share data, models and case studies to enhance understanding. They also encouraged additional dialogue and brainstorming with each other to develop possible business models for the new environment that the industry is facing. The changes are coming, and it's the industry insiders who are best equipped to navigate it successfully, so it's time to start working together.

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