

# SOLUTIONS

IN DRUG PLAN MANAGEMENT 2011

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## Expert Column

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### Bridging the Gap to Employers: A Call-to-Action for Pharmacy

by Chris von Heymann, senior vice-president, Cubic Health Inc.

Right around the time that I was beginning my pharmacy career, the Ontario Pharmacists' Association released its *Fee Guide for Cognitive Services*. I was certain that pharmacy would adopt the Guide and secure reimbursement for the cognitive services that we had been trained to deliver. I could not have been more wrong.

Over a decade later, with few exceptions, the reimbursement model for community pharmacy is still based solely on the distribution of products rather than on the provision of clinical and consultative services. The "dispensing fee" is regarded by most payers in the private sector as an all-encompassing fee that covers all services rendered at a pharmacy.

Furthermore, while there has been much discussion and promotion of the expanded scope of practice for pharmacists within the profession itself, there have been few (if any) enhanced pharmacy services or programs developed and marketed *directly* to employer-sponsored drug plans.

#### A case in point

After we assessed the potential impact of a drug plan design change—including projected savings—for one of our 3,000-employee plan sponsor clients, that employer decided to proceed with an alternative plan design, but not before asking us a couple of interesting questions: "What kinds of programs can we reinvest those calculated savings into in order to benefit our members?" And, "Does pharmacy have any employer-specific programs that have proven returns that will benefit our members and our plan?"

Unfortunately, we could not think of a single one. What a missed opportunity for pharmacy.

#### The problem (from the plan sponsor's perspective)

Pharmacy needs to take a moment and look at the world through the eyes of a Canadian employer in 2011:

- Prescription drug claims comprise approximately three-quarters of all Extended Health Care expenses for the average plan sponsor. While the year-over-year growth in expenditures for the drug benefit has slowed since the double-digit trends in the earlier part of the decade, that growth is continuing from an already impaired starting position, and the biopharmaceutical and specialty drug pipeline is poised to continue driving plan costs higher.
- Still recovering from the impact of the recent recession and current uncertainty with debt crises in Europe and the U.S., companies are struggling to remain competitive in the global economy, striving to preserve sales to foreign markets with our strong Canadian dollar, and possibly facing significant layoffs. At the time of writing, Research In Motion just announced the layoff of 2,000 employees – more than 10% of its total workforce.

As a result, the single mandate for the vast majority of HR professionals in charge of managing their drug benefit comes down to cost containment. *How can they do more...with less?*

#### The gap (that pharmacy needs to overcome)

As an expanded scope of practice for pharmacy unfolds across the country, and the spectrum of services community pharmacy can offer private payers and their members broadens, the question has been posed: **Why aren't private payers adopting (and paying for) these enhanced services?** It all comes down to a lack of awareness, clarity and understanding:

- *What services?* What exactly are "enhanced" pharmacy services, and how do they differ from the pharmacy services their plan members already receive today and/or those funded by a given provincial government (e.g. MedsCheck)? Are these enhanced services consistent across *all* pharmacies, regardless of chain or banner, or do they vary?
- *What cost?* How much do these different enhanced services cost over and above a conventional dispensing fee? Is the cost of these additional services consistent across all pharmacies, or do they vary?
- *What value?* What outcomes do these enhanced services provide from the perspective of the employer: reduced absenteeism? Reduced short- and long-term disability? Increased productivity? Reduced drug cost? Improved adherence with therapy? In other words, if an employer is going to pay more for these services, what kind of measurable returns can they expect for their investment?

The bottom line is that no employer in today's market, struggling to get a handle on their escalating benefits costs, is going to add *new* healthcare services to their list of eligible benefits on blind faith alone.

#### The bridge

In order to bridge the gap with Canadian employers, pharmacy needs to first clearly delineate its dispensing function from its clinical and consultative services, and then to fully embrace the concept of being a strategic healthcare partner for private plans and their members, providing the following through preferred pharmacy provider arrangements:

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- i. *Financial solutions* – These have got to be first out of the gate: only once employers realize savings on the routine dispensing and distribution of medications to their members can those savings be allocated towards enhanced clinical services and programs. Furthermore, pharmacy has to look past dispensing fees (which comprise only 10-15% of the average cost per claim in the private sector) to the ingredient cost portion of each claim as a part of any competitive offering. Employers now have clear insight into the significant ranges in ingredient costs they are paying between pharmacies for the same drug in the same province, and are looking for more competitive ingredient cost pricing structures.
- ii. *Clinical pharmacy solutions* – With the employer's primary cost containment mandate addressed first through financial solutions, pharmacy then has a receptive audience, and the budget through quantified savings for reinvestment, to deliver any number of specified clinical services to plan members.
- iii. *Measured outcomes & routine progress updates* – By ensuring that a given employer has the necessary baseline analytics in hand prior the implementation of enhanced clinical services, pharmacy has the ability to measure very specific utilization parameters and outcomes for that employer on an ongoing basis post-implementation in order to clearly demonstrate the value and return on investment for those services. Not only is this step required to demonstrate the outcomes for the given employer, it is essential for pharmacy to have these measured outcomes in hand for marketing its services to other stakeholders.

With this strategic approach to delivering expanded services to the private sector, pharmacy may finally be able to demonstrate the tangible value of expanded clinical services for employers, and get the ball rolling for a sustainable reimbursement model for these non-dispensing functions.

Chris von Heymann is senior vice president at Cubic Health, Inc., which provides companies with information and solutions based on the integration of plan-specific drug claims data with their proprietary analytics systems and reporting applications.

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