Is your plan keeping pace?

Prescription drug benefits play a significant role in the overall health and well-being of your employees, contributing to a more productive and satisfied workforce. They’re an important part of your overall benefits offering, but as the prescription drug landscape continues to evolve, is your plan keeping pace? Issues like provincial drug reform and new high-cost treatment options are presenting challenges and opportunities for drug plan management. Great-West Life is here to help you understand the issues in today’s prescription drug landscape and implement drug solutions to support you.
Below is a scenario to help illustrate the impact of rising prescription drug costs.

**David** owns a growing business that employs 150 people. David’s company offers a competitive benefits plan that has helped support and retain key employees for many years. David knows benefits costs have been increasing, but he’s been able to manage the increases by making small adjustments to coverage and absorbing costs on behalf of his employees. He hasn’t paid much attention to the individual components of his plan, like drug coverage.

At first glance, the drug plan doesn’t appear to have a major impact on David’s overall benefit costs, but let’s take a look at the total increase over time.

The rising cost and increased use of prescription medications, reduced effectiveness of deductibles and a lack of plan member engagement in their purchasing decisions have led to drug costs accounting for a steadily growing percentage of benefit plan expenses.

Details on the factors that drive prescription drug increases are outlined in this communication, as well as ways to help manage costs. David can work with his benefits advisor to introduce innovative solutions to prescription drug management, including changes to plan design that can make a real difference when it comes to managing expenses.
Prescription drug coverage is often viewed as a key benefit for plan members. Without private plans, many Canadians wouldn’t be able to afford the drug therapy or treatment they need. In fact, at least one in 12 Canadians face drug costs of more than three per cent of their household net income.

The charts below provide a comparison of the observed changes from 2005 to 2010 for acute drugs (prescriptions typically taken less than twice in a year), maintenance drugs (prescriptions for chronic conditions) and high-cost drugs (prescriptions that cost more than $5,000 per year).

Maintenance drugs comprised nearly three-quarters of the claims and dollars spent in 2010 and high-cost drugs saw the largest increase in cost in relation to the number of actual claims submitted.

Acute, Maintenance and High-cost comparison chart

<table>
<thead>
<tr>
<th></th>
<th>Acute</th>
<th>Maintenance</th>
<th>High-cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of different drugs (DINs)</td>
<td>10,172</td>
<td>6,426</td>
<td>197</td>
</tr>
<tr>
<td>% increase since 2005</td>
<td>39%</td>
<td>57%</td>
<td>327%</td>
</tr>
<tr>
<td>Average annual cost per claimant</td>
<td>$111.19</td>
<td>$525.06</td>
<td>$15,110.51</td>
</tr>
<tr>
<td>% of claims for generic drugs</td>
<td>68.4%</td>
<td>44.2%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Top therapies (2010)
1. Adalimumab (Humira)
2. Etanercept (Enbrel)
3. Infliximab (Remicade)

Top drugs (2010)
1. Oxycodone Hcl
2. Clarithromycin
3. Amoxicillin
1. Atorvastatin (Lipitor)
2. Rosuvastatin (Crestor)
3. Esomeprazole (Nexium)

It takes expertise and knowledge to understand what’s really driving your drug plan costs. We’ll provide options to help turn tough decisions into smart outcomes.

In this document, you’ll find valuable information on some of the current challenges drug plans are facing and how Great-West is working to answer your questions and meet your needs.

Let’s work together to help ensure your prescription drug plan works for you and your employees, now and into the future.

1 Canadian Cancer Society, Cancer Drug Access for Canadians, September 2009
Emerging challenges

Some of the largest cost factors affecting prescription drug plans can be classified into three general categories: variability in the price of prescriptions depending on where they are purchased; high-cost drugs and chronic conditions; and the limited use of generic drugs as an alternative to brand name drugs.

1. All drug pricing is not created equal

Drug pricing can vary by pharmacy, region and province. Ingredient costs, wholesale mark-ups, pharmacy mark-ups and dispense fees can differ widely and impact the prescription drug cost’s bottom line.

The following illustration shows price examples for a brand, a generic and a high-cost drug in different regions of the country. While price differences range between nine per cent and 23 per cent, more significant variances can occur. Paying attention to the price plan members pay, particularly for popular medications, can have a material impact on your plan cost.

### THE PRESCRIPTION DRUG LANDSCAPE

**what’s happening?**

#### Crestor: $44.57 - $48.59 (9% difference)

- Pharmacy dispense fee
- Pharmacy mark-up
- Wholesale mark-up
- Ingredient / manufacturer cost

- Crestor is a brand name drug
- Rabeprazole is a generic drug
- Remicade is a high-cost drug

**Source:** Great-West 2010 claims data. Figures are based on prescription drug costs in the 10th and 90th percentile for the indicated drug.
It is estimated that approximately 13 people in 1,000 had a claim over $5,000 in 2010².

Some biologics can offer treatment for conditions where none existed before.

Biologics are generally administered by injection or intravenously.

Generally, biologics must be stored at a constant temperature from the manufacturer up to the point of administration. Even a variation of one degree can render the product unusable.

Health Canada does not classify subsequent entry biologics (the second to market of an innovator biologic) as “generic” biologics.

### Biologics – Quick Facts

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### 2. High-cost drugs and chronic conditions can have a big impact

In 2008, pharmaceuticals were the second-largest category of healthcare expenditure in Canada. For Great-West plans, prescription drugs accounted for over 65 per cent of health benefits (excluding vision benefits) in 2010¹.

**Biologics**

One factor driving costs is new high-cost drugs, many of which can be classified as biological drugs (biologics). Biologics offer new medical solutions for conditions like cancer, Crohn’s disease and Rheumatoid Arthritis.

Biologics play an important role in improving the health, quality of life and productivity of plan members affected by certain conditions, and may prevent long-term disabilities. However, biologics can carry a high cost because of their complex development and manufacturing processes.

**Chronic conditions**

Chronic conditions such as diabetes, hypertension and heart disease carry a large financial burden. Many of these conditions affect a significant percentage of the population. Nearly one in three adults aged 25 to 44, and almost half aged 45 to 64 reported having at least one of the 11 most common chronic conditions³. In 2010, the two most costly therapeutic classes (Central Nervous System and Cardiovascular drugs) accounted for 41.4 per cent of the total cost to private drug plans, or $3.31 billion⁴.

Although these numbers are high (and still on the rise), biologics and prescription drug therapies play a vital and valuable role in healthcare. The key is to ensure prescription drug therapies are effective and adhered to so that health outcomes for plan members can be maximized at the lowest cost to plan sponsors.

### 3. Generic drugs: lower cost but lower usage

Most patented drugs are the first-to-market and have a trade or brand name (e.g. Lipitor). A **generic drug shares the same active (medicinal) ingredient as used in the brand name drug. The non-medicinal ingredients (fillers to provide the drug its shape and colour) can be different from the original brand, but the generic drug must be within an acceptable range⁵ (bioequivalent: absorption and elimination by the body) to the brand name in order to meet Health Canada’s approval.**

All generics sold in Canada have been approved by Health Canada as effective equivalents for their brand name counterparts. Provincial drug plans determine interchangeability and some provinces even require pharmacists to fill prescriptions with generics unless the prescribing physician indicates otherwise.

The good news within prescription drug plans, from a cost point of view, is that many of today’s most popular brands are set to come off patent in the next few years. From 2010 to 2014, it is estimated that 32 key patented drugs, representing over 25 per cent of private drug plan costs in 2009, will lose their patents, which will result in lower price options for the same treatment⁶.
ENSURING THE SUSTAINABILITY OF DRUG PLANS IN AN EVER-CHANGING PHARMACEUTICAL LANDSCAPE

As your Benefits Solutions People, we’re working to provide innovative sustainability options for your benefits plan.

We recognize that maintaining status quo, whether in plan design or contract wording, is simply not enough to maintain the viability of private prescription drug plans. Our dedicated team is working on new options for cost management, plan design and education for you and your plan members to help manage and sustain prescription drug plans. We are focused on three key areas:

Product
- Great-West will be proposing changes to all of our contracts to reflect today’s prescription drug environment. Staged implementation will begin later in 2011. More information will be provided in fall 2011.
- We’re expanding the list of formulary and product options that will help our customers fine-tune the balance between functional plan design and cost.

Health Case Management
- We support plan members’ access to prescription drugs that represent reasonable treatment for a medical condition. As prescription drug treatment becomes increasingly complex, our health case management process will help ensure that, by working with a plan member’s health professionals, access to treatment is provided in a financially sustainable manner.
- We are working to enhance our prior authorization process in order to help ensure program efficiencies and effectiveness.

Education
- We will provide tools to help communicate with plan members. For example, we recently launched DrugHub, an iPhone app that is a virtual medicine cabinet that can help plan members manage their family’s medications. This is only the beginning.
- You can expect to see more education and reporting tools to help you make informed decisions and choose products that best suit your needs.

Look to Great-West as the innovation leader for your drug benefits solutions.

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1 For all lines of business combined including ASO.
2 Great-West estimated incidence rates of claims over $5,000 in 2010.
3 Canadian Survey of Experiences with Primary Health Care, 2008, Statistics Canada; Canadian Institute for Health Information. The 11 common chronic conditions included in the study are arthritis, asthma, cancer, chronic pain, depression, diabetes, emphysema or chronic obstructive pulmonary disease, heart disease, high blood pressure, mood disorders other than depression and stroke.
5 90 per cent confidence that the estimated population mean ratio lies between 80 and 125 per cent. For more information please reference Health Canada’s Guidance for Industry: Conduct and Analysis of Bioavailability and Bioequivalence Studies.
6 IMS Brogan PharmaFocus and IMS Brogan PharmaStat®