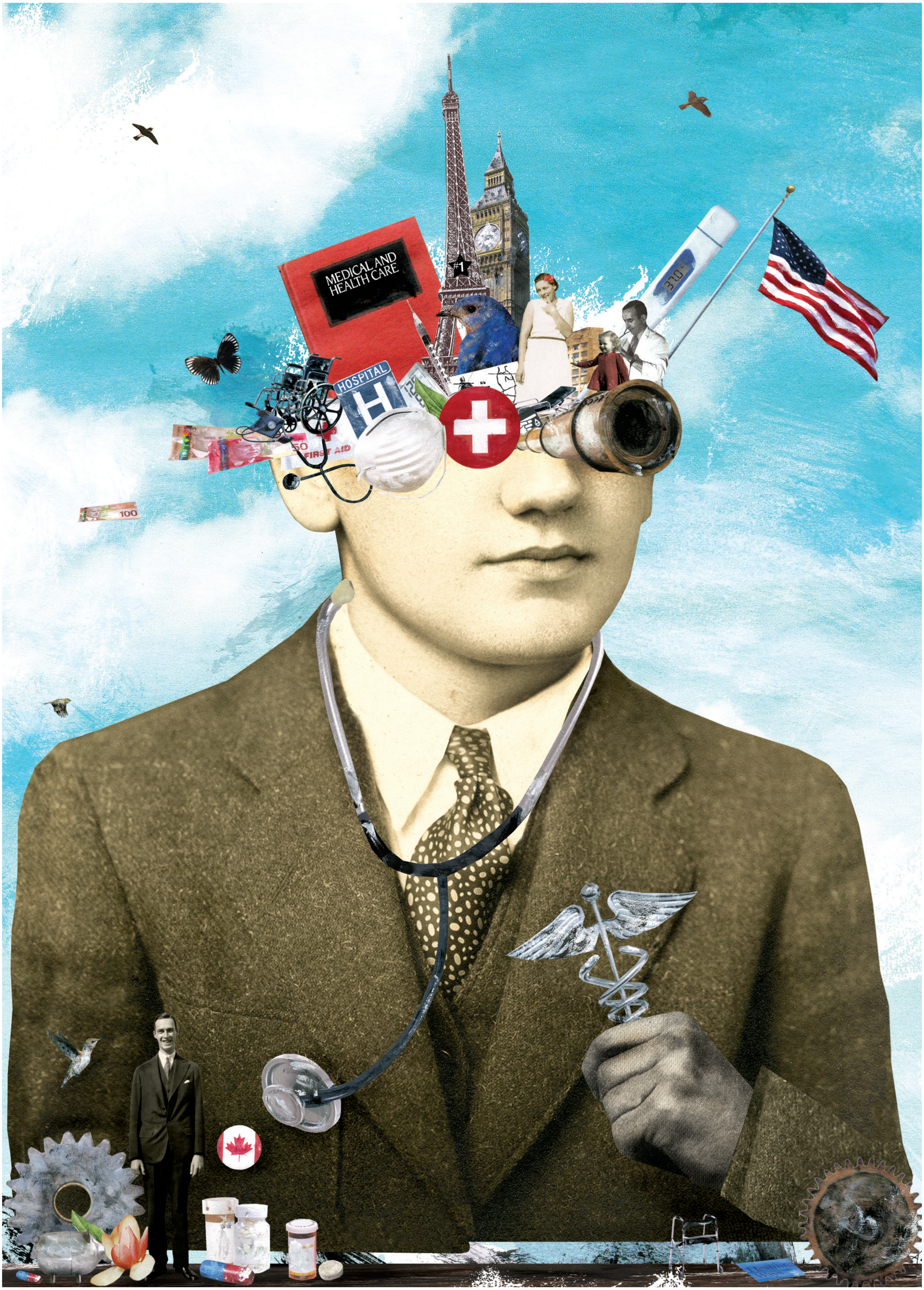
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FRIENDS *with* HEALTH BENEFITS

What can Canadian plan sponsors learn from drug plans in other countries?

By ***Paula Allen***

Drug benefits are the most significant cost component in most employer-sponsored health benefits plans. Drug costs range between 40% and 70% of an organization's total health benefits costs, and they are set to rise. Clearly, employers have to get a handle on drug plan management—for economic reasons and for the overall wellness of the organization.

Drug cost increases are being driven by several factors. First is the increased prevalence of health issues in the workplace population. A January 2010 Heart & Stroke Foundation study, *A Perfect Storm of Heart Disease Looming on Our Horizon,* found that the rates for many key health risks in Canada increased significantly between 1994 and 2005: for high blood pressure, it was 77%; for diabetes, 45%; and for obesity, 18%. Rate increases for the 35 to 49 age group—the prime of people's working careers—were even higher than for the population at large. In this group, the incidence for high blood pressure was up 127%; for diabetes, 64%; and for obesity, 20%.

The second factor involves the types of drugs on the market. There is a significant increase in the number of new specialty medications, many of which are biologic. Biologic drugs are more expensive to manufacture and, as a result, more expensive to purchase; certain specialty biologics can cost more than $30,000 per year. For some individuals, these medications have a high value in managing certain chronic conditions and, therefore, are hard to simply exclude from benefits plan coverage.

In the next year, we expect to see an end to the brief reprieve in ever-increasing costs due to the expiry of several patented medications (e.g., Lipitor), and over the next 10 years we expect annual drug plan costs to increase at double-digit rates. This problem is not unique to Canadian employers, which would be well advised to manage their drug benefits plans effectively. What employers can and cannot do depends, to a degree, on the type of healthcare system in the countries where they operate. This is where Canadian employers can learn valuable lessons from other jurisdictions.

The United States

Consider the plight of an employer in the U.S., where drug costs are significantly more expensive than in Canada. When Health Canada approves a drug, typically that drug will be covered by the employer, unless a managed formulary is in place. Given the cost of medication and other health expenses, American employers almost always have a managed formulary.

In a managed approach, the insurance company or administrator of an organization's benefits program appoints

TARA HARDY

a committee of pharmacists who are knowledgeable about drugs and drug costs. This committee looks at the cost of a drug and performs an analysis based on QALY (quality-adjusted life year). QALY is a statistical measure of the burden of disease where both the *quality* and *quantity* of life are vital considerations. A good example is an employee who suffers from rheumatoid arthritis and the treatment costs $30,000 per year. Is it worthwhile for the employer to foot the bill?

If the drug in question can significantly reduce the number of days the employee is away from work, it may be worthwhile for the employer to pay for it. If the employee does not have access to that drug, she probably can't work at all, so the organization is minus one valuable worker.

In the U.S., there are also challenges involving coverage for drugs and, of course, the lack of universal healthcare. To this end, *The Patient Protection and Affordable Care Act*—also known as "Obamacare"—has been proposed as a major healthcare reform. This reform will require uninsured Americans to maintain at least minimal private health insurance coverage.

While the U.S. does have programs for military service families, the disabled and children, and also Medicare for the elderly and Medicaid for those in financial need, there are still scores of Americans with no health coverage, or who are underinsured. It's not surprising then that the U.S. ranked only No. 37 on the World Health Organization's (WHO) *World Health Report 2000.* Canada was ranked No. 30. The U.K., with its universal tax-funded system, came in at No. 18. In first place was France; in second, Italy.

In the WHO ranking, most European countries were ahead of Canada, as were the likes of Japan, Australia, Colombia and Saudi Arabia. While this WHO report has been criticized in some circles for the criteria—effectiveness, fairness and responsiveness—used in its ranking, it certainly inspires discussion about healthcare in Canada and around the globe.

Still, from an employer's point of view, the U.S. has paid more attention to cost management than Canada. With the threat of increased cost, it's important for

Canadian employers to manage their drug benefits plans from a total health perspective. This has been the trend in the U.S. Total health approaches typically involve having a health coach and/or disease management program to help employees manage the lifestyle factors that are important in getting the most of any medication or, ideally, to reduce, remove or prevent the need for medication.

The United Kingdom

Canada can learn a few things from our friends in the U.K., too. In the U.K.'s National Health Service (NHS), virtually everyone is covered in a health plan, but, according to the WHO, 11% of the population also has private health insurance. Funded by the taxpayer and run by the government, the NHS provides access to most citizens, and almost all treatment is free. The system favours a total health approach as well. Consider the case of a working mother who has just had her first child. In the U.K., she is covered for visits from a nurse or other healthcare professional every day for six weeks. Canadian mothers don't have this, unless—at least, in some provinces—the mother had twins or triplets.

France

France's social insurance system extends to all legal residents. Health insurance is funded by compulsory social health insurance contributions from both employers and employees, and you can't opt out. In France, 92% of the population also has extra private insurance to cover areas not eligible for reimbursement by the public health insurance system, according to the 2008 report *Le secteur privé dans un systemè de santé public: France et Pays Nordique.*

The private-public French system is a model of efficacy as it pertains to wait times and average cost per capita. In fact, according to a July 11, 2008, National Public Radio broadcast called "Health Care Lessons Learned From France," the average per-capita cost of healthcare in that country was estimated at $3,300 in 2005, compared with $6,400 in the U.S., which was the most costly in the world. The French system is so efficient that in a 2008 study comparing 19 industrialized countries, France was shown to have the lowest number of deaths deemed preventable with timely access to healthcare. This is not surprising when most of the population can have access to a medical appointment in less than a day.

The philosophy in France is a total health approach with 100% coverage. This level of coverage supports both preventative and comprehensive care.

No doubt, there are valuable lessons to learn from a total health approach about cost and health management for both public sector and private sector employers, but the key is having a proactive system of total health management. The big take-away from around the globe is that it's best to take the holistic approach. This involves prevention and case management, and helping people get the tools they need so they can support their own health without waiting until they are ill.

Paula Allen is a partner with Morneau Shepell.
pallen@morneaushepell.com

TIPS FOR YOUR DRUG BENEFITS PLAN

- Integrate all workplace health benefits and programs, and consider health coaching to help your employees navigate more effectively and efficiently through resources in order to support their health.
- Develop a philosophy and a method of dealing with chronic diseases in a manner that addresses both prevention and ongoing management to prevent progression of the health issues that result in increased cost over time.
- Understand your drug plan and devise a strategy to maximize the value of the plan and ensure sustainability.
- Leverage technology, including electronic claims management. This will ensure accurate and timely reporting and allow for direct cost management features that are not available with paper reimbursement plans.