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THE DUPUIS LANGEN GROUP
SOLUTIONS WITH CLARITY

Benefit brief

THE EMPLOYEE SOLUTIONS NEWSLETTER FOR THE CLIENTS AND FRIENDS OF DUPUIS LANGEN

Protection Against Catastrophic Drug Claims

The Canadian Life & Health Insurance Association (CLHIA) issued a media release on April 3, 2012, describing a new approach to dealing with the impact that claims for very high-cost, recurring prescription drugs can have on fully-insured group benefit plans.

Background

A supplementary health plan could become unaffordable for any plan sponsor if even just one member is stricken with a disease or disorder requiring very high-cost, recurring drug treatments. Leading members of Canada's group life and health insurance industry recognize the need to deal with the impact that claims for these treatments can have on fully-insured group benefit plans. In the absence of any catastrophic drug program in Canada, the life and health insurance industry has developed an industry-wide agreement to protect fully insured private drug plans from the full financial impact of high cost drugs.

This agreement calls for participating carriers to pool eligible drug claims in excess of a stipulated amount, and set customer premiums without including these pooled claims. This applies to fully insured group plans only (Insured refund accounted plans, and Administrative Services Only (ASO) plans, are not covered under the pooling program.)

What it means:

- Employers with insured business will have access to more sustainable drug plans. It will also be simpler for them to move their group benefits to other carriers even if they have a recurring high cost drug claim
- Employees will be less likely to lose coverage from employer-sponsored plans due to high cost drug claims
- Carriers will be able to spread the cost of very high cost, recurrent drug claims across the industry

This agreement will primarily benefit small and medium-sized businesses, which typically do not have the financial resources to absorb a significant increase in their insurance premium due to high cost drug claims. It is a giant step forward in ensuring the sustainability of drug benefit plans and helping protect Canadians who face the financial burden of high cost drugs.

What is a fully-insured group plan?

The plan sponsor of a fully-insured plan pays the premiums for the plan, and in turn the insurer is responsible for paying the costs of all eligible claims. Employers are only responsible for paying the premiums for the plan. If plan sponsors are unsure what type of group plan they have, please contact your benefit consultants.

For additional information please visit www.clhia.ca

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HCSA What is it and how it can help!

People at different ages and life stages have different health needs and priorities—and they value different benefits as a result. Creating a plan that satisfies everyone can be a challenge—now more than ever. Rising costs make the challenge more acute.

A Health Care Spending Account (HCSA) is in essence an individual Plan Member's account that provides reimbursement for covered expenses such as:

- Eligible expenses not covered under a current benefit plan;
- Eligible expenses in excess of current plan maximums;
- Co-insurance and deductibles charged by current benefit plans; and
- Expenses for dependents not eligible under other benefit plans, but eligible under the broader Canada Revenue Agency (CRA) definition of dependent health and non-health related expenses.

By design a HCSA addresses the unique and differing needs of employees. It provides greater flexibility in how they choose to spend their allocated amount. For an employer it provides a greater cost certainty by providing an established maximum cost per benefit period per Plan Member.

A HCSA brings cost containment—as well as choice. It can supplement a traditional benefits plan—or provide an alternative to certain forms of coverage. And its flexibility means employees can spend their credits according to their needs.

For more information about the HCSA, please call your Account Representative or Benefit Consultant.

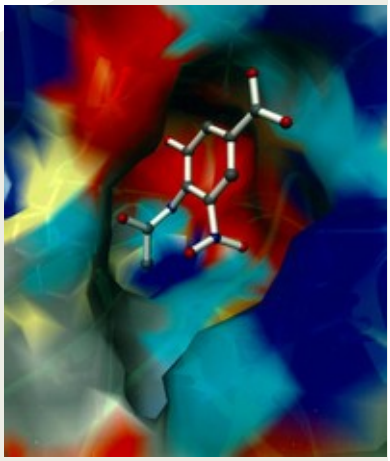
What are Biologics and How they affect your plan

You've probably heard of Biologics in many different publications and how the cost of these new Biologic drugs may lead to increased drug pricing and higher claims. What exactly are Biologics and how do they differ from other drugs?

Biologics have revolutionized the treatment of chronic illnesses such as rheumatoid arthritis (RA), psoriasis, Crohn's disease, multiple sclerosis and a variety of cancers. You may have heard of drugs such as Remicade, Enbrel, Rituxan to name a few. Biologic drugs have proven that they can provide significant improvement in health outcomes. Treatment with Rituxan cuts deaths in non-Hodgkin's lymphoma in half, according to a 2010 article in the Journal of Clinical Oncology. And recent studies in Rheumatology and the International Journal of Advances in Rheumatology have demonstrated that an early start with biologics for RA patients results in fewer lost workdays and increased productivity.

Biologic drugs are produced from living cells, whereas traditional drugs are produced from chemicals. A traditional drug can be created in any laboratory setting as long as you have the right ingredients and equipment. With biologic drugs, the product is the process which contributes to the high cost for these drugs. A small difference in the manufacturing process (such as duplicating a production facility in a different country) can significantly affect the nature of biologics and the way they function in the body.

Many hope that the cost of biologics will decrease when their patents expire and subsequent entry biologics (SEBs), enter the market. As a result of their manufacturing complexity, the regulatory approval process in Canada will be significantly different. In general, in order to substitute a generic drug for a brand name drug at the pharmacy counter, Health Canada must declare the drug bio-equivalent, and the provincial regulations must permit the pharmacist to interchange the drug without consulting the physician. With SEBs, the approval process will differ from that of traditional generic drugs. Whereas an application for a traditional generic drug can be abbreviated and requires demonstration of bio-equivalence, a SEB must be submitted as a new drug entity and requires clinical trials. Upon approval, Health Canada will not declare the drug bio-equivalent, and it is likely that pharmacists will not be able to interchange the SEB and the brand name drug.



Because of the complexity in the production process and the requirements for a full submission, clinical trials and review of the production process, it is likely that SEBs will not result in the significantly lower costs that we have seen with traditional generic drugs.

Treatment with both biologic and non biologic drugs offer, on average, symptomatic management of diseases (i.e. not a cure) that can in some cases be lifelong treatment. Employers will need to continue to evaluate both biologic and non biologic drugs based on their value proposition to determine if the value is worth the cost.

Source: Benefits Canada & Assure Claims Prospective 2008