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## Drug Costs Set to Rise, But Relief is Available

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Canadian plan sponsors can expect to pay more for their drug plans going forward despite a levelling off of prescription drug costs in recent years.

Following double-digit year-over-year increases in the 1980s and 1990s, drug cost increases have slowed somewhat over the past few years, said Barbara Martinez, a senior associate for Mercer Human Resource Consulting in Toronto, speaking at a CPBI Ontario seminar last week. Referring to statistics from Emergis, she noted that average per prescription costs for Canadian private plans rose by just 4.2% in 2006, compared with an increase of 7.6% in 2002.

She attributed this trend to a number of factors, including the introduction of new generic drugs in big categories, more aggressive plan management and a slowing down of pharmaceutical advertising. All of these, she said, have balanced out the effects of the aging population—so far.

But plan sponsors can expect their drug costs to rise at a stronger pace in the years to come, she said. Citing information from IMS Canada, Martinez noted that, looking out to 2010, drug spending in Canada is forecast to grow at an average annual rate of 7.5%. She also pointed to ESI Canada data showing a projected 41% increase in the average cost per claimant between 2006 and 2010.

According to Martinez, a number of factors will propel this stronger growth, including increased utilization due to an aging population, new uses for existing drugs, more diagnoses and new drug delivery systems. As well, higher dispensing fees, higher ingredient costs and offloading from government drug programs will likely drive private plan costs higher.

A number of new medications are also making their way onto the market and could impact drug plan costs in the coming years, noted Chris von Heymann, senior vice-president of Cubic Health in Toronto. These include Rasilez for blood pressure, Januvia for diabetes and Cymbalta for depression, among others.

Fortunately, there are steps plan sponsors can take to help lessen the impact of these cost drivers. According to von Heymann, many plan sponsors still aren't making use of the tools that are already available to them. For instance, fewer than 40% of Canadian drug plan sponsors have implemented generic substitution in their plans. Only two-thirds have introduced per prescription co-payments. And just 18% are using tiered plan designs, which reimburse a greater proportion of the cost of the least expensive drug in a category and a lesser proportion for higher cost drugs.

He stressed the importance of educating plan members about the cost of the drug plan and how they can help contain those costs, as well as providing incentives for plan members to use the most cost-effective alternatives to manage their conditions.

In addition to plan design strategies, Martinez encouraged plan sponsors to review their contract wording to ensure it is up to date and protects them from government offloading.

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