



## HOW ARE YOU MANAGING PRESCRIPTION DRUG COSTS?

For many group plan members, a benefits plan is measured on the value (and reimbursement level) of the prescription drug benefit. Many employers are finding it harder to maintain the current benefit coverage due to rising utilization and prescription drug costs. To help protect the longevity of the plan, employers are looking for alternatives to protect the company from future high-cost claims.

For many employees, the prescription drug benefits can provide a lifeline to the much-needed therapies that exist today. The coverage can be the difference between being able to come to work or being absent. For the employee, the plan is also key in protecting a family's financial security.

To decide which risk management strategies to use, we need to understand the types of prescriptions that are available. They can be classified into 3 categories:

- **Acute**
- **Maintenance**
- **Specialty/Biologic**

**Acute** medications are for immediate and sudden illnesses; a throat or ear infection are examples. They tend to be a relatively low cost and you need them right away. Once health has improved, you no longer need to take them.

**Maintenance** medications are often for the long term. Many are used to maintain a lifestyle or health level; cholesterol and diabetes are controlled by maintenance medications. These medications vary in price and the cost is on-going for the employee and the benefits plan.

**Specialty** medications are used for often serious or rare conditions. These medications can be life changing. They wield tremendous power and help people with serious conditions like cancer or rheumatoid arthritis live closer to a normal life. However, that power can come at a substantial cost.

There are solutions that can help employers manage their prescription drug benefit. Some options include:

- Prescription drug formularies
- Use of Preferred Provider Networks
- Prescription drug maximums
- Coordination of Benefits
- Proper stop loss or catastrophic claim coverage
- Provincial Drug Programs
- Pharmaceutical Manufacturer Programs

At Peak Benefit Solutions, we work with plan sponsors to find the best solution for you and your employees to ensure the plan continues to have value while maintaining long-term sustainability through the implementation of risk management strategies.



### **Prescription Drug Formularies**

- A drug formulary is a list of eligible prescriptions available under the group plan. Insurance companies offer a variety of formularies that can be very broad or very stringent in terms of what prescriptions are covered. Some formularies are designed to not provide coverage for certain types of prescriptions. An example would be brand name prescription plan versus a mandatory generic plan.

### **Preferred Provider Networks**

- Educating employees on the overall cost of a prescription can be a key component in managing a drug benefit plan. Many of the insurers now work with Preferred Provider Networks to help lower the overall costs of prescriptions flowing into their plans. Retailers like Costco and Alliance Pharmacy are building stronger relationships with insurance companies to lower drug costs and dispensing fee costs to help reduce the overall prescription drug spend.

### **Prescription Drug Maximums**

- Many Firms today are considering the adoption of an annual per-person prescription maximum. This type of solution can limit the risk of high-cost prescriptions affecting the overall premium and pooling charges ensuring the plan can remain sustainable. Once established, the per-person maximum may not be able to be reversed in the future.

### **Coordination of Benefits**

- This is an effective way to 'share' in the overall costs of a high prescription if the employee and dependents have additional coverage under another group benefits plan. Enrollment changes or plan changes can be made to your group plan to have the other plan pick up some or more of the cost of the high-cost prescription.

### **Proper Stop Loss or Catastrophic Claim coverage**

- Most health and prescription plans come with catastrophic claim protection through stop loss insurance coverage. The amount of coverage varies by insurer and can be an effective way to keep the sustainability of the group plan intact in case a large prescription drug claim happens. Some insurers may allow for changes to the amount of stop-loss protection included in the plan and other's do not.

### **Provincial Drug Programs**

- In Ontario, all residents are eligible to access to the Ontario Trillium Drug Benefit Program. Co-ordination between the group plan and the Trillium Benefit Program can occur provided the private plan does not cover all the costs of your household's prescription drugs. An annual family deductible would need to be satisfied for coverage under the Trillium Plan to kick in.

### **Pharmaceutical Manufacturer Programs**

- Regardless of existing public or private health coverage, programs exist that allow you to receive brand-name medications and healthcare products prescribed, at an equal or comparable price to generic alternatives. These programs are fully funded by the pharmaceutical manufacturers that participate in the programs and are available to residents in Canada at no cost, regardless of existing coverage.