Pharmaceutical Benefits: Ensuring Value for Plan Sponsors

The BPM Roundtable

Tyler Bergh
Assistant Vice-President, Pharmaceutical Benefits and Innovation, at Sun Life

Joe Farago
Executive Director, Private Payers And Investments, At Innovative Medicines Canada

The continued growth of specialty drugs and the considerations of that for long-term plan sustainability is among the leading trends with pharmaceutical benefits, says Tyler Bergh, Assistant Vice-President, Pharmaceutical Benefits and Innovation, at Sun Life. In the *Benefits and Pensions Monitor* 'Pharmaceutical Benefits: Ensuring Value for Plan Sponsors.' roundtable with Joe Farago, Executive Director, Private Payers And Investments At Innovative Medicines Canada, he said "Looking at the pipeline, we will continue to see the introduction of truly innovative medicines for harder to treat conditions and this trend will continue for some time," he said.

For Farago, the threat to the long-term sustainability of drug plans is the erosion of the value in private benefits. "We see significant value that's being provided by insurers providing drug benefits. This is driving some of the desire in the industry to come up with innovative solutions to ensure that value," he said.

What are some of the other major trends when it comes to pharmaceutical benefits?

Bergh: The evolving biosimilar landscape in Canada, particularly some of the transition or switching policies in the provincial landscape, has implications for private plans. We continue to monitor this situation, especially now with some governments starting to have a deeper focus on biosimilars coming out of the pandemic as evidenced by Saskatchewan's recent announcement. What's that going to look like over the next couple of years?

In addition to the biosimilar evolution, we are also seeing other trends impacting drug plans:

1. The aging of the workforce will have implications for drug plans. As the population ages, we see an increase in claims, in annual costs, and in chronic disease and co-morbidities, which typically become more prevalent as we age.
2. The impacts of the pandemic are also starting to emerge. Specifically, with increased mental health expenditures, with growth particularly in the under 30 population.
3. Government activity continues to increase, specifically the
    a. commitment to passing the Canada *Pharmacare Act* by the end of next year;
    b. the development of a drugs for rare diseases strategy; and
    c. the patent medicine prices review regulation guideline updates on the horizon.

What is the greatest challenge in maintaining access to innovative medicines?

Farago: Our industry is concerned when we see erosion in the value of private benefits. There's significant value in insurers providing drug benefits.

There's a number of advantages with private plans, we see that private drug insurance is providing plan members with faster and broader access to innovative medicines. This ensures that when plan members get sick, they have access to the right drug prescribed by their doctor which is going to get them back to work quicker and be healthy and productive.

However, we also see the adoption of some very restrictive plan designs. In recent years we saw the introduction of plans that were not going to cover biologics as a way to reduce costs. This is very problematic as biologics may offer the best treatment option for members, in order for them to return to work quicker.

We also have seen private plans that mimic the provincial plans and only list drugs once they're on the public formularies. This approach can erode the benefit for plan

members.

We've seen denial of access, for example, with prior authorization. These strategies, along with lifetime caps or annual maximums, pose challenges when we look at access for patients.

The overall growth rate in the private market has been around four to five per cent for several years, and a lot of it is driven by increased utilization. We also have an aging population which is requiring more medication.

From our perspective, we're looking to be part of the conversation to help shape a private insurance model that mitigates risk, while also providing member access to significant innovation that's coming down the road.

Bergh: The importance of the public/private partnership. This is a system that can work very well and complement each other, which we saw during the COVID-19 pandemic and the quick launch of vaccines.

Are Canadians being served by Canada's system of private/public coverage?

Farago: We believe that the current mix of private and public drug coverage is serving most Canadians extremely well. Recent Conference Board of Canada figures show that over 97 per cent of Canadians have access to drug coverage. We recognize that there are some gaps in certain parts of the country, but, overall, most Canadians are being well served by the public/private system.

The private system, we believe, offers significant value over public plans for working Canadians since it provides faster and better access to new medicines than the public plans. It can take up to two years after a drug has been approved by Health Canada to be listed on a public plan. The access provided by private plans helps to ensure that plan members have the best options to keep them healthy and productive, which also helps to reduce employer costs associated with disability and lost productivity. This is important as we often hear from brokers and advisors that in recent years disability costs are outweighing the increase in drug costs.

Given the important differences between private and public coverage, it is important that the insurance industry and the manufacturers maintain this value. What we don't want to see is private plans start to resemble the public plans in terms of more limited access to new medicines, and longer access delays for patients.

Are there any trends in particular categories that you're monitoring coming out of the pandemic?

Bergh: There are several emerging trends that we are focused on. First is the significant increase of mental health drugs during the pandemic, driven by an increase in claims for Canadians under 30. The rate of growth appears to have slowed now; however, the higher claim levels appear to be a new normal. There have been increases in specific categories, namely treatments for attention deficit hyperactivity disorder (ADHD) which saw even higher levels of growth.

> TREATMENT BACKLOGS IS ANOTHER AREA WE'RE KEEPING OUR EYE ON. THE PANDEMIC HAD A SEVERE IMPACT ON ACCESS TO CARE. AND CATEGORIES SUCH AS CANCER TREATMENTS APPEAR TO BE A SPOT WHERE THE BACKLOGS MAY NOT YET BE REFLECTED IN THE DATA.
>
> *- Bergh*

Treatment backlogs is another area we're keeping our eye on. The pandemic had a severe impact on access to care. And categories such as cancer treatments appear to be a spot where the backlogs may not yet be reflected in the data.

And of course, a big trend is the increase in chronic disease, especially diabetes. This is an area where we continue to see double-digit growth. It is expected that one million Canadians will be diagnosed with Type 1 or Type 2 diabetes over the next decade.

Farago: With respect to diabetes and other chronic conditions, there have been discussions for some time about wellness programs or disease modifying programs.

While their effectiveness is unclear, as utilization keeps growing, it's reasonable to increase efforts to make plan members healthier so that they don't need drugs down the road. This might drive more conversations around looking at overall employee health. All the insurers have programs that are not drug related to try to improve employee health including, for example, mental health, which has now been recognized as a major issue.

What approaches are being considered to maintain access to new medicines while respecting plan sustainability?

Farago: We are hearing more discussion on the development of new and broader risk sharing models. These are potential game changers.

When a small employer plan gets a high-cost claim, it can impact their premiums and increase pooling charges. The current system wasn't designed for the innovative treatments that we're seeing today. Perhaps we need to look at a new national risk sharing pool that can better spread the risk for these employers.

Bergh: From our perspective, investing more to improve health as opposed to treat sickness is a huge focus. That theme of moving further up the food chain in terms of impacting health before there's a sickness is a key focus area.

Are there other drug plan management techniques that sponsors should be taking a closer look at?

Bergh: Core provisions including a comprehensive drug review process, generic substitution, the use of preferred pharmacy networks, and prior authorization programs can all make a big impact on plan sustainability.

Another solution that is under-utilized are managed formularies that offer transparency, use digital support tools and provide a robust exception process for members who require a medication. These have a strong track record for supporting plan sustainability.

Other areas that are underappreciated are

reimbursement arrangements and product listing agreements with the manufacturers in the private payor setting. We could collectively do a better job talking about the value of those programs and how they play a role in supporting access and the long-term sustainability of plans. This is especially true given the future drug pipeline and the need for more innovative arrangements to continue to support plan value.

Farago: There is a lack of awareness around the cost of claims and what drives the cost. It's much more than the cost of the drug itself. We need to take a closer look at how many claims actually go through network pharmacy preferred networks and what the average dispensing fees are.

In addition, we should consider lower cost chronic disease claims that are for 30-day supply versus 100-day supply. If you've been stable on a medication for many months, you're probably going to be on it for many years. Getting it filled for 100 days would significantly reduce the non-ingredient costs of the claim, such as dispensing fees.

One of the things we've noted is where there has been prior authorization, it sometimes taking longer to get the product approved. The longer it takes adds touches and adjudication steps which increase the cost to the system. In the long run, electronic prior authorization could provide better access for patients and potentially save some dollars in the process.

What would cross-industry collaboration look like?

Farago: Two things come to mind in terms of cross-industry collaboration.

One is looking to leverage the large amount of data that can help highlight the value of employer sponsored benefits and do a better job of explaining the return on investment to ensure employers see the value in investing in these benefits.

When we look for better ways to work in terms of the financial arrangements around drugs, implementing processes for innovative reimbursement solutions in the private market would help to safeguard and optimize the financial investments by employers.

In the simplest terms, we should consider outcome-based agreements where payments are made when the drug actually works, or real world evidence models where access is provided to more costly drugs and then evaluated to see if they work. This way, both the manufacturer and the insurance company share some of the risk.

> WE SHOULD CONSIDER OUTCOME-BASED AGREEMENTS WHERE PAYMENTS ARE MADE WHEN THE DRUG ACTUALLY WORKS, OR REAL WORLD EVIDENCE MODELS WHERE ACCESS IS PROVIDED TO MORE COSTLY DRUGS AND THEN EVALUATED TO SEE IF THEY WORK.
>
> *- Farago*

Today, we're seeing long delays to patient access for some innovative drugs because insurers want to do a thorough evaluation to confirm the value and the impact on the plan sponsors. Insurers doing their due diligence makes sense, however, we would like to see a more rapid process so patients are not waiting nine to 12 months for some drugs. For example, the evaluation process could be started earlier. There's nothing stopping a manufacturer and insurer talking about a drug while it is awaiting Health Canada approval. When the drug is approved, we can facilitate faster access and that's where some of these innovative reimbursement solutions can come into play.

Bergh: I would include public plans in this discussion and while there is a lot of cross-industry collaboration, we can collectively do better to ensure that we are all focused on the health of Canadians and the healthcare system, which includes employer-sponsored plans. Common formularies that leverage real-world evidence, bulk purchasing agreements, and creative reimbursement arrangements all come to mind. As an industry if we looked at innovative medicines partnerships, a lot of the objectives would be very similar – how do we improve access to life-changing treatments; can we support patient outcomes, while being focused on the sustainability of the Canadian health system and employer sponsored-plans.

Final thoughts?

Bergh: Plan sustainability and access to care are interlinked. If we can't talk about plan sustainability value and managing costs, then in the end, it will impact access for Canadians. Employer-sponsored group plans play a critical role in prescription drug coverage for many Canadians. To achieve these objectives, we need to have partnerships that work together to find creative solutions.

Farago: We're at an interesting and hopeful point in time for patients. There has been an unprecedented degree of pharmaceutical innovation in recent years. The opportunity for cross-functional collaboration has never been as great as it is now. As stakeholders, we need to work together to evolve the private market so that it continues to have the value of providing faster, broader access for plan members to tomorrow's innovations.

Sun Life

INNOVATIVE MEDICINES CANADA