

THE INSIDE STORY[®]

FEBRUARY 2012

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What EXACTLY is a

And how do you make sure that a pharmacy PPN works for you?

PPN?

As a plan sponsor, you have likely come across the acronym PPN and may recall that it stands for Preferred Provider Network. But have you ever stopped to consider what *exactly* a PPN means in terms of how it may affect your benefits plan and your plan members? A PPN is essentially a network of preferred providers—‘preferred’ in that specific providers become part of the network based on an agreed upon set of conditions. For instance, certain types of PPNs offer you or your plan members access to additional and often discounted products and services.

Putting the pharmacy PPN under the microscope

Although the concept of a pharmacy PPN has been around for years, it is not as prevalent in Canada as PPNs related to other benefit categories. Pharmacy PPNs can take many forms—like mail-order pharmacies or networks of community pharmacies or the PPN designating an entire pharmacy chain

as ‘preferred.’ However, what the PPN models all have in common is that all parties involved come to an agreement that includes advantages for everyone:

- For plan sponsors; decreased costs
- For the pharmacy; increased volume, and
- For the plan member; incentives to choose the PPN pharmacy rather than a non-PPN pharmacy.

Depending on the specific PPN model, decreased plan sponsor costs may come in the form of a combination of lower ingredient costs and/or lower dispensing fees. Then in theory, the pharmacy PPN sees increased volume because plan members are incented to choose the PPN pharmacy rather than a non-PPN pharmacy. The key to establishing a successful pharmacy PPN is analysis, analysis... and more analysis.

Effective Pharmacy PPNs and in-depth analysis...

You can't have one without the other

For most plan sponsors, cost containment continues to be top of mind. Consequently, a main reason for negotiating a pharmacy PPN is to save costs. But the nature of pharmacy is complex. Everything from how drugs are developed to how they are priced to how they are distributed is complicated, each in its own right. Numerous variables can impact costs making the potential for cost savings not a simple, straightforward equation. As a result, when assessing any proposed pharmacy PPN, it is important to take into consideration all factors – like ingredient costs and dispensing fees that may vary by drug, by pharmacy, and by province.

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Leave no stone—or in this case—no potential claim scenario unturned...

The key to success is to dig deep—really deep—to make sure you comprehensively assess all the ins and outs of the PPN and understand how it aligns with your specific plan design. Consider taking a ‘devil’s advocate’ approach to analysis. Assessing claims scenarios will help ensure you have

examined *all* of the potential outcomes from *all* angles. And of course, the analysis must evaluate what it will take to make it successful. Success often depends on the plan sponsor’s ability to motivate or incent plan members to actually go to the PPN pharmacy. A common financial incentive is to

decrease or even waive the co-pay when plan members select the PPN pharmacy rather than a non-PPN pharmacy. Ideally, the lower or non-existent co-pay acts as a ‘carrot’— a reward for plan members who access the PPN pharmacy and at the same time, a way to increase the PPN pharmacy’s volume.

Analysis in action...

Drug claim scenarios like these can help you evaluate the outcomes of a PPN:

	Typical drug claim Non-PPN pharmacy	Pharmacy PPN model #1: Mail-order pharmacy	Pharmacy PPN model #2: Network of community pharmacies
Drug Cost	\$49.00	\$49.00	\$46.00 (lower drug cost with PPN)
Dispensing Fee	\$11.00	\$8.00 (lower dispensing fee with PPN)	\$8.00 (lower dispensing fee with PPN)
Total	\$60.00	\$57.00	\$54.00
Impact to plan member	Plan member pays 20% co-pay: \$12	Plan member pays decreased co-pay of 10%: \$5.70 <ul style="list-style-type: none"> Plan member is rewarded for using the mail-order PPN by paying less: \$5.70 rather than \$12.00. 	Plan member pays decreased co-pay of 10%: \$5.40 <ul style="list-style-type: none"> Plan member is rewarded for using the PPN by paying less: \$5.40 rather than \$12.00.
Impact to plan sponsor	Plan sponsor pays the remaining: \$48	Plan sponsor pays the remaining: \$51.30 <ul style="list-style-type: none"> Despite lower dispensing fee, plan sponsor pays more for the claim than if the plan member had gone to the non-PPN pharmacy. 	Plan sponsor pays the remaining: \$48.60 <ul style="list-style-type: none"> Despite lower drug cost and dispensing fee, plan sponsor still pays more than if the plan member had gone to the non-PPN pharmacy.

In the above scenarios, we tell a cautionary tale. The co-pay for claims submitted to pharmacies in the PPN is 10% versus a co-pay of 20% for claims submitted to non-PPN pharmacies. The lower co-pay rewards plan members

with less out-of-pocket expenses than if they had accessed a non-PPN pharmacy. By contrast, the impact to the plan sponsor is that they pay slightly more than if the plan member had used a non-PPN pharmacy. In this scenario,

the additional costs incurred by lowering the co-pay to motivate plan members to access the pharmacy PPN is not offset by additional cost savings from the PPN – from lower ingredient costs and lower dispensing fees.

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To accurately assess total potential impact, be sure any additional costs come out of hiding

A common debate in discussions of behaviour change is whether people are more motivated by the carrot (rewards) or by the stick (punishment). In term of pharmacy PPNs, the carrot—the techniques used to motivate plan members to access the PPN—can have additional hidden costs. For example, it is important to take into consideration the time, effort, and expense of plan member education and communications necessary to effectively motivate plan members to choose a PPN pharmacy such as a mail order pharmacy. Be sure to also consider the human element in terms of the value of enhancing the plan member experience versus the cost of potentially alienating plan members.



Even where pharmacy PPNs are concerned, there is no such thing as an adjudication challenge that is too complex

When you consider entering a PPN arrangement (including mail order), analysis is the key success factor. Although a pharmacy PPN can be complex with many variables, there is light at the end of the tunnel. GSC effectively adjudicates all types of pharmacy PPNs, no matter how complex. Our rules-based

adjudication system allows the flexibility to implement complicated plan designs combined with the responsiveness necessary to easily accommodate future changes. Bring it on.

GSC NEWS

2012 Provincial Fee Guide Increases

This chart lists the average weighted increases by province for dental services performed by general practitioners from 2011 to 2012 based on information provided by each provincial dental association:

Province	Average Increase	Effective Date
Alberta	4.90%	Feb 1/12
British Columbia	2.38%	Feb 1/12
Manitoba	3.30%	Jan 1/12
Newfoundland and Labrador	4.45%	Jan 1/12
New Brunswick	3.00%	Jan 1/12
Nova Scotia	2.25%	Feb 1/12
Ontario	2.54%	Jan 1/12
Prince Edward Island	2.00%	Jan 1/12
Quebec	2.40%	Jan 1/12
Saskatchewan	3.01%	Jan 1/12

- * Figures reported by insurers may differ due to differences in the claims distribution of their block of business.
- * In provinces other than Alberta, the figures represent the average increase in the dental fee guide for general practitioners published by the provincial dental association.
- * In Alberta, we calculated the 2012 allowable fees based on the actual dentist fees submitted for the period January to September 2011.
- * Increases for the Northwest Territories, Nunavut and Yukon are not yet available.

WHAT'S NEW



➔ Next phase of Nova Scotia generic price cap in effect February 1, 2012

Nova Scotia's Fair Drug Pricing initiative took effect July 1, 2011, capping generic drug prices at 45% of the price of brand name equivalents under the province's Pharmacare program. The next phase of the price cap originally scheduled for January 1, 2012, took effect February 1, 2012 with generic drug prices capped at 40% of the price of brand name equivalents. The final phase of the price cap is still scheduled for July 1, 2012 when generic prices will become 35% of the price of brand name equivalents.

➔ Word spreads of British Columbia smoking cessation program

As reported previously, the British Columbia government launched a smoking cessation program in September, 2011 that provides a free 12-week supply of patches, gum or inhalers, or a single course of a prescription smoking cessation drug. As of late November 2011, nearly 34,000¹ people in the province had registered for the program and the government is hopeful numerous others will follow suit: "We hope the word continues to spread and encourage others to escape nicotine addiction. It's the single most important thing you can do for your health. It's the number one cause of preventable death."²

➔ Quebec is the next province to expand pharmacist responsibilities

As of December 8, 2011, Bill 41 came into effect allowing Quebec pharmacists, under regulation by the Quebec Order of Pharmacists, to extend and adapt prescriptions, treat some minor conditions, order and analyze lab tests, and administer medication for the purpose of instruction. In addition, during inventory shortages in Quebec, they are allowed to substitute a prescribed medication with another medication of the same therapeutic sub-class.

➔ Manitoba Drug Formulary now includes Champix

As part of Manitoba's commitment to invest \$5 million annually to supporting Manitobans who want to quit smoking, Champix was added to the Manitoba drug formulary on November 24, 2011. Once the income-based family deductible has been met, the cost of Champix is eligible for coverage through the province's Pharmacare program. This move is part of a range of initiatives the government is taking to fight cancer on many fronts, including:

- striving to make cancer wait times the shortest in the country,
- covering 100% of the cost of cancer drugs including patients at home, and
- introducing new support options for cancer patients in rural locations.

➔ New Adult Dental Program in Newfoundland & Labrador provides enhanced dental services to approximately 98,000³ adults

The Adult Dental Program, which is part of the Newfoundland and Labrador Dental Health Plan, came into effect January 1, 2012. Now residents enrolled in the Newfoundland and Labrador Prescription Drug Program are eligible for a range of dental services like examinations, extractions, fillings, and dentures. This new program is one of numerous initiatives that are all part of the provincial Poverty Reduction Strategy that is focused on preventing, reducing, and alleviating poverty. It is expected to significantly improve the quality of life for people in vulnerable circumstances. The Health and Community Services Minister emphasized that "dental health is so often linked to an individual's physical and mental well-being."⁴

^{1,2} B.C. program helping smokers quit, The Prince George Citizen, Ted Clarke, January 8, 2012:

<http://www.princegeorgecitizen.com/article/20120108/PRINCEGEORGE0101/301089998/-1/princegeorge/bc-program-helping-smokers-quit>

^{3,4} New adult dental program now in effect, The Compass News, January 5, 2012: <http://www.cbncompass.ca/News/2012-01-05/article-2855539/New-adult-dental-program-now-in-effect/1>

Community Giving Program

Here's how we add to the greater good...



Creating a brighter future for those most in need is what we do. Through our GSC Community Giving Program, we make a difference by providing critical funding that community-based not-for-profit organizations need to achieve significant, concrete results.

Educating for Peacebuilding – Restorative Action in Schools

Based on a philosophy of creating safe schools that don't need to rely on punishment and isolation to deal with discipline issues, the Educating for Peacebuilding program is helping make schools in British Columbia healthier, more productive places. The program follows the concept of Restorative Justice, which focuses on responding to harm and discipline in ways that promote healing and accountability. Program objectives include:

- To generate school cultures that respond to conflict and harm in restorative ways.
- To equip students and staff with effective conflict resolution skills.
- To train conflict resolution specialists within the school system.

Ultimately, the program fosters a culture where safety, respect, and inclusion are commonplace among students.

“The Educating for Peacebuilding program gives frustrated parents and educators additional strategies for effectively addressing misbehavior and the underlying issues responsible for that behaviour, as well as the harm that results from the behavior. Students gain insight into the consequences of harmful actions and the need to take responsibility for their actions, as well as the importance of helping to ‘make things right.’ Overall, the program helps students mature into adults with strong values who make responsible, peaceful choices.”

Rose Wilson,

Fraser Region Community Justice Initiatives

Students trained as mediators consistently report that the skills they learn prove invaluable in their relationships with fellow students, friends, and family members:

“It has given me a whole new perspective on people and relationships.”

“I think this process has changed me into a better person.”

“I liked how close everyone got and how we learned so much in a positive and fun environment.”

GSC funding helps enhance the culture of BC schools

A key aspect of the program is training students to mediate conflicts between their peers. Mediation training emphasizes that each individual is responsible for resolving disputes in a rational, peaceful manner. By creating “Dialogues Circles” and “Peace Circles” with at-risk youth, the program uses mediation as a way to find peaceful, non-violent ways to resolve conflict while exploring negative behaviours like exclusion and bullying, as well as learning about healthy relationships. Staff training in Restorative Justice principles also helps teachers more effectively address conflict in everyday school interactions. The program is in demand as a highly regarded way to promote a learning environment that nurtures growth without fear— GSC funding will help make this a reality.

Interested in learning more? Please contact us at communitygiving@greenshield.ca

OUT AND ABOUT –

Events you won't want to miss

Why not attend one of these upcoming industry events?

FEBRUARY 5-8

Canadian Health and Wellness Innovations Conference

Hyatt Regency Savannah

Savannah, Georgia

www.ifebp.org/canadahealth

FEBRUARY 9

CPBI Benefit Ball

Liberty Grand

Toronto, Ontario

[http://www.cpbi-icra.ca/en/event_](http://www.cpbi-icra.ca/en/event_details.ch2?event_id=1143)

[details.ch2?event_id=1143](http://www.cpbi-icra.ca/en/event_details.ch2?event_id=1143)

Winner of the draw for a 'night out on the town'

Congratulations to **Tara Steinberg**, of Vancouver, BC, the winner of our monthly draw for gift certificates for a 'night out on the town'. Through this contest, one name will be drawn each month from plan members who have registered for Plan Member Online Services for that month.



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Toronto	1.800.268.6613	Windsor	1.800.265.5615
Calgary	1.888.962.8533	Montreal	1.855.789.9214
	Customer Service		1.888.711.1119