

THE INSIDE STORY[®]

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The Changing Landscape of Drug Plan Management

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You've no doubt heard the numbers before – more than \$25 billion is spent on prescription drugs in Canada each year. Of that \$25 billion, the greatest share (55%) is borne by private payers.

Understanding drug trends to make informed decisions about benefit plan design and management has never been more important. It requires a holistic view of a complex set of moving parts that together – subtly, or otherwise – drive prescriptions and costs.

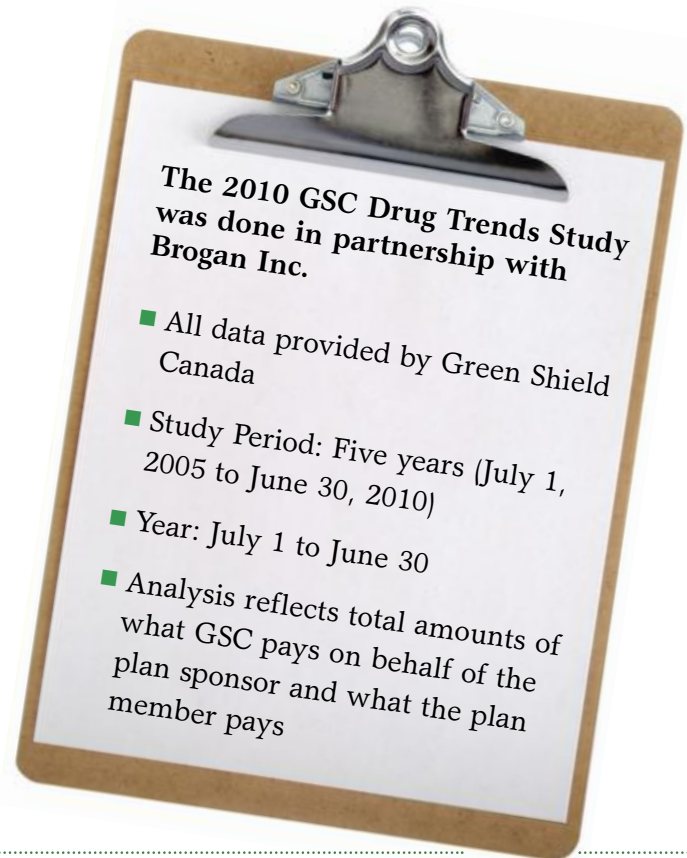
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The Green Shield Canada 2010 Drug Trends Study

The *Green Shield Canada (GSC) 2010 Drug Trends Study* sheds light on key drug trend influencers by drawing upon drug claim data from GSC's book of business from 2005 to 2010. From the introduction of Bill 102 in Ontario to an epic economic meltdown and recovery, the past five years have been tumultuous for private payers, making it difficult for plans to set sound policies and prepare for the future.

Robust information is therefore critical to the development of cost-management and health care strategies that enable plan sponsors to manage their benefit plans.

"The key is having access to meaningful data," says Steve Moffatt, GSC's senior vice-president of sales and marketing. "As they say, you can't manage it if you can't measure it. Good management is not simply about tracking changes in the inflation rate year-over-year — it's about being able to closely scrutinize what really impacts changes in the costs of drugs."



Year-Over-Year Highlights

The *GSC 2010 Drug Trends Study* identified four unique cost drivers: the demographic effect, the claim effect, the drug mix effect and the price effect. The following is

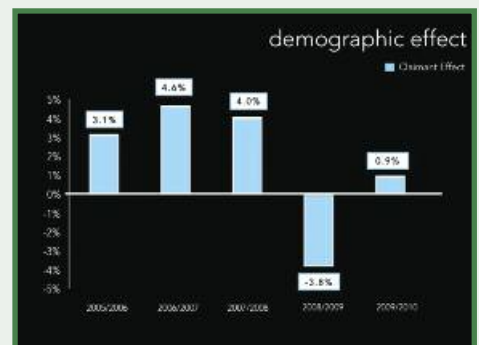
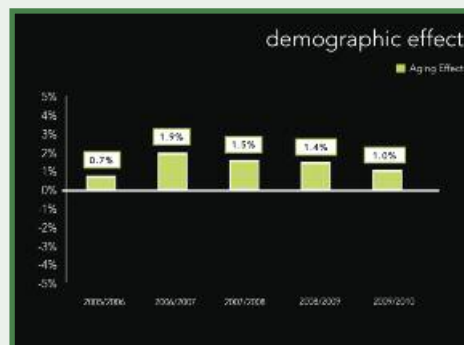
a review of the impact these factors have played on costs over the past five years.

Four Underlying Factors Drive Growth in Drug Costs

The *GSC 2010 Drug Trends Study* highlights four distinctive drivers that can exert upward, downward or neutral pressure on drug costs for the private market:

■ Demographic Effect:

combines the impact of the number of claimants and their age on drug costs. That the aging of the population drives expenses through increased drug utilization is not much of a surprise. Over the five years included in the study, the aging effect drove costs upward from a low of 0.7% to a maximum of 1.9%. However, the effect of the number of people in the plan who



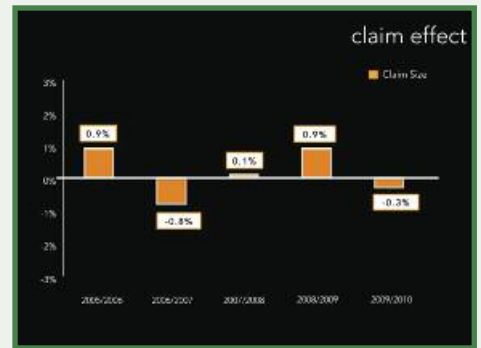
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Four Underlying Factors Drive Growth in Drug Costs... continued

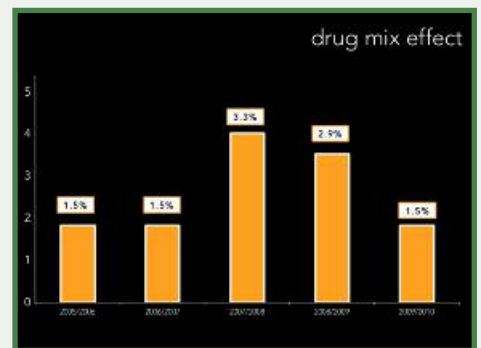
made a claim exerted far more influence on costs – resulting in a fairly dramatic 8% drop from 4.0% to -3.8% in 2008-2009. This was due to several factors, chief among them:

- i) A decline in the number of claimants, primarily from the economic downturn (job losses, hiring freezes, loss of retirement benefits, etc.);
- ii) The Ontario Drug Benefit (ODB) program adding drugs such as Actos and Avandia to the formulary, therefore absorbing many claims that previously would be made within private plans;
- iii) The delisting of natural health products (NHPs);
- iv) The removal of over-the-counter (OTC) medications from GSC-managed plans; and
- v) Changes in plan design, including the shifting of costs to plan members.

■ **Claim Effect:** measures the influence of changes in the frequency and quantity of drug claims. Since 2005, changes in the number of claims per claimant remained relatively static, from a drop of -1.7% in 2005-2006 to an increase of only +0.6% in 2009-2010. Likewise, the claim size effect remained steady, varying from +0.9% to -0.8% over the course of the study. What's interesting here is that claims per claimant and claim size are inversely related; as one goes up, the other goes down, with the net effect being very close to neutral.



■ **Drug Mix Effect:** the introduction of new classes of drugs, new drugs within classes, the withdrawal of drugs from the market and the number of medical conditions being treated all play a role in the drug mix effect. Through 2008 and 2009, the effect on costs was consistently upward, likely caused by increased utilization of high-cost medications by relatively few plan members. This was fuelled by growth in the number of biologics on the market and continued expansion in their indications for use. Downward pressures seen in 2010 are due to a lack of new indications for biologics.



■ **Price Effect:** determined by the changes in the average unit price of drugs covered under benefits plans. Inflationary increases, lower-cost generic drugs and dispensing fees can all figure prominently in the price effect. The price effect was relatively stable over the study period, where inflationary increases were offset by a steady influx of lower-cost generic drugs. Other factors at play include the introduction of off-formulary interchangeability in Ontario after Bill 102 (where a brand can be substituted with an equivalent generic, regardless of formulary status) which resulted in downward pressure on overall costs seen in 2007-2008 and inflationary price hikes permitted by the Patented Medicine Prices Review Board (which pharmaceutical companies are increasingly seeking upon eligibility prior to patent expiry) which resulted in upward cost pressure seen in 2010.



OK, so what's it all mean for drug costs in Canada?

2006–2007

An 8.8% increase in drug cost growth — the highest increase seen in the study period — reflects healthy economic conditions, resulting in high employment and a large number of employers offering generous benefits plans (claimant effect). A relative lack of generics and the first real uptake of biologics also encouraged rising costs (drug mix effect), while normal inflation had little impact (price effect).

2007–2008

Despite a 1% drop in cost growth to 7.9% across the GSC book of business, the biologics continued strong upward cost pressure (drug mix effect).

“The impact of the biologics is evident with the peak beginning in 2007,” explains Wendy Murkar, GSC’s vice-president of pharmacy services and strategic initiatives. “But the deceleration of the upward pressure that the drug mix produced afterwards is due to the fact that new medical conditions treatable with biologics have not been identified. Beware of the future though, as there will be an increase in the number of conditions available for the biologics to treat. Managing the biologics expense will be crucial.”

A stronger downward pressure in the price effect — due to the Ontario Drug Benefit (ODB) listing drugs with off-formulary interchangeability — accounted for the slight drop in cost increases versus the previous year.

2008–2009

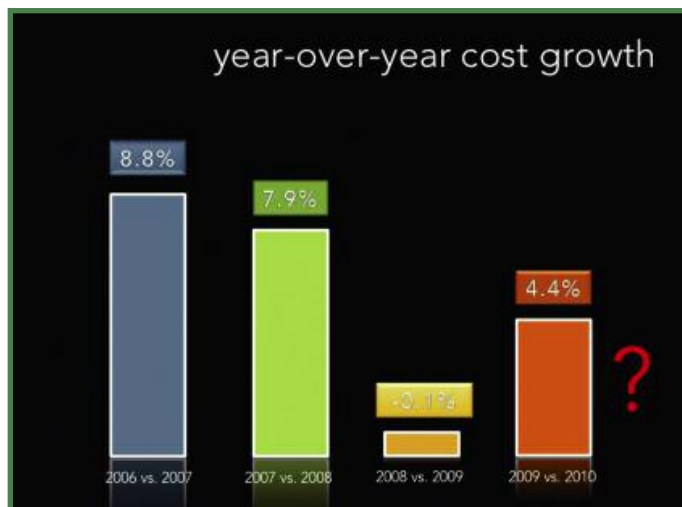
Annual growth in this year dropped to an unprecedented -0.1%, largely due to downward pressure from the claimant effect during the sudden onset of the economic crisis. Among the key study findings was a fairly dramatic 8% drop in effect on drug costs attributable to the demographic effect in 2008–2009 (from 4.0% to -3.8%).

2009–2010

An economic rebound means annual growth rates were beginning to climb, to 4.4%, due to upward pressures from all four cost drivers, with the claimant effect and price effect leading the charge. Specifically, the upward pressure from the price effect seen in 2010 was due primarily to inflationary price hikes permitted by the Patented Medicine Prices Review Board.

What can we look for in 2011 and beyond?

Expected reductions in generic pricing over the next few years (for example, from 50%, to 35% and then to 25% of the cost of the brand-name equivalent in Ontario) should exert more downward pressure on drug costs



“Knowledge is power. When you look back at all the moving pieces over the past five years, it’s clear that plan sponsors have to know what’s happening in their programs to understand where they can actually influence outcomes,” explains Steve Moffatt. “Good plan management becomes critical. Having the right information is key to making informed decisions.”

going forward. The factors that influence drug utilization and costs are complex and fluid, and while there is no way to control them, shifts in trends can be managed to produce the best possible cost-containment and health care strategies for private benefit plans.

Other Things We’ve Learned Along the Way:

This 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 **generics**, **top drug categories** versus top DINs, **biologics** and **vaccines** may hurt you!

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 Green Shield Canada Community Giving Program, we make a difference by providing critical funding that community-based not-for-profit organizations need to achieve significant, concrete results.

Spotlight on...

Children's Stroke Program at The Hospital for Sick Children

Over the past ten years in Canada the rate of stroke in children has steadily increased. In fact, childhood stroke can occur at any age from newborn up to 18 and, similar to adults who experience stroke, it can greatly reduce quality of life. It can negatively affect everything from physical abilities to cognitive skills, not to mention the emotional and social toll it takes on the stroke sufferers, as well as their families. In addition, 25% of childhood stroke survivors are at risk of having another stroke.

Although the issues related to adult stroke have been well-supported, the issues related to childhood stroke have not yet gained the same momentum. Accordingly, the Children's Stroke Program at The Hospital for Sick Children represented an ideal opportunity for Green Shield Canada to make a difference—a lifelong difference for childhood stroke sufferers and their families and an ongoing difference for future childhood stroke sufferers and their families.

Funds donated from our Community Giving Program made it possible to provide valuable education and support for families who often have questions left unanswered with limited community resources and limited places to turn for support. For instance, we supported the *Different Strokes for Little Folks* program that organized *Family Stroke Day* on June 5, 2010: an interactive educational day for families that provided information about stroke prevention, treatment and rehabilitation strategies, and community resources—all in a fun environment at the Ontario Science Centre, helping achieve the goal of developing strong family support networks.

"We would like to express our deepest gratitude to Green Shield Canada for their overwhelming generosity. Through their support and donation in recognizing the unique value of providing education and resources to families, the dream of a Different Strokes for Little Folks program became a reality including the Family Stroke Day to support children and their families who have been survivors of stroke in early childhood."

Ivana Yau, Nurse Practitioner,
Children's Stroke Program,
The Hospital for Sick Children

A Lasting Difference...

"Having a stroke as a child is all-encompassing. It affects every aspect of the growing child's future, the family, school, relationships, emotional well being and self-esteem and so we were very proud to support the Children's Stroke Program. It is precisely this kind of education and support that creates a long-term positive impact not just for the stroke sufferers themselves, but also on their families—ultimately, it helps strengthen communities across Canada."

Ian Allen, Manager, Sales and Service, Central Region, Green Shield Canada

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





WHAT'S NEW

Automatic Teller Machine (ATM) or prescription drug dispensing machine? You may have to look twice...

Looks like an ATM... feels like an ATM... has a television screen like an ATM... is available 24/7 like an ATM... but instead of dispensing money, these new green and white machines will dispense prescription medications. Based on Ontario legislation in 2009 allowing prescriptions to be filled by a machine without the physical presence of a pharmacist, the regulations are now in effect. Here's how these ATM-style drug dispensing machines work:

- You simply feed your prescription into a slot, just like you would feed your bank card into an ATM.
- You are automatically linked via video to a live pharmacist who validates the prescription and authorizes the machine to dispense the medication.
- You can ask the pharmacist questions, or simply wait for your medication to be dispensed.

**Taking drug dispensing to a whole new level...
Safe, fast, easy, and convenient**

Although some health care professionals were originally skeptical of the ATM-style drug dispensing machines, a pilot project validated their effectiveness as a safe, fast, easy, and convenient way to fill prescriptions. The Ontario Ministry of Health and Long-Term Care says they pass the highest standards for patient safety and, in addition to being safe, they provide enhanced access to prescription drugs to people in remote or rural communities.

Narcotics will not be available through the machines and pharmacies that wish to operate the machines must be accredited by the Ontario College of Pharmacists.

Forty ATM-style drug machines will be installed across Ontario—plus the machines are now being sold worldwide. To see what they look like, visit



the manufacturer's website at
<http://www.pharmatrust.com/>

"The remote dispensing machine provides my patients with access to a pharmacist 24/7. I've found through my own experience as well, that the machines are easy to use and very convenient. It's nice to know that patients don't have to worry about getting to a pharmacy before it closes."

Lynn Haslam, Advanced Practice Nurse, Holland MSK Program

¹ Source: Making It Easier For Ontarians To Fill Prescriptions, McGuinty Government Supports Innovative Model For Drug Dispensing, Ministry of Health and Long-Term Care, March 18, 2011 http://www.health.gov.on.ca/en/news/release/2011/mar/nr_20110318_1.aspx

Green light to Gilenya...Health Canada approves new multiple sclerosis drug

Health Canada has approved Gilenya, also known as Fingolimod, for patients with what is known as relapsing-remitting multiple sclerosis (MS) who have tried other therapies, but found them ineffective. And it's in pill form—other drugs formulated for the same purpose require regular injections or infusions. Gilenya received approval as a second line therapy for MS patients who have had an inadequate response to, or are unable to tolerate, one or more of the first line therapies like Rebif, Betaseron, Avonex, or Capaxone.

Patients with relapsing-remitting MS periodically experience symptoms like

muscle spasms and loss of balance that are beyond what they live with as their baseline symptoms—this is considered a relapse. After relapse, symptom intensity decreases, but not completely back to the previous baseline level—this establishes a new baseline. And so it goes...this cycle of relapse followed by a new baseline level of symptoms repeats again and again. As a result, symptoms gradually intensify as the disease progresses. Gilenya reduces the frequency of relapses, delaying the progression of physical disability.

For more information about Gilenya, visit the Multiple Sclerosis Society of Canada at mssociety.ca

What it means for you and your plan members?

Your Green Shield Canada drug plan covers first line therapies for MS, whereas second line therapies are categorized as "Individual Consideration" drugs, which means that their coverage is assessed on an individual basis. Accordingly, your plan members must follow our Prior Authorization process to determine eligibility. In addition, some provincial programs provide coverage for MS drugs so, when available, Green Shield Canada coordinates with Provincial coverage to ensure costs to the drug plan are minimized.

Here we go again...Now Optometrists have more power to prescribe in Ontario

The Ontario government has approved a regulation allowing optometrists to prescribe medications for patients. Although Ontario was one of the last provinces to enact the regulation, it has the widest scope in Canada. Now Ontario optometrists who meet the educational requirements for prescribing of the College of Optometrists of Ontario will be able to treat a range of eye conditions like eye inflammation, infection and pain, red eye due to contact lenses, eyelid infection and inflammation, allergies affecting the eyes, superficial foreign bodies in the eyes, and glaucoma. They now have authority to prescribe drugs in the following categories:

- Topical and oral anti-infective agents
- Topical anti-inflammatory agents
- Topical anti-allergic agents
- Mydriatics
- Topical anti-glaucoma agents

Similar to the expanding role of other types of health care professionals, the ability for optometrists to prescribe is expected to ease wait-

times and pressure on doctors, emergency rooms, and walk-in clinics, proving especially helpful in remote areas where access to an ophthalmologist is often difficult. The Canadian Institute for the Blind supports the expanded role, emphasizing how it will also aid prevention. "This will make great strides in the treatment of all eye care," adding that "Seventy five percent of vision loss is preventable or treatable. Preventing blindness is an urgent challenge with an aging population, and this will drastically improve access to clinical care." ¹

For more information, visit the Ontario Association of Optometrists at www.eyecareoao.com

What does this mean for you?

These changes do not affect your Green Shield Canada drug plan. Prescription drug benefits are eligible when prescribed by a health professional with recognized prescribing authority in a given province as permitted by law (possibly including physicians, dentists, nurse practi-

tioners, pharmacists, etc.). We pay the drug claim as long as it is eligible under your plan.

What does this mean for your plan members?

The simple answer: good news in terms of faster, more convenient care...

With less delay in getting prescriptions to help treat a range of eye conditions, plan members should enjoy quicker, more convenient service. Patient Jason Secord of Acton, Ontario applauds the decision, recognizing first-hand how it should positively affect care, "A few years ago, I almost lost the vision in my right eye because of a condition called iritis. I went to my optometrist and he knew what was wrong but he couldn't prescribe the drops that I needed. Now if I ever have a problem again, I can go to my optometrist right away without putting my eye health at risk by waiting to see three different doctors for treatment." ²

^{1,2} New Regulations Improve Eye Care, Wed, 6 Apr 2011, New Regulations Give Ontarians Better Access to Eye Care <http://www.optom.on.ca/news/?news=71>

NEWS & EVENTS

Out and About – Events you won't want to miss

Why not attend one of these upcoming industry events? You'll be glad you did – they are always packed with the latest and greatest industry news, interesting opinions from industry leaders, and loads of innovative ideas.



May 11th:

Green Shield Canada Benefit Forum

- Willistead Manor, Windsor, Ontario
- Contact your Account Executive for more details

May 11 - 13th:

Connex Health Employer Forum

- Sheraton Fallsview Hotel, Niagara Falls, Ontario
- Visit <https://www.connexhc.com/conferences.asp?id=3> for more details

May 18th - 17th:

CPBI Forum 2011 – The Next Wave

- Sheraton Wall Centre Hotel, Vancouver, British Columbia
- Visit <http://www.cpbiicra.ca/en/page.ch2?uid=FORUM2011> for more details

June 16th - 17th:

Benefits Summit

- Centre Mont Royal, Montreal, Quebec
- Visit <http://www.conseiller.ca/avantages/microsite/sommetavantages>

Green Shield Canada continues to lead the way with new leadership—from new faces

We're on a roll as we kick off the second quarter of 2011 with new leadership developments. Steve Moffatt, Senior Vice President of Sales and Marketing, is pleased to announce the following appointments to the GSC Sales Teams:

- Brent Allen, *Director of Sales, South Western Ontario Region*
- Carmen Hogan, *Regional Vice President, Sales and Service, Central Region*
- David Willows, *Vice President, Strategic Market Solutions*

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



Congratulations to **Tony Kocjan**, of Kitchener, 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.

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