



COST DRIVERS REPORT 2024

Analysis of Private Drug Plan Trends in Canada



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KEY FINDINGS

In 2023, the **cost per claimant increased by 2.7%**. This represents the growth experienced by a plan sponsor per individual claimant for drug benefits.

The primary driver of overall cost growth in 2023 was an **8.5% increase in the number of claimants**. The private market has rebounded from the pandemic-related decrease in claimants and has now surpassed the total number of claimants in 2019.

The number of **claims per claimant has decreased** for the third consecutive year with a drop of **2.3%** in 2023.

Chronic disease drugs continued to be an important driver of claims costs.

They account for 72.3% of private drug plan claims costs and 80.1% of the growth seen in 2023. The chronic disease category includes 3 of the top 4 growing therapeutic areas, as well as 69.3% of drugs claimed in the <\$10,000 category.

The top 4 therapeutic classes contributing to cost growth in 2023 were antidiabetics, biologics for autoimmune diseases, anti-depressants, anti-psychotics, and ADHD drugs, and bronchopulmonary drugs.

High-cost drugs (\geq \$100,000 annual cost per patient) accounted for a limited (2.9%) of total costs.

Increasing the number of days' supply for lower cost oral solid medicines for chronic diseases could **save up to 32% in the daily cost of treatment** without affecting the quality or access of treatment.

EXECUTIVE SUMMARY

Since 2018, Innovative Medicines Canada (IMC) has published the annual national private market cost drivers report in collaboration with IQVIA, a global leader in healthcare market insights, to comprehensively analyze the factors contributing to private drug plan claims cost growth. It is intended to offer valuable insights into overall growth trends reflective of prevailing market conditions. It is important to note that this analysis does not fully account for potential savings resulting from negotiated product listing agreements (PLAs) with manufacturers and therefore may overstate growth and cost estimates. Given significant changes to insurer coverage in 2023, this year's research is based on claims data representing 65% of the total Canadian private market claims. Any references herein to changes from previous years are based on this updated claims database. Readers are encouraged to compare their own experience to the broader market trends being reported.

For the second year in a row, we saw considerable growth in the number of claimants with an 8.5% increase, making it the main driver of overall cost. This increase in claimants was balanced by a low single digit increase in the cost per claimant of 2.7%.

This year's data presented some interesting shifts in the cost drivers as the market stabilizes from the impact of the COVID-19 pandemic and responds to unprecedented working-age population growth due to immigration¹. For the second year in a row, there was considerable growth in the number of claimants with an 8.5% increase, making this increase the main driver of overall cost. This increase in claimants was balanced by a low single digit increase in the cost per claimant of 2.7%. This is below the 2023 inflation rate of 3.9%². It is important to note that the costs calculated only represent plan members who have made a claim. Applied across all plan members, the growth would be lower.

Consistent with previous years, chronic disease drugs continued to represent a substantial portion (nearly three quarters) of private drug plan claims costs and contributed to 80% of the overall cost growth.

Despite the notable increase in number of claims and claimants for medications $\geq \$100,000$, they only accounted for 2.9% of the total share of private market drug costs. Notwithstanding this small share, a high-cost drug claim can significantly impact plan affordability for many plan sponsors. Unless there are major changes to the risk pooling approach, this will continue to be an area of opportunity to improve private drug plan sustainability, particularly for smaller plan sponsors (see volatility analysis [Cost Drivers 2023 Report](#)).

Drugs with annual treatment costs $< \$10,000$ accounted for 69.7% of private drug plan claims costs. The top-growing therapeutic classes driving cost growth include diabetes drugs, biologic disease modifiers, bronchopulmonary therapy and antidepressants, antipsychotics, and ADHD drugs.

In terms of age categories, those < 25 and ≥ 65 , saw the greatest percentage increase in the number of claimants, while the highest contributors to cost growth and the greatest growth in absolute numbers of claimants were those ≥ 25 to < 65 . The latter age category makes up the bulk of the working population with drug benefits.

Private drug plans continue to be a valuable investment by Canadian employers and employees by providing generally faster and broader access to treatments that support health and productivity when compared to publicly funded drug benefits³. The sustainability of the market is supported by the relatively consistent low cost per claimant growth. However, sustainability is challenged when employers experience a high-cost claim and are left with the decision to either accept a substantial increase in premiums or to reduce their quality of coverage because the current pooling system is inadequate at effectively spreading risk. Outside of Quebec, the modernization of risk pooling in Canada is critical to temper volatility for smaller plan sponsors and complement the relatively low overall cost per claim growth environment so that Canadian employers and employees can continue to access the medicines they need. In the short term, there are cost savings opportunities that do not limit the quality or access to treatments. For example and where appropriate, increasing the number of days' supply of a prescription could save as much as 32% on the daily cost of treatment.

¹ Statistics Canada. Table 17-10-0005-01 [Population estimates on July 1, by age and gender](#)

² Statistics Canada. Table 18-10-0005-01 [Consumer Price Index, annual average, not seasonally adjusted](#).

³ Gagnon-Arpin, Isabelle, Wanlin Chen, and Chad Leaver. [Understanding the Gap 2.0: A Pan-Canadian Analysis of Prescription Drug Insurance Coverage](#). Ottawa: The Conference Board of Canada, 2022.

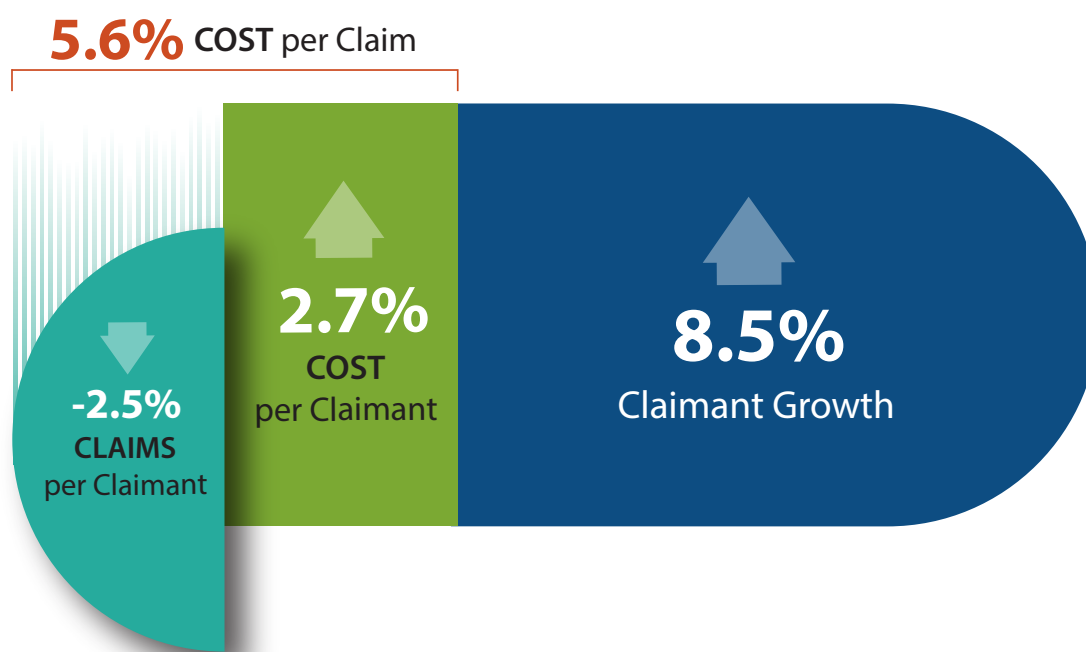
OVERALL PRIVATE DRUG PLAN CLAIMS COST GROWTH

Private drug plan cost growth in 2023 can be attributed to two main cost drivers:

1. **Claimant growth** (the growth in the number of claimants)
2. **Cost per claimant** (the cost of a claim and the number of claims per claimant)

FIGURE 1

Private Market Cost Drivers, 2023



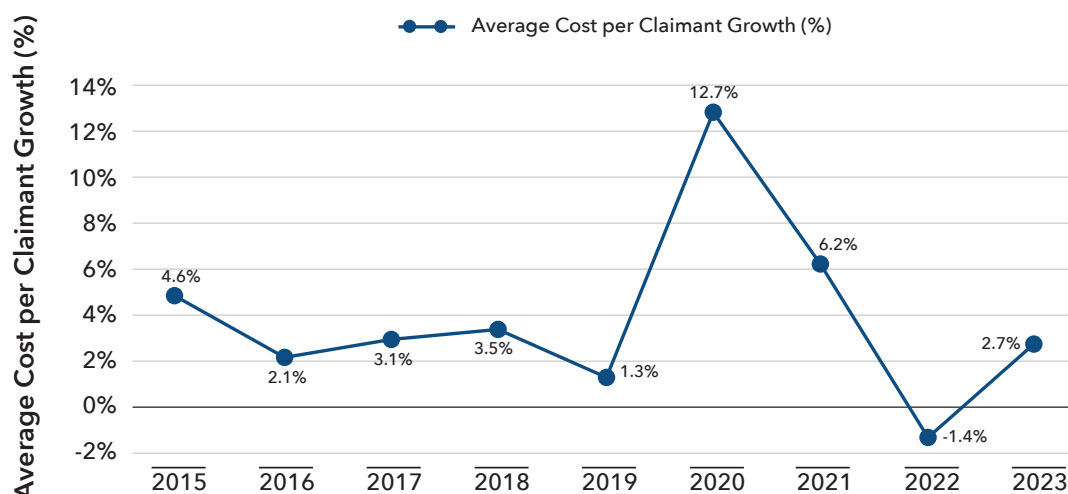
Note: Claims per claimant and cost per claim do not add up to exact cost per claimant due to rounding and cross-effects.
Data source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

As the working population grows and new medicines become available for previously unmet medical needs, there are more claimants relying on private coverage for their prescription drug treatments. At the same time, the adoption and switching to more modern therapies for existing conditions, and factors such as dispensing fees, mark-ups, and the frequency of dispensing can put upward pressure on the cost of a claim.

The notable increases in the cost per claimant experienced in 2020 and 2021 due to the effects of the pandemic have stabilized as the past two years have demonstrated a return to growth rates more in line with pre-pandemic rates. The growth in cost per claimant in 2023 was 2.7%, lower than the 2023 inflation level of 3.9%⁴ (see Figure 2).

FIGURE 2

Private Drug Plan Cost per Claimant Growth, 2015-2023

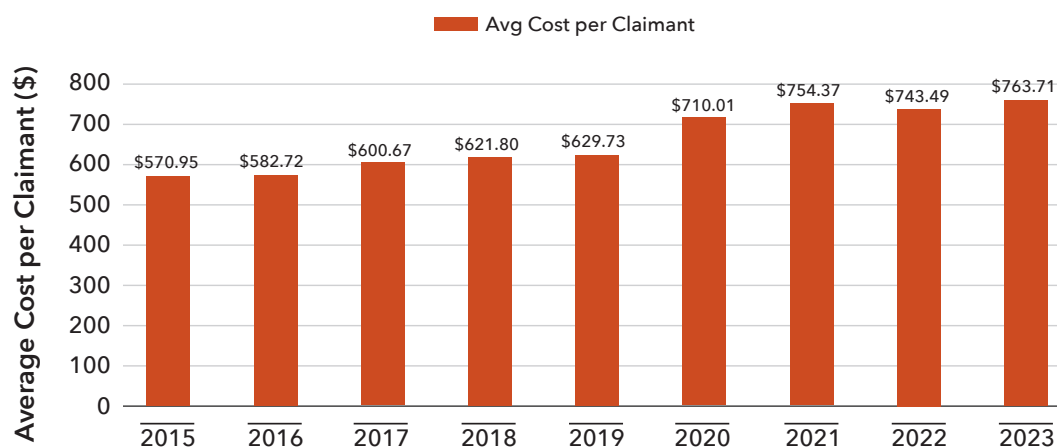


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Represented as average cost, the 2.7% increase equates to a difference of +\$20.22 per claimant. (See Figure 3).

FIGURE 3

Private Drug Plan Average Cost per Claimant, 2015-2023



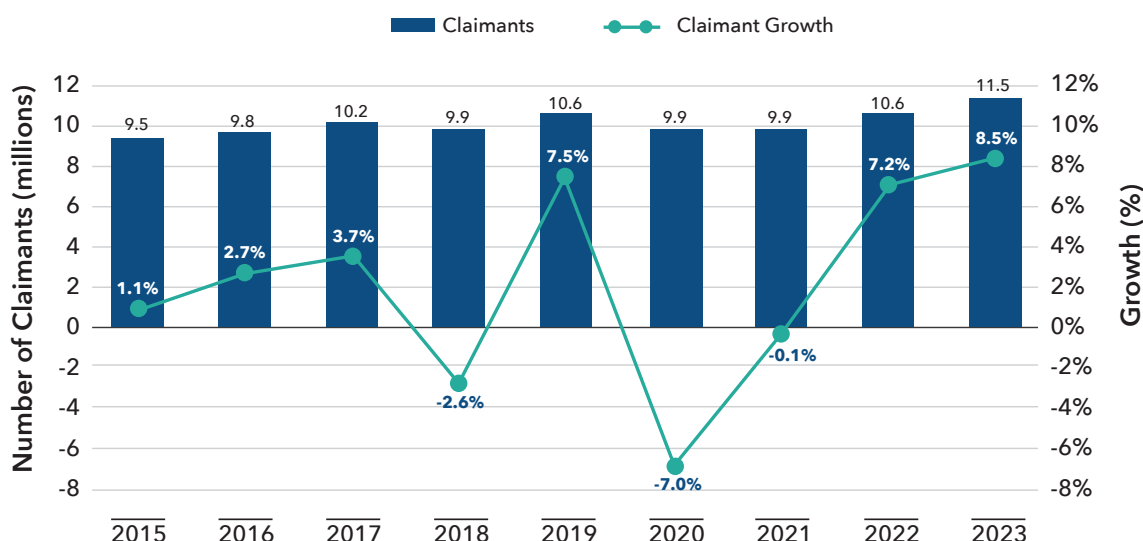
Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

⁴ Statistics Canada. Table 18-10-0005-01 [Consumer Price Index, annual average, not seasonally adjusted](#).

The main cost driver in private drug plans 2023 was an increase in the number of claimants. In 2022, the number of claimants in private drug plans saw a near exact return to pre-pandemic levels. In 2023, the number of claimants increased further by an additional 8.5% with nearly a million additional claimants, surpassing pre-pandemic numbers (See Figure 4).

FIGURE 4

Private Drug Plan Claimants, 2015-2023

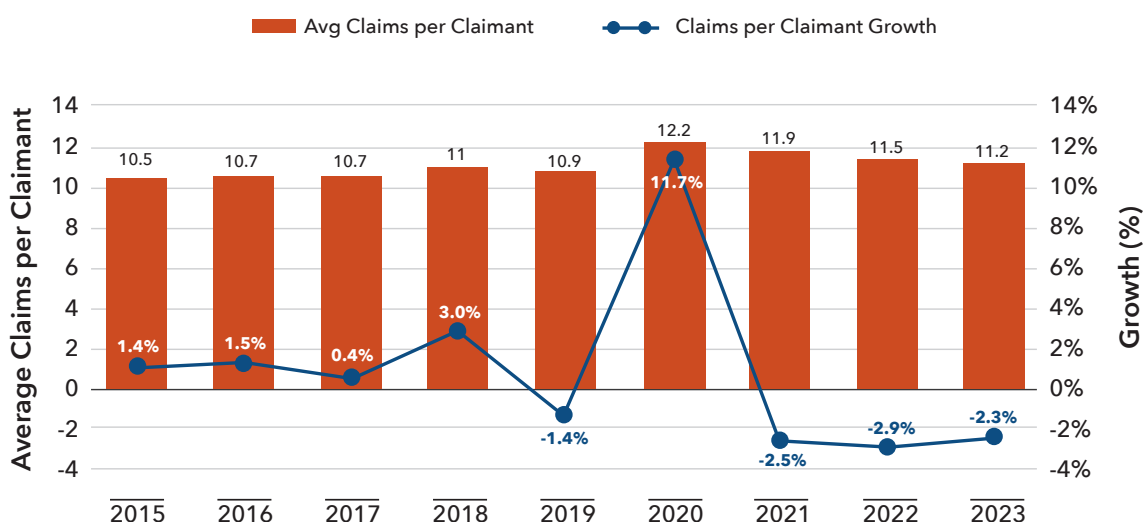


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

However, since the peak of the pandemic, the number of claims per claimant has been steadily decreasing towards pre-pandemic levels in this data set. The data does not provide a clear explanation for this consistent decrease since 2020. (See Figure 5).

FIGURE 5

Private Drug Plan Claims per Claimant, 2015-2023

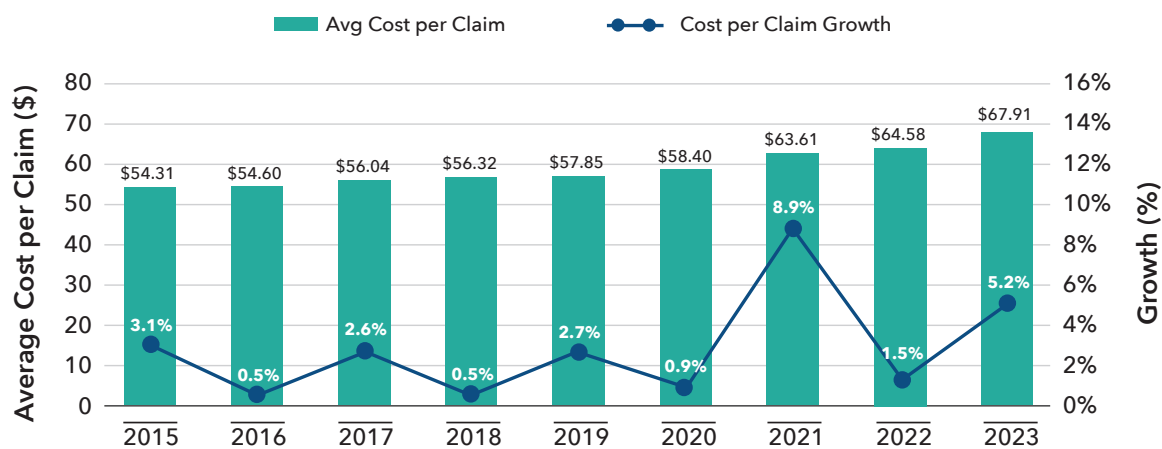


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

The average cost per claim in 2023 increased by 5.2%, or an average of +\$3.33 per claim. (See Figure 6).

FIGURE 6

Private Drug Plan Cost per Claim, 2015-2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

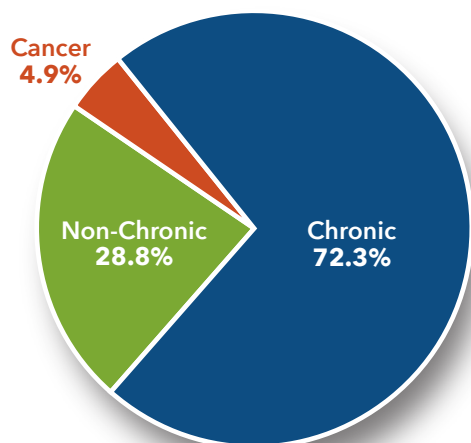
IMPACT OF CHRONIC DISEASE

Chronic disease drugs accounted for the majority share (72.3%) of private drug plan claims costs in 2023. These drugs were also the largest contributor to annual cost growth, accounting for 80.1% of total growth (See Figure 7 and Figure 8).

Many chronic diseases are managed with low-cost generic medications, but there are certain chronic autoimmune diseases (e.g. colitis, psoriasis, rheumatoid arthritis, type I diabetes) which require specialized treatments with innovative biologic drugs. Within the chronic drugs category, low-cost drugs (<\$10k annual treatment cost) accounted for 77.4% of the total cost growth, compared to 13.8% for drugs with annual treatment costs between \$10k to \$25k, and 7.9% for high-cost specialty drugs (≥\$100k annual treatment cost).

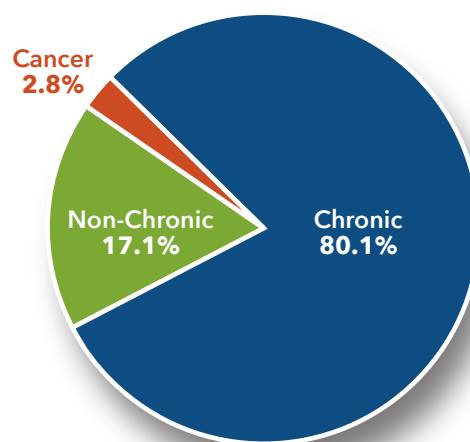
FIGURE 7 & 8

Share of Private Drug Plan Costs, by Chronic, Non-Chronic, and Cancer Therapy, 2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Contribution to Cost Growth by Chronic, Non-Chronic, and Cancer Therapy, 2022-2023

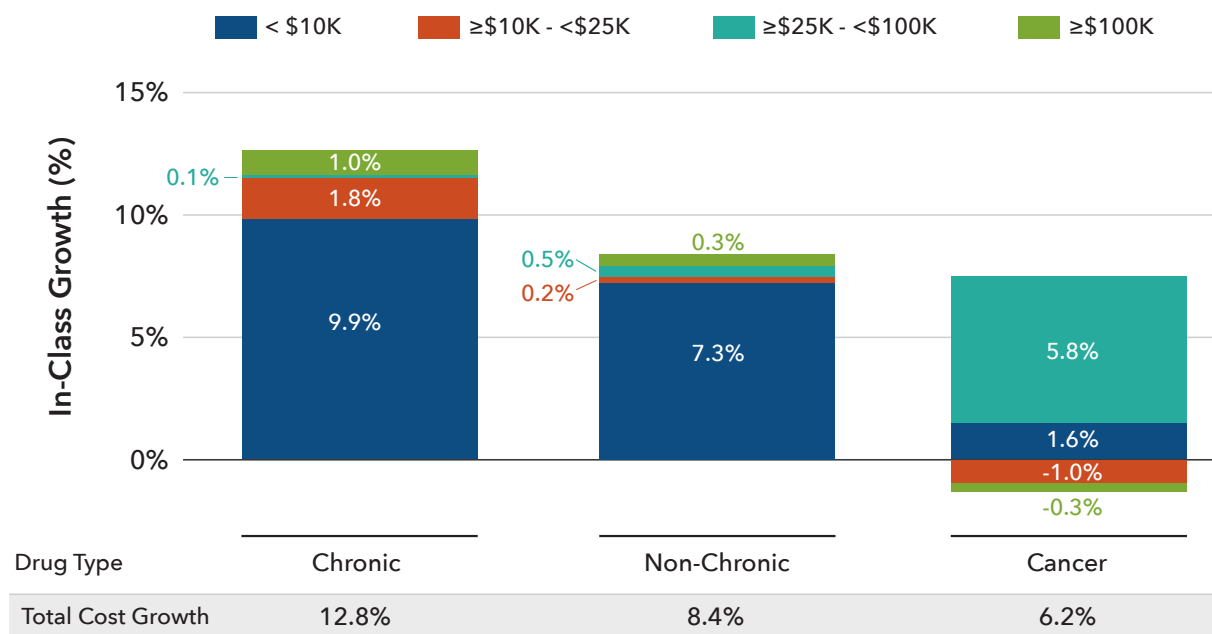


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Drugs <\$10k accounted for most of the cost growth in the chronic and non-chronic categories, whereas drugs ≥\$25-<\$100k contributed most to the cost growth in the cancer therapy category. Drugs ≥\$100k contributed minimally to cost growth across the three categories and had a negative effect on cost growth in the cancer therapy category (See Figure 9).

FIGURE 9

Contribution to Cost Growth by Cost Categories within Chronic, Non-Chronic and Cancer Therapy, 2022-2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Note: Totals may not add up due to rounding effect.

IMPACT OF TREATMENT COSTS

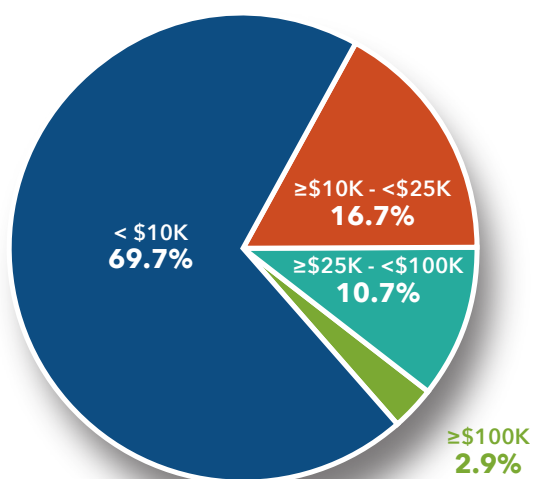
Drugs with annual treatment costs <\$10k accounted for 69.7% of total costs in 2023, while those in the \$10k to \$25k annual treatment cost category accounted for 16.7% (See Figure 10). This is consistent with 2022, where combining the two categories <\$25k accounted for 86.2% of costs, compared to 86.4% in 2023.

The two most expensive categories had the lowest share of private drug plan claims costs. Drugs with annual treatment costs between \$25k to \$100k accounted for 10.7% of costs, and those exceeding \$100k represented 2.9% of costs.

Drugs with annual treatment costs <\$10k accounted for 77.7% of the total growth in private drug plan claims costs in 2023. (See Figure 11).

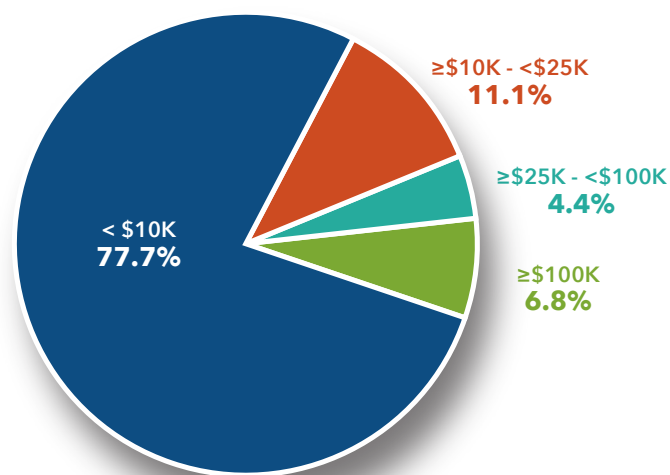
FIGURE 10 & 11

Share of Private Drug Plan Costs by Treatment Cost Category, 2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Contribution to Cost Growth by Treatment Cost Category, 2022-2023

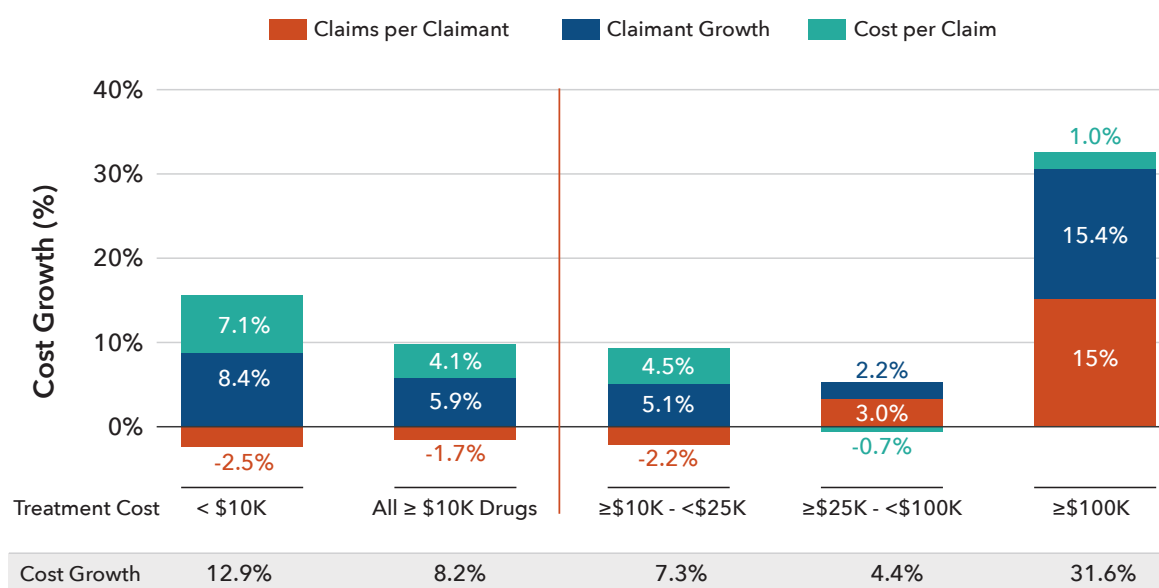


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Growth in drugs with an annual treatment cost $\geq \$100k$ was driven almost entirely by the increase in new claimants initiating therapy (15.4%) and the increase in number of claims (15%). Only 1% of the 31.6% growth was attributed to the increase in cost per claim (See Figure 12). Despite this considerable increase in growth compared to the previous year, this category remains a relatively small portion of the total private market cost. This is demonstrated by the impact of the 31.6% growth resulting in only a 0.4% increase in terms of total cost share compared to the previous year.

FIGURE 12

Cost Growth Drivers by Treatment Cost Category, 2022-2023



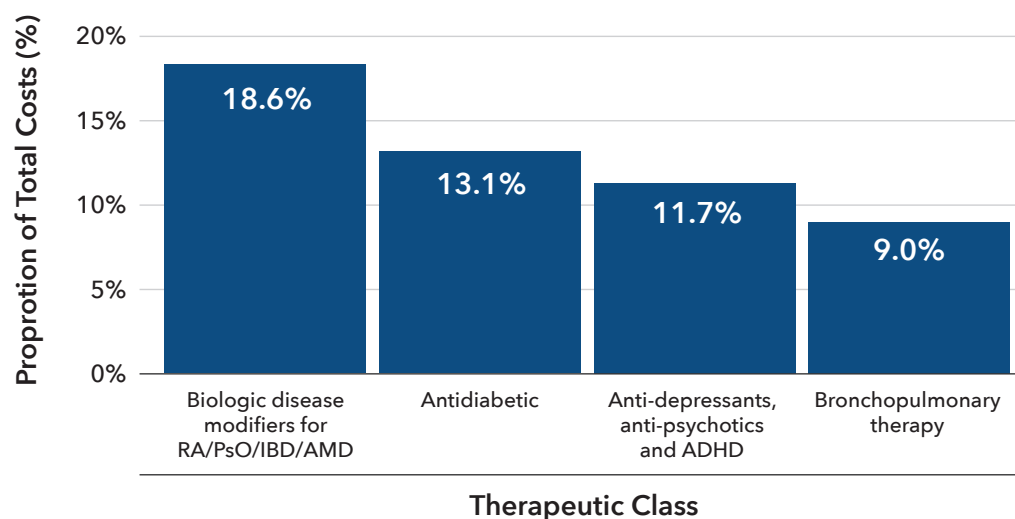
Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.
Note: Totals may not add up due to rounding effect.

GROWTH BY THERAPEUTIC CLASS

Biologics for autoimmune diseases (e.g., rheumatoid arthritis, psoriasis, irritable bowel syndrome, age-related macular degeneration) were the largest therapeutic class in terms of cost in 2023, making up 18.6% of total private drug plan claims costs. Antidiabetics made up 13.1% of costs, followed by anti-depressants, anti-psychotics, and ADHD drugs at 11.7% and bronchopulmonary products at 9% (See Figure 13).

FIGURE 13

Top 4 Therapeutic Classes in Private Drug Costs, 2023

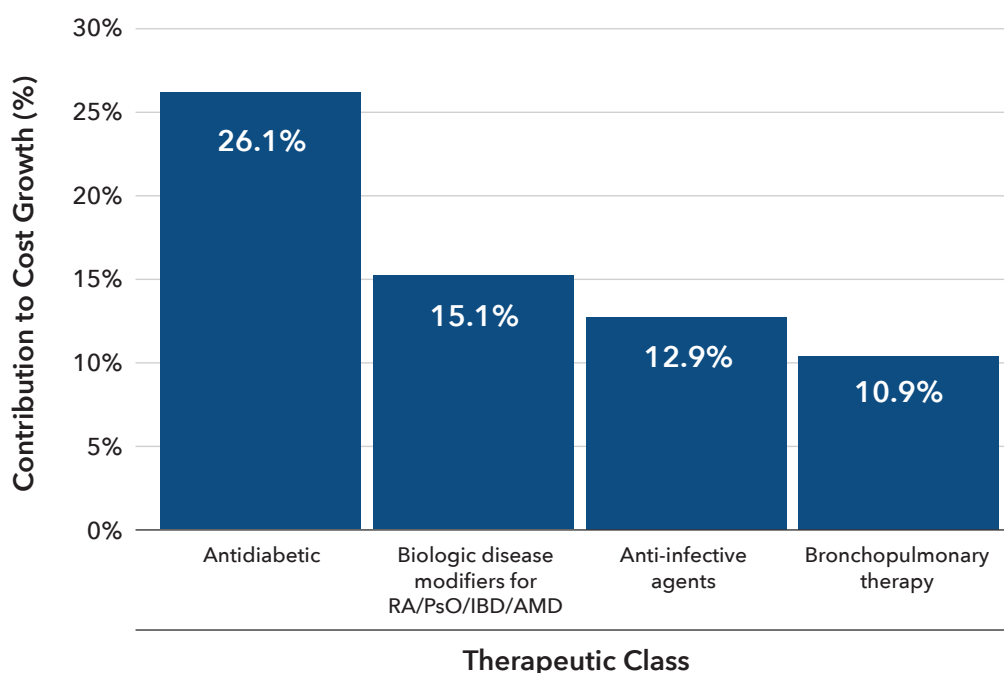


Data source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Antidiabetics accounted for 26.1% of the cost growth in private drug plans in 2023 retaining the top spot from the previous year where it accounted for 35.9% of the cost growth. They were followed by biologics for autoimmune diseases at 15.1% compared to 0.0% in 2022, then anti-depressants, anti-psychotics, and ADHD drugs at 12.9%, representing a decrease of 20.2% from 2022. At 10.9%, bronchopulmonary therapy has decreased from being the second largest class in 2022 when it made up 23.5% of total costs (See Figure 14).

FIGURE 14

Top 4 Therapeutic Classes by Contribution to Cost Growth, 2022-2023



Data source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

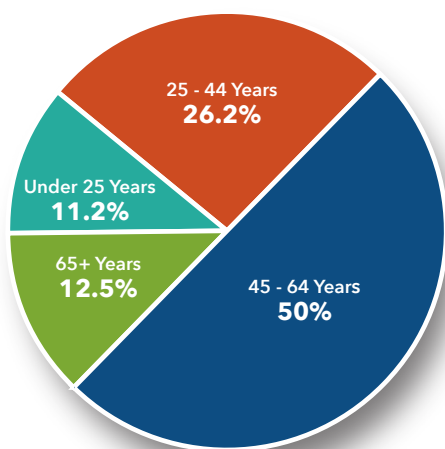
These top 4 classes combined contributed 52.3% of total private plan drug costs and 65.1% of the total cost growth in 2023.

IMPACT OF AGE

The 25-44 and 45-64 age groups remained the greatest contributors to private drug plan claims cost growth, accounting for 77.9% of total cost growth combined (See Figure 16). This is consistent with previous years where Canadians aged 25-64 made up 65.3% of claimants and 72.7% of claims in private drug plans in 2022.

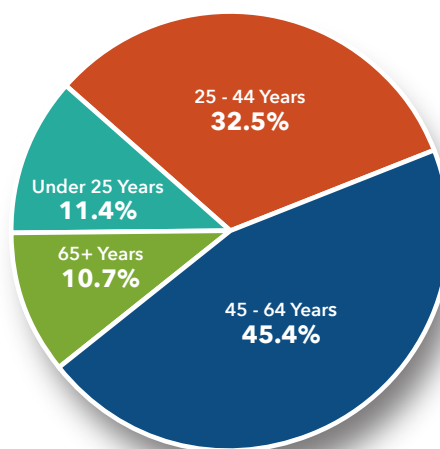
FIGURE 15 & 16

Share of Private Drug Plan Costs by Age Group, 2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Contribution to Cost Growth by Age Group, 2022-2023

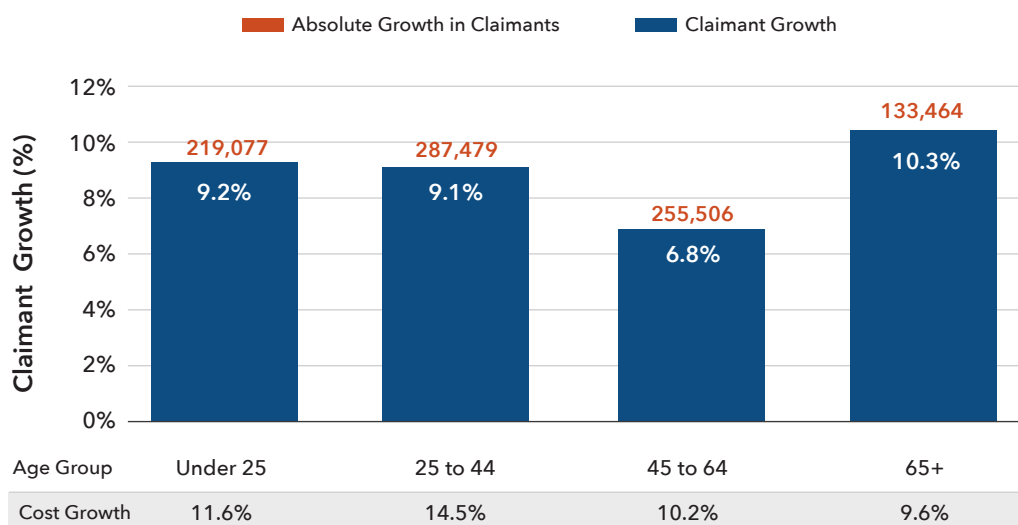


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

As the number of claimants in private drug plans rebounded and surpassed pre-pandemic levels, there has been growth in the number of claimants observed across all age groups. Those in category ≥ 25 - <45 experienced the largest absolute growth in numbers with an increase of 287k claimants. While the ≥ 65 group experienced the greatest relative increase in number of claimants at 10.3%, this group saw the lowest cost growth and growth in absolute numbers. In all age categories, the number of claims per claimant decreased. (See Figure 17).

FIGURE 17

Claimant Growth by Age Group, 2022-2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

IMPACT OF DAYS' SUPPLY

Three components are included in the cost per-claim analysis: drug ingredient, markup and dispensing fee. As efforts are being made to achieve savings to support the sustainability of the private market in the short term, extending the number of days' supply where appropriate could generate significant savings without reducing quality or access to medications.

Excluding Quebec, prescription drug costs and days' supply, were examined for 3 common categories of oral solid drugs⁵ which traditionally include lower cost generic medicines.

Anti-depressants,
anti-psychotics, and
ADHD

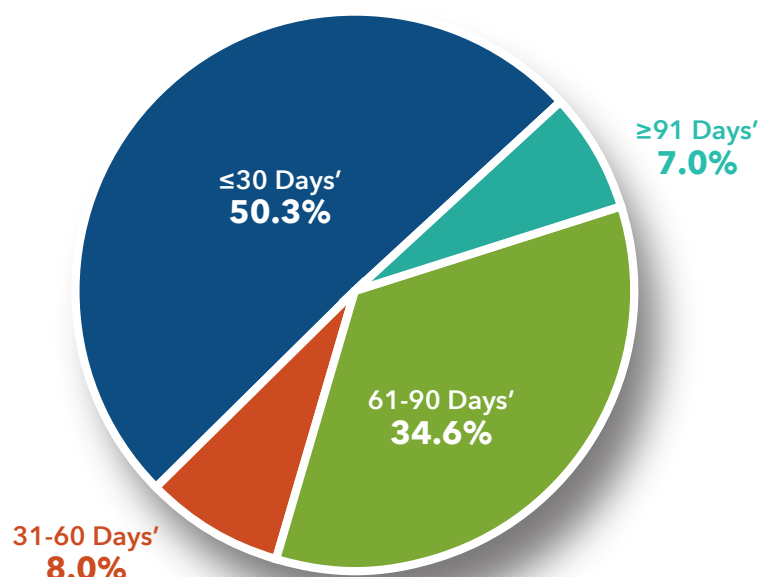
Antidiabetic

Cardiovascular

Prescriptions with 30 days' supply or less continue to make up half of all private drug plan claims in 2023. Although policies and plans are increasingly being designed to encourage longer days' supply, there appears to be unrealized opportunity to further apply this approach to drive additional savings given that the share of drugs with 30 days' supply or less have made up approximately 50% of all claims in recent years. (See Figure 18).

FIGURE 18

Share of Claims by Days' Supply Category, 2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

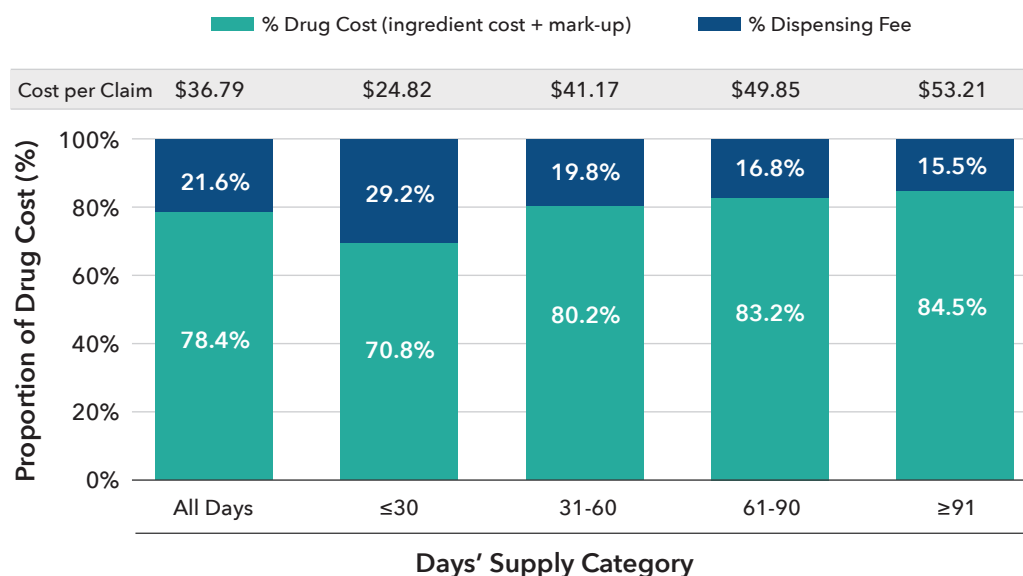
Note: Totals may not add up due to rounding effect.

⁵ Dispensing fee data in Quebec were not available and therefore claims in Quebec were excluded from this part of the analysis.

Dispensing fees made up 29.2% of the cost of a claim for prescriptions with ≤30 days' supply. Moving to ≥91 days' supply lowered the proportion of fees to 15.5% (See Figure 19).

FIGURE 19

Proportion of drug and dispensing fee costs for Antidiabetics, Cardiovascular, and Anti-depressants, anti-psychotics, and ADHD drugs by Days' Supply Category, 2023

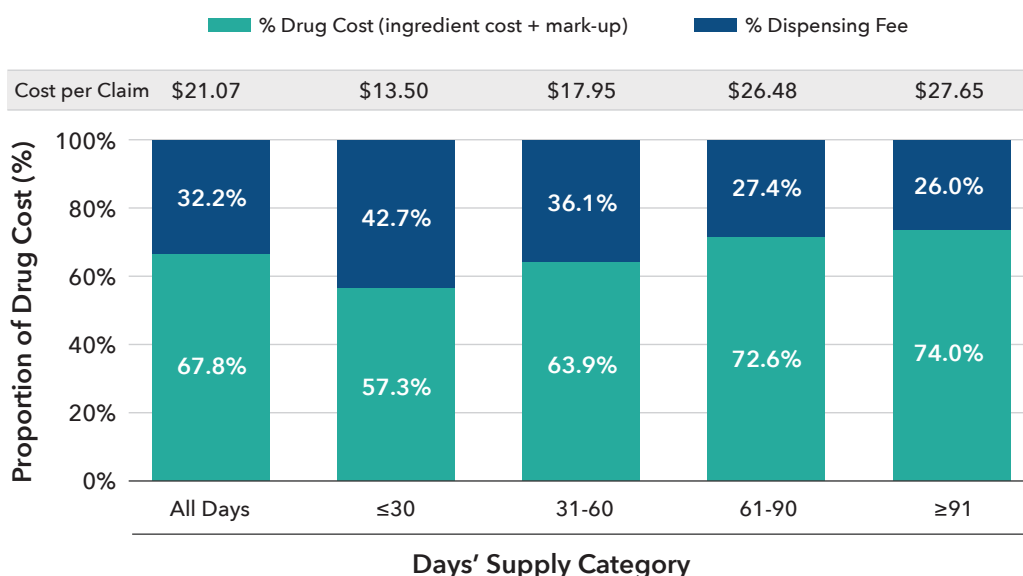


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

The difference in dispensing fees is most pronounced for cardiovascular oral solids, where dispensing fees represented 32.2% of the cost of a prescription on average across all days' supply categories. This ranged from a high of 42.7% for prescriptions with ≤30 days' supply, down to 26% for prescriptions with ≥91 days' supply (See Figure 20). Where appropriate, increasing the number of days' supply for prescriptions for low-cost chronic diseases could result in significantly lower prescriptions costs and generate overall drug claims cost savings by reducing daily treatment costs by up to 32%.

FIGURE 20

Proportion of drug and dispensing fee costs for Cardiovascular drugs by Days' Supply Category, 2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

SUMMARY

- In 2023, the **cost per claimant increased by 2.7%**. This is below the 2023 inflation rate of 3.9%⁶. **The sustainability of the market is reinforced by this consistent low growth** in cost per claimant.
- **The primary driver of overall private drug claims cost growth in 2023 was an 8.5% increase in the number of claimants**, the total of which has surpassed pre-pandemic levels. As Canada experiences record breaking increases in population growth, **private drug benefits will continue to be a valuable tool** to attract and support the health of current and new employees and their families.
- **Chronic disease drugs accounted for 72.3% of private drug plan claims costs and contributed 80.1% to cost growth**. The chronic disease category includes 3 of the top 4 highest growing therapeutic areas, as well as 69.3% of drugs in the <\$10k category. Chronic disease drugs <\$10k accounted for 48.3% of private drug plan claims costs and 62% of the annual cost growth.
- As growth in the category of lower-cost, chronic disease medicines continues to increase, **encouraging policies and plan designs to increase the number of days' supply for lower cost oral solid medicines could save up to 32% in the cost of daily treatment** without affecting quality or access.
- The top 4 therapeutic classes contributing to cost growth in 2023 were antidiabetics (26.1%), biologics for autoimmune diseases (15.1%), anti-depressants, anti-psychotics, and ADHD drugs (12.9%), and bronchopulmonary drugs (10.9%).
- Despite high-cost drugs (≥\$100k annual cost per patient) accounting for a relatively small share (2.9%) of total costs, they continue to be an area of sustainability concern for smaller plan sponsors (see volatility analysis Cost Drivers 2023 Report). Outside of Quebec, **modernization of risk pooling is essential to manage the impact of high-cost claims and maintain access to necessary medications for Canadian employers and employees**.

⁶ Statistics Canada. Table 18-10-0005-01 [Consumer Price Index, annual average, not seasonally adjusted](#).

DATA SOURCES AND METHODOLOGY

1. The analysis in this report is based on the IQVIA Private Drug Plan Claims database, the largest pan-Canadian private drug plan claims database. It covers approximately 65% of pay-direct private drug claims nationally. The database includes 9 of the top 10 private insurance carriers, third-party administrators, and benefit plan managers, providing insights from over 13 million active claimants with over 153 million drug claims. Figures in this report have not been adjusted to represent 100% of the market.
2. Due to changes in data collection and reporting, the results disclosed in this report should not be compared with reports from previous years. Private drug plans which underwent changes in data reporting in 2023 were excluded for all years covered by this report (2013-2023). This change led to a reduction of approximately 20% in total costs per year. This year, all non-drug products, including non-drug diabetic products, were excluded from all analyses. Examples of non-drug products include needles, bandages, cannabis, administrative PINs, and isopropyl alcohol.
3. Drug claims represent only one component of the overall cost of a private drug benefit plan. The actual cost borne by plan sponsors is influenced by various factors, including the insurer's risk management process, premium setting processes, and pooling methodology.
4. Claims costs are based on eligible amount, including both the plan-paid and the patient-paid portions, and include drug ingredient costs as well as pharmacy and wholesaler markups. Dispensing fees are not included, except in Quebec. Claims in Quebec were excluded from the cost drivers by days' supply analysis.
5. A "claim" in this analysis is defined as one fill for one drug identification number (DIN) at a given time. The cost of each claim may vary depending on the number of days supplied for each claim.
6. This analysis includes only drug pay-direct claims processed through group or individual private drug plans and does not include cash-paying customers with private coverage.

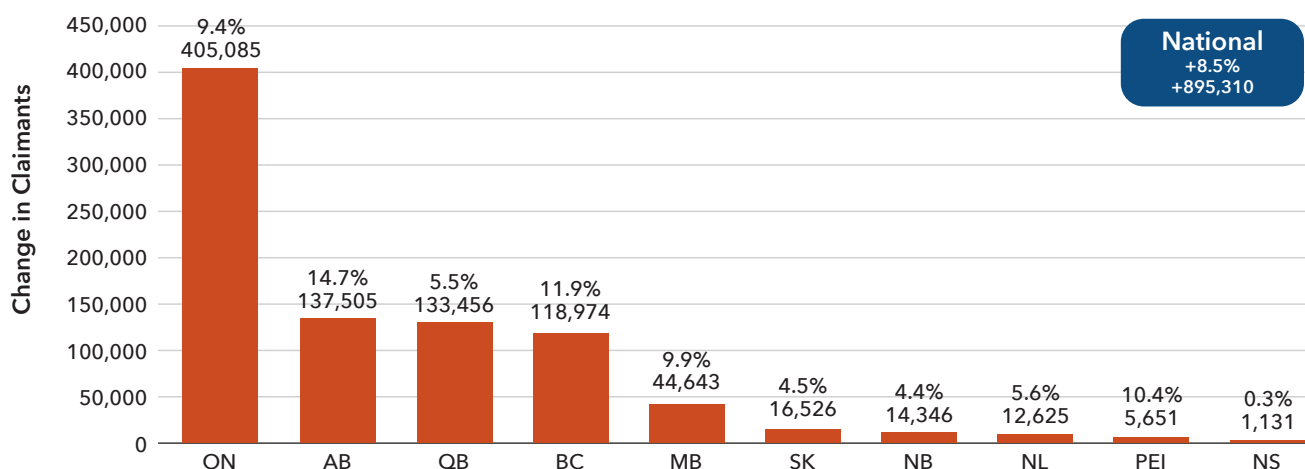
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APPENDIX 1 GROWTH BY REGION

Growth in the number of claimants was the main driver of private drug plan claims cost growth in almost every province. The highest absolute growth was experienced in Ontario, followed by Alberta, British Columbia and Quebec. Of note, Alberta is the fourth largest province by population but saw the second highest absolute growth.

FIGURE 21

Change in Claimants by Province, 2022-2023

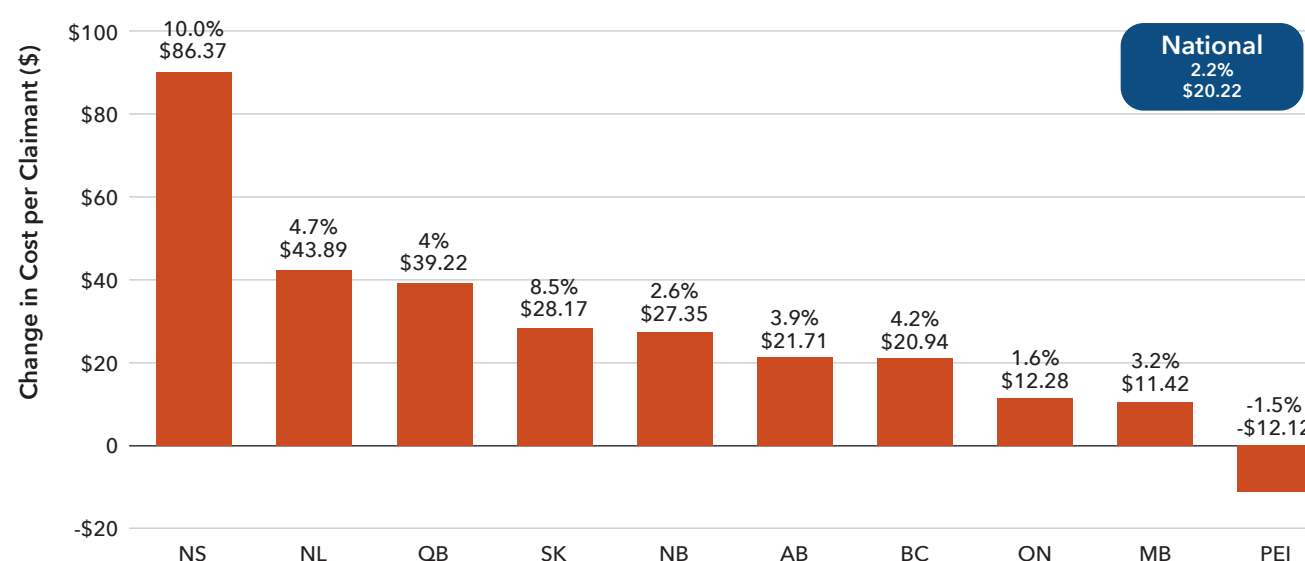


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Nova Scotia and Saskatchewan experienced considerably higher percentage increases in cost per claimant compared to the rest of Canada of 10% and 8.5% respectively.

FIGURE 22

Change in Cost per Claimant by Province, 2022-2023

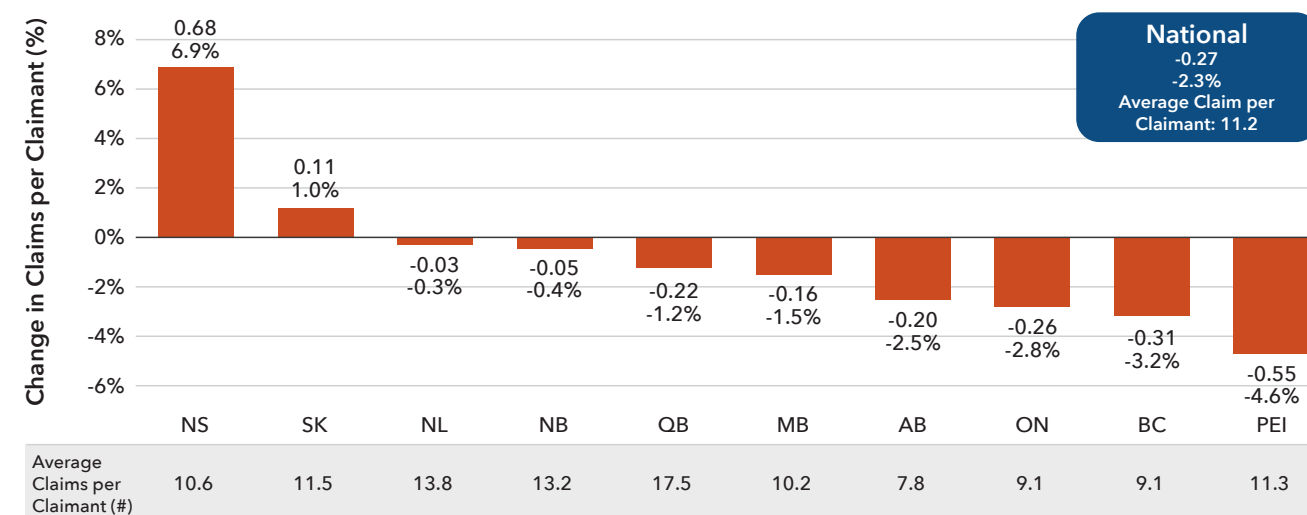


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Except for Nova Scotia and Saskatchewan, all provinces experienced a decrease in number of claims per claimant. Both of these provinces' average number of claims per claimant remains below the national average. Quebec's number of claims per claimant is significantly higher than the rest of Canada because of its unique public/private drug insurance model that has traditionally dispenses a shorter number of days' supply.

FIGURE 23

Change in Claims per Claimant by Province, 2022-2023

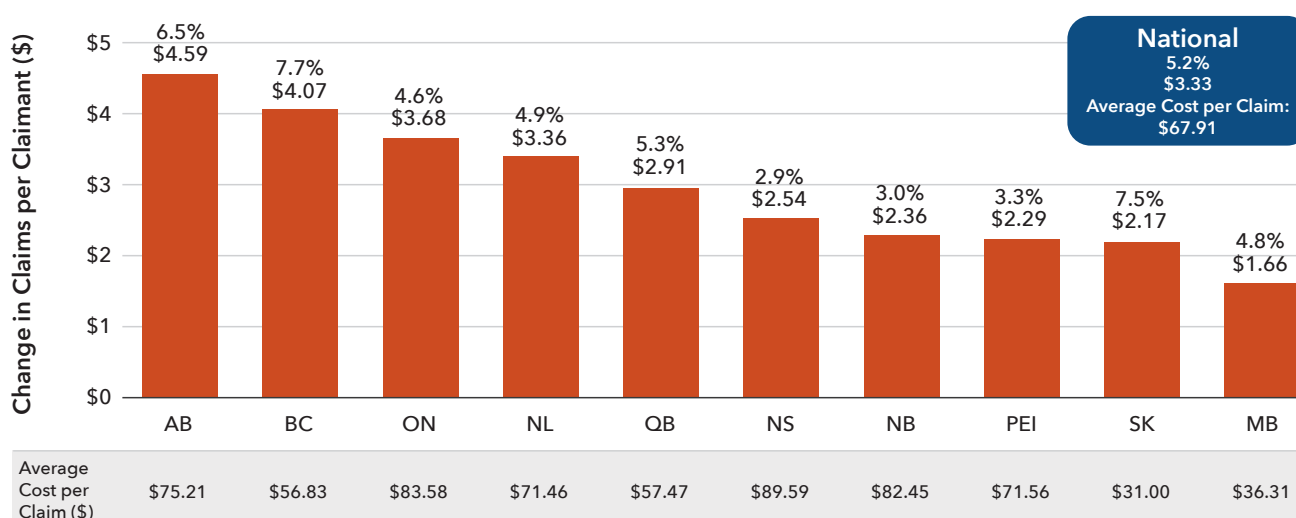


Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

Cost per claim increases across the country ranged from \$1.66 in Manitoba to \$4.59 in Alberta. British Columbia and Saskatchewan have the greatest percentage increases while their average cost per claim remains below the national average.

FIGURE 24

Change in Cost per Claim by Province, 2022-2023



Data Source: IQVIA Private Drug Plan (PDP) Claims database, 2024.

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