

# THE INSIDE STORY<sup>®</sup>

JUNE 2011 | GREENSHIELD.CA



## INSIDE

2

More from the  
Drug Trends Study 2010

4

Healthy eating habits may  
be easier than you think

5

Summer is in the air with hot  
happenings across Canada...

8

News and Events You Won't  
Want to Miss

## Not Your Average, Run-of-the-Mill Generics Story

Last month, *The Inside Story* profiled key findings from Green Shield Canada's *Drug Trends Study 2010*. This report dives deep into drug claim data from GSC's entire book of business (2005 to 2010) – giving us half a decade's worth of insights on what's happening within our clients' plans when it comes to drug utilization and costs. This robust data set shines a bright light on key trends in drug plan management that employers should be focusing on for 2011 and beyond...trends like generic penetration.

# DRUG TRENDS STUDY

The 2010 GSC Drug Trends Study was done in partnership with Brogan Inc.

- All data provided by Green Shield Canada
- Study Period: Five years (July 1, 2005 to June 30, 2010)
- Year: July 1 to June 30
- Analysis reflects total amounts of what GSC pays on behalf of the plan sponsor and what the plan member pays

It goes without saying that the influence of generic medications on drug costs, prescribing habits and benefits plan design is strong, especially since the introduction of drug reform in Ontario in 2006. No surprise, then, that the findings concerning generics in this year's *Drug Trends Study* suggest some solid lessons for plan sponsors when it comes to a plan's approach to managing generics, given what's gone on in the pharmaceutical industry and the economy since 2005.

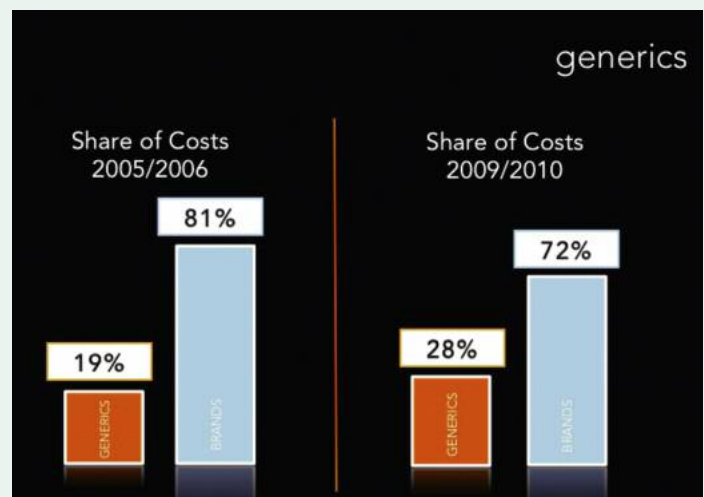
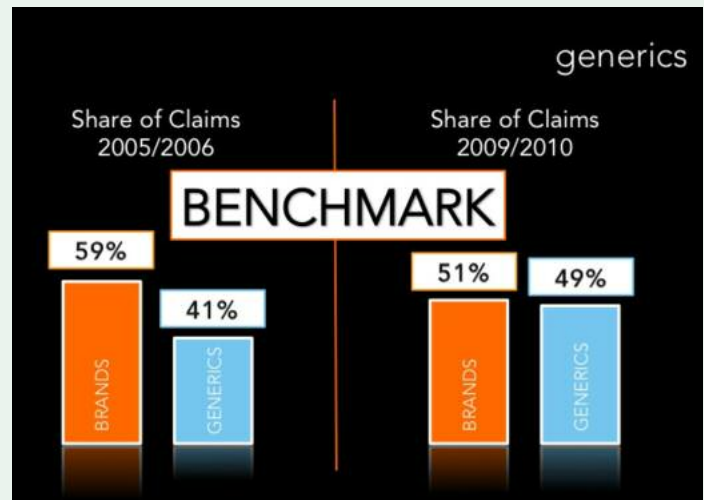
## Generics: Our friends when it comes to lower drug costs

Lower-cost generic agents have played a prominent role in exerting downward pressure on the annual growth rate of the cost of medications over the course of the study. Early in the study period (in 2006 and 2007), there were relatively few new generics on the market, so the annual drug cost growth rate was trending high but clearly stabilized as more, lower-cost generic drugs became available. The introduction of off-formulary inter-changeability (substituting an equivalent generic for a brand drug, regardless of formulary status) in Ontario under Bill 102 also put increased downward pressure on the growth in costs through 2007-2008. That said, *Drug Trends Study* data for 2009-2010

demonstrate an upward trend once more, largely due to an increase in utilization (especially with biologics) and inflation on single-source brand drugs. Several medications are expected to come off patent in the next few years, which should exert further downward pressure on costs. However, we know that many influencing factors are at play on drug prices, and despite the help from the generics, all signs are pointing up for 2010 - 2011. See *Inside Story*, May, 2011 for a more thorough discussion on the factors that are playing a role in increasing costs.

## Generic penetration: Private plans getting where they need to be

The good news from the *Drug Trends Study* is that generic prescriptions within plans managed by GSC rose to 49% from 41% over the five years of data included in the study.



# DRUG TRENDS STUDY

This leap translated into a 9% increase in the generics' share of all drug costs, which hit 28% in 2009-2010. As more commonly prescribed medications such as Lipitor have come off patent, these numbers have grown significantly – bringing generics to almost 54% of all prescriptions, a worthy and industry leading benchmark target for all private plans.

So, should private plans favour simple generic substitution to ensure savings?

The answer is a resounding and definite "not necessarily." Why? History has demonstrated that a generic may not always be the lowest-cost drug available – which may seem counterintuitive given what we know about drug pricing. This has occurred in Canada when some brand manufacturers experimented with dropping prices below generic equivalents in order to maintain a share of the market.

When this type of pricing anomaly happens, plans that automatically default to covering generics risk paying significantly more, sometimes for widely prescribed medications.

Even innovator brand products that still hold patent can provide opportunities for savings within drug plans. For the duration of the study period, Crestor (for the treatment of high cholesterol) was the most cost-effective statin on the Canadian market, and one of the most inexpensive on a per-tablet basis – as much as 40% cheaper than the most common generic statin, simvastatin.



## Wanted: Sound generics policies (that are anything but generic)

Whether or not these unique pricing phenomena will continue in Canada remains to be seen. But when pricing anomalies do occur, what can plan managers do to make certain they capture maximum savings at every turn?

*"Plan sponsors need to focus on reimbursement for the lowest net cost alternative, regardless of whether it's a generic or a brand drug" says Steve Moffatt, GSC's senior vice-president for sales and marketing. "GSC offers three unique programs that allow plans to select a strategy on lower cost alternatives that fits with their overall philosophy, while managing costs and promoting healthy outcomes."*

GSC plan sponsors have widely embraced programs such as Mandatory Generic Substitution, Enhanced Generic Substitution and Maximum Allowable Cost to drive decisions towards the lowest-cost choices even when pricing anomalies come into play. These strategies guarantee that the lowest-priced drug is dispensed, and give the plan member a choice between receiving the cheapest drug at no cost, or paying out-of-pocket on the difference for higher priced agents. Ultimately, these approaches also encourage plan members to become good consumers while engaging them in health care decisions.

*"Getting the generic penetration rate up over that 50% benchmark is still a challenge," Moffatt concludes. "But to reliably build all possible savings into a plan's design, you have to be able to keep track of the pricing discrepancies between brands and generics, and have flexible systems in place."*



## Other Things We've Learned Along the Way:

This still isn't the end of the story. Watch for further in-depth articles exploring the results of the GSC 2010 Drug Trends Study in upcoming issues. Need a hint? What you don't know about top drug categories versus top DINs, biologics and vaccines may hurt you!

# 'Office vending machines' and 'health conscious'. You can't have one *with* the other, or can you?

## Encouraging healthy eating habits may be easier than you think

Luke-warm coffee, rock-hard doughnuts, stale chips, sugar on top of sugar and salt...lots and lots of salt...such are the images conjured up by the typical office vending machine. But it looks like the over-the-top sugar-loaded and salt-loaded vending machines are quickly becoming a thing of the past. Increasingly organizations are taking a second look at vending machines as a way to offer their employees an option to grab a quick snack—without sacrificing time or health.

Today's new-age vending machines provide a healthy alternative as a way

to replace making a not-so-healthy and not-so-quick trip to the nearest food court. Today's machines are new-age—sophisticated, reliable and able to dispense a range of freshly prepared foods and drinks. As described by the Canadian Automatic Merchandisers Association, "There's no excuse for Canadians being too busy to eat or snack healthily. Today's vending machines are completely different from those of days gone by. Not only are they very technologically advanced but they also vend healthy foods like salads and fresh-made soups."



## From health conscious vending machines to health conscious employees—which came first?



Most would agree—employers and employees alike—that the ideal scenario is when healthy eating becomes integral to workplace culture. However, knowing the ideal and achieving the ideal are two very different things. Depending on the organization, a range of barriers to healthy eating may exist, everything from employee interest and management support to budget constraints to time to implement and participate.

Given the range of potential barriers, perhaps it's time to give some thought to another school of thought: if in doubt, try something—do what you can with what you've got. As is the case with many things in life, often one small act gets the ball rolling, triggering other positive spinoffs. For instance, in a recent survey about nutrition in the workplace, when asked what they are doing to encourage healthy eating habits, survey respondents indicated the following initiatives:

- Free fruit on select days
- A website that offers a variety of health and wellness information
- A fruit and vegetable challenge where people are challenged to eat and track the right servings of fruits and vegetables
- An annual 'Healthy Snack Day' with

an assortment of healthy snacks and nutritional information

- A food charter and a policy to encourage healthy eating and stipulate a minimum of 52 per cent healthy items offered at any work-related function
- A wellness benefit of \$1,000 annually that staff can use for nutritional counseling
- An informal lunch-buddy program – individuals make extra of whatever they're having for lunch and share with another person who returns the favour
- A healthy food cart with various fruit, yogurt and granola bars

Anything catch your eye as something manageable that your organization could give a whirl and see where it goes?

Source: Canadian HR Reporter, December 13, 2010, *What employers are doing to encourage health eating habits*, page 32

# Summer is in the air with hot happenings across Canada

Here's the word on the street from West to East...



## British Columbia

### British Columbia plans to fund smoking cessation products...

British Columbia is joining Quebec, Saskatchewan, and Ontario in funding smoking cessation products and nicotine replacement therapies for smokers who are trying to quit. As of September 30, 2011, British Columbians trying to quit will have the choice of either nicotine gum or patches with a free supply for up to 12 weeks, or obtaining coverage of prescribed smoking cessation drugs through PharmaCare.

### British Columbia continues as planned to move toward lowering generic drug prices...

As reported in the October 2010 *Inside Story*, British Columbia continues to move forward with its drug reform plans. To recap, as of July 4, 2011, all generics will be 40% of brand price, and the dispensing fee will be \$10.00 with mark-up of 8%. However, the dispensing fee and mark-up only apply to PharmaCare. For private plans, the insurer or pharmacy benefit manager will continue to determine the dispensing fee and mark-up.

## Alberta

### Alberta launches the first phase of their Personal Health Portal initiative with the "My Health Alberta" website...



Alberta has launched Phase I of a three-phase project geared at supporting Albertans to share the responsibility of enhancing health care. The "My Health Alberta" website allows browsers to research almost 9,000

different health topics to enhance health-related decision making. Phase II will provide Albertans with a way to create their own personalized "Health Diary" to, for example, keep track of information like weight, height, blood pressure, and glucose levels. Phase III will provide Albertans access to their personal health record, including information like diagnostic results, MRI imaging, and medications that have been prescribed.

### Alberta coverage for medically necessary eye care expanded to all age groups

Alberta Health and Wellness and the Alberta Association of Optometrists (AAO) have approved a three-year agreement to expand publicly funded medically necessary optometry services to all Albertans, regardless of age, effective October 2011. Previously, only Albertans between 19 and 64 years of age who required medical treatment for eye-related diseases and illness were covered under the Alberta Health Care Insurance Plan. Medically necessary treatments include the following diseases/conditions: diabetes mellitus, glaucoma, cataracts, removal of foreign bodies from the eye, retinal detachments, defects, and other retinal disorders, and disorders of the eye, globe, eyelids and cornea. This new agreement will run from April 1, 2011 to March 31, 2014. Fees paid to optometrists for providing government-funded optometric services will remain unchanged during years 1 and 2 of the agreement and will increase by 3% in year 3.

## Saskatchewan

### **Saskatchewan next to announce drug reform...**

Currently in Saskatchewan, generic drugs are priced anywhere from 50% to 70% of the price of the brand drugs. On June 1, 2011, prices for existing generics dropped to 45% of the brand price and by April 1, 2012, existing generics will drop to 35% of brand price. In addition, the price for any new generic coming to market will be 40% of the brand price, and also dropped to 35% by April 1, 2012. Recognizing the impact of reduced generic prices on pharmacies, the government put in place a maximum dispensing fee of \$9.85 for the public plan that was effective May 1, 2011 to be increased to \$10.25 on April 1, 2012.

## Manitoba

### **Manitoba next to propose expanding prescribing authority of nurse practitioners...**

On May 13, 2011, the province of Manitoba announced that the College of Registered Nurses of Manitoba will launch consultations with its members regarding proposed regulatory changes aimed at expanding the prescribing authority of nurse practitioners. The College is required by legislation to consult with its members on any proposed regulatory changes or amendments. The proposed changes would expand prescribing authority from a limited number of drugs to all drugs, except controlled drugs and substances. In addition, the proposed changes would allow nurse practitioners to prescribe medical devices allowing people to access benefits through Manitoba Family Services and Consumer Affairs and private insurers, whereas, previously a physician prescription was required.

## Ontario

### **Ontario announces additional funding for cancer drug Herceptin...**

Ontario is joining British Columbia, Alberta, and Saskatchewan in funding Herceptin, in conjunction with chemotherapy, for tumours that are one centimeter or less (these provinces already pay for it for tumours greater than 1 centimeter). Ontario's new program will now allow conditional temporary coverage for some cancer drugs where there is evidence that it could have benefits beyond the current criteria. Under the province's Evidence-Based Program, drugs will be funded on a time-limited basis so information can be collected on its clinical and cost effectiveness. Herceptin is the first and only drug currently funded under this program.

### **Ontario plans to cover two additional childhood vaccines...**

Ontario's Immunization Program is getting a boost in the form of adding two new vaccines to the program, as well as expanding the availability of two other vaccines. As of August, 2011, the Ontario government will cover the oral rotavirus vaccine that protects infants against rotavirus that causes severe diarrhea, vomiting, and dehydration. In addition, new coverage will also include a combined measles-mumps-rubella-varicella vaccine known as MMRV that will reduce the number of vaccines a child requires. And there's more... also this August, coverage will be available for a second childhood dose of the varicella vaccine, which enhances protection against chicken pox, as well as a lifetime dose of the pertussis vaccine (whooping cough) to adults 19 to 64 who often pass it on to children and babies.

## Prince Edward Island

### Prince Edward Island adding 25 medications to the Provincial Drug Formulary...

The province of PEI estimates that 7,000 Island patients are clinically eligible for the 25 medications that will become part of the provincial formulary as of May 16, 2011. Of the 25 medications, four fall under the high-cost drugs category, one will be covered under the Diabetes Drug Program, one will be available under the Growth Hormone Drug Program, one will be covered through the Transplant Drug Program, and the remaining 18 medications will be covered through the Family Health Benefit Drug Program, the Financial Assistance Drug Program, the Seniors Drug Program and the Nursing Home Drug Program. To receive coverage, patients must meet clinical criteria. Accordingly, the government suggests patients discuss coverage options with their physician.

## Nova Scotia

### Nova Scotia has introduced a colon cancer prevention program for all Nova Scotians between ages 50 and 74...

Now if you are a Nova Scotian who is between 50 and 74, you will receive a home screening kit for the prevention and early detection of colon cancer—all part of the Colon Cancer Prevention Program developed by Cancer Care Nova Scotia. Colon cancer is the second leading cause of cancer death in Nova Scotia. Approximately 1000 men and women are diagnosed with colon cancer every year, and about 350 of them will die from the disease.<sup>1</sup> The home screening is easy to use only taking about 10 minutes, testing for small amounts of blood in the stool, which may be a sign of growths in the colon. Often there are no warning signs of colon cancer when it's in its early stages, precisely when it's most treatable, and 80% of people who get colon cancer have no family history of colon cancer. Dr. Bernard Badley, medical director, Colon Cancer Prevention Program describes the benefits: "Although still in its early stages, the program already has made a difference, identifying 21 people with cancer and 229 Nova Scotians with pre-cancerous growths. Because it will save health dollars, this program is win-win for government and for Nova Scotia taxpayers."

## Is your head spinning yet?

### Wondering what it means for your plans?

No matter where you have plan members across Canada, these provincial changes have a few things in common:

**Enhanced provincial drug coverage:** can only be a good thing—more options for access to health care for your plan members, more cost savings for you

**Ongoing drug reform:** as always, the impact will vary depending on your specific plan design details and whether the changes apply to public or private plans

**Expanding role of health professionals:** provides more options

for plan members in terms of added convenience and decreased wait times

**New disease prevention initiatives:** taking a proactive approach benefits everyone—plan members, plan sponsors, and the provincial payers all win in terms of enhancing health while decreasing costs associated with disease management down the road.

That covers the latest and greatest happenings to date across Canada. As always, we'll keep you posted on developments as they evolve.



Source:

<sup>1</sup> <http://www.cancercare.ns.ca/en/home/preventionscreening/coloncancerprevention/faq.aspx#FAQ3>

# NEWS & EVENTS

## 2011 Dental Fee Increase Update

The provincial dental fee increases are now available for the Northwest Territories, Nunavut and Yukon:

NT = 1.96%  
NU = 1.99%  
YK = 2.60%

The straight average increase (i.e., not weighted) for all provinces is 2.85%.

## Out and About – An event you won't want to miss

Why not attend this upcoming industry event? You'll be glad you did – it will be packed with the latest and greatest industry news, interesting opinions from industry leaders, and loads of innovative ideas.



June 16th - 17th:

### Benefits Summit

– Centre Mont Royal, Montreal, Quebec

– Visit <http://www.conseiller.ca/avantages/microsite/sommetavantages>

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



Congratulations to **Lynda Elton**, of Hamilton, ON, the winner of Green Shield Canada's 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. To learn more, visit [greenshield.ca](http://greenshield.ca).

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