

# Untapping the Potential of Pay-Direct Cost Controls

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## Key Message

- **Doing the basics better**



## untapping cost controls

adjudication

admin

plan design

interventions



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## untapping cost controls

adjudication	admin	plan design	interventions
DIN pricing			
DUR			
audits			
deferred payment			



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## DIN Pricing

- **All provinces/territories**
- **Pricing sources:**
  - **Provincial formulary**
  - **Major wholesalers**
  - **Manufacturer**
- **U&C fees**
- **Unit price**
- **Interchangeable pricing**



## Drug Utilization Review (DUR)

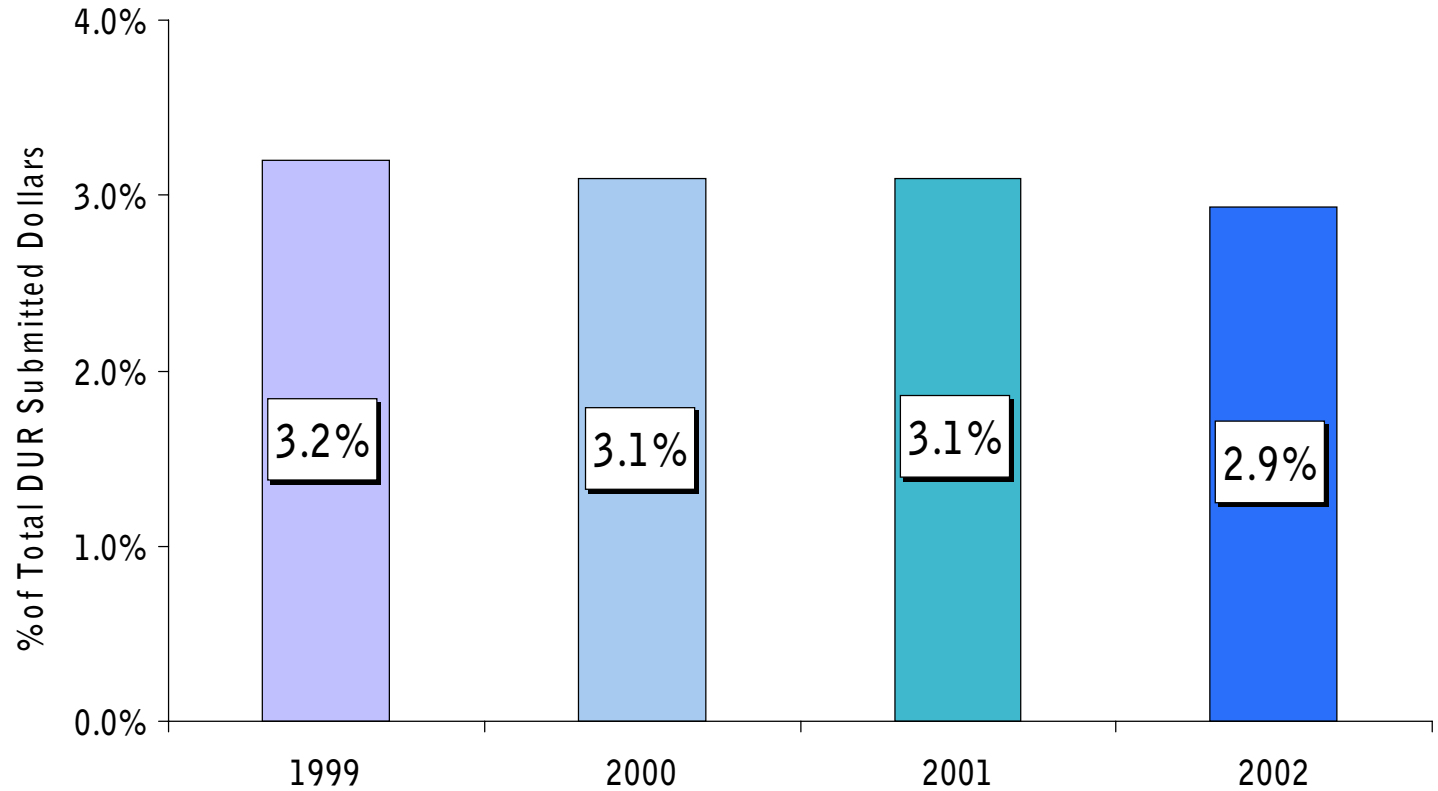
- **Identifies problems before a prescription is filled**
- **Various edits**
- **Potential savings of 3-3.5%**
- **Free-format messages**



## Drug Utilization Review (DUR)

- **Safety**
- **Right drug at the right time**
- **Opportunities to change behaviour:**
  - **Member**
  - **Pharmacist**
  - **Prescriber**
- **Opportunity to intervene *before* filling a prescription**

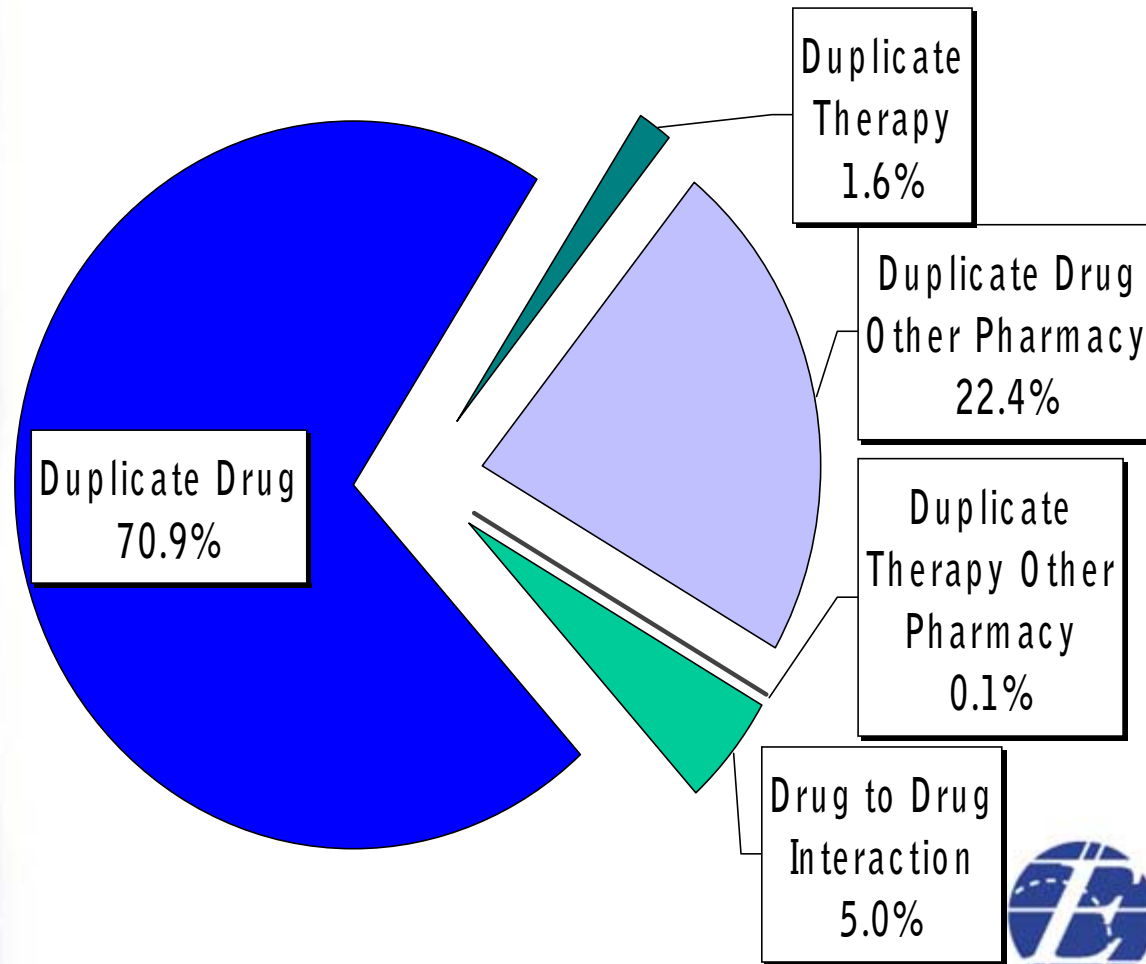
# Net DUR Savings 1999-2002 (after overrides)





# Drug Utilization Review (DUR)

## Breakdown of the 2.9% Net DUR Savings or \$21 Million in 2002



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## Audits

- **Types:**
  - **Written desk audit**
  - **On-site audit**
  - **Physician confirmation**
  - **Member confirmation**
  - **Next day audit**
- **Recovered over \$2.5 million in 2002**



# Deferred Payment

- **Features**

- **Convenience**
- **Deterrent factor**
- **Stepping stone to pay-direct**



## untapping cost controls

adjudication

admin

plan design

interventions

DIN pricing

COB

DUR

positive  
enrollment

audits

deferred  
payment

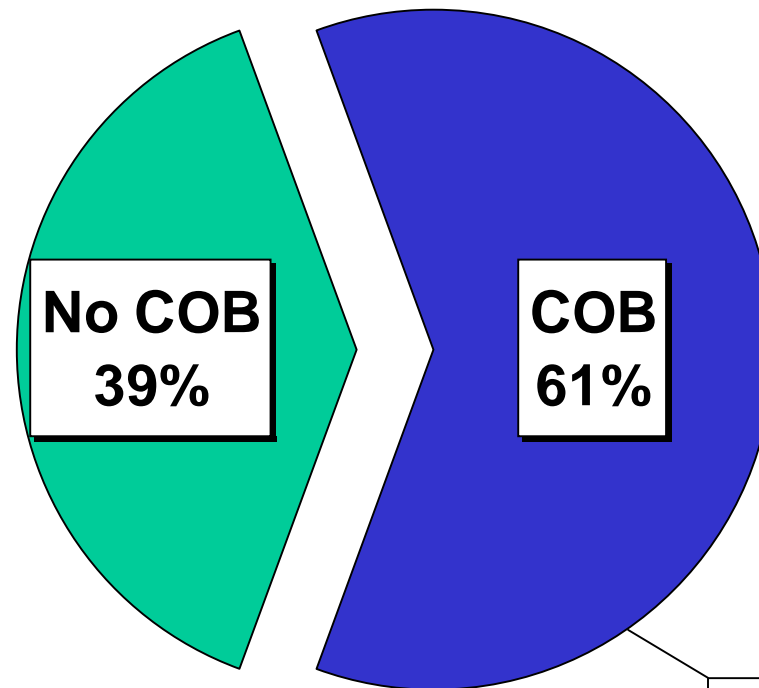


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# COB and Positive Enrollment

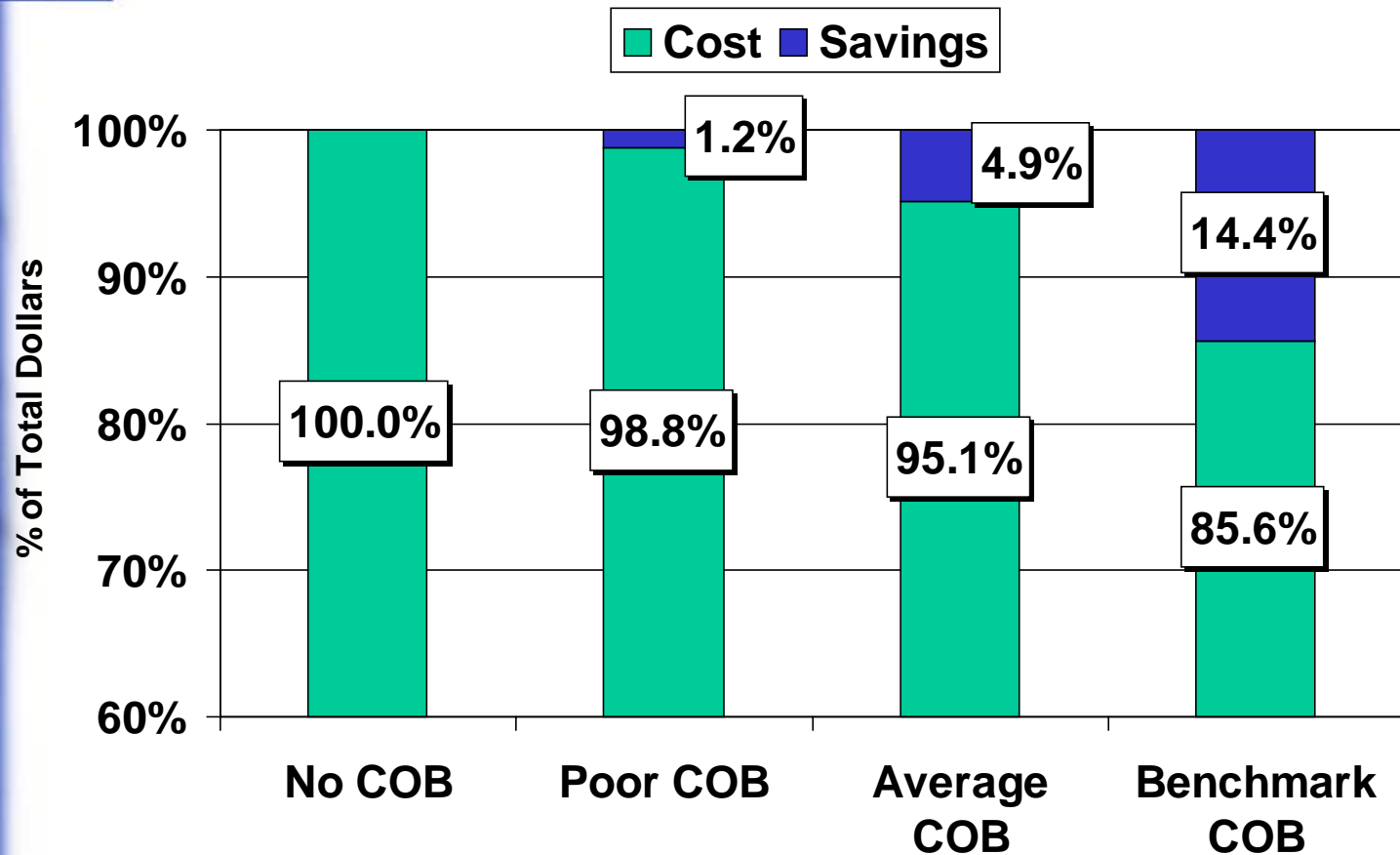
% of Plans



19% of Spouses Had Other Coverage



# COB and Positive Enrollment



% of Spouses listed as having other coverage:

<10%

10%-30%

30% +



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## untapping cost controls

adjudication

admin

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interventions

DIN pricing

COB

fee controls

DUR

positive  
enrollment

deduct/  
copay/  
coinsur

audits

generics

deferred  
payment

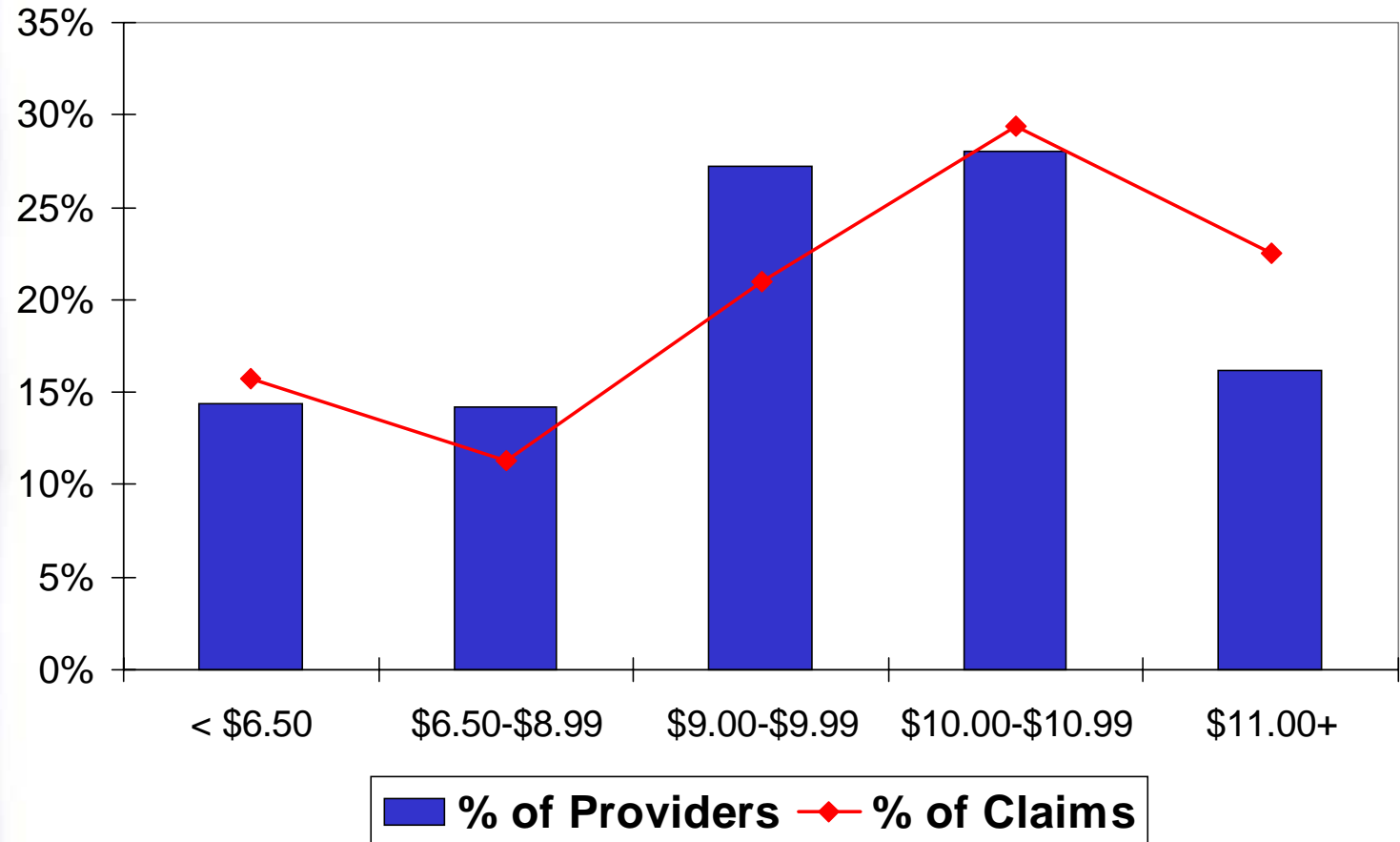
tiering



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## Average Submitted Fees in Ontario





## Fee Controls

- **Plan member education**
- **Fee caps**
- **Deductible = fee**
- **Preferred provider arrangements**
  - **Private**
  - **Networks**



## Member Payment Options

<b>Member Payment Option</b>	<b>Average Member Payment (% total cost paid)</b>	<b>Plan Sponsor Savings vs. 100% Coverage</b>
<b>10% coins</b>	10.0%	24.8%
<b>\$5 copay/Rx</b>	10.6%	18.6%
<b>\$5 fee cap</b>	7.0%	9.6%
<b>\$25/\$50 deductible</b>	4.9%	4.9%

Source: ESI Canada 2002





## Generics

- **47% of plans have generic substitution**
- **3.8% lower cost allowed/script**

Source: ESI Canada 2002





## Tiered Plan Design

- **Change plan member behaviour**
- **Easy to understand and implement**
- **Works well with other interventions**



## untapping cost controls

adjudication	admin	plan design	interventions
DIN pricing	COB	fee controls	ETF
DUR	positive enrollment	deduct/ copay/ coinsur	trial Rx
audits		generics	prior auth
deferred payment		tiering	drug choice
			maintenance



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## Summary

- **Opportunity to control drug plan costs by...**



## Summary

- **Doing the basics better!**
  - **COB and positive enrollment**
  - **Effective plan member participation**



**Questions?**

