

GUIDE TO DRUG PLAN MANAGEMENT

HEALTH AND WELLNESS
SOLUTIONS THAT MATTER



Equitable Life
of Canada

Together, Equitable Life®, Advisors and Plan Sponsors can work to ensure the appropriate use of medications and protect the sustainability of a benefit that is important to Plan Sponsors and their employees.



Plan Sponsors of all sizes continue to grapple with the fundamental question: ‘how do I determine the most effective way to provide drug benefits that balances the need for cost management while illustrating value to my employees?’ This is compounded by talent attraction and retention challenges faced by many industry sectors and the business need to maintain a productive, older workforce.

And, employees highly value group drug plan benefits especially given Canada’s ageing demographics and the ongoing introduction of innovative, higher cost drugs. In fact, only 31 percent of Plan Members would trade their group benefits for \$10,000¹. This is despite the fact that the national average per capita drug expenditure (by certificate) is less than \$1,000^{2,3}.

What Is Drug Plan Management?

Fundamentally, there are two key cost characteristics of drug plan benefits; what drugs are covered and how much is covered. However, employers’ views about drug plan affordability and why they provide group benefits differ - from paternalistic principles to being an integral part of a talent attraction and retention strategy. Thus, effective drug plan management must strike a balance of reasonable control of drug expenditure growth, cost-sharing with Plan Members and appropriate use of medications, while maintaining a level of coverage that is valued by employees.

Why is Choosing the Right Drug Plan Important?

The majority of Canadian employers still offer an ‘open’ drug plan with a small or modest cost sharing by Plan Members. Many of these plans were put into place years ago when annual drug expenditures were much lower and the Canadian workforce much younger.

Today, proactive discussion on drug plan management is critical given the rapid pace of change in the healthcare environment, an extensive pipeline of innovative but often more expensive drugs and the significantly higher drug utilization associated with an ageing workforce. In the short to medium-term, this may be counter-balanced by higher than usual numbers of common brand name drugs whose patents have recently or will soon expire. However, most employers do not have drug plan features that will enable them to fully capitalize on Provincial Government regulations regarding generic price reductions.

Drug plan design, when supported with appropriate communication tools, can also assist Plan Members in taking a greater role in the appropriate use of medications.

In short, the right drug plan option may generate some short-term cost savings while reducing the longer-term risk in drug plan inflation.

¹ Sanofi-Aventis Healthcare Survey 2011

² Telus® Health Solutions and Equitable Life Drug Data on File

³ Equitable Life Data on File

QUICK GUIDE ON DRUG PLAN OPTIONS

The table below illustrates some common employer drug plan (cost) management objectives and examples of options available from Equitable Life. See the **Glossary of Terms** for a brief description of each option.

More Aggressive Cost Management	Less Aggressive Cost Management	Comprehensive Coverage With Some Control Features
Plan Type:		
<ul style="list-style-type: none"> • National Formulary • Provincial 'Mimic' Formulary • Frozen Formulary • Traditional 'open' plan with higher co-pay/deductibles, and/or annual drug amount cap • Two-tier plan with higher co-insurance amounts 	<ul style="list-style-type: none"> • Traditional 'open' plan with high co-pay/co-insurance • Two-tier plan with modest co-insurance amounts 	<ul style="list-style-type: none"> • Traditional 'open' plan with no or modest co-pay/co-insurance • Two-tier plan (generic versus brand) with modest co-insurance amounts
Additional Drug Plan Cost Management Options		
<ul style="list-style-type: none"> • Annual deductible • Annual drug maximum • Annual limits on fertility, smoking cessation and erectile dysfunction drugs (if covered) • Dispensing fee cap 	<ul style="list-style-type: none"> • Mail order pharmacy for maintenance drugs • Mandatory generic • Prior authorization program • Trial and maintenance day supply program 	

How can Equitable Life help you Choose and Transition into the Right Drug Plan?

As one of Canada's largest mutual insurance companies, Equitable Life is committed to working with Advisors and Plan Sponsors to provide decision tools, insights and solutions that enable our clients to make the increasingly difficult choices required to achieve a thoughtful and balanced approach to drug plan management.

This includes:

Data Intimacy

- Employers, even those in the same industry sector, differ in their demographic, cultural, disease prevalence and drug utilization characteristics. Our proprietary custom reports provide practical facts to guide the conversation around drug plan options specific to each Plan Sponsor.

Thought Leadership

- We recognize that data alone does not generate the insights required to make appropriate decisions. Our high service culture includes subject matter experts available to interpret facts into actionable plan design insights and describe and define potential advantages and risks.

System Flexibility

- Implementation and ongoing management of drug plan decisions driven by our proprietary reporting and administrative systems.

Communication Support

- Change in carrier and/or drug plan design is difficult for both Plan Sponsors and Plan Members. We have extensive friendly Plan Sponsor and Plan Member communication documents for all plan options to support education, plan transition and provide responses to frequently asked questions.

Solution Connectivity

- Drug plan design is but one component of health management solutions and the selection of a drug plan should take into consideration other tools that support the health needs of employees. Supported by data intimacy tools, thought leadership, and service excellence, Equitable Life will assist in identifying potential service or product solutions that can be aligned to the needs of each employer. Benefit management resources could include Equitable HealthConnector services and/or disability, life and critical illness solutions.

Equitable Life's commitment to service excellence, our people and end-to-end support tools will ensure a plan decision process, implementation and ongoing management that best matches Advisor and Plan Sponsor needs to drug plan design and other group benefit options.

Health and Wellness Solutions that Matter™

Equitable Life recognizes that a conversation about drug plan management can't happen in isolation – there are both upstream and downstream influences and impacts. Reducing health risk factors can impact the need to take medications. Having access to the right medications can prevent productivity loss and disability claims. There are many factors to weigh and balance in the overall design of an effective benefits program. The decision tools we've developed to help Advisors and Plan Sponsors choose the right drug plan design recognize this larger context. Customized and user-friendly analytics along with access to subject matter experts enable more productive navigation and selection of not just drug plan solutions, but a range of benefit options that can impact:

- Health-related absences and claims:
- Productivity and overall workplace health; and
- The overall cost of providing Group Coverage.

Beyond smart drug plan design, we offer unique health and wellness solutions delivered via the Equitable HealthConnector® platform.

Detailed information regarding each drug plan, other group benefit services and our decision support tools are available upon request.



GLOSSARY OF TERMS

Annual Drug Cap	Limits the total employer paid amount for the benefit year at a fixed amount.
Co-pay	A fixed dollar amount that is payable by the Plan Member for each prescription.
Co-insurance	A fixed percentage of the total price of a prescription that is payable by the Plan Member.
Dispensing Fee Cap	A dollar maximum allowed under a plan for the professional usual and customary fee charged by pharmacies for each prescription.
Frozen Formulary	A managed care formulary that only includes drugs covered under the plan as at December 31 st of a particular year.
Mail Order Pharmacy	An arrangement with a pharmacy provider to have prescriptions centrally filled and shipped directly to the Plan Member for predominantly maintenance drugs.
Maintenance Days Supply	Encourage Plan Members to purchase a 100 day supply of maintenance drugs that are effective and tolerated. The number of pharmacy professional fees payable is reduced and drug adherence is encouraged.
Mandatory Generic	Also known as Mandatory Lowest-Cost Alternative, a plan feature that limits the ingredient cost eligible portion of a drug charge to that of the lowest cost, interchangeable product, typically but not always a generic drug.
National Formulary	A managed care formulary that only includes drugs within therapeutic categories that have been independently evaluated based on a variety of clinical and cost-effective parameters.
'Open Plan'	A plan that includes all drugs that legally require a prescription. An 'open' plan, however, may exclude 'lifestyle' medications (e.g. erectile dysfunction, smoking cessation, vaccines, fertility agents and "over-the-counter" drugs).
Prior-Authorization	A list of higher cost or second line drugs that require clinical criteria to be met in order to be eligible for reimbursement (e.g. Remicade, Humira, Enbrel, Imitrex, Viagra and Nexium).
Provincial Formulary	A managed care formulary that only covers or 'mimics' drugs listed as a general benefit in a Provincial Plan (e.g. B.C. PharmaCare and the Ontario Drug Benefit).
Trial Days Supply	Limits initial quantity dispensed for a new maintenance drug to 30 days in order to establish efficacy and tolerance and minimize drug wastage.
Two-Tier Plan	Different tiers based on what drugs are covered as well as the amount covered. There are a variety of options of how plans are tiered such as plan type (e.g. National Formulary versus an 'open' formulary), how a prescription is filled (e.g. mail order versus regular retail pharmacy) and generic versus brand drugs.

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Since 1920, customers have been depending on Equitable Life of Canada for financial protection. As one of the largest mutual life insurance companies in Canada, Equitable Life is dedicated solely to its policyholders. Everything we do is focused on providing them with personalized service, security and wellbeing.

Our approach to Group Benefits is based on a commitment to meet the specific needs of our Advisors, Plan Administrators and Members. At the core of this commitment is our unwavering dedication to service and working in partnership with our Advisors and their clients by listening and responding to their needs.

We do things a little differently and a lot more personally by offering a complete range of flexible benefit management resources, highlighted by health and wellness solutions that matter. To find out more, please speak to your Equitable Life Group Marketing Manager or locate your Equitable Life Group Regional Sales Office, visit www.equitable.ca.



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