

Private Drug Plans: Threats and Opportunities

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Presenter Disclosure

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Commercial Support Disclosure

This learning activity has received financial support from Pharmascience Inc.



Objectives

- Raise awareness of private payor trends affecting the profession & business of pharmacy
- Identify private payor initiatives that may impact your bottom line – positive & negative
- Realize the WIIFM (what's in it for me?) for pharmacists to court business from payors
- Address patient/payor skepticism; pharmacists may not be able to deliver on the promise
- Initiate discussions with patients paying pharmacists for services & being reimbursed

Agenda

- Twenty years after managed care
- Private Payors – who's who?
- Preferred Provider Networks (PPNs)
- Trends:
 - Insurers
 - Pharmacy
 - Payor prescribing
- Expanded pharmacy services – getting paid
- Strategic recommendations

The 1990s - Managed Care

- US-style healthcare
- Cost containment
- Focus on managing cost, not care
- Features:
 - Reduced ingredient cost and/or rebates
 - Reduced dispensing fees
 - Mail order pharmacy (\$1.99 dispensing fee)
 - Preferred provider agreements

“Doing the same things over and over and expecting change”

Who?

“Can’t tell the players without a program”

- Plan sponsors
- Insurers, aka carriers
- Adjudicators & Third-Party Administrators (TPAs)
- Benefits consultants, advisors, and brokers
- Plan members, aka patients

**Private Payors account for roughly
55% of total drug purchases**


<http://clhia.uberflip.com/i/140816>

Plan Sponsors

- **Payors** of the benefits; paternalistic role
- Includes employers, unions and associations
- Offer health benefits, including a drug plan
- Often hire third parties to advise, administer and/or underwrite their plans
- Insurance vs. Administrative Services Only (ASO) – self-insured

Dollar for dollar fund the cost of every prescription and administrative costs

Insurance Companies

- Also known as insurer or carrier
 - Sun Life, Manulife, GWL, Desjardins...
 - Indemnify claims or offer administrative services
 - Have ownership in or retain adjudicators to pay claims (pay-direct plans)
 - True insurance, plan sponsor pays premiums to protect from risk of high cost claims
 - Have a sales force to recruit and retain clients
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Adjudicators & TPAs

- TPAs, also known as Third-Party Administrators
- TELUS Health, ESC, ClaimSecure, Benecaid...
- Pay claims manually or electronically
- Provider agreements are with adjudicators
- Ensure contracts for products/services followed
- Typically no sales contact with plan sponsors
- Hybrid model: Blue Cross and Green Shield
 - Insurer and adjudicator – have a sales force

Benefits Consultants & Advisors

- Advise their clients (plan sponsors) on the most suitable and cost-effective health benefits
- Benefits consultants
 - Typically consultants for larger companies
 - Hourly billings for analysis, advice & recommendations
 - Push for innovations to gain competitive advantage
- Insurance brokers/advisors
 - Typically for small and mid-size plans sponsors
 - Sell existing products; make commissions on sales

Adjudicators - Level 1

Adjudicator

TELUS Health Solutions

Express Scripts Canada

Insurer

Great West Life

Sun Life Financial

Equitable Life

National Life Group

Manulife /Standard Life

Desjardins

Industrial Alliance

Empire Life

Level 1

(> 67% of covered lives)

Adjudicators - Level 2

Adjudicator hybrid

Insurer

Level 2
(~25% of
covered lives)

Medavie Blue Cross

Hybrid

Alberta Blue Cross

Hybrid

Pacific Blue Cross

Hybrid

Green Shield Canada

Hybrid

SSQ



Adjudicators - Level 3

Adjudicator

Insurer

Level 3
($< 8\%$ of
covered lives)

ClaimSecure

Assumption Life

NexgenRx


The Co-operators

Other

Other

Pharmacy Benefits Managers

In the USA, Pharmacy Benefits Managers (PBMs) provide plan sponsors with drug plan management services, including:

- Contracting with a network of pharmacies
 - Establishing payment levels for pharmacies
 - Designing and managing formularies, preferred drug lists, and prior authorization
 - Performing drug utilization reviews
 - Performing data analytics on claims utilization
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PBMs (continued)

In the USA, PBMs provide plan sponsors with drug plan management services, including:

- Negotiating drug pricing markups and dispensing fees with the pharmacy community and rebates with manufacturers
- Maintaining patient compliance programs
- Operating disease management programs
- Processing prescription claims

Everyone claims to be a PBM

- PBM = An American concept
- Integral part of a Health Maintenance Organization (HMO)
- In Canada, insurance carriers and adjudicators profess to be PBMs
- Full complement of US services is coming to Canada

“The times they are a' changing”

- Drug reform – provincial governments attempt to rein in escalating drug costs
- The great recession led to deficit government budgets
- An acknowledgement that the public healthcare pie is only so big
- For private payors, the benefits budget limited

“Drugs are not funded by a bottomless pit from an insurance company”


Who Really Pays?

- Plan sponsors and plan members
 - Cost-sharing arrangements
 - Premiums, co-payments or deductibles
- Canada's first million dollar patient
- Once a benefit, now part of compensation
- Impacts on the bottom line
- Marginal companies are looking at:
 - Annual and lifetime caps on drug benefits
 - Dropping the drug plan or health benefits plan

The Elephant in the Room

- The million dollar question:
 - ***“Do you have a drug plan?”***
- Do prescribers understand “cost vs. benefit”?
- Is pharma supporting educated patients and prescribers?
- We need to educate, train, promote to our patients to ask, “If we paid out of pocket, is this the best and most cost-effective treatment protocol?”

Preferred Provider Networks

- An agreement between a provider and payor to provide products or services at a lower cost in exchange for increased volumes
 - Over 2/3 of Americans are enrolled in a PPN for drug, health, dental, and hospital benefits
 - Slowly gaining acceptance in Canada
 - A strategy to lower plan sponsor costs
 - A strategy for advisors/benefits consultants or insurers to gain competitive advantage
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Types of PPNs

Closed Preferred Provider Networks

- Plan members are limited to network pharmacies for coverage of products and services

Open Preferred Provider Networks

- Plan member may go to any pharmacy; benefit of reduced co-pay; store discounts or incentives are limited to network pharmacies
- Affinity or loyalty programs
 - Aeroplan, Air Miles, Optimum, discount cards...

Trends Reports

- Auditor General's Report – 2004
 - Public Services Health Care Program (PSHCP)
- IMS – Rx&D Report – 2013
- Canadian Life and Health Insurance Association (CLHIA) Report – 2013
- 9000 Points of Care (CACDS) – 2013

FEAR FACTOR!

High cost biologics and drugs for rare disease



Advanced Data Analytics

- In future, data will drive decision-making:
 - Cubic Health
 - Reformulary
 - Sun Life
 - IMS Brogan
- Connect the dots for private plan expenditures:
 - Drug plan
 - Extended health plan
 - Short-term disability and long-term disability

What is the true value of drugs to the plan?

Trends: Insurers

- **Preferred Networks**
 - Agreements between payors and pharmacies
 - Preferred Provider Networks – lowest dispensing fee
 - Preferred Service Networks – value add services
- **Preferred Specialty Networks**
 - Great West Life & Health Forward (Innomar)
 - Sun Life & McKesson
 - Manulife & Bayshore Health
- **Pharmacy and PBM Integration**

Trends: Payor Prescribing

Managed formularies

- Special authorization – lack of streamlined process
- Prior authorization/provincial integration
- Follow the provincial formulary; limit new drugs
- Lowest cost alternative – TELUS employees
- Tiered formularies – Reformulary
 - Online support for plan beneficiaries and providers
- Step therapy – ESC
- Force Rx changes – “the bane of your existence”

Trends: Public Payors

Drug coverage decisions - BC PharmaCare

- Drug: Dipeptidyl Peptidase-4 (DPP-4) Inhibitors
 - Trajenta® (linagliptin) / Jentaduetto® (linagliptin/metformin)
 - Onglyza® (saxagliptin) / Komboglyze® (saxagliptin/metformin)
 - Januvia® (sitagliptin) / Janumet® (sitagliptin/metformin)
- Delisting of Januvia® & Janumet® by BC PharmaCare
- Drives the need for head-to-head clinical and economic trials
- **Sets precedent for private payor formulary decisions**

Pharmacists...

Are we?

A cost centre

- Expense: a line item
- Transactions
- Distributors
- Commodity

Part of the solution

- Medication experts
- Case managers for chronic diseases
- Leaders in wellness
- Point-of-service drug plan managers

Most Trusted vs. Most Valued

- Year after year, pharmacists are among “most trusted”
 - 2003 Rank #1 Ipsos
 - 2010 Rank #1 Ipsos
 - 2011 Rank #1 Ipsos (2003-2011 drop 13% points)
 - 2012 Q1 Rank #1 Ipsos
 - 2012 Q3 Rank #4 Ipsos (2007-2012 drop 8% points)
 - **New to the survey, paramedics and nurses**
- We cannot take “trust” to the bank
- Need to focus on being the most valued front-line healthcare profession
- Remember to promote the value of your services

Sanofi Canada Healthcare Survey

Making the Connection to Chronic Disease (2014)

“Four out of five (79%) plan members say they would likely participate in medication or disease management reviews with a healthcare professional if these were covered by their health benefit plan.”

“The intensity of opinion is high, with 41% saying they would very likely do so. Such a benefit could have significant impact in light of the fact that 53% of respondents indicate they have at least one chronic condition, notes the advisory board.”

“Pharmacists are ideally positioned to provide this type of support.”

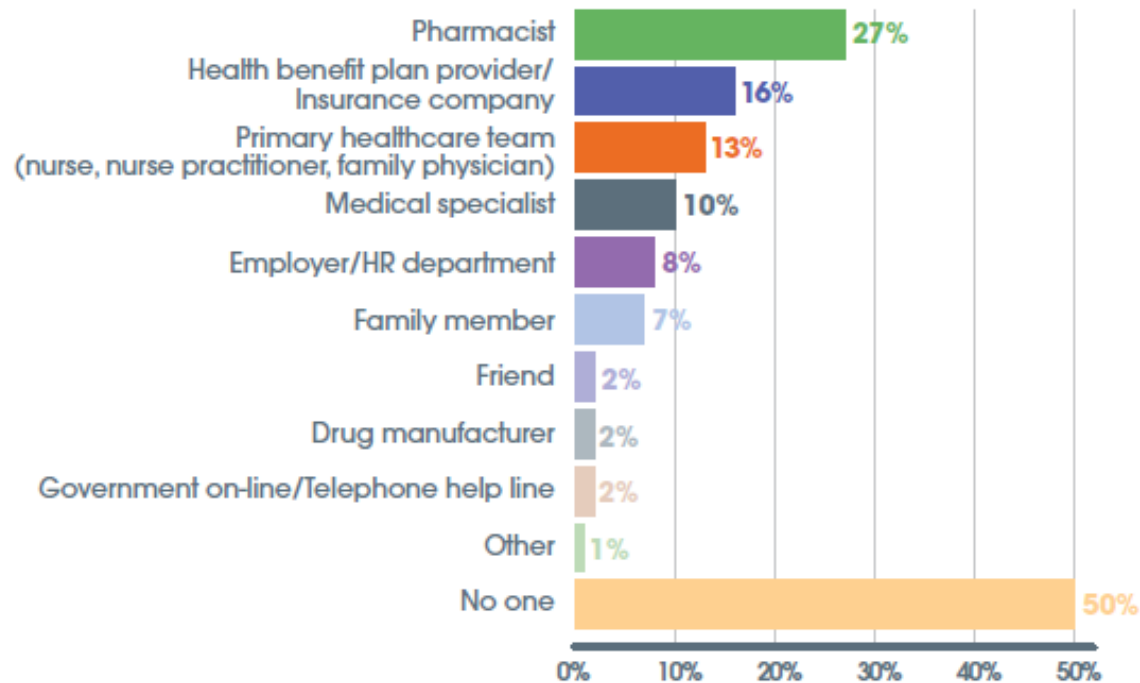
2014 Sanofi Canada Healthcare Survey (with permission)



Pharmacists Lead in Coordination

Question to patients: Did any of the following assist you in coordinating drug coverage and services between your health benefit plan and the public healthcare system?

Provided assistance in coordinating drug coverage and services between health benefit plan and the public healthcare system



BASE: Those with personal or family experience (n=1,034)

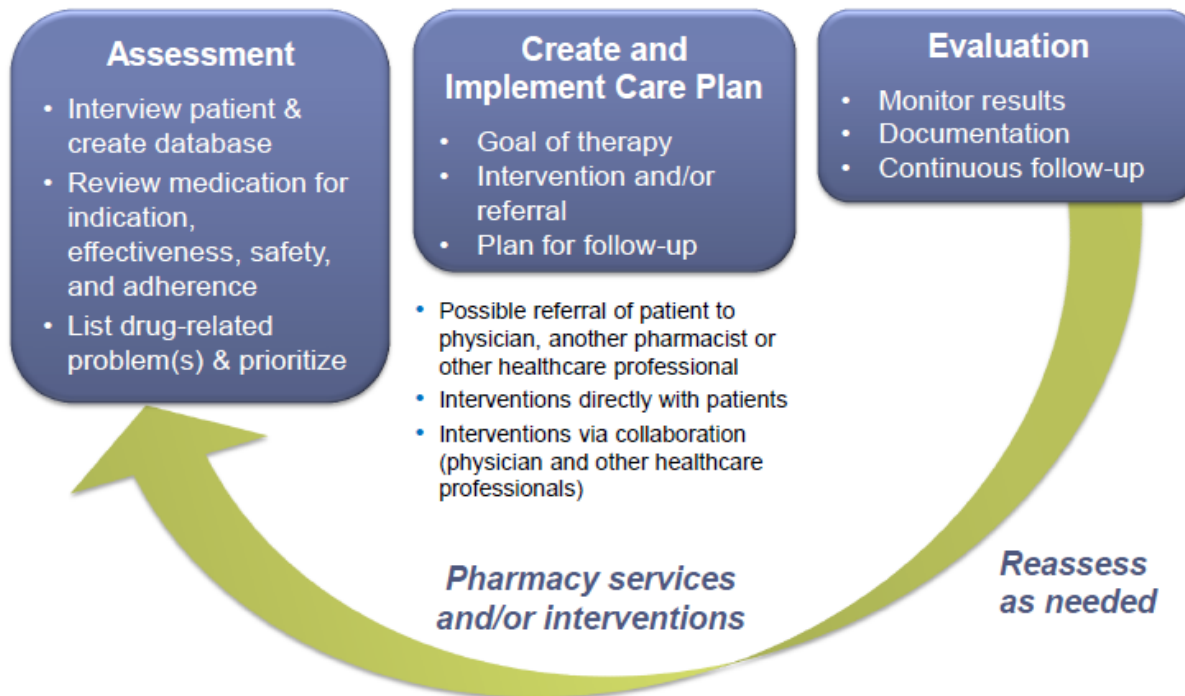
Promotion of Pharmacy Services

Five Ps of marketing:

- Product – in this case, pharmacy services
- Place – private office to provide the services
- People – properly trained staff to deliver the services
- Price – what is the charge for the services?
- Promotion – solid communications strategy
 - Posters and easel cards
 - Brochures and bag stuffers
 - Buttons or lanyard cards
 - Emails/letters to prescribers & healthcare agencies

Our Product is our Service

Comprehensive Medication Management



This slide has been adapted from the Medication Therapy Management (MTM) format outlined by the American Pharmacists Association and National Association of Chain Drug Stores

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Developing Trusted Alliances

- Pharmacy and Private Payors
 - Pharmacy & Health Insurance Steering Coalition (PHISC): seeking funding for expanded services
 - Health Industry Electronic Commerce Association (HIEC): reviewing the CPhA v3 claims standard
 - Canadian Health Care Anti-fraud Association (CHCAA): developing audits best practices & charter and policy on investigation vs. fraud policy
- Forums for constructive dialogue

Getting Paid Today

- Create the demand
- Ask patients to pay; demonstrates value
- Staff need to articulate the features & benefits
- Ask patients about their private health benefits
 - Health Spending Accounts will likely cover
 - Paramedical may also provide coverage
 - Direct patients to HR dept. for clarification
- Provide a detailed professional services invoice

Healthcare Spending Accounts

- Commonly referred to as HCSA or HSA
- Becoming increasingly popular
- HSA is a pre-determined amount of money that plan members get annually for CRA-eligible health expenses
- Pharmacists are listed as eligible medical practitioners in Income Tax Act under Medical Tax Credit

Private Payors: Friend or Foe

- Government works on an election cycle
- Private payors are accountable to
 - their shareholders
 - their bottom line
- Private payors will do what it takes to ensure they have sustainable drug plans & health plans
- Pharmacy can reap the benefits of being a strategic partner or risk being a casualty

Strategic Recommendations

“Right drug for right patient at right time”

- Focus on evidence-based dispensing
- Follow practice guidelines
- Apply evidence-based therapeutic substitution aka *therapeutic optimization*
- “The new blockbuster is **ADHERENCE**”

Point-of-service drug plan manager



Strategic Recommendations (continued)

- Leverage expanded scope of practice
- Integrate expanded services into your practice
- Promote your services & ask to be paid
- Capitalize on the surplus of highly skilled pharmacists to deliver appointment-based care
- Be a part of the solution

Be their health and medication coach



Summary

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Questions?

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