

Are Canadians Ready for Therapeutic Formularies and Tiered Plan Design?

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Objectives

- 1. Financial impact of multi-tier drug plans**
- 2. Knowledge to make informed decisions about multi-tier plans**
- 3. Provide support for changes to drug plan administration and management**



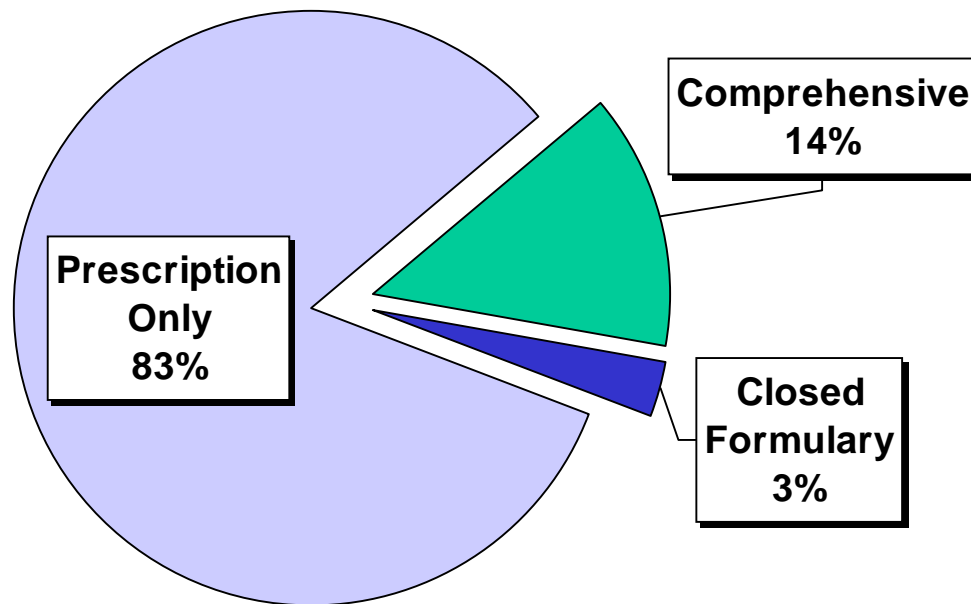
Overview

- 1. Drug plans in Canada**
- 2. Multi-tier drug plans: case studies**
 - **Win/win situation**
 - **Impact on member and plan**
 - **Implementation issues**
- 3. Conclusion: what is the bottom line and what is the next step?**



Drug Plan Design

% of ESI Canada Plans





Drug Plan Design

- 1. Coinsurance is the most common cost share strategy**
- 2. Most common coinsurance value is 80%**
- 3. 20% of plans have NO cost share strategies implemented**
- 4. Currently, less than 1% use multi-tier drug plans**



Multi-tier Drug Plans

- **Drugs reimbursed at different cost share levels**
- **Incentive to use lower cost therapeutically equivalent drugs**
- **Increased member awareness of drug costs**
- **Encourages responsible use of benefits**



Case Studies

- **Case study population:**
- **Two large employer groups**
 - **Ontario and Quebec**
 - **About 10,000 lives in each group**
- **Prescription plan with 80% coinsurance**
- **1 year of claim experience**
- **COB excluded**



Tiering: 3 Approaches

A

2 Tier: Generic/Brand

B

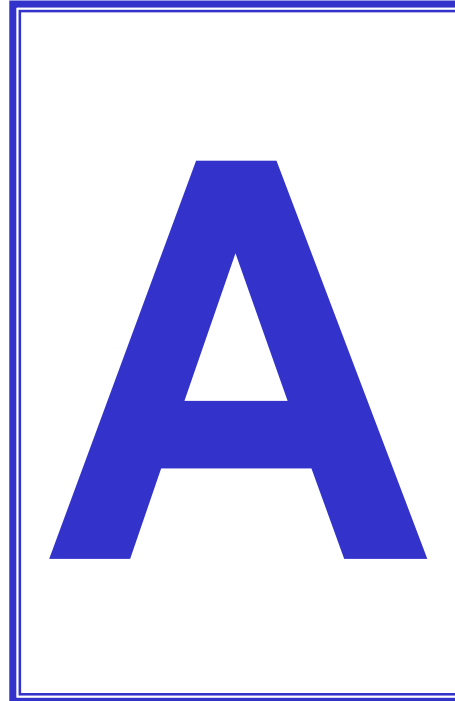
**2 Tier: ESI Therapeutic Formulary
(ETF)/Other**

C

3 Tier: Generic/ETF Brand/Other



2 Tier: Generic/Brand





2-Tier: Generic/Brand



Change from flat 80% Rx plan to:

Tier 1: up to 90% for generic drugs

Tier 2: down to 75% for brand drugs

Opportunity for savings:

- Change in member behaviour (brand to generic)**



A

2-Tier

Generic - 90%/Brand - 75%

Member Choice: Generic Equivalent

\$35 Brand versus \$25 Generic

**Current (20%)
= \$7.00**

**Stay with Brand (25%)
= \$8.75**

**Ask Physician for
Generic (10%)
= \$2.50**



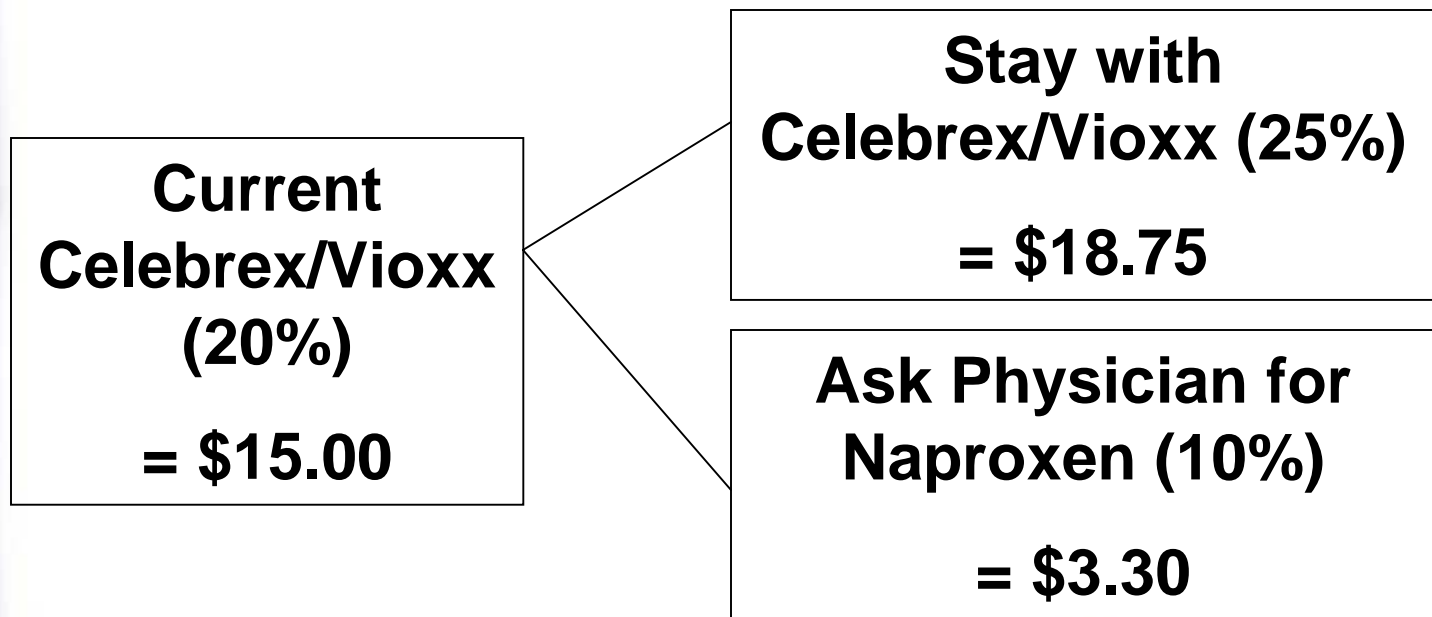
A

2-Tier

Generic - 90%/Brand - 75%

Member Choice: Therapeutic Alternative

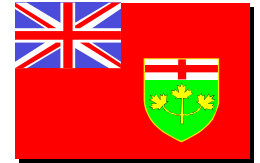
\$75 Celebrex/Vioxx versus \$33 Generic Naproxen





A

2-Tier: Generic/Brand



Ontario Group

Current generic fill rate

31.1%

- **Generic interchange**
- **Therapeutic alternative**

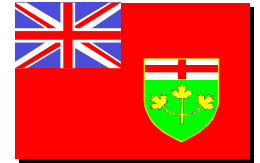
Maximum generic fill rate

37.7%

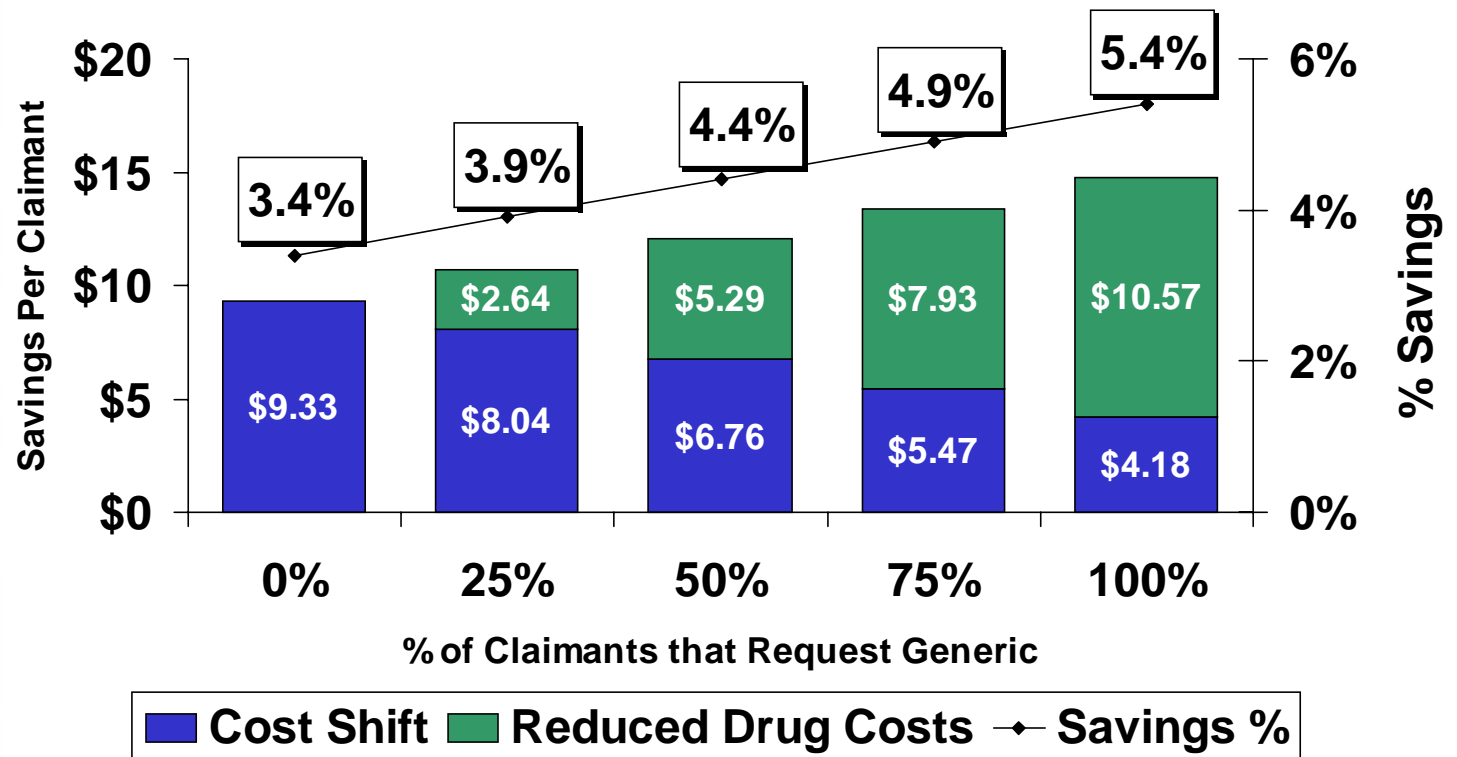


A

2-Tier: Generic/Brand

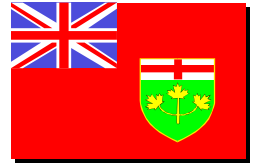


Plan Sponsor Savings - Ontario





2 -Tier: Generic/Brand



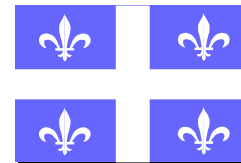
Consider:

Average Ontario claimant impact:

- Increase of \$9.33/year

High user:

- Increase of \$1200+
- Add a catastrophic cap of \$5,000



A

2-Tier: Generic/Brand



Quebec Group

Current generic fill rate

21.9%

- **Generic interchange**
- **Therapeutic alternative**

Maximum generic fill rate

33.3%

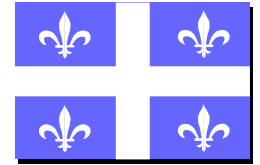


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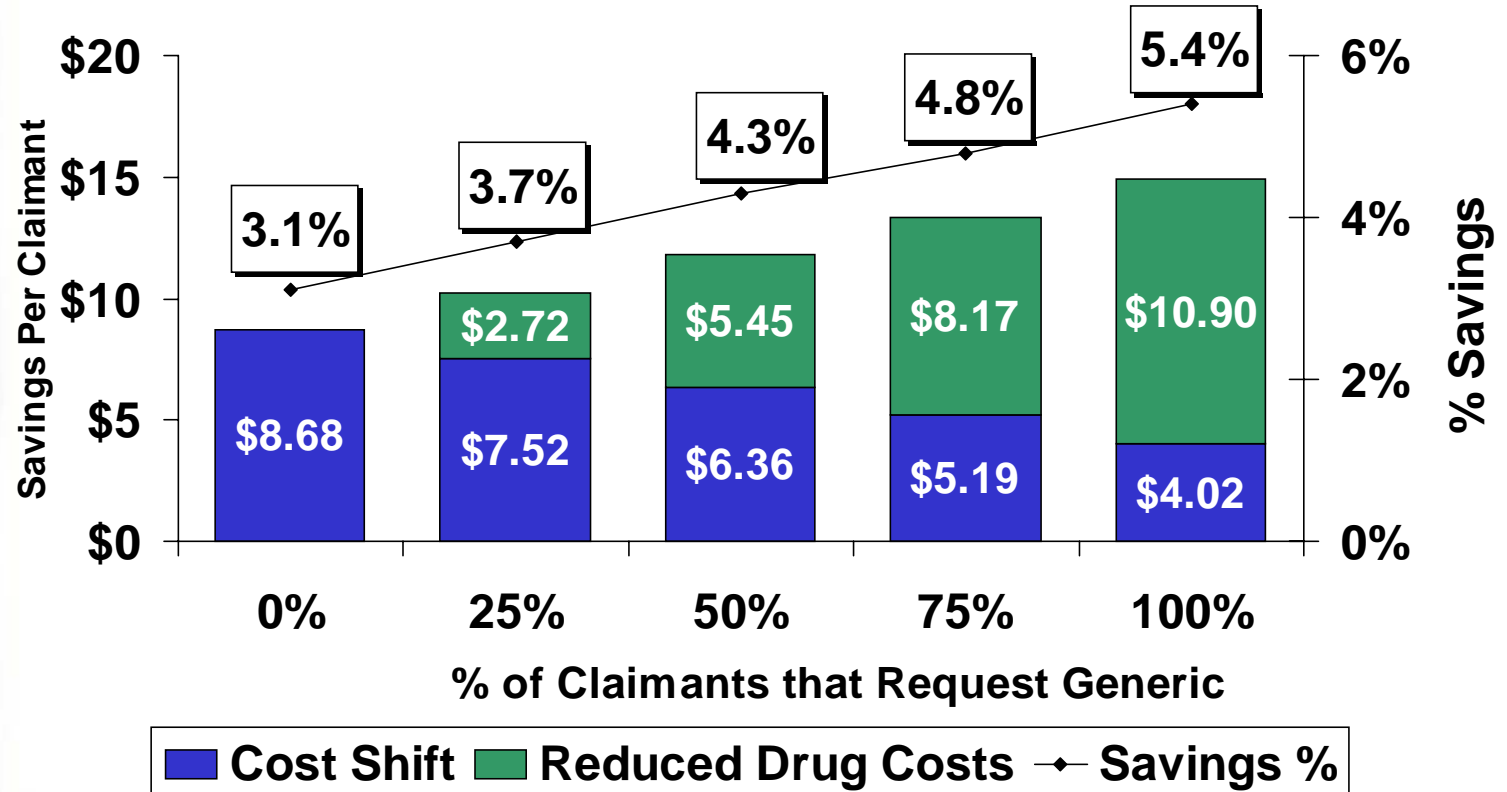


A

2-Tier: Generic/Brand



Plan Sponsor Savings - Quebec





2 Tier: ESI Therapeutic Formulary (ETF)/ Other

B



2-Tier: ETF/Other

Change from flat 80% Rx plan to:

Tier 1: stays 80% for ETF

Tier 2: down to 75% for all other Rx drugs

Opportunity for Savings:

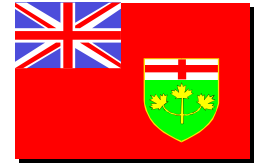
- **Change in member behaviour
(therapeutic switch to ETF drug)**





B

2-Tier: ETF/Other



Ontario Group

Current ETF fill rate

77.8%

➤ **Therapeutic alternative**

Maximum potential ETF fill rate

80.3%

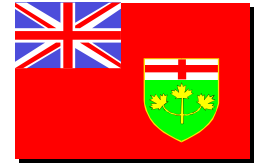


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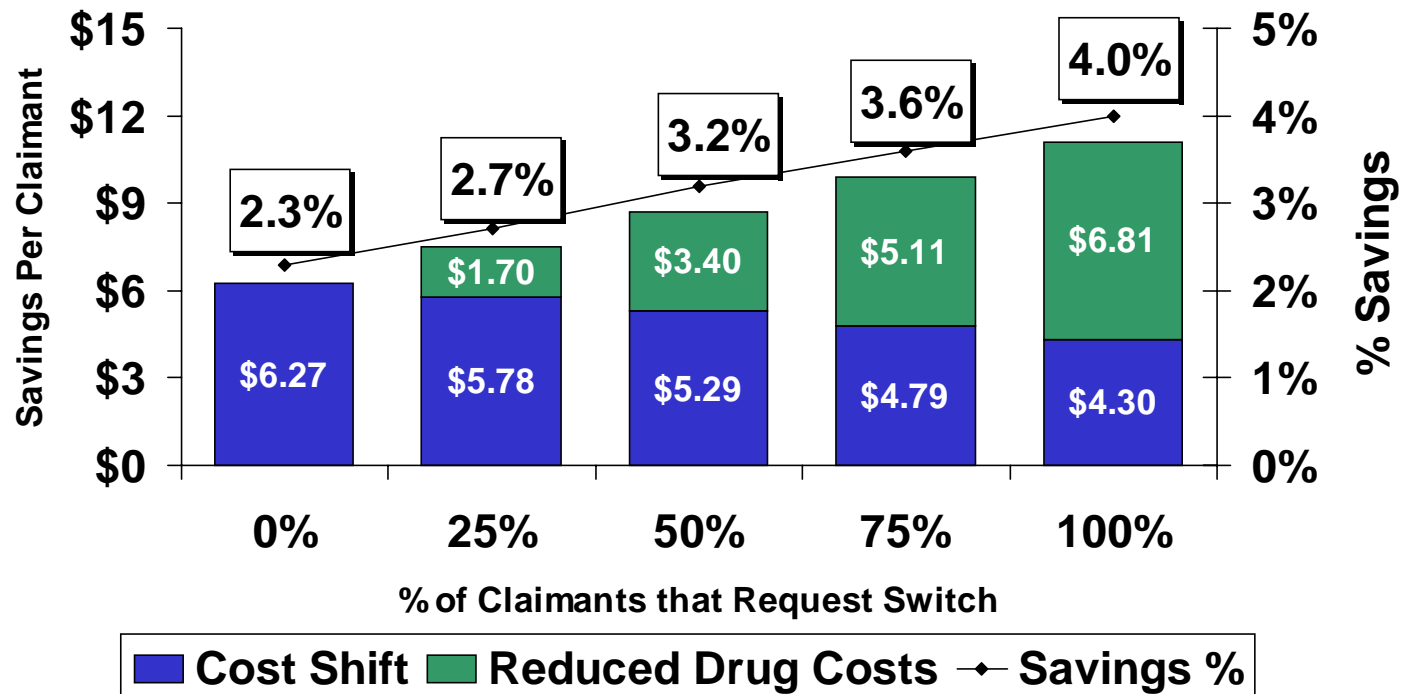


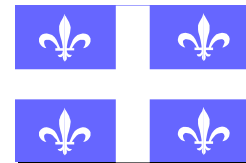
B

2-Tier: ETF/Other



Plan Sponsor Savings - Ontario



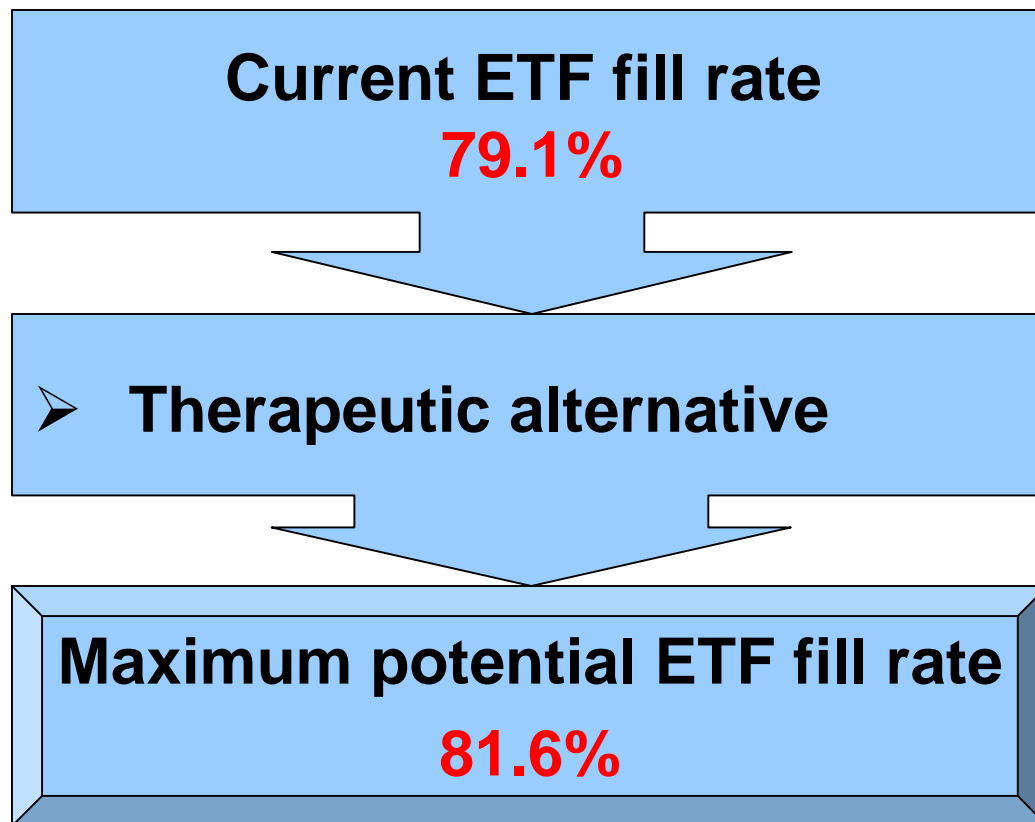


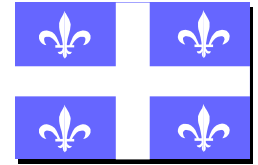
B

2-Tier: ETF/Other



Quebec Group



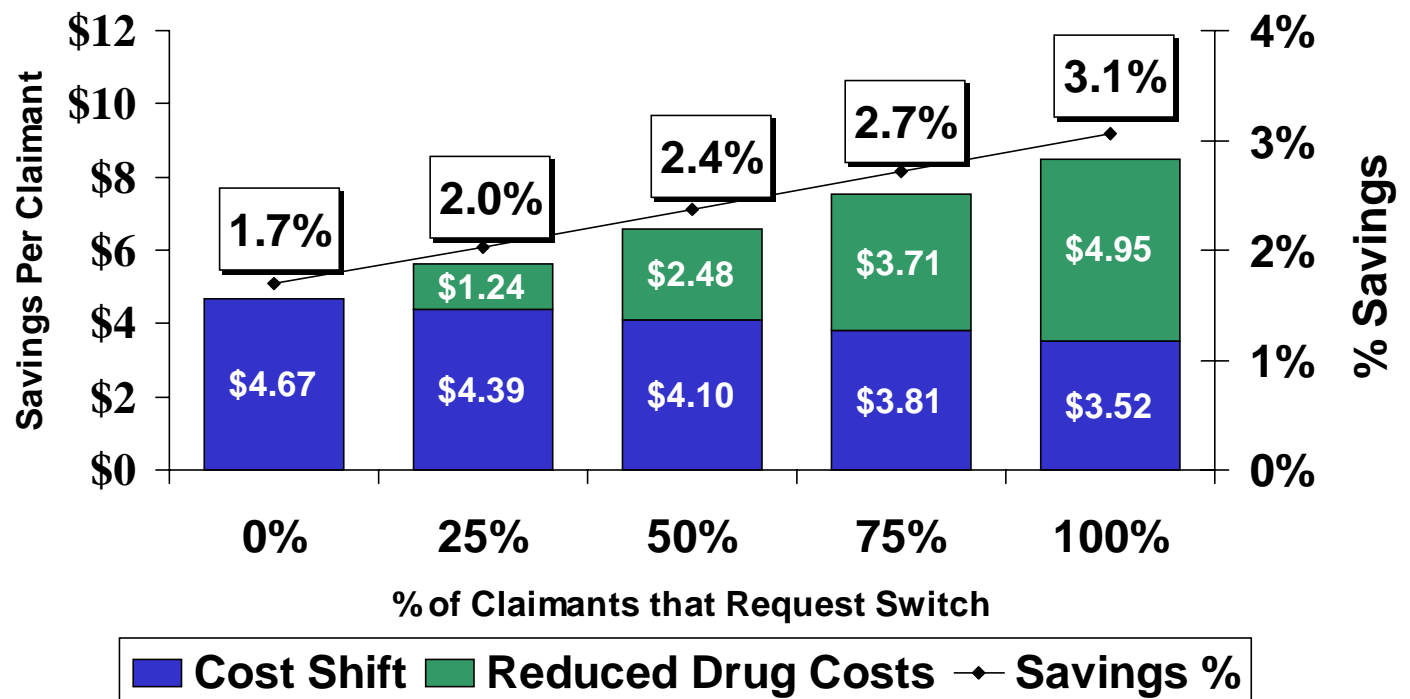


B

2-Tier: ETF/Other



Plan Sponsor Savings - Quebec





3 Tier: Generic/ETF Brand/Other

C



3-Tier: Generic/ETF Brand/ Other



Change from flat 80% Rx plan to:

Tier 1: 90% for generic Rx drugs

Tier 2: 80% for ETF brand drugs

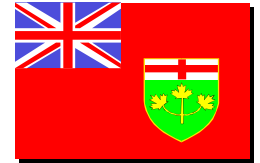
Tier 3: 75% for all other Rx drugs

Opportunity for savings:

- Brand to generic and therapeutic switching



3-Tier: Generic/ETF Brand/ Other

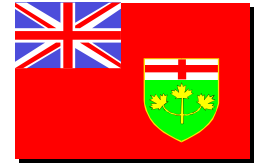


Results - Ontario Group

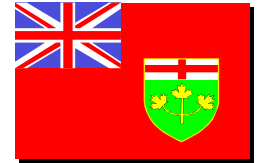
Tier #	Percent of Claims
1	31 %
2	47 %
3	22 %
All Tiers	100 %



3-Tier: Generic/ETF Brand/ Other



Tier	Average Claimant Cost Per Script		
	Before	After	Difference
1	\$5.18	\$2.59	- \$2.59
2	\$10.90	\$10.90	0
3	\$17.28	\$21.60	+ \$4.32
Overall Average	\$10.54	\$10.69	+ \$0.15



3-Tier: Generic/ETF Brand/ Other

Switch potential - Ontario group

Current generic fill rate

31.1%

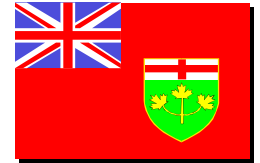
- Generic interchange
- Therapeutic alternative

Maximum potential generic fill rate

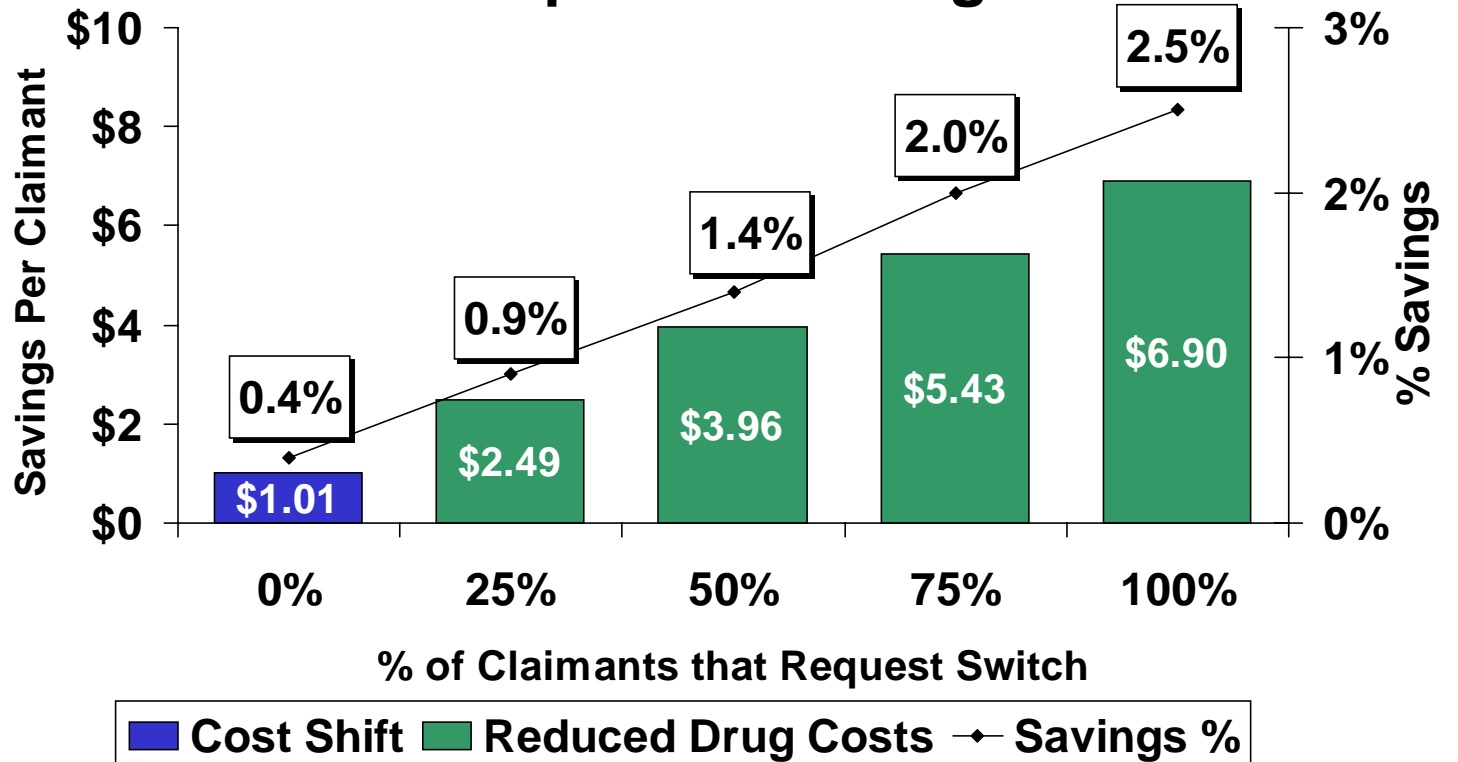
37.7%



3-Tier: Generics/ETF Brand/ Other

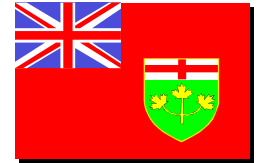


Plan Sponsor Savings - ON

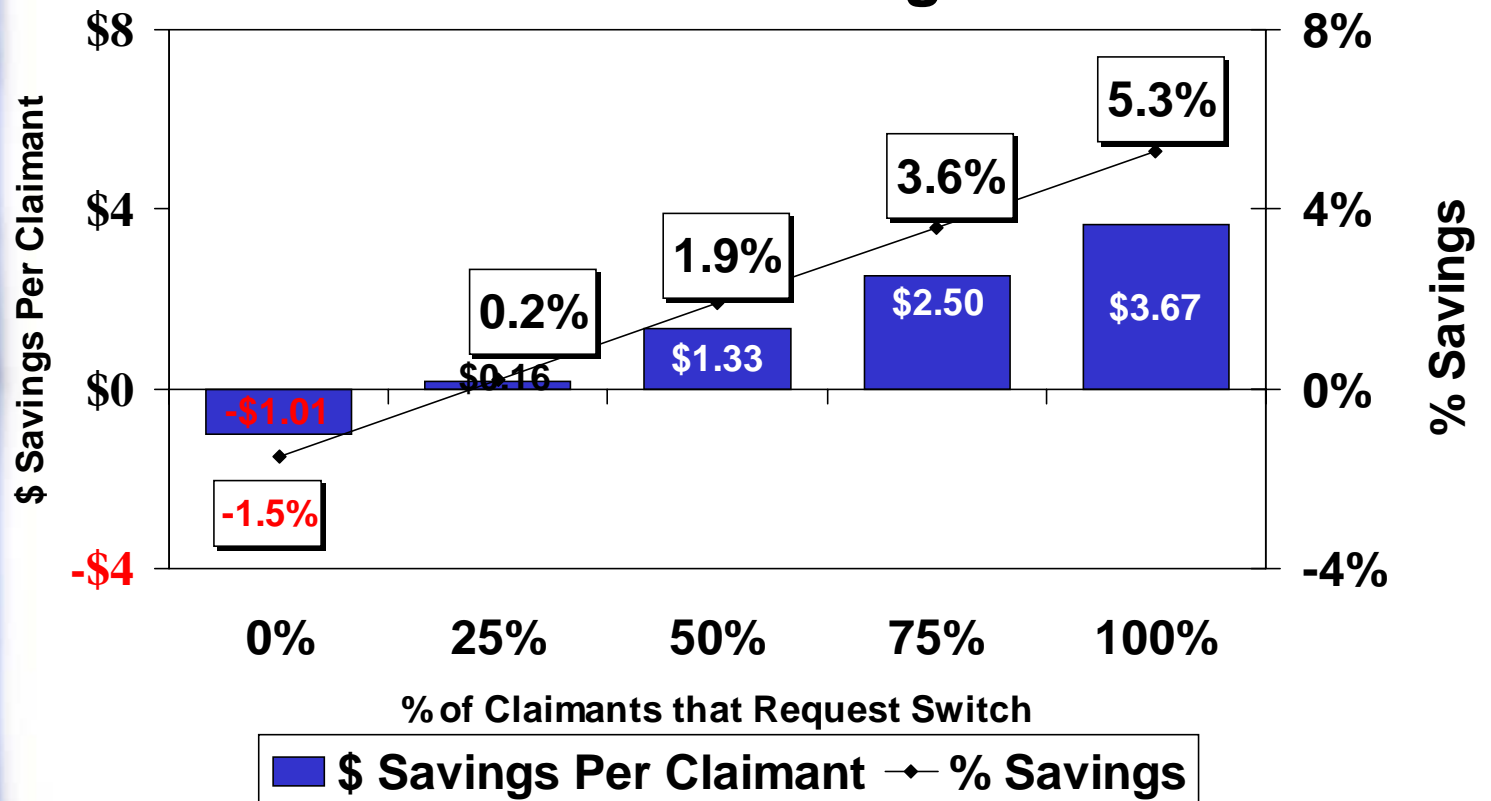




3-Tier: Generic/ETF Brand/ Other

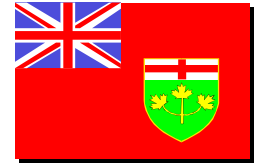


Claimant Savings - ON





3-Tier: Generic/ETF Brand/ Other



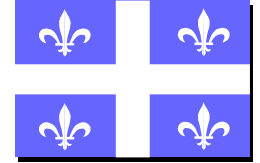
Change in Claimant Portion	% of claims with:	
	Decrease in Claimant Portion	Increase in Claimant Portion
< \$2	20 %	6 %
\$2 – \$5	8 %	11 %
> \$5	3 %	5 %



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3-Tier: Generic/ETF Brand/ Other

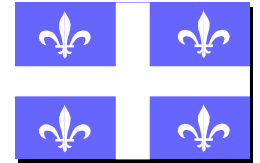


Results - Quebec Group

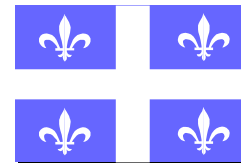
Tier #	Percent of Claims
1	22 %
2	57 %
3	21 %
All Tiers	100 %



3-Tier: Generic/ETF Brand/ Other



Tier	Average Claimant Cost Per Script		
	Before	After	Difference
1	\$3.63	\$1.79	- \$1.84
2	\$6.48	\$6.48	0
3	\$11.65	\$14.39	+ \$2.74
Overall Average	\$6.94	\$7.10	+ \$0.16



3-Tier: Generic/ETF Brand/ Other



Switch potential - Quebec group

Current generic fill rate

21.9%

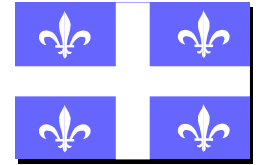
- Generic interchange
- Therapeutic alternative

Maximum potential generic fill rate

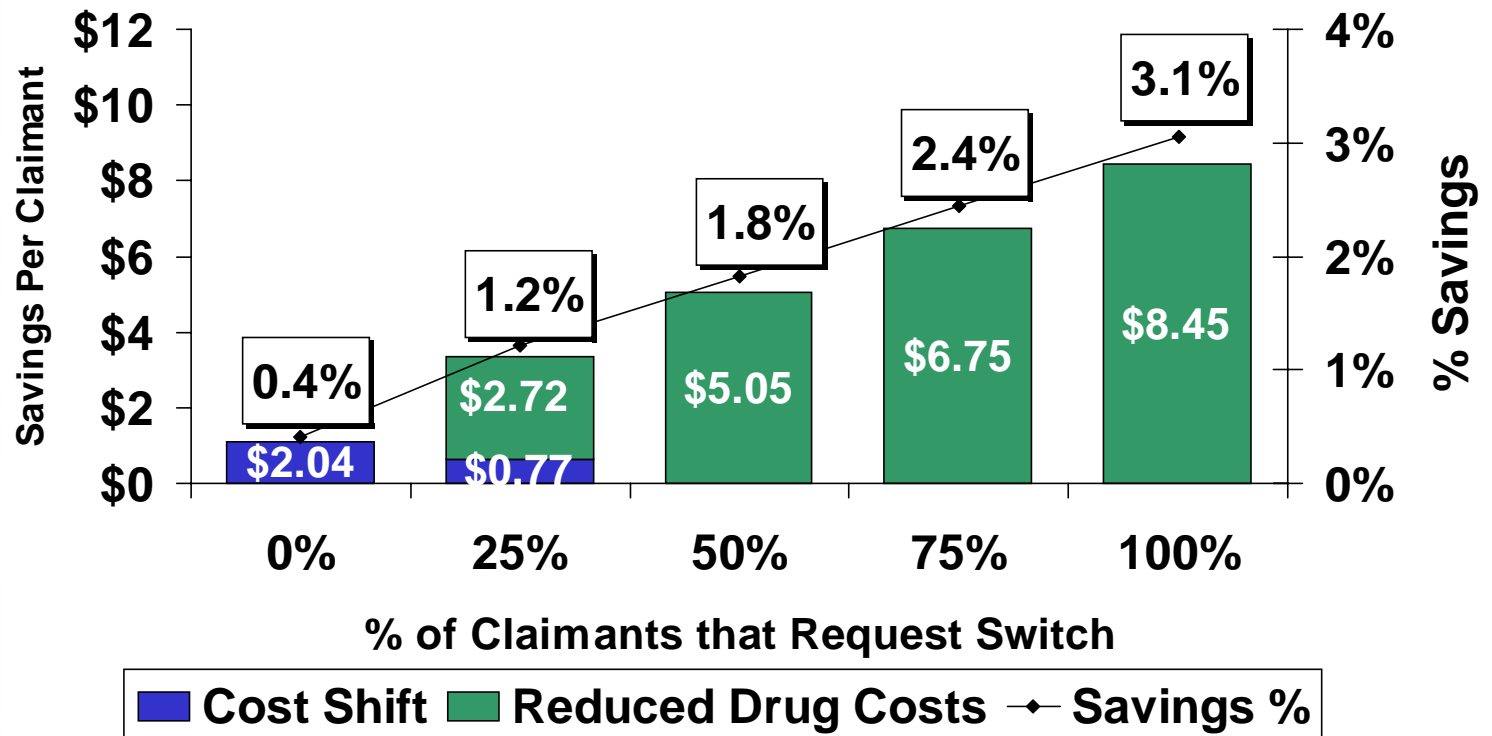
33.3%

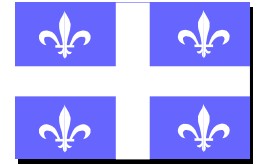


3-Tier: Generics/ETF Brand/ Other



Plan Sponsor Savings - PQ

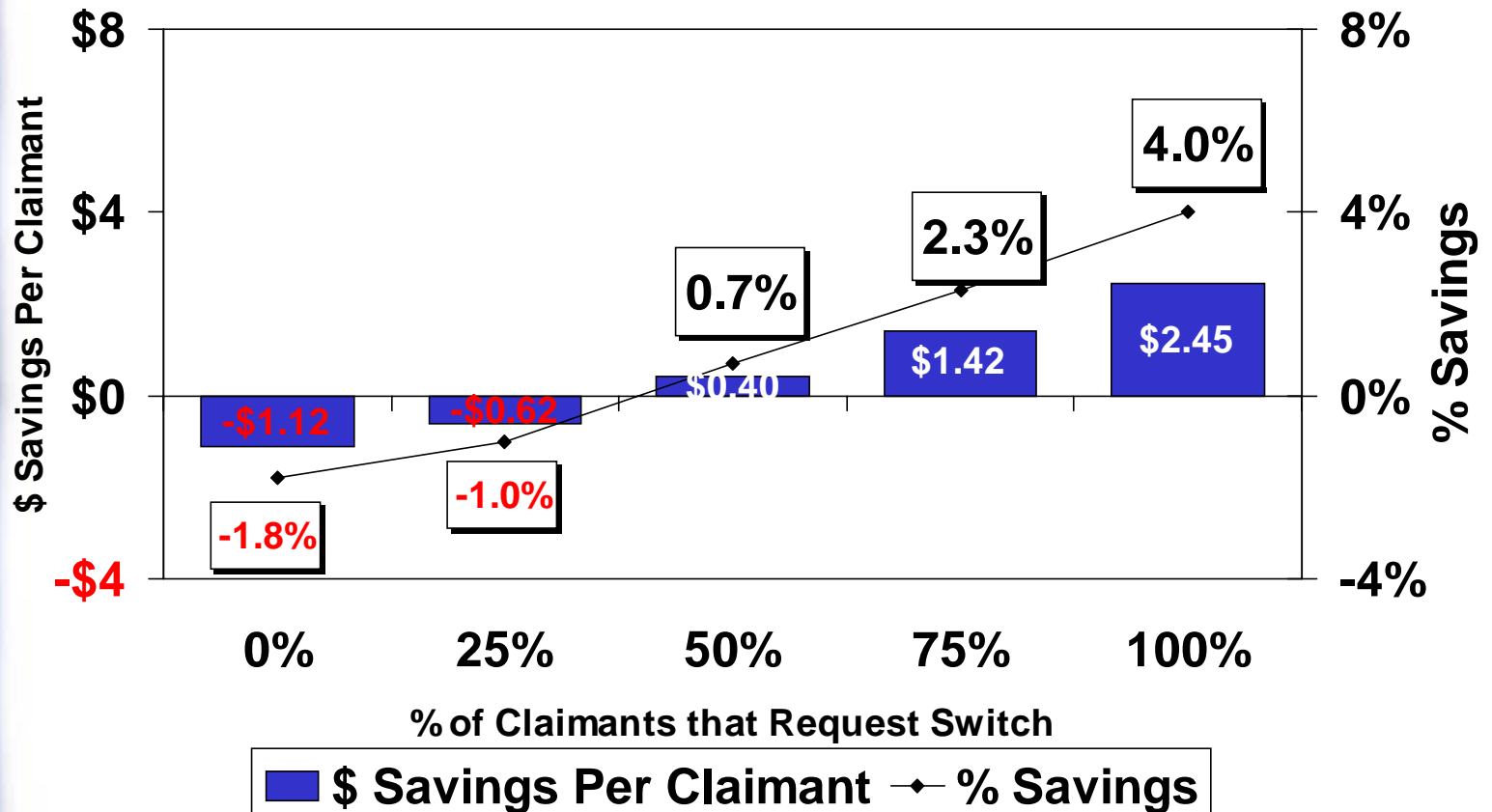


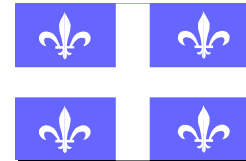


C

3-Tier: Generic/ETF Brand/ Other

Claimant Savings - PQ





3-Tier: Generic/ETF Brand/ Other



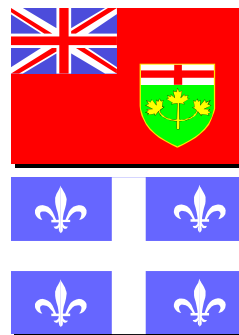
Change in Claimant Portion	% of claims with:	
	Decrease in Claimant Portion	Increase in Claimant Portion
< \$2	16 %	11 %
\$2 – \$5	5 %	8 %
> \$5	1 %	2 %

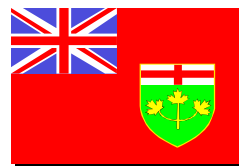
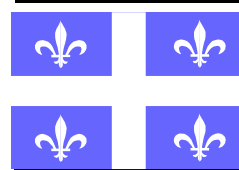


3-Tier: Generics/ETF Brand/ Other



- **Win/win if at least...**
 - 25% of claimants switch in Ontario
 - 50% of claimants switch in Quebec
- **Biggest savings if everyone switches...**



	Plan Sponsor Savings	Member Savings
	2.5%	5.3%
	3.1%	4.0%



Summary of Tiering: 3 Approaches

A

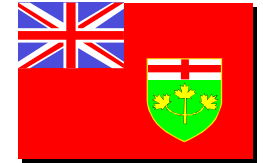
2 Tier: Generic/Brand

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**2 Tier: ESI Therapeutic Formulary
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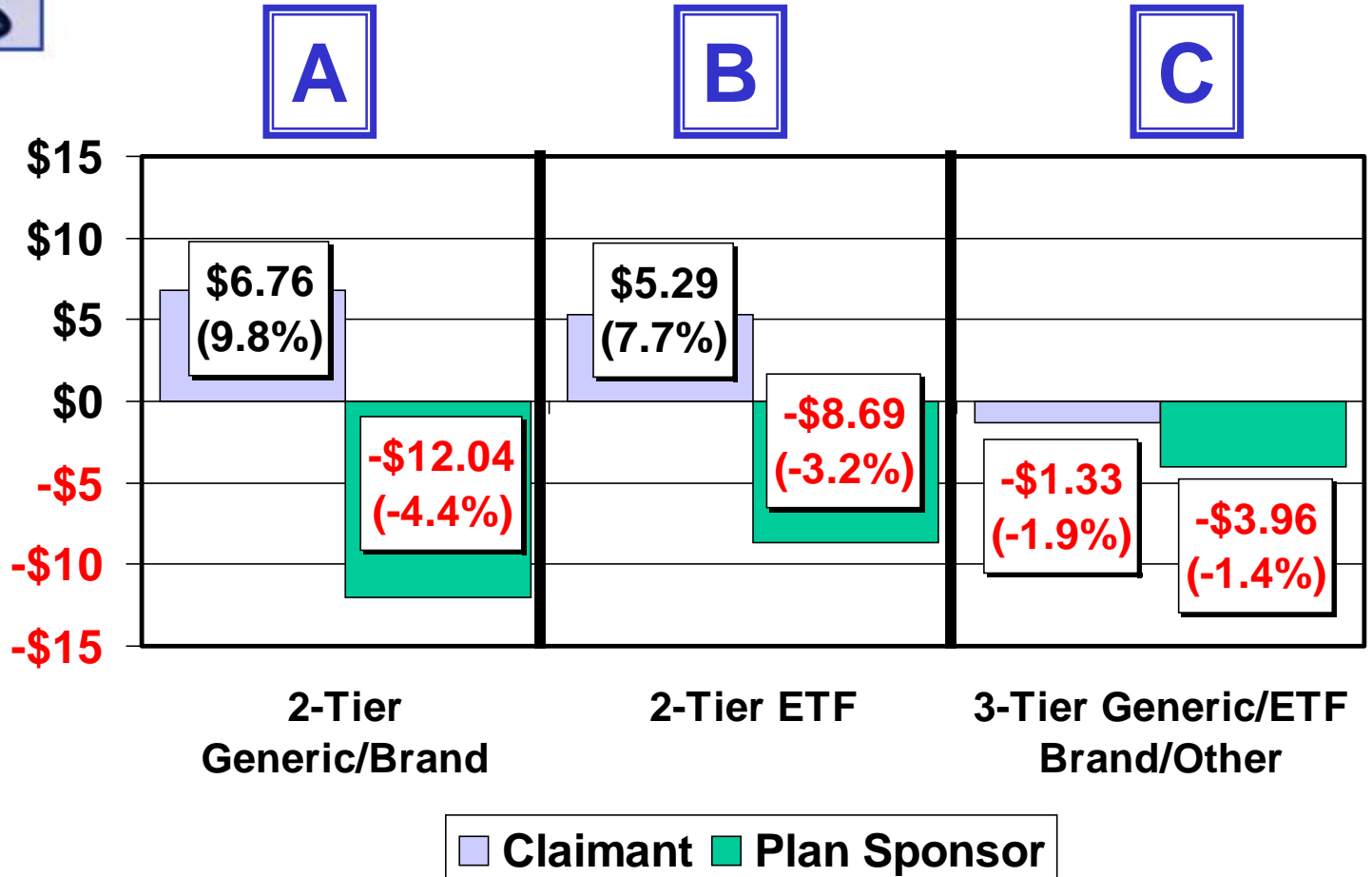
3 Tier: Generic/ETF Brand/Other

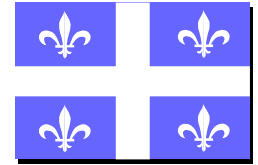


Ontario Results – 50% Switch

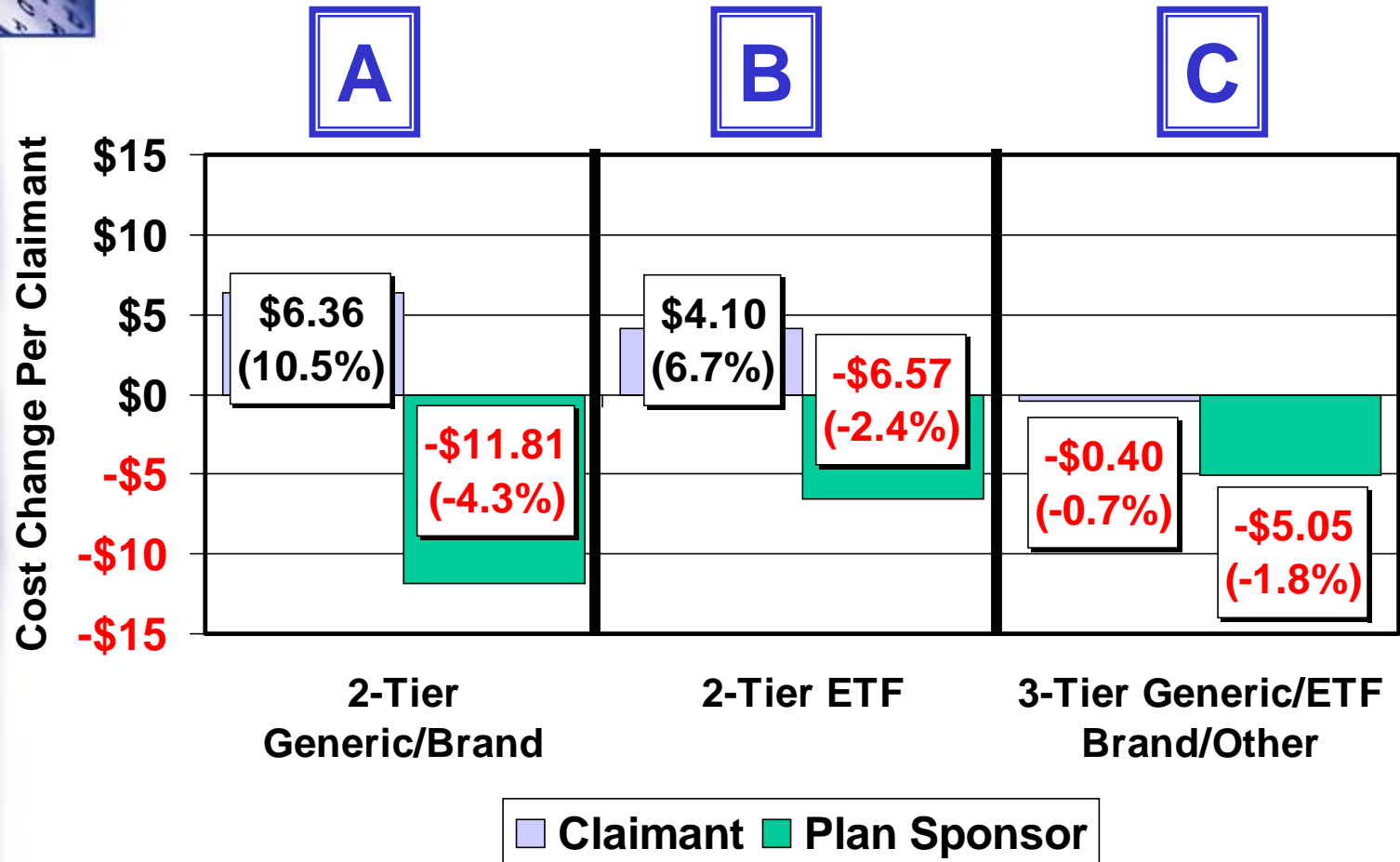


Change in Cost Per Claimant





Quebec Results – 50% Switch





Implementation Issues

- 1. Education of all stakeholders**
- 2. Additional upfront costs for HR, call centre, member education**
- 3. Member satisfaction**



Summary

- **Savings – at whose expense?**
- **With tiering, plan sponsors always save**
- **Win/win situation is possible**
- **Tiering is a good approach to manage drug plans:**
 - **Educate members**
 - **Change member behaviour**
 - **Save the plan dollars**
 - **Increase member benefit**



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Questions?

