

SHIFTING THE DRUG COST BURDEN IN ONTARIO

The provincial government is making significant changes to coverage under public programs. What's the impact on the sponsors of private plans?

By *Karen Welds*



It has been a busy period for changes to public drug programs in Ontario, as the provincial government has been working on policies with the potential to offer savings to private benefits plans: pharmacare coverage for people under the age of 25 and upgrades to the Trillium drug program for people with high drug costs. What are the possible impacts on plan sponsors?

Pharmacare for children and youth

As of Jan. 1, 2018, the new pharmacare program for Ontarians aged 24 and under will make the provincial government the first payer for more than 4,400 drugs covered by the Ontario Drug Benefit plan. In a written statement, the Ontario Ministry of Health and Long-Term Care described the youth program as “the first step in achieving the goal of universal pharmacare for all.”

Drug claims for that age group currently account for 13 per cent of all claims and 12 per cent of private drug plan spending, according to Express Scripts Canada. However, those numbers decrease to nine per cent and six per cent, respectively, when

the Ontario Drug Benefit formulary is applied to those claims.

“We can safely say that only about half of all claims costs for these people are currently for drugs that are covered by ODB,” says Ned Pojskic, pharmacy strategy leader at Green Shield Canada. He notes the public formulary is stricter than private plans because it’s more likely to pay for older, cheaper drugs.

With that in mind, projected savings will range from two to 11 per cent, depending on the age distribution of plan members, he adds, noting those with administrative services-only arrangements will benefit immediately. “Certainly, from an ASO

FACTS ON ONTARIO'S PUBLIC DRUG PROGRAMS

\$530 million

Amount spent by the provincial government on the Trillium drug program in 2015/16

4,400

Number of prescription drugs on the Ontario Drug Benefit formulary



\$465 million

Expected annual cost of covering drugs for youth under age 25 as of Jan. 1, 2018

3.9 million

Number of people in Ontario who currently receive prescription drug coverage under the Ontario Drug Benefit program, including more than 2.3 million seniors and more than 900,000 people on social assistance

Source: Ministry of Health and Long-term Care and 2017 Ontario budget documents

perspective, there will be an immediate, automatic reduction in costs for plan sponsors. For insured plans, it might take a little longer because it does have to show up in the claims experience.”

Advisors and plan sponsors with insured plans should be pressing insurers for more transparency on expected savings, says Chris Pryce, managing director of Human Capital Benefits in Toronto. “With all the different methodologies in place to manage renewals, the concern is plan sponsors will not see this as a blanket decrease any time soon.”

Another concern for Sam Pasternak, a benefits specialist at Alliance Income Insurance Corp. in Vaughan, Ont., is that more plan sponsors will consider implementing caps on their drug plans. “Some clients have brought that up, especially for groups with predominantly young employees. They feel more protected by government, so they may look at installing a drug cap to reduce costs. But what happens if an employee needs a medication that is high cost that ODB does not cover? Plan sponsors do not want to get stuck in that type of situation just because they wanted to save on a couple of months of operating costs.”

While the new pharmacare coverage will include Ontario’s exceptional access program for drugs not on the Ontario Drug Benefit formulary, private plans shouldn’t assume blanket approvals. “Work needs to be done to ensure there are no gaps in care, and that ideally includes some form of grace

period to allow people to take the necessary steps to apply for and be approved by [the government plan] for drugs that they are already taking with private coverage,” says Pojskic.

Trillium drug program

When the ministry informally announced early this year that it would automate its Trillium drug program for people with catastrophic drug costs, it triggered widespread speculation within the industry: Would the upgrade just replace the current paper-based system for beneficiaries or would it include automatic co-ordination with private plans to allow for public coverage to kick in more often and more easily? Would enrolment also be automatic or would it still be at the hands of plan members?

More than six months later, the questions still appear to outnumber the answers. In a statement to *Benefits Canada*, the ministry confirmed it’s “looking at system changes that would enable the automatic co-ordination of benefits between Trillium and private insurance providers,” but it declined to answer other questions.

One thing is certain: the changes won’t be happening in September, as originally suggested. The launch of the youth pharmacare program in January has taken priority; indeed, the ministry has linked the two, stating: “We anticipate there will be further learning from [the pharmacare program] to further inform consideration of [co-ordination of benefits].”

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“Certainly, from an ASO perspective, there will be an immediate reduction in costs for plan sponsors.”

With so many unknowns, some observers say it's too soon to predict the potential impact on private drug plans. For its part, Green Shield doesn't anticipate much of an impact, even if automated co-ordination comes to pass.

“Fundamentally, the structure of Trillium would need to change,” says Pojskic. “It would need to be like B.C. pharmacare, where every single dollar of drug costs counts toward the deductible, whereas Trillium only cares about out-of-pocket expenses. It is more for the working poor or people with no private insurance.”

Currently, the average net household income of Trillium beneficiaries is \$35,000, according to the ministry. With a deductible that's roughly four per cent of net income, determined quarterly, that works out to at least \$350 in quarterly out-of-pocket spending for prescription drugs.

Employees with private drug plans likely live in households with higher net incomes. If net income is \$50,000, for example, the required quarterly deductible would be about \$500 (about \$2,000 annually).

“This is where plan design really comes into consideration,” says Pojskic, citing the “widespread nature of plan designs” with flat copayments, 100 per cent coverage and out-of-pocket maximums.

In addition, there may be co-ordination of benefits and, for high-cost drugs, assistance through pharmaceutical manufacturers' patient support programs. “If you have a middle or higher income and some form of private insurance, it will likely take a long time to qualify for Trillium,” says Pojskic.

Advisors such as Pryce, however, suggest otherwise. In his experience, a 20 per cent copayment isn't unusual for plan members. Based on an average annual cost of \$18,500 per specialty drug claimant in 2016, according to Telus Health, that would be a copayment of \$925 quarterly, assuming there's no co-ordination of benefits or other financial assistance. Under that scenario, plan members with net household incomes as high as about \$90,000 would be eligible for coverage from Trillium (since four per cent of \$90,000 would mean a quarterly deductible of \$900).

Whatever the math, insurers are the ones that are likely to benefit most from a Trillium program that's integrated with private plans, according to Pryce.

“In a perfect world, insurers would reduce their stop-loss insurance charges, but I don't foresee that happening any time soon,” he says. “Not only would it take years for the savings to flow through but, during that time, the number of specialty drug entrants will continue to increase.”

Karen Welds is a freelance writer based in Buckhorn, Ont.

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