GMS INSURANCE

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Leading the Way

Strategies to Control Drug Costs

In our last newsletter we reviewed drug trends and the anticipated impact to benefit plans. Legislative changes and having some high-cost, high-claim drugs come off patent protection should have a positive impact on the cost of your drug plan. However, there are negative pressures pushing costs back up. Out patient treatment, more specialized and biologic drugs, and higher and more frequent catastrophic claims are among the culprits. In this issue we will explore some plan design features that can help combat rising claim costs.

Perhaps the most effective strategy to control claims would be to eliminate the claims themselves. Some conditions do require treatment, however many of the medical conditions in the top 10 therapeutic classes are related to lifestyle choices (ex. high blood pressure, high cholesterol, ulcers/reflux). A well-designed wellness program aims to promote healthy living and to reduce claim costs. Wellness initiatives can be as simple as creating a lunch-time walking group or as elaborate as a full-blown employee and family assistance program (EFAP) and subsidized health club memberships. The key to wellness programs is to encourage and promote participation.

Wellness programs require a change in lifestyle and as a result claim patterns may not change immediately but rather over a period of time. Changes that should have a more immediate impact focus on the design of the benefit plan itself.

Managed Formulary A formulary is a list of drugs that are eligible for coverage under your plan. Managed formularies can work in a number of different ways and are flexible enough to tailor a plan to meet your requirements. Most insurance companies use some sort of basic managed formulary but we can work with you to take it a step further and provide more cost control measures. Many of the new drugs that are coming to the market treat conditions for which there are already established, generic drugs available. As such we can limit the formulary to a specific year. For example we can set up a 2005 drug formulary. This would cover drugs on the formulary as of 2005 but drugs that were made available post 2005 are not eligible under the plan thereby keeping your costs under control but still providing coverage for proven treatment methods.

The formulary can exclude various categories of drugs that may be deemed lifestyle choices such as fertility treatments or smoking cessation drugs (in some cases, this is limited by provincial legislation).

We can even create two formularies under your plan but structure the reimbursement levels of each so as to encourage employees to use the lower cost drugs. For example, we may have a generic formulary and a brand name formulary. The generic plan may be reimbursed at 100% and the brand name at 80%. Employees can avoid any out of pocket expenses by talking to their doctor about lower cost alternative drug treatments. There is also a cost benefit to the plan because even though the generics are being reimbursed at 100%, the cost of the generic is below that of the brand name resulting in a savings.

Dispensing Fee Maximum The dispensing fee is pharmacist's fee for filling the prescription. Fees vary by province and by pharmacy. A dispensing fee maximum will limit how much of that charge will be covered by the plan. This plan design feature encourages employees to be smart shoppers when it comes to filling prescriptions. They can either shop at a higher-cost pharmacy and pay the difference between the pharmacy charge and the dispensing fee that is covered by the plan, or they can shop at a lower-cost pharmacy and limit or avoid out of pocket expenses.

These are just a selection of strategies that can be used to help control drug costs. A common theme is to get employees to appreciate and understand that they play a role in their own health care starting with living a healthy lifestyle and becoming more consumer savvy when it comes to drugs. It is easy to forget the value of a company drug plan when the only thing being pulled form your wallet is the drug card. Only when employees have an appreciation of the cost of their drugs will they take action to control those costs.

RAMQ Covers IVF

RAMQ is the provincial drug plan in Quebec. Legislation requires that private group plans provide drug coverage that is at least equivalent to that of the public plan (RAMQ). The Quebec government announced that as of August 5th, 2010 RAMQ will cover IVF treatments. Under the Universal Procreation Program, Quebec women will be allowed to claim up to three stimulated cycles or six natural cycles of in vitro fertilization (IVF) treatments. All related costs for ovarian stimulation, artificial insemination and IVF will be eligible. Costs for such treatments typically range from $1,000 to $5,000.

Since private plans must provide at least the equivalent of RAMQ, your group benefit plan will now provide coverage for these services for eligible Quebec members. No action is required on your part at this time. The cost impact to your plan is expected to be minimal. Private insurance companies have approached their governing body (CLHIA – the Canadian Life and Health Insurance Association) to request a maximum dollar limit for treatments to limit their, and your, exposure to claims. At the time of writing, there has been no response.

Quiz Corner

Put your mental mettle to the test and a $50 prize in your pocket!

You have a dime and a dollar;

You buy a dog and a collar;

The dog is a dollar more than the collar;

How much is the collar?

Answers can be sent to: info@gmsinsurance.com or by fax to 905-670-4146. We will draw a winner from the correct answers.