EXCLUSIVE INTERVIEW:

Wendy Poirier, Director of Towers Watsons' Canadian Health & Group Benefits Practice talks about the Canadian Rx Coalition

Today I am pleased to interview Wendy Poirier Director of the Canadian Health & Group Benefits Practice at Towers Watson. We are going to talk about the Canadian Rx Coalition launched by Towers Watson in May 2010.

Q. Wendy, the first questions I have are: What is the Canadian Rx Coalition? Why have you launched this particular initiative at this time?

A. The Coalition actually builds on the success of what Towers Watson has done in the U.S. ─ what we call our Rx Collaborative. Essentially our key concern is to really break down the status quo that exists in today's marketplace in Canada in favour of a responsive and current business model that allows us to harness the collective power of employers across Canada to finally get their needs met.

We decided to launch it now because of everything that is happening in the marketplace with pharmaceuticals ─ for example, in Ontario and Alberta. The market is become less transparent, not more. To capture any of the potential cost savings resulting from regulatory changes, employers need to band together right now to get their needs heard and their wants met.

Q. Now when it comes to a pharmacy benefit manager (PBM), typically if I had my program for example with a specific insurance company, they would deal with a PBM. It's not likely that I as a plan sponsor would choose a PBM.

A. That's correct, Sheryl. Well you can choose a PBM if you decide to go with a stand-alone like a Blue Cross or Green Shield plan. They have their own card system and their own PBM. But if you are signed up with one of the large insurers in Canada then you would get the services of the PBM they contract with. For example, Great West Life contracts with Telus Health Solutions.

Q. I understand you are partnering with Green Shield on this initiative, so is the assumption that organizations choosing to participate in your Coalition will be implementing stand alone plans with Green Shield?

A. That's right. The coalition partner is Green Shield and if you become a member of our coalition then you will be using Green Shield as your PBM.

Q. Let's assume I am a drug plan sponsor and the cost of my drug benefits program with a major insurance carrier has increased by 16% over last year, which I understand from a recent study, is entirely possible. I want to know what your new Coalition can do for me. Can you walk me through the elevator speech you would give a prospective client who contacts you?

A. The Coalition provides a number of services. There are the core functional support services around administration services pricing. So we have a best in class model around administrative pricing on a per transaction basis and around contract terms that include the best performance standards you can get. Then there is support with respect to implementation and continued analysis of the drug pricing strategies of the Coalition.

One of the first priorities we have is creating transparency between the plan sponsor, the Coalition and Green Shield ─ the PBM backing us up. It will provide customized financial and utilization reporting and we will have a joint account team.

That's the core functional support, but what we really can provide are the strategies employers need to control and manage their costs. So we are really focused on making sure that employers understand and are able to access every part of what we call the "optimal pharmacy management framework," whether through benefit plan design, transparency of price files the PBM is using, or utilization management techniques.

Today's trends could be driven by low generic penetration, inappropriate prescribing or prescription filling practices. Maintenance meds should be 90 days, for example. It also could be specialty drugs. That's a very big one. Therefore, what we provide through the Coalition is a look at what those drivers are and the solution to manage the costs ─ short term, medium term and long term. We have the added comfort of knowing that any solution proposed can be administered by the PBM on a transparent basis, exactly how the client wants.

Not every employer is willing to go down the road of managing every element of cost to get increases down to five percent, but there are certainly ways you can manage some of what we consider the low hanging fruit, as you start tackling some of the bigger issues around management of specialty drugs.

Examples of low hanging fruit include getting more generic penetration and getting long term or chronic meds under a 90 or 100 day dispensing method. The organization may not be willing to go for full priority approvals for specialty drugs, but it may be something they will consider.

We really take a strategic approach to what is driving cost and what the management techniques are plan sponsors can access for controlling costs. We want to put employers in the drivers' seat to develop the right program for them and see this program implemented over a reasonable period.

Q. So to participate in the new initiative I would have to leave my current insurer?

A. Your drug plans would be administered by our PBM partner Green Shield. Your other benefits could potentially stay with your current insurer.

Q. In your press release, you state that one of the benefits of the Canadian Rx Coalition is opportunities for collaborative purchasing. If my employees in seven provinces are allowed to fill their prescriptions at the most convenient independent or chain pharmacy, in what circumstances might collaborative purchasing take place?

A. The big trend today in Ontario for example, is regulating generic prices etc. We see coming to the market place lots of retailers who are interested in establishing preferred provider networks (PPNs). We also know there are lots of manufacturers interested in making deals on the price of their drugs. Those are the collaborative purchasing arrangements that we are pursuing right now. We are determining if it would be advantageous for Coalition plan members to go to one PPN or the other, and what the deal terms are. The Coalition has some of those things in place and we are working towards others.

Q. Then you are not talking about actually purchasing drugs?

A. Right. The only groups permitted to purchase drugs in Canada are pharmacies, wholesalers and, of course, the end buyers who are patients. The Coalition itself is not, at this time, buying drugs. We negotiate with pharmacies and manufacturers on behalf of our members. This is much like the CAW deal which was done last summer with some of the brand manufacturers.

Q. Sobey's has a PPN. What else is out there? Are you talking about national PPNs?

A. Well any retail or mail pharmacy could be a PBM. So Sobey's has a preferred mail provider. There are other mail providers that operate nationally. We are talking to the national chains to see what deals they can offer the coalition. Sobey's is only one of the retail chains interested.

Q. Now you are talking about mail order which is only one layer, and only for a particular class of drugs like maintenance drugs. My understanding is that some of the major retail chains (that shall remain nameless) have not been willing to enter into any form of networking or price arrangement at all. They've been pretty rigid until now.

A. Until now. I think that is probably the key concept. Until the deal terms were finalized with the Ontario drug reform over the last couple of weeks, I think there has just been a wait and see attitude. I think there is quite an appetite now from many different avenues and they are more interested in talking to us about what the possibilities might be.

Then you have some of the new technology coming up, right? For example, pharmacy dispensing machines. There have been three or four iterations of that product which makes it even more compelling for plan sponsors to take a look at whether they are a fit for their organization.

Q. How much could I expect to save as a result of my participation in the Coalition? What will it cost me?

A. The savings will definitely vary depending on how far down the spectrum organizations are willing to go to manage their pharmacy costs. And it will also depend on the size of the organization. But without any great change in the parameters that you might think will impact employee relations issues, or negotiations from the union standpoint for instance ─ more of an existing shift to the terms and conditions of the Coalition ─ they might save three to five percent right off the bat without doing anything really different.

If we look at the Rx Collaborative in the U.S., we see enormous savings from organizations that have moved to more managed formularies that are more effective from a therapeutic perspective. Those savings can be in the double digits right away.

To many of my clients I refer to "formulary" as the "F word." There has not been great uptake and it has not been well-managed I think through existing PBMs and the corollary services that would go with that. Therefore, I think we need to start examining formularies as well and our clients agree we should if there is an approach that would maximize value for their employees at a lower cost.

Putting in a managed formulary approach that would manage and monitor specialty drugs using a prior authorization (prior auth) process and step therapy would be the far end of the spectrum for an organization wanting to move to the Coalition. Those are the biggest savings and to be honest, that's also the place that is the hardest to go for employers.

You just have to look at the specialty medicines that are coming to the marketplace and the prescribing practices of physicians. Doctors are becoming much more comfortable prescribing specialty drugs and not just one, but perhaps two or three at the same time. As a result employers are seeing huge cost increases.

In fact there was a recent article in the Quebec French press about this issue. In my mind, the viability of employer drug plans could rest solely on how they manage specialty drugs in future. And most of the insurance companies are doing little to effectively manage specialty drugs to make sure they are being prescribed appropriately and, just as importantly, being used safely and effectively by patients.

For example, current prior authorization programs often cause problems with employees and, despite these problems, are not appropriately designed and updated. It's a one size fits all approach. Insurers appear to be dealing with high cost drugs as a pooling issue. Pooling charges are increased yet they are not getting to the heart of the matter which is, how do you best support employees and ensure optimal use of specialty drugs which can cost $50,000 year over year for an employee?

Q. Now when you talk about managing specialty drugs what do you mean?

A. Well there are all kinds of ways you can manage specialty drugs. There is just a basic prior auth program. You might ask your current vendor how many drugs are actually covered under the prior auth program and how much have you saved as a result. And you will get a varied response.

The whole idea of the Coalition is once you have the facts, you can decide what levers you want to pull and management techniques you want to turn on. But in a best practice scenario you would have more drugs on prior auth and you would have a more rigorous process making sure to the extent possible, that you are getting the best possible deal from a price perspective. To make it workable, you also need to support employees and make sure the process does not cause inappropriate delays in treatment or conflicts between the physician, the pharmacist and the plan.

There are a whole myriad of techniques to make sure you have an effective prior auth program. At a very basic level, making sure you can see the drugs subject to prior auth and actual cost management savings and opportunities realized from that prior auth program would be number one. Step therapy would be number two and then we get into management of cost through specialized vendors and specialized channels.

Q. Isn't that a tough one? If it's the cancer patients who can't get the drug they need, they are going to be written up in the local newspaper.

A. That's a very typical response from employers Sheryl. They say, "I don't want my cancer patients to be subjected to this." Well great, take those drugs off the prior authorization list. Focus on other drugs. Right now with your current PBM, you might not have that choice. The list that they develop is the list and you don't actually have any say in tailoring that list to what the organization's needs might be.

I always say that managing specialty drugs is all about keeping those cancer drugs covered. It's about making sure the plan is sustainable and fair so that when your employees need help they get the support they need. In future if you want to rationalize the benefit which I think it might really come to, you want to have the cancer drugs on, but do you really want high cost drugs being used as a first line therapy for everything without reasonable checks and balances? You want to make sure you are handling some of the low hanging fruit.

Q. How many organizations are currently on board in Canada? What is the critical mass for the group so members can maximize savings?

A. Well we've just launched so we are going back out to the founding group of members that was very interested in having this coalition developed and participated in the process to choose the PBM and look at the services etc. As you can imagine, we are now presenting these organizations with the value proposition and they are making decisions as to how they should proceed in the future.

We're very much in the preliminary stages. If you ask me the same question in a couple of months I'll be able to tell you how many have signed on the dotted line. But we've had huge interest so we've got dozens of proposals out at various stages. I've had dozens of conversations and I have dozen more lined up across the country.

There was a lot of interest in what the Ontario government would do and whether it would have any teeth. Ultimately we think that in order to get any relief from whatever is going to go on in Ontario in the next 12 months, employers are going to need a PBM that is really on the ball and has the systems and capabilities to manage some of the regulations and some of the offloading from what the regulations do. So now that the Ontario rules are fixed we expect to see a lot more interest.

Q. How much involvement and hands on work will this take on the part of plan sponsors? I mean, most plan sponsors are in the business of making widgets. They just want to pay the bill every year and know it is being managed but not have to make all of those critical decisions.

A. And that's exactly what we espouse. A lot of times when we approach an employer they say, "We don't want to be in the medicine chests of our employees. We want to make widgets and ultimately physicians should be making decisions around what drugs an employee should be taking."

A big part of our strategy is we are going to sit down with you to understand your concerns so you can make decisions. Then we take the management out of your hands. One of the big values that the Coalition and that Towers Watson bring to Coalition members is that the PBMs don't want to do this. They don't want to do the drug strategy; they don't want to develop the stricter protocols for prior auth; they don't want to be negotiating with pharmacies around 100 day retail strategy. That's what we're going to do. We are going to take it out of their hands.

We'll say, "You tell us what your business issue and your employee relations issues are. Together we'll develop the strategy and then we will manage the strategy for you. And every year we're going to come back and tell you how it's working. We'll help you with education." Certainly the strategic element has to be fulfilled but there is very little involvement from the plan sponsor on a day to day basis.

Every employer has a different view as to how far down they want to go in terms of managing drug costs, but once that decision is made, we'll take the decision and run with it along with our PBM partner. Even the transition from a previous card will be very easy. We will give them utilization reports that are very readable and actionable as opposed to reports that don't make sense and don't pertain to how they want to manage their pharmacy strategy.

Q. To your knowledge, are there any similar initiatives in Canada at this time?

A. My understanding is that we are first off the mark, but you might have to ask one of my competitors I suppose!

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Well thank you very much for talking to me today Wendy. I'm sure industry stakeholders will be avidly monitoring the evolution of the Canadian Rx Coalition in the weeks and months to come.

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