

A photograph of three people in a professional setting. A man with glasses and a beard is on the left, a woman with glasses is in the center, and another woman is on the right gesturing with her hands. The background is a bright office environment.

# ECKLER

## **How Employers Can Maintain Their Medication Costs While Still Taking Care of Their Employees**

Healthy Outcomes Conference

Presented by Martin Gascon, FSA, FCIA, Senior Director – Eckler Ltd  
October 18, 2024

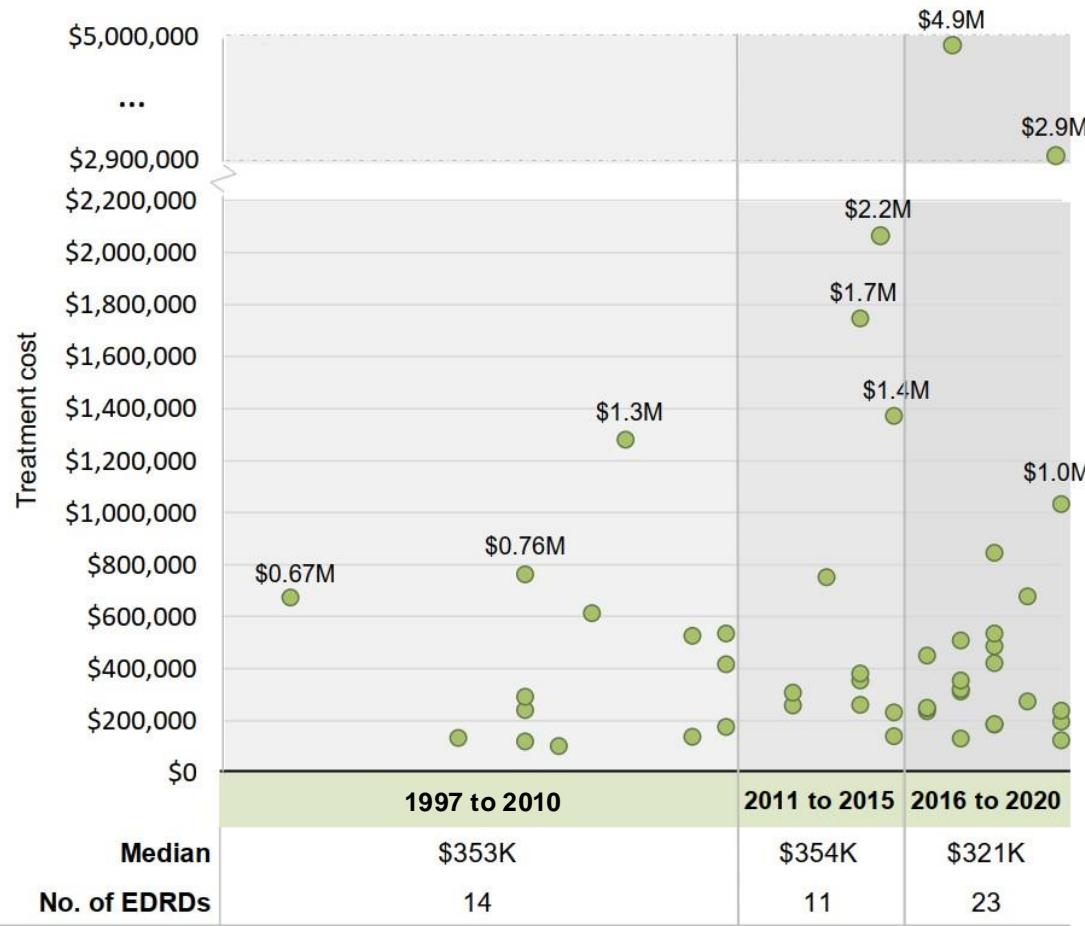
# Agenda

- I. Rising Drug Costs
- II. Some Cost Savings Opportunities
- III. What Plan Sponsors Should Consider to Maximize the Value of Their Plan

A group of four diverse professionals are gathered in an office environment. A man in a light blue shirt is seated, looking up. A man with glasses and a beard is standing behind him, pointing towards a screen. A woman in a grey cardigan with her arms crossed is standing in the center. A woman with short dark hair and glasses is on the right, gesturing with her hands as if speaking. The background shows office equipment and a window. The overall atmosphere is one of a serious discussion or presentation.

## I. Rising Drug Costs

# Rising Drug Costs – High-Cost Molecules Introduced in Canada

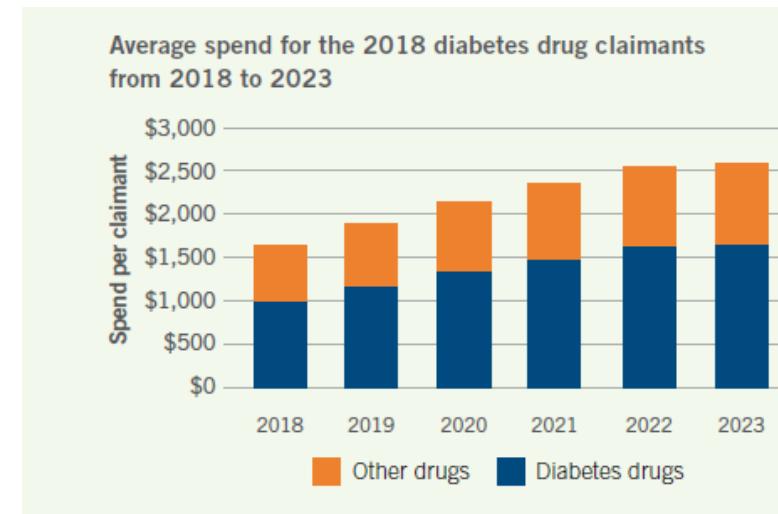
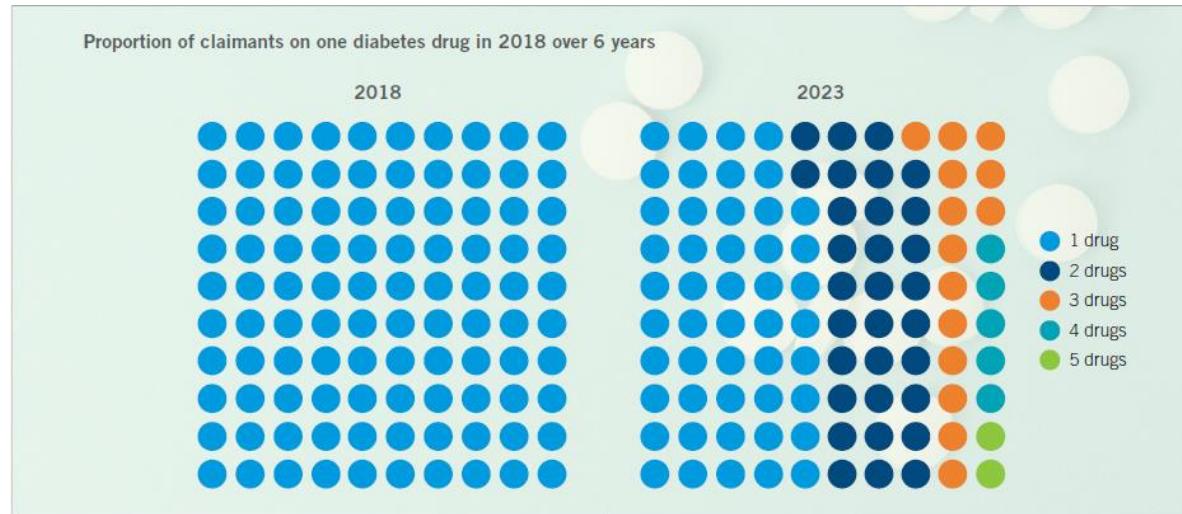


\* One-time treatment.

Data source: CADTH; Health Canada Drug Product Database; product monographs.

# Evolution of Drugs Related to Diabetes

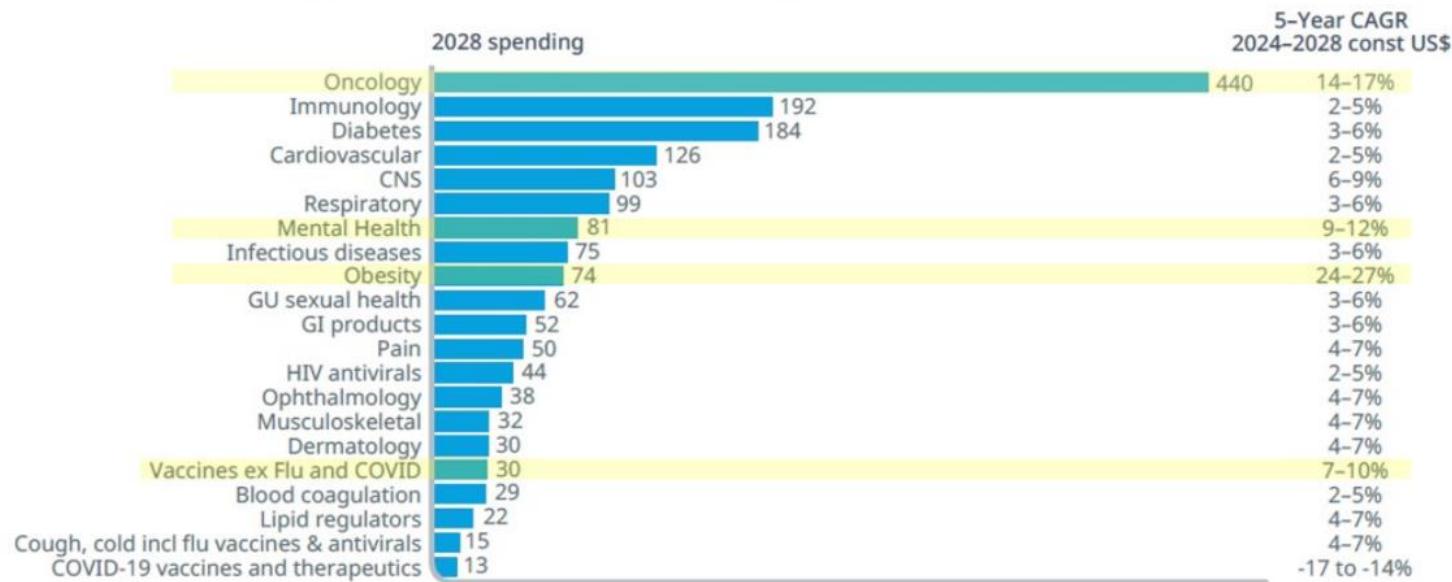
## ■ Evolution from 2018 to 2023



**Data source:** 2024 GSC trend report

# Cost Drivers – 2024-2028

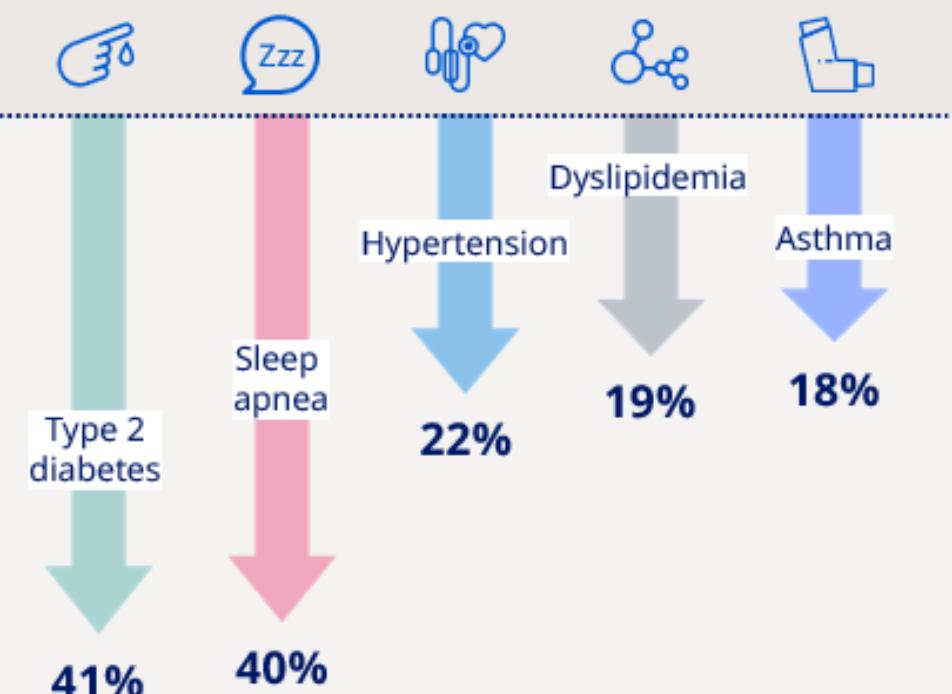
Exhibit 37: Top 20 therapy areas in 2028 in terms of global spending with forecast 5-year CAGRs, const US\$Bn



Source: IQVIA Forecast Link, IQVIA Institute, Dec 2023.

# Why Treat Obesity?

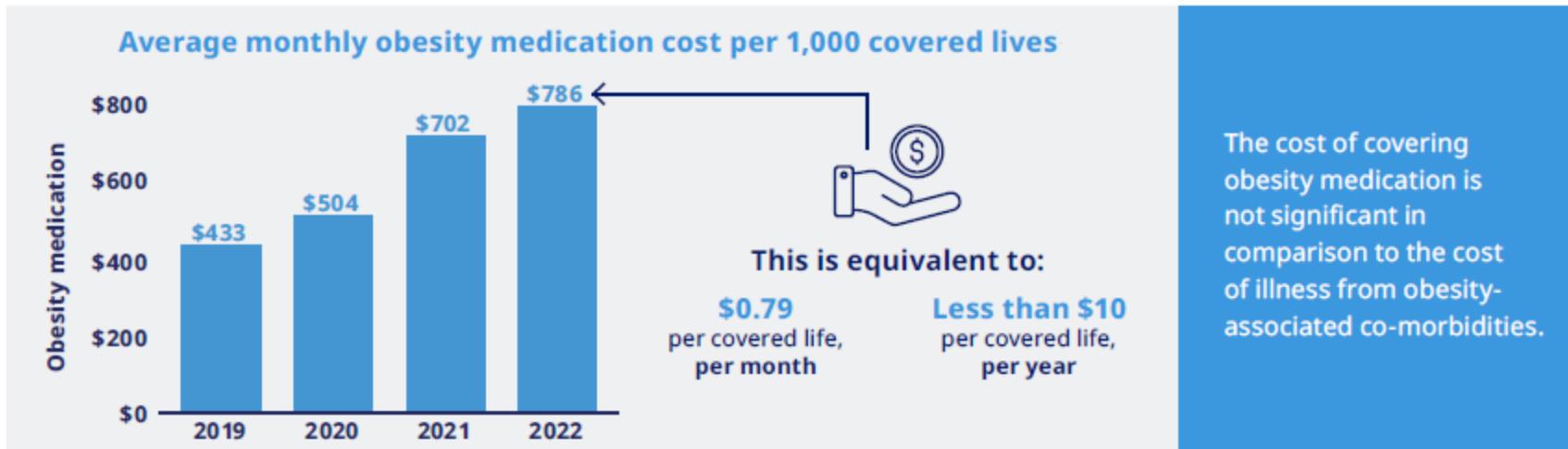
A 13% reduction in weight loss\* can reduce the risk of the following by<sup>1</sup>:



- Chronic disease vs. cosmetic
- High costs ( $\pm \$4,500$  molecule + pharmacist fees + insurance tax and fees)  $\rightarrow$  cover a real risk vs. budget
- Typically not reimbursed by public provincial plans
- Tangible impact on plan members well-being
- Potential return on investment

1. Haase C.L. et al. *Int J Obes* 2021;45(6):1249–58; 2. Wharton S, et al. *CMAJ* 2020;192(31):E875–91.

# Why Treat Obesity?



## Obesity is associated with a significant mental health burden

Mental health disorders have the potential to be **both the complication and the cause of obesity**



**20-50% of adults** with depression live with obesity

A photograph of four professionals in an office environment. A woman in a patterned blouse is gesturing with her hands while speaking. Three other individuals, two men and one woman, are listening attentively. The background shows office equipment and a window.

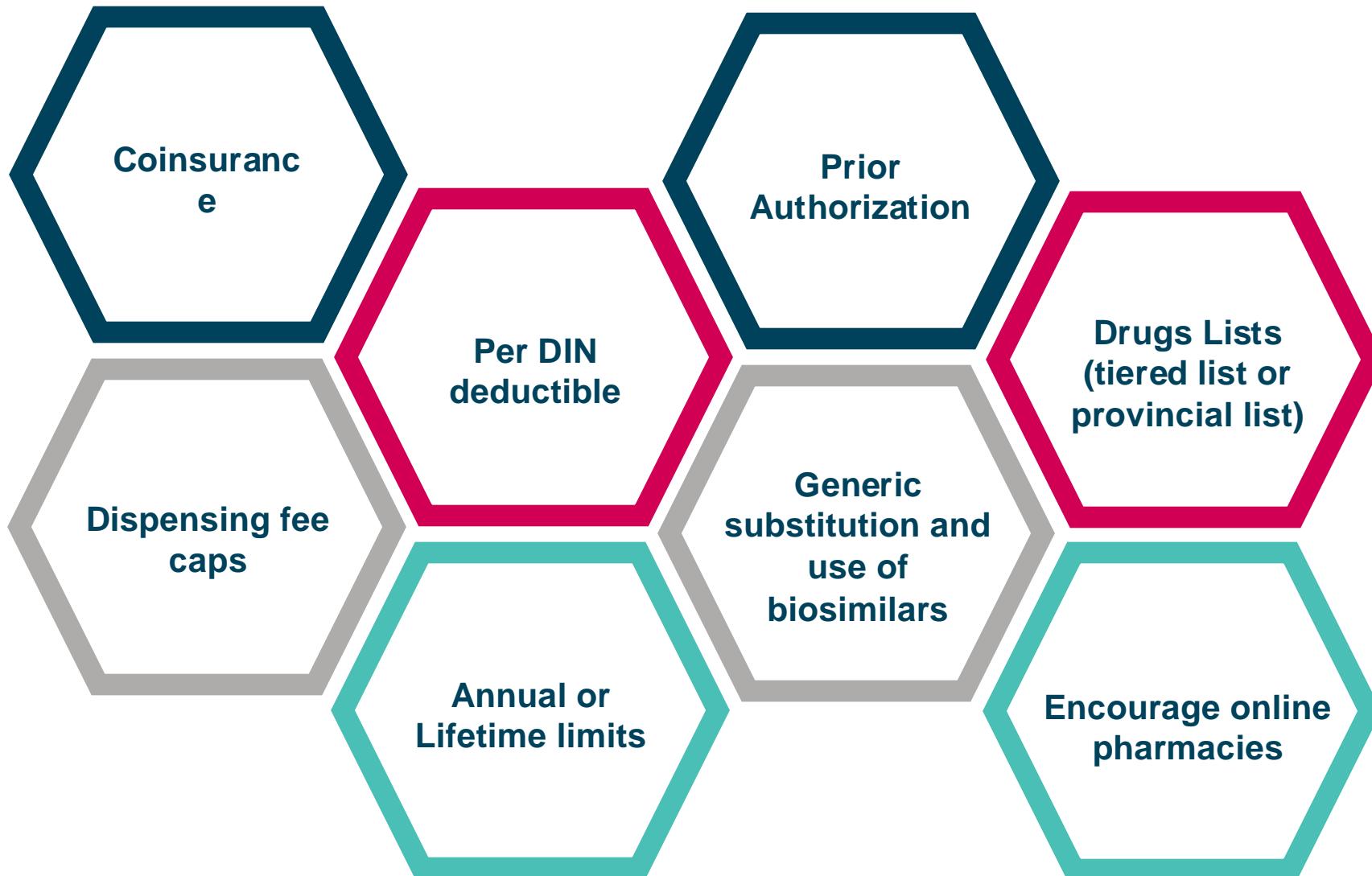
## II. Some Cost Savings Opportunities

# Cost Savings Opportunity



- Two components can be optimized to save on premiums:
  - Claims
  - Fees (regular fees and health pooling fees)

# Strategies to Reduce Drug Claims



# Strategies to Reduce Drug Claims

- Pharmacogenetics: Depression/Anxiety



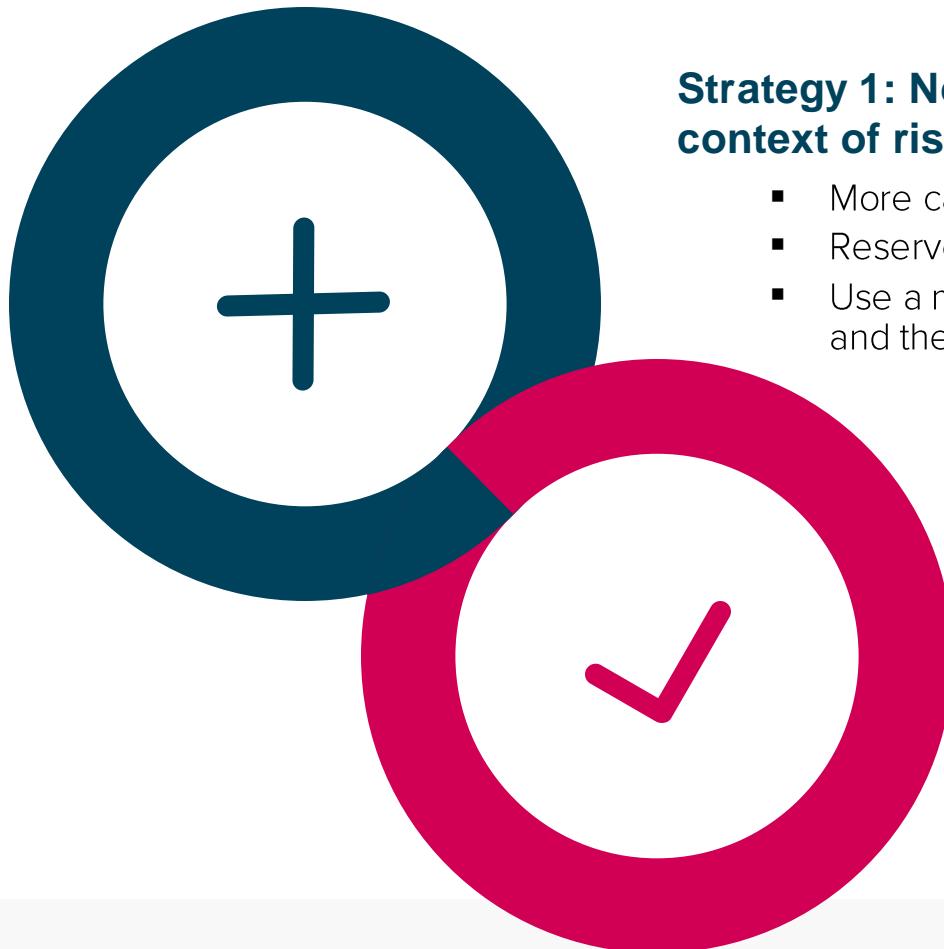
→ Also reduces presenteeism / disability costs

# Strategies to Optimize Fees

- **RFPs**
  - Generates short-term savings on rates
  - Evaluating recurring savings related to PLA's and biosimilar policies is a must
- **Optimize Pooling Level**
  - Reviewing the threshold should be done periodically
  - In many cases, taking a bit more risk might generate overall recurring savings
- **Modify Financial Arrangement with the insurer**
  - Changing the risk level to a refund arrangement or an ASO arrangement might generate overall savings

# Other Strategy - Limit LTD Costs

→ LTD represents approximately 20-25% of your group insurance cost



## Strategy 1: Negotiation of reserves in the context of rising mental health cases

- More cases, but usually shorter duration.
- Reserves should be lower.
- Use a model reflecting the percentage of mental health cases and the latest CIA table.

## Strategy 2: Optimization of waiting period and prevention

- The waiting period on the market is often too short for the risk the employer can bear (i.e., 16 to 26 weeks).
- The employer may consider extending the waiting period up to two years



### III. What Plan Sponsors Should Consider to Maximize the Value of Their Plan

# Market Trends

- **Group benefits are evolving quickly, and several new benefits are now available on the market**
  - Pharmacogenetics (depression/anxiety, but also nutrition)
  - Fertility Treatments
  - Enhanced Parental Leaves
  - Anti-obesity Drugs
  - Vaccines
  - Women's Health
  - Gender Affirmation Coverage

# Offer Flexibility to Employees

- **Traditional Plan with HSA or PSA**
  - HSA (Healthcare Spending Account): Offer the flexibility to submit any health-related claims that would be accepted under the CRA
    - This account is not a taxable benefit to the employee (except in QC)
  - PSA (Personal Spending Account or Wellness Account): Offer more flexibility than an HSA, health equipment gym membership, or any other wellness initiative is normally reimbursed.
    - This account is taxable benefit to the employee
- **Modular Plan:**
  - Allows the employees to select a lower plan and most of the time allocate credit to a HSA/PSA or to select richer coverage and pay out-of-pocket for those benefits
  - Employee realize the value of the benefit plan
- **Cafeteria Plan:**
  - Allows even more flexibility by giving employees credits to allocate to different benefits. This type of plan can also include basic group insurance benefits (Life, LTD, Health, and Dental) as well as flexibility in retirement plans and purchasing additional vacation days.
  - A bit more complex to administer, normally require the platform from a TPA or insurer
  - The value is maximized, especially from the employees' perspective

# Other Considerations

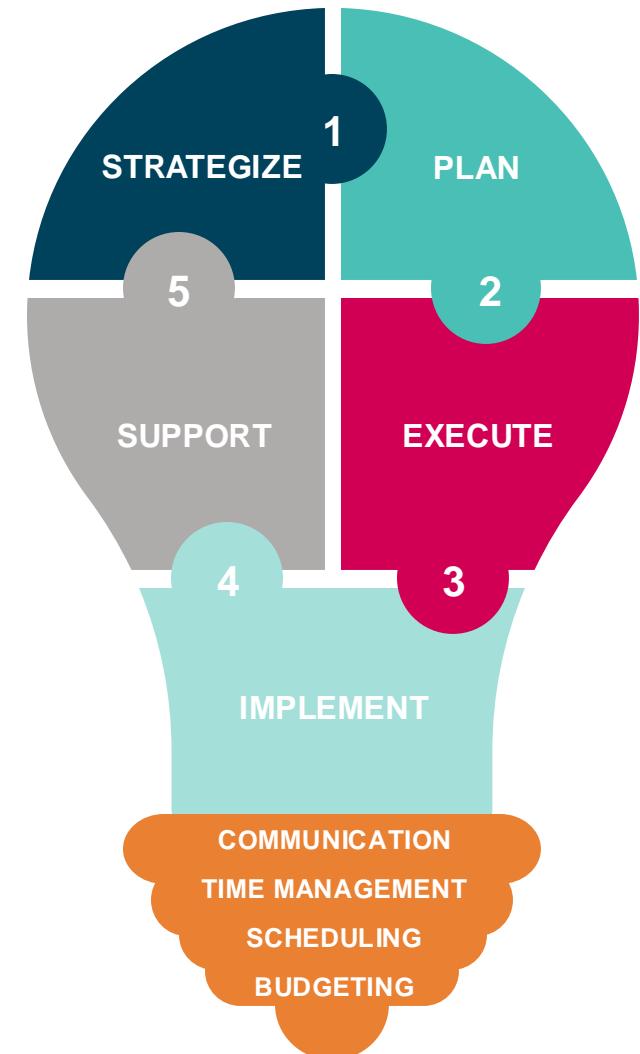
- **Virtual Care:**
  - Virtual Doctors
  - Virtual EAP
  - Extended mental health coverage
- **Wellness Programs or Platforms**



# Communication Plan

- A good communication plan is essential when an employer modifies its group insurance plan because it ensures that employees understand and appreciate the new benefits
  - As per a study of Canada Benefits in 2023, 49% of employees do not fully understand their benefit plan
  - Increased Employee Engagement: Proper communication ensures that employees feel involved and informed, which boosts their engagement with the plan
  - Improves Enrollment and Participation Rates: When employees are fully informed about the enhanced features of the insurance plan, they are more likely to enroll or take full advantage of the new offerings

→ **Communication is key: Value is only maximized if employees truly understand the employers offering**



# ECKLER

Martin Gascon, FCIA, FSA  
Senior Director

[mgascon@eckler.ca](mailto:mgascon@eckler.ca)

1-514-876-8021