



Face to Face | December 1, 2010

Managing High Cost Drug Claims

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Agenda

Evolving Challenges

To Pay or Not to Pay?

Who Pays?

What's the Right Price

Ongoing Claim Management

Insurance Considerations

Under Construction



Evolving Challenges in Prescription Drug Plans

Today's Challenges – Today's Solutions

- Many of today's "leading edge" solutions have been around for a long time
 - Mandatory generics
 - Therapeutic formularies
 - Dispensing fee caps
 - Managing mark-up
 - 90 day fills
 - Etc.
- Use is not universal today, but growing
- Challenges they are meant to manage are the challenges of the last ten years

Tomorrow's Challenges – Managing High Cost Diseases

Increasing Cost Per Script

- Drug pipeline more focused on biologics
- Growing number of “high cost” drugs – biologic and specialty drugs
- R&D costs for rare diseases need to be recovered from fewer patients
- Subsequent entry biologics aren't generics

Increasing Number of Scripts and Claimants

- Maintenance drugs for chronic therapies, including cancer
- Drugs to treat previously untreatable conditions
- Evolving therapeutic guidelines
- Increased number of indications after initial PMPRB approval
- Better early detection
- Greater need due to aging population and lifestyle



To Pay or Not to Pay?

Ensure Medical Appropriateness

- Several approaches and techniques that exist, and are often used today:
 - Prior authorization
 - Step therapy
 - Controlled formularies
- Control risk and ensure optimal utilization:
 - Hospital, experimental, clinical trial administration
 - Off-label utilization
 - Prescription not in line with therapeutic guidelines
 - Lower cost, equally effective treatments exist
 - Risk of inappropriate use
- Not every employer will desire the same degree of intervention/control

This used to be the difficult step (or the only step) – now it's just the beginning



Who Pays?

Potential Sources of Payment

- Once an employer plan determines that a drug should be covered
- Next question is – by whom?

Automatic Provincial Plans

- For drugs on the “provincial formulary”
- Largely for seniors

Conditional Provincial Plans

- All provinces have some additional programs available
- However, requirements need to be met first
 - Application (prior authorization)
 - Out of pocket requirements
 - Income tests
- Private payors need to demand proof of refusal

Potential Sources of Payment

Specialty Programs

- Disease specific programs through government or quasi-government agencies
- Again, application processes often necessary
- Programs vary by province
- Finding out that the programs even exist is often as challenging as applying and getting funding
- Employees can't ask for what they don't know about
- Support needs to be offered to employees

Manufacturers

- Many offer patient support programs for certain conditions/medications
- Focus is on compliance/adherence/support
- Sometimes a financial support component
 - Generally geared to those with no other coverage
- Private payors don't often pursue these programs, but they are available

What If *Employers* Could be the Payor of Last Resort?

| Default | Goal |
|---------------------------------|---------------------------------|
| Automatic Government Programs | Automatic Government Programs |
| Employer Plan | Conditional Government Programs |
| Conditional Government Programs | Specialty Programs |
| Specialty Programs | Manufacturers |
| Manufacturers | Employer Plan |

Don't Worry – Private Payors Will Cover It

Playing Chicken With the Government

- Governments and manufacturers make decisions about what drug coverage they will offer
- Employers can influence these decisions
- If all employers automatically reimburse all new products, will governments feel the need to cover:
 - Hospital drugs
 - Cancer treatments
 - Treatments for rare diseases
 - Vaccines
 - Provide only conditional listing versus automatic listing
- Both actions and words are sometimes necessary
 - And sometimes neither helps...

“You miss 100% of the shots that you don't take”



What's the Right Price?

Is Price Negotiable?

- When you bought your last car, did you negotiate the price?
- If your prescription drugs cost as much as a car, shouldn't you do the same?

Reasonable Profits for All

Pharmacies

- Flat percentage mark-up is reasonable for most drugs
- However, if a drug costs \$3,000 for a prescription, is a \$300 fee reasonable?
- If an employer caps the fee, what happens to the balance?

Manufacturers

- How can private payors work to reduce the underlying ingredient cost?
- Reduced price for preferred listing on formularies
- Payment linked to success of treatment
- Drug cost to include other value added disease management or patient management services
- Greater need for private payors and pharma to work together for creative solutions

Insurers

- Adjudication costs are generally as a percentage of claims
- Per transaction fees for value added services (prior authorization, case management, etc.)



Ongoing Claim Management

Medical Case Management

Prior Authorization versus Case Management

- Initial approval process is important
- More and more high cost drugs are for ongoing treatment
- What about ongoing case management

Disability Example

- If an employee collects \$30,000 a year on LTD, case management is a requirement
- Why not for \$30,000 of prescription drugs?
- Why not demand that employee actions be taken for drugs to be reimbursed
 - I.e., same as disability

Case Management Could Mean Many Things

Additional Reimbursement

- Cover cost of tests to identify patients who will respond to expensive drugs
- Reimburse administration cost in private clinics if drugs are covered

Require Employee Compliance and Responsibility

- Goal to ensure ongoing appropriateness
- Control risk and ensure optimal utilization:
 - Substance abuse
 - Utilization not in line with guidelines
 - Multi-doctoring or pharmacy: lack of continuity in care
- In a disability context, participating in rehab is required
 - Should similar individual activities be required for ongoing drug coverage
- Eventually, model could evolve to one where benefits are regarded as a joint responsibility, not an entitlement
- Twenty years ago this was a radical concept for disability too

Criteria to Identify Case Management Candidates

Medical case management could be applied on several criteria:

- Cost
 - E.g., all claimants over \$5,000 in a given year
- Quantity
 - Maximum quantities for specific drugs (narcotics, migraine, etc.)
 - Number of prescriptions
 - Combination of drugs i.e., methadone + narcotics
- Compliance
 - Non renewal/under utilization of maintenance medications
- Disease management
 - Same techniques could applied to conditions such as diabetes or obesity
 - Preventive case management to avoid future costs

Who / How / How Much?

Who Would Provide Medical Case Management?

- Insurance providers are already looking to develop these offers
- Pharmacies?
- Other front-line health practitioners?
- Specialty vendors?

Process

- Introducing ongoing case management will be a shift for employees
- Developing/implementing will take time
 - Easier if employees see advantage of better treatment, along with requirements
- As with disability management, medical case management will require all parties to work together
 - Insurer
 - Case manager
 - Health care (multi-disciplinary)
 - Employer (HR, medical staff, manager, etc.)
 - Employee

Who / How / How Much?

Cost

- This would be a value added service
- Could be reimbursed through existing fee structures (e.g., adjudication fees, dispensing fees)
- Alternatively, separate fee by service



Insurance Considerations

Medical “Insurance”

Managing Individual’s Risk

- Out-of-pocket maximums
- Are plan maximums appropriate?
- Are catastrophic, medically necessary risks being covered?

Employer Risk

- Underwriting method
 - If you decided on ASO at 100 lives ten years ago, is that still the right decision today?
- Stop-loss insurance
- Plan maximums?
- Balancing cost and employee needs
 - Need to prioritize



Under Construction

Availability of the Pieces

| Decision Point | Availability of Solution |
|--------------------------|--|
| To Pay or Not to Pay | Exists in several forms and variations, but not everyone takes advantage of it |
| Who Pays? | Exists, needs to be made more robust/forceful, but this will result in greater intervention with employees |
| How Much to Pay? | Beginning to see this, but a long way to go |
| Ongoing Claim Management | In it's infancy. Exists for disability management, and in the US as disease management |
| Insurance Considerations | Options available, requires a regular review |



Thank You!

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