

New drugs, increased use boost plan costs

Employers challenged to sustain employee drug plans BY CHRIS VON HEYMANN

Prescription drug costs currently make up roughly 70% to 75% of all extended health benefit expenditures, including vision care, dental, physiotherapy, etc. It's not so much the amount paid for this employee benefit that has grabbed employers' attentions, but rather the rate at which plan costs have been increasing: 15% to 20% annually. As this expense is expected to double every five years, employers worry how they will be able to continue funding it.

INCREASED USE

Overall, increased drug use is estimated to account for two-thirds of a drug program's cost increases. According to IMS Health, the number of prescriptions dispensed in Canada has increased between 6% to 8% annually since 1999. The primary factors contributing to the rise in employer-paid scripts include:

- **An aging workforce.** With more and more employees falling into the 40- to 65-year-old age bracket, the incidence of age-related conditions (hypertension, diabetes, etc.) continues to grow. With a greater average number of medications prescribed per patient, and a greater number of doses per script for maintenance therapies, older employees are driving plan utilization trends.
- **Impact of mental illness.** Stress in the workplace has received a lot of attention in the media in the past few years. The increased prevalence, social awareness and acceptance of conditions such as depression and anxiety has led to a greater number of diagnoses and resulting drug treatments. Overall, the impact of mental illness for organizations is significant: in 2002, it was estimated that mental illness in the workplace costs nearly 14% of the annual net profits of Canadian companies (in drug costs, decreased productivity, absenteeism and disability). One estimate predicts depression will be the second leading cause of disability worldwide by 2020, second only to hypertension.
- **Direct-to-consumer (DTC) advertising.** Although still not a reality in Canada, DTC leaks over the border from the U.S. and continues to raise consumer awareness, driving use upwards.
- **Cost shifting from the public sector to the private sector.**
- **New indications for existing therapies.**

EXPENSIVE NEW DRUGS

We also continue to see new drug therapies that represent true clinical "breakthroughs" for patients. For example, the recent introduction of the "biological response modifiers" used for the treatment of rheumatoid arthritis and Crohn's disease (e.g. Remicade, Enbrel and Kineret) has provided patients with life-changing therapeutic alternatives and, in many cases, the ability to return to work. With annual price tags of \$10,000 to \$20,000 per patient such therapies,

can represent a sudden, "catastrophic" cost for any plan.

Treatments for other catastrophic illnesses such as cancer, HIV/AIDS and multiple sclerosis can also cost a plan thousands of dollars each year. Moreover, with patient-specific, genome-based pharmaceuticals expected to enter the marketplace mid-decade, experts can only speculate on the kind of expense this therapy will represent.

OVERALL COST INCREASES

Finally, an increase in overall costs has contributed to skyrocketing plan costs. In 2001, the average prescription cost approximately \$40.00—an 11% increase from two years earlier. Factors affecting this average cost include:

- **Prescribing practices.** Widespread acceptance of new prescription drugs for conditions like

arthritis and stomach ulcers has significantly decreased the use of older, less expensive products. Similarly, new suggestions for the prophylactic use of medications (e.g. the statins) are likely to have an additional impact.

- **Patent protection** continues to delay the entry of cheaper generic alternatives.
- **Product line extensions.** New extended-release formulations or two-in-one combinations of tradi-

tional products offer little clinical advantage at a higher cost.

Perhaps the most obvious concern for sponsors involves the long-term sustainability of the drug plan with such financial pressures. Of equal consideration, however, is making the link between the use of medications and productivity related costs of disease in the employee population. Timely and effective drug therapy can have a beneficial effect on absenteeism, short-term and long-term disability costs, and employee productivity on the job. Employers must consider not only the costs of treatment, but also the real cost of untreated disease in the employee population. ❁

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PAYER ISSUES

by Chris von Heymann



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Whatever's happening in pharmacy, Chelmsford, Ontario pharmacist Ken Burns B.Sc.Pharm can wrap it all up and make fun of it in his column, From the Back Burner. A community pharmacist for 20 years, Ken is also deeply involved in pharmacy advocacy and education and in improving relations with government, employers and physicians. We know many Pharmacy Post readers head straight to the back page to see what Ken has to say this month.

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In his ten years as a pharmacist and consultant, Mike Edwin B.Sc.Pharm, has worked with provincial and national pharmacy associations to push for changes that will allow the profession to flourish. Mike truly believes pharmacists are the healthcare system's best-kept secret. In his column Counselling Challenge, he lets that secret out of the bag, suggesting ways pharmacists can not only help patients with immediate issues, but do it in a way that earns their respect and ensures they'll tell others.

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From her well-rounded perspective (she works at a small, innovative independent pharmacy, is a consultant, develops and implements educational and cognitive services programs for pharmacists and patients, speaks at pharmacy conferences and is a preceptor for pharmacy students), Dorothy Glavas B.Sc.Pharm, knows what's new in the most popular self-care product categories. She shares her knowledge, wisdom and current research with pharmacists each month in Self-Care Review.

TRACY MARSDEN

In her column CAM Review, Tracy Marsden B.Sc.Pharm, goes where many pharmacists fear to tread: into discussions on natural health products and alternative therapies. A lecturer on natural medicines, Tracy is also vice-president/part owner of Rocky Mountain Analytical, a saliva hormone testing laboratory, and has co-authored a book on menopause and bio-identical hormone replacement. She practiced in community pharmacy for 15 years.

CHRIS VON HEYMANN

As a consultant, Chris helps provide a direct link between community pharmacy practice and third-party payers, providing perspective and insights from one to the other, and ideally to facilitate a greater understanding of the challenges both sides face. As a columnist with Pharmacy Post, Chris helps pharmacists understand why and how plan sponsors and adjudicators do the things they do.

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Mark is a community pharmacist and consultant and president of the Ottawa-Carleton Pharmacists' Association. Mark, the author of Pharmacy Post's new Digital Assistance column, says he couldn't function in the dispensary without his PDA. His mission: to get you to feel the same way in one year or less.