What’s the Impact of National Pharmacare?

CHSPR Conference

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Additionally, there remains considerable uncertainty regarding national pharmacare as the drug landscape is rapidly evolving.
Key components in a private drug plan

Plan sponsor
- Employer or organization that offers health insurance benefits to its employee or members (e.g. retirees)

Plan member (Joe Smith)
- Employee or retiree who is entitled to receive benefits

Public drug benefit programs
- Each jurisdiction offers drug benefits for eligible groups (e.g. seniors, recipients of social assistance)
- If plan member eligible for public funding, costs will shift to public

Pharmacy
- Charges a drug markup and dispensing fee for each prescription
- Prices for the same drug can vary between pharmacies and between private and public plans
# Private payer landscape

## Prevalence of common drug plan design features

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior authorization</td>
<td>96%</td>
<td>High-cost drugs need to be pre-approved</td>
</tr>
<tr>
<td>Generic substitution</td>
<td>96%</td>
<td>Reimburses up to the generic price</td>
</tr>
<tr>
<td>Managed formulary</td>
<td>55%</td>
<td>Designed to favour more cost-effective drugs</td>
</tr>
<tr>
<td>Dispensing fee cap</td>
<td>50%</td>
<td>Most common cap is $8.00 to $10.00</td>
</tr>
<tr>
<td>Preferred retail pharmacy network</td>
<td>22%</td>
<td>Incentives to fill prescriptions at a particular group of pharmacies</td>
</tr>
<tr>
<td>Lifetime maximum</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>

### Source:
WTW 2023 Financial Benchmarks Survey

**Canadians benefit from private drug plan coverage**: 24 M

**Drugs represent the highest portion of extended healthcare costs**

- Drugs: 61%
- Paramedical: 26%
- Other Health: 13%
Surplus

Private insurance funding arrangements

Financial arrangements determine who is responsible for the risk.

**Insurer or Plan sponsor?**

**Non-refund accounting**
- Insurers absorbs any deficit but also keeps surplus

**Refund accounting**
- Medium sized groups
- Prevalent in Quebec because of tax reporting purposes

**Self-insured/Administrative Services Only**
- Most typical arrangement for larger groups

***Plan Sponsor responsible for surplus/deficit***

- **0%**
- **100%**

**Surplus**
- Costs of claims + fees
- Premiums paid

**Deficit**
- Costs of claims + fees
- Premiums paid
Private drug plans versus public drug plans

- More drugs are eligible
- New drugs are usually listed much more quickly
- Each insurer negotiates discounts separately
- Criteria are usually more relaxed

Percentage of prescription drugs on the market covered on the formulary:
- Private plan formulary: 95%
- Provincial formulary: 50%
Potential impact of national pharmacare
Drug categories proposed under national pharmacare

<table>
<thead>
<tr>
<th><strong>Contraceptives</strong></th>
<th><strong>Diabetes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Oral birth control pills</td>
<td>Medications</td>
</tr>
<tr>
<td>✓ Copper and hormonal IUDs</td>
<td>✓ Insulin ($900 to $1,700/year)</td>
</tr>
<tr>
<td>✓ Injections, implants, rings</td>
<td>✓ Metformin ($100/year)</td>
</tr>
<tr>
<td>✓ Morning-after pills</td>
<td>✓ Sulfonylureas and SLGT-2 inhibitors ($100 to &gt;$1,000/year)</td>
</tr>
<tr>
<td>Cost: $200 to $300/year</td>
<td><strong>Devices and supplies</strong></td>
</tr>
<tr>
<td></td>
<td>✓ Supplies for administering insulin</td>
</tr>
<tr>
<td></td>
<td>✓ Supplies for monitoring blood sugar levels (up to $4,000/year)</td>
</tr>
</tbody>
</table>

Starting April 1, 2023, BC was the first province to provide full universal coverage of birth control. Other provinces such as Manitoba and PEI are planning to follow.

2.6% of eligible amount in 2022 was for birth control in BC

Source: TELUS Health Retrospective 2022: Drug trends and national benchmarks

Potential savings to private plans

Other provinces such as Manitoba and PEI planning to follow
What is the potential impact on private plans

- Anticipate initial cost shifting to public plans, but the extent is uncertain as the model is not yet defined (i.e. 1<sup>st</sup> or 2<sup>nd</sup> payor)

- If the public plan’s criteria are more restrictive than private, drug may remain under private funding, but the model is not yet known

- Pharmacies may earn less revenue as public payers usually pay lower markups and dispensing fees which could result in increase costs to private plans

- Enhanced buying power with national pharmacare

- Opportunity for simplified administration for pharmacies and plan sponsors

- National pharmacare unlikely to be implemented in the immediate future as there are several steps before the legislation is effective and the federal government would need agreements with provinces and territories