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A New Drug Deal for Canada?

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"To save workplace drug plans, Canada needs to change its drug pricing strategy "

Canada's regulatory approach to capping prescription drug prices has been in place since the late 1980s. To this day, the mandate of the Patented Medicine Prices Review Board (PMPRB)—the government body that regulates prices for patented drugs—is to ensure that prices are not "excessive" compared to prices in a handful of other relatively high-cost countries, such as France, Germany and the U.S. Yet Canadians now pay some of the highest prices for drugs in the developed world. According to the Organisation for Economic Co-operation and Development (OECD), Canada has the second highest per capita spending on prescription drugs in the OECD.

It's time for a change. Even getting to the OECD average ($483 per capita) would save over $8 billion a year for Canada, which spends $701 per capita.

Why does it matter? Because the high prices are disproportionately borne by employers and Canadians paying for prescription drugs out of their own pockets, threatening the sustainability of private plans. All of the provinces and territories have concluded that prices are too high, essentially removing themselves from the issue by negotiating confidential pricing agreements with pharmaceutical companies that want their drugs covered by provincial drug plans. But this is not a long-term solution, as it exacerbates the financial pressures on employer plans and prevents certain people from accessing higher-cost drugs.

The insurance industry hasn't been standing still in this environment—it has come up with new solutions for drug plan sponsors. Examples include preferred provider networks, mandatory generic substitution, agreements between pharmacies and insurers (which stipulate that a pharmacy will lower its costs for the clients of a certain insurer if that insurer directs its clients to the pharmacy in question), and step therapy (which requires plan members to try certain drugs first before switching to more costly medications). Add to that the new high-cost drug pooling agreement for fully insured plans—which shelters firms from the full expense of any high-cost and recurring drug claims—and it's clear that the pace of change in the insurance market has been unprecedented.

Despite these advances, Canada's prescription drug coverage system needs fundamental reform. Specifically, the reform should focus on how prices for patented drugs are regulated here. The overall mission of the PMPRB needs to change so that it strives for the lowest possible prescription drug prices for

all Canadians.

In executing this new mandate, the PMPRB should leverage a market-based approach to capping prices—one that recognizes and rewards truly breakthrough drugs while differentiating them from those with limited or no additional clinical value. As well, the PMPRB needs to introduce a regular pricing review mechanism so that prices adjust over time, replacing the current regime of one-time price approval that cannot be changed. Simply put, if the market for a particular drug changes materially, the pricing should be adjusted to reflect those changes.

Twenty-five years after Canada's drug pricing approach was introduced, it's time to rethink it. If costs go unaddressed, there's a real risk to the sustainability of employer-provided plans. A pullback on drug coverage by employers would have dramatic implications—not only for individuals but also for governments, which are also struggling with rising healthcare costs. A good place to start is to clearly establish the PMPRB as a consumer-focused organization that seeks to lower prices as much as possible for all Canadians.

-Stephen Frank

EMPLOYERS CAN HELP WORKERS COPE WITH CANCER

About two out of every five Canadians are likely to develop cancer in their lifetime and employers can be more supportive of their workers to help them cope with the disease.

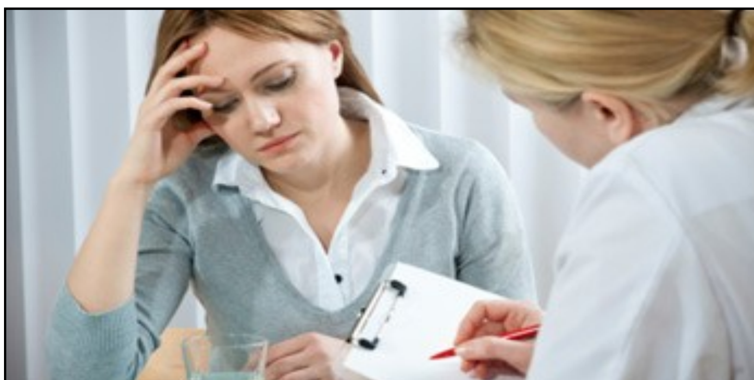
At *Benefits Canada*'s Employers Cancer Care Summit this week, Dr. David MacDonald, a hematologist at the Queen Elizabeth II Health Sciences Centre in Halifax and assistant professor of hematology at Dalhousie University's Faculty of Medicine, explained that someone who receives a cancer diagnosis is also concerned about work and other non-medical issues.

He used the example of "Bob," a 62-year-old living in Truro, N.S., who was being briefed by his doctor about the specifics of his cancer and treatment options. When the doctor revealed he would have to commute to Halifax for his treatments, Bob worried about the fact that his wife, Mary, didn't drive. When the doctor revealed that he would likely be off work for six months, Bob worried about how he and his wife would make ends meet. When the doctor revealed his odds of survival as 70%, Bob reflected on his 30% chance of death.

Dr. MacDonald noted that employers need to act as holistic supporters that can coordinate and reassure patients about the financial and practical aspects of the cancer diagnosis. "I want to impress on people that your decisions can make Bob's life easier or harder," he said.

After his presentation, Dr. MacDonald was emphatic about the divide between how he thinks about patient recovery as "returning to health" and the way many employers see it as "returning to work." He said employers must have greater patience.

"...employers need to act as holistic supporters that can coordinate and reassure patients about the financial and practical aspects of the cancer diagnosis."



The challenges cancer patients face is that they often feel the employer is trying to push them back to work earlier than they are ready, rather than try to provide access to rehabilitative programs and emotional and psychological support, he explained.

"The experience that I have with patients is they're handing me their back-to-work forms and I have to say to them, 'how long can you carry a 10-pound box?' That's nonsense. That's irrelevant. They're tired and they can't quantify that."

"Rather than focusing on bringing them back to work, focus on programs that will help them facilitate their recovery more quickly," Dr. MacDonald said, suggesting employers provide gym memberships or subsidize nutritional supplements. "Employers need to be more understanding and supportive of their experience."

-Suzanne Bowness

Why communicating benefit costs pays off

If you're not educating your employees about the cost of their group benefits plan, you're missing an important opportunity. That's because most plan members simply don't appreciate the true cost of their benefits coverage—to the detriment of themselves and the organization.

Unless employees incur a significant health or dental expense for which they receive reimbursement, it probably won't occur to them to factor benefits coverage into the value of their "employment deal." However, attaching a dollar value to that coverage will heighten their awareness of and understanding of what they really get in exchange for their time, efforts and results—and help you get more mileage from your benefit investment.

But there's more to it than that. In a world where post-employment benefits are increasingly rare, helping active employees understand the cost of their benefits will help them plan for a retirement in which they'll have to pay for that coverage themselves. In fact, educating employees about the challenges of replicating their active benefits coverage in the retail market—and giving them the tools needed to research their options—should be a key component of retirement planning.

If your organization has made the investment to maintain a post-employment benefits program, building member awareness around value is critical—and where better to do that than on the annual pension statement?

The whole is greater than the sum of the parts

Leading organizations take this idea even further by producing total rewards statements for their employees. When it comes to helping employees appreciate the full value of the employment deal, a well-executed annual statement that reveals the monetary value of compensation, bonuses, pensions, benefits, vacations, and holidays is tough to beat. Add to this same statement information on intangibles—such as work environment, culture, recognition, development opportunities, performance management, social or environmental programs and charitable causes—and your statement becomes a powerful tool for building engagement and a sense of belonging to your organization.

Educating employees about the full value of the employment deal is a win/win. You get more mileage from your benefit investment and your employees are better equipped to plan for retirement or weigh the advantages/disadvantages of other employment opportunities.

Ensuring your employees appreciate the true value of the employment deal may take some work, but connecting with employees who might otherwise be missing the big picture—and may even be considering a move for more cash—can pay for itself in productivity and retention savings alone.

"...Educating employees about the full value of the employment deal is a win/win..."

So you think you want a flex plan...

In a world where just about everything is becoming customizable, it's no surprise that many plan sponsors want to offer flexible benefits that can be to tailored to meet their employees' unique personal needs. Flexible benefits can mean different things to different people, so for the purpose of this discussion, let's define flexible benefits as a program which at a minimum includes the possibility to choose from two or more health and dental options.

In the benefits world, flex plans are sexy, while traditional (or fixed) plans are, well—boring. While sexy is what many of us want, there's nothing wrong with boring, which is often all we need. A well-designed flex plan can help provide competitive advantages for plan sponsors and be highly valued by its employees. However, it may not be the best option for every organization, even if it's large enough for flex to be a choice.

Time and again whenever plan sponsors have indicated a desire to move from a traditional plan to a flex plan, the conversation goes something like this:

1. We want to offer our employees more flexibility and choice.
2. We don't want to commit any more money or resources than we already allocate to our current program.
3. We want our employees to be able to maintain coverage similar to what they currently have at no additional cost to them (i.e., no losers).

Sound familiar? Even a genie in a magic lamp would be hard pressed to deliver all three of these wishes simultaneously. Any two of these can be achieved with relative ease but solving this equation to deliver on all three wishes can be challenging, if not impossible. Plan sponsors can move to flex and maintain benefit cost neutrality but generally not without offloading some additional costs to employees. And keeping employees "whole" can be minimized but generally not without increasing the organization's costs.

Plan sponsors considering a move from traditional to flex should set realistic expectations and understand that sometimes sexy comes with a lot of work. If your organization is contemplating a move from traditional to flex, please consider the following:

Time to implement: Implementing a flex plan takes time so don't rush it. Plan on 12 to 18 months lead time between the start of your project and the new flex program effective date. Simpler flex plans in smaller organizations may be implemented with slightly shorter lead times. And more complex plans at larger organizations may require even longer lead times.

Christy Insurance Agencies Ltd.

#110—1681 Welch Street
North Vancouver, BC
V7P 1B7

T: 604-987-2474
F: 604-987-9534

We're on the Web!
www.christyinsurance.com

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Flex plan cont...

Administration: Keeping track of employees' choices adds administrative complexity to a benefits program. Depending on the degree of choice, plan sponsors may need to use some sort of electronic enrollment tool. Whether you decide to use a tool available through your insurer, consultant, third-party administrator, purchase and HR information system add-on or build something in-house, it's going to come with a cost, which typically includes both set-up and ongoing maintenance fees. The larger the organization, the more economical these fees become on a per capita cost basis as fixed costs can be spread out over a larger group. You're also going to need more resources to administer a flex program, so you may either need more staff, more reliance on your consultants or both.

Communication: Increased complexity requires increased employee communications. The last thing you want to do is spend a lot of money, time and resources to develop a new flex program and not follow through with a robust supporting communications campaign. Studies have shown that employee satisfaction with their benefits is directly correlated with their understanding of the program.

Employee satisfaction: If you're going to implement a flex plan, make sure the changes you make provide meaningful choice that promises to improve program satisfaction for the majority of your employee population. Many times I've seen plan sponsors spend considerable time and resources only to have a high percentage of employees select flex options that were the same or similar to the coverage they had before. Therefore, the plan only really satisfied a small percentage of employees who actually made a change.

I believe that in many of these cases the same level of employee satisfaction could have been achieved at a fraction of the effort and cost by making a few minor plan modifications, adding some flexibility with a simple heath spending account and supplementing these changes with a solid communication campaign. However, if your organization is comfortable with the additional time, effort and potential cost impacts noted above, then you just may be ready to take the next step towards the implementation of a flex plan.

-Kenneth MacDonald

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