

Re-thinking Reimbursement – The Value of Pay Direct

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5th Annual Outcomes Conference



Topics

- **The Value of PDD**
- **Tried and True – Coughlin's Experience**





Key Message

Reimbursement:

- “Too little... too late”

Pay Direct Drug Card:

- Point-of-Sale benefits





The Carrier / TPA Experience

- **Access to PBM expertise**
- **Encourage member consumerism**
- **Focus on Health & Wellness Programs**
- **Less administration work**
- **Potentially less disability claims**





The Plan Sponsor Experience

- **Cost management solutions at Point-of-Sale**
- **Convenience = satisfied members**
- **Increased compliance = less absenteeism**
- **Access to more detailed data = better informed decisions**





The Member Experience

Member Satisfaction:

- Convenience
- Reduced OOP costs
- Empowerment
- No surprises
- Safety





The Experience of Converting

- **Implementing controls to mitigate trend**
- **Member convenience and satisfaction**
- **Streamlined claim process**



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Coughlin & Associates Ltd.

- **Consultant / T.P.A.**
- **1958**
- **Ottawa / Winnipeg**
- **125 employees**
- **Over \$20 million in drug claims reimbursed annually**

Where We Were and Why

- Our first experience with RxPlus
- Poor controls
- Higher costs / reduced sharply post-drug card*
- Drug cards meant cost increases*
 - Our experience
 - Insurer testimonies

*Why

- Fewer unfilled scripts
- Shoe box
- Migration!!
- No lost receipts

Preferred Provider Network (PPN)

- **Ottawa: The Ideal Market**
- **Our goals**
- **33 pharmacies in 1995 / over 110 today**
- **Savings quantified : 15% to 18% !!**
- **A value-added proposition**

PPN & PDD

- **Not compatible initially**

Enter ESI Canada!!

- **Compatibility**
- **Advantages of PDD**
- **Good employee data management**
- **An opportunity to “re-think” our position**
- **Real-time vs paper claims adjudication**

Real-time vs. Paper Claim Drug Adjudication

- **School Board 2003 Drug Claims**
- **Volumes:**
 - 4,500 insured employees
 - 10,000 total insureds
- **Reprocessed assuming “real-time”**
- **Savings on ingredient costs**

May 1, 2004 PDD Introduced

- **Integrated with Coughlin PPN**
- **Card launched May 1, 2004**
- **Costs up initially before stabilizing**
- **Administration cost neutral**

Subsequent Reviews and Results

- **4 major groups**
- **Varying paper vs real-time savings**
 - **1.7% to 9.8 %**
- **Cards implemented**
- **Cost increases over first 13 months of less than 10%**

Our Conclusion About PDD Costs

- **Card no longer the cost driver it once was !!**

Future of Prescription Drugs

- **Special Coughlin Courier**

COUGHLIN COURIER



FEBRUARY 2006

AT A GLANCE . . .

- ▶ Could your organization survive a \$1 million drug claim? 1
- ▶ Will that prescription be the past, present or future? 2
- ▶ Expensive, biological drugs are now becoming the norm 3
- ▶ 2005: The year of medicating expensively..... 5
- ▶ The top 5 on the pill parade..... 5
- ▶ Inflated expectations 6
- ▶ For whom the boom tolls 7
- ▶ Drug claims set to double by 2010 7
- ▶ PPN update 8
- ▶ More information? 8

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FEATURE



SPECIAL EDITION: RISING DRUG CLAIMS

Could your organization survive a \$1 million drug claim?

There was a time, not long ago, when a drug claim involving a five-figure number was unheard of. Now, it's routine.

Claims involving six-figure numbers were, at best, theoretical. Today, prescriptions resulting in claims of \$100,000 or more are being incurred.

Thanks to newly developed drugs and the uncertain division of federal and provincial government responsibilities, the era of the \$1 million drug claim has arrived.

And if you are a plan sponsor without a drug plan maximum or stop-loss protection, the era of the \$1 million claim could be coming to your organization sooner than you think as the following story from a national insurer illustrates.

"We were dealing with a new drug that was designed to treat the complications from one strain of a very rare genetic disease," recounts a spokesperson for the insurance carrier that paid the claim. *"In all of Canada, there might be 120 people affected by it. These drugs have a limited scope but have a high cost, in this case, about \$1.2 million. So, the drug applies to a tiny population, which makes its production very expensive."*

However, that rarity opens the potential for misunderstanding, the spokesman said.

"For more common diseases, there is a better potential for a drug to be covered in a government's formulary," the spokesperson warns. *"You can't automatically assume the drug will be in the provincial*

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Concerns

- **Genomics**
- **Biologics**
- **The “pipeline”**
- **The \$1 million drug claimant**
- **The many \$50,000 claimants**

Importance of the Card

- **Real-time intervention**
- **Better cost management**
- **Integration with provincial plans**
- **Employee convenience and satisfaction (they still are important!)**

What is Next?

- A growing demand for the card in the market place
- Feds – largest plan moving ahead in 2008 !!
- The better drug expense management tool

Traditional Paper vs PDD Reimbursement

- **What about cost increase ?**
- **Planning for the future**
 - **Conduct due diligence**
 - **Examine the issues**
 - **Be prepared for the future**

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Thank you