

Employers Depend On Traditional Solutions

By: Denise Balch

There is never a lack of content when it comes to the employee benefits industry. A case in point is Helen Stevenson's recent report 'An End to Blank Cheques' which begs further comment. For those of you who have not seen it, you can find the document at: http://www.reformulary.com/files/An_End_to_Blank_Cheques-May_2011_ENr.pdf

Few of us who have worked with employers would argue that they have been "slow to take action to manage drug costs," as Stevenson observes. While benefit consultants have taken a leading role in advising plan sponsors on how to manage their plan costs and pharmacy benefit managers have created some alternative formularies, employers have been reluctant to adopt all but the most traditional solutions.

So Slow

So why have employers been so slow to take action? Here are a few suggestions:

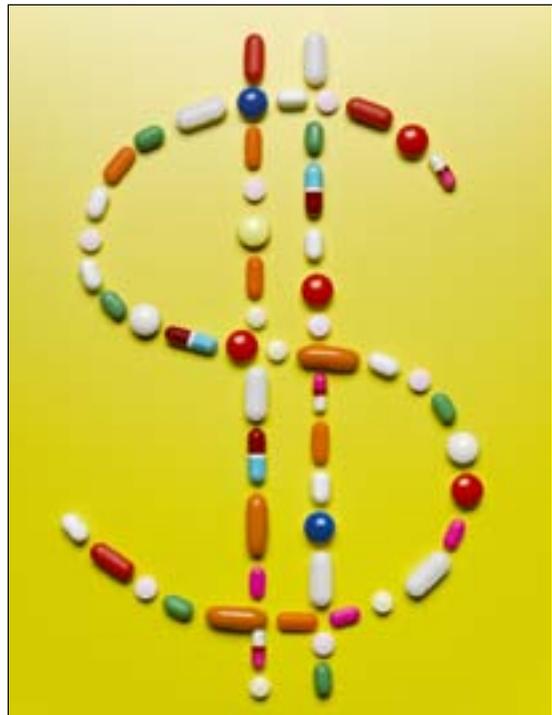
- **Solutions are complex.** Not even public payers are winning the war against rising costs, and it takes more than managing drug formularies or buying groups to win the war.
- **Entitlement is built into our healthcare system, both public and private.** The Canada Health Act set the precedent, now we have to learn to manage it.
- **Benefits issues are not a priority in the 'C' suite.** Human resources is seen as an expense, not an area that can add value.
- **Plan sponsors fear employee push back.** Most employees see plan changes as taking away benefits and are, therefore, against any radical changes to their benefits plan.
- **The drugs people need the most are often the most expensive.** Because there has not been an industry wide solution to risk sharing for the cost of specialty and high-cost drugs, they are often the first to be considered for plan limitations.

The truth is that managing drug costs should not be considered in isolation. Drug costs are often the first line of defence against short- and long-term disability, often due to a debilitating or life threatening chronic disease. Managing benefit plan design – including drug costs and other employee health initiatives – can help employees maintain good health and manage their chronic conditions.

Sustainable Plan

Here are five considerations for employers that can create buy-in for a more effective and sustainable plan from the 'C' suite and from employees:

- **It is not all about drugs.** Employers need to look at their absence, disability, and drug trends to truly understand how to manage their total benefit costs and consider predictive modeling to understand future costs based on past claiming patterns.



- **Invest in keeping healthy employees healthy.** Most healthy employees have a good attendance record and claim very little on drugs. Keep them that way.
- **Encourage early detection and disease management.** Employees whose conditions are diagnosed early and are well-controlled will claim fewer drugs expenses, be more productive while at work, take less time off, and have fewer co morbidities.
- **Think about what matters.** Engage your employees and understand what is most important to them about their benefits plan.
- **Create incentives, not punishments.** If employers want behaviour change, then create incentives in the plan to create the type of behaviors you want.

Several years ago Pitney Bowes in the U.S. created an innovative benefits plan design that combined tiered coinsurance for prescription drugs with effective employee health strategies. At the time, there was a lot of discussion about the results, but we seem to have forgotten the very important lessons it gave. At the 2005 Connex Employer Forum, Brent Pawlecki, MD, the then-associate medical director at Pitney Bowes, shared details of the program. The results included annual per person medical costs of approximately \$2,000 less than the industry benchmark annually in 2000 and \$500 less than the industry benchmark annually in 1994. For asthma and diabetes, the two disease areas targeted by the plan, the overall impact was significant:

- **Better management:** ‘rescue’ drugs decreased from 35 per cent to 12 per cent; ‘controller’ drugs increased from 26 per cent to 39 per cent
- **Compliance improved:** 85 per cent of people on impacted drugs remained on treatment
- **Hospital admissions:** declined for asthma, but increased for diabetes (while still below benchmark)
- **Emergency room visits:** unchanged for asthma and decreased significantly for diabetes
- **Average annual cost of care decreased:** six per cent decrease for diabetes and 15 per cent decrease for asthma (results not adjusted for trend)
- **Average annual pharmacy decreased:** seven per cent for diabetes and 19 per cent for asthma (related to decreased use of drugs used to treat complications).

The opportunities exist for Canadian employers to experience the same success. The question is will they rise to the challenge? ■

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