



INNOVATION IN DRUG COST MANAGEMENT



# Manage your drug costs

## WITH SUN LIFE FINANCIAL GROUP BENEFITS

Prescription drug plan costs continue to increase rapidly in Canada – and it's a trend that's here to stay for many reasons:

- An aging population – with more chronic medical conditions
- Earlier diagnosis and treatment of health problems
- The availability of new and more expensive drug treatments
- Patient-driven demand due to advertising and online information

The Canadian Institute for Health Information (CIHI) reports that from 1985 to 2008, total drug expenditure in Canada increased at an average annual rate of 9.1 per cent.<sup>1</sup> Not surprisingly, drug costs under group benefit plans in Canada have also soared, with many plans absorbing double-digit cost increases each year.

The status quo for many group benefit plans is simply unsustainable. That's why Sun Life Financial offers our BrightChoices Drug Solutions – a suite of smart drug claim management options developed to help reduce increasing drug plan costs and ensure the sustainability of employer sponsored drug plans in Canada for years to come. Sun Life is leading the way in safeguarding the future of drug plans with positive change through sustainable innovations that combine the drug coverage plan members expect with the cost management plan sponsors need.

**FORMULARY:** a list of medications covered under a benefit plan

# Evidence-based drug plan

## A NEW AGE IN DRUG PLAN DESIGN

Evidence-based drug plan maintains comprehensive reimbursement for prescription drugs for plan members while combining increased plan member cost-awareness with other measures to effectively manage plan drug costs.

Evidence-based drug plan uses four strategies to provide drug coverage to plan members that will help support sustainable plans:

### 1 Evidence of drug effectiveness

Sun Life has engaged Reformulary Group Inc., a company that has developed an evidence-based formulary incorporating independent and expert evaluation of prescription drugs. Drugs are reviewed based on proven clinical effectiveness in treating the medical conditions for which they are prescribed, as well as their cost-effectiveness.

### 2 A multi-tiered approach to reimbursement

Drugs identified through the first strategy to be clinically effective for treatment are placed in the benefit plan in one of three “tiers” with different co-insurance levels. The drugs that will provide the best value for the plan sponsor are placed in the tier that provides plan members with the highest level of reimbursement.

This three-tiered, evidence-based formulary will provide optimal savings over a regular drug reimbursement plan. Unlike traditional managed formulary plans, Evidence-based drug plan doesn't limit access to specific drugs. Instead, the plan covers reimbursement for almost all drugs, but encourages smart choices by reimbursing more cost-effective drug treatments at higher levels.

### 3 Negotiation with manufacturers

Reformulary Group negotiates with pharmaceutical companies, aiming to leverage sales volume to help save considerable money for plan sponsors while still providing the prescription drug options that plan members have come to expect.

### 4 Integrated cost containment strategies

Evidence-based drug plan incorporates a variety of other management techniques that let plan sponsors more proactively manage drug plan costs. These include:

- Prior authorization for specialized or expensive drug treatments that require a more advanced level of scrutiny prior to reimbursement
- The use of communication and education tools that help empower plan members to make smart choices about their drugs

## BOTTOM LINE BENEFITS FROM EVIDENCE-BASED DRUG PLAN

- **Cost savings.** Over time, plan sponsors could see significant plan cost savings with the Evidence-based drug plan.
- **Plan member engagement.** Evidence-based drug plan encourages increased cost awareness by plan members – with a better understanding and appreciation of plan benefits.
- **Wellness opportunities.** Lower drug costs provide the opportunity to reinvest savings in workplace wellness initiatives that can further reduce plan expenses and boost organizational productivity.

## EMPLOYEES ARE READY – BUT INDEPENDENT EXPERTISE IS CRITICAL

Research from Sun Life Financial shows that 70 per cent of plan members surveyed are aware of the cost pressures their employers are facing and are generally open to potential plan changes – rather than just simple cost control tactics like raising premiums.<sup>2</sup>

But transparency is critical. One of the key ways of gaining plan member support is to ensure that plan changes are designed and recommended by reputable independent drug experts. This is the key reason that we have engaged Reformulary Group to evaluate drug effectiveness and maintain the drug tiers for the Evidence-based drug plan.

Plan members can have far more confidence that a plan design will not affect their reimbursement for expenses relating to effective treatment if it has been designed by outside professionals – not just their employer or group benefits carrier.



# Evidence-based drug plan

## IN ACTION

The chart below provides an example of how the Evidence-based drug plan could be structured for leading cholesterol drugs versus other plan designs.

- **Open plan.** Covers all brands and generics for cholesterol medicines, no matter what the price.
- **Traditional formulary.** Excludes higher priced drugs (in this case Ezetrol) that are not seen to offer additional clinical benefits, but covers all other drugs at the same level.

Ezetrol is an “add-on” drug used to get patients to cholesterol blood level targets if their current medicine is not strong enough. While Ezetrol does offer additional cholesterol lowering properties, it has

not been shown to further reduce heart attacks and similar cholesterol lowering can be achieved using higher doses of Lipitor or Crestor.

- **Evidence-based drug plan.** Encourages plan members to choose lower priced, generic and brand name drugs, with a high level of reimbursement in Tier 1. Other higher priced drugs, including brand-name cholesterol drugs, will still be covered at the lower reimbursement level, and may be moved to higher reimbursement levels based on negotiated savings with pharmaceutical companies. Evidence-based drug plan covers Ezetrol, but at the lowest reimbursement level since other drugs are similarly effective at a higher level of reimbursement, as a result of negotiations with pharmaceutical manufacturers.

### Example: Cholesterol drugs

OPEN DRUG PLAN	TRADITIONAL FORMULARY	EVIDENCE-BASED DRUG PLAN
<b>All covered</b> <ul style="list-style-type: none"> <li>• Lipitor* &amp; Generics</li> <li>• Zocor* &amp; Generics</li> <li>• Crestor</li> <li>• Ezetrol</li> <li>• Fibrates</li> </ul>	<b>National formulary</b> <ul style="list-style-type: none"> <li>• Lipitor* &amp; Generics</li> <li>• Zocor* &amp; Generics</li> <li>• Crestor</li> <li>• Fibrates</li> </ul> <b>Excluded from National Formulary</b> <ul style="list-style-type: none"> <li>• Ezetrol</li> </ul>	<b>Tier 1 (plan member reimbursed at 80-100%)</b> <ul style="list-style-type: none"> <li>• Generics of Lipitor** and Zocor**</li> <li>• Lower priced brand name statins</li> </ul> <b>Tier 2 (plan member reimbursed at 50-70%)</b> <ul style="list-style-type: none"> <li>• Lower priced fibrates</li> <li>• Lower priced brand name statins</li> </ul> <b>Tier 3 (plan member reimbursed at 0-40%)</b> <ul style="list-style-type: none"> <li>• Higher priced ezetimibe</li> <li>• Higher priced fibrates</li> <li>• Higher priced brand name statins</li> </ul>

\* Open and Traditional drug plans still pay for brand name drugs unless plan sponsor has implemented generic substitution.

\*\* Plan may pay for a brand-name drug if the clinical evidence supports placing the brand-name drug on Tier 1 and/or if savings relating to the brand-name drug have been negotiated. Example for illustrative purposes only.

# Take action on rising drug costs

## LEARN MORE ABOUT EVIDENCE-BASED DRUG PLAN

With drug costs rising and plan member awareness and understanding of cost issues at a high level, there is no better time to consider your plan design to help manage drug costs more effectively.

**For more information about how Evidence-based drug plan can work for your organization, contact your Sun Life Financial group benefits representative.**

### \*ABOUT REFORMULARY GROUP

Reformulary Group Inc. is the first company in Canada dedicated to helping insurers and employers provide care-effective drug benefits while helping to reduce overall prescription drug plan costs. Reformulary™ is the first truly evidence-based, tiered formulary in Canada. Better-managed plans powered by Reformulary™ should yield significant savings for employers, directly

impacting the bottom line and providing room for investment in effective employee health programs.

Reformulary Group's novel approach also aims to empower employees by educating them about the cost effectiveness of drugs, helping them make informed choices.

<sup>1</sup> Canadian Institute for Health Information, Drug Expenditure in Canada, 1985-2009

<sup>2</sup> Ipsos Reid employer-sponsored drug plan survey commissioned by Sun Life Financial, March 2011



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