

An Emerging War on Drug Costs

Rx Program

Efficiencies

May Lie BEYOND
U.S. Borders

After years of aggressively cost-shifting employees to a point of inadvertently rationing their Rx supply and/or not adhering to drug regimens, some forward-thinking employers have gone full throttle – in reverse. They're designing prescription drug plans without any co-pay to ensure that chronically ill populations on expensive meds will be in adherence. The upshot is better outcomes, say industry observers, which also result in substantial savings to the employer.

One promising path to these achievements is through a carefully crafted international prescription program, which can save anywhere from 30% to 70% on name-brand medicines and beat pharmacy benefit manager (PBM) pricing. Escalating drug prices for both generic and name-brand prescriptions certainly necessitate the need for self-insured employers to consider this option to mitigate Rx costs without reducing benefits.



Written by Bruce Shutan

The key to success is a reliance on experts in the field who not only secure deep discounts from the right countries, but also ensure that the efficacy of these drugs is equal or superior to what's available in the U.S.

Mail-order supplies of up to 90 days involving drugs for personal use that aren't sensitive to heat or cold are shipped from various countries. The arrangement, left to the discretion of the Food and Drug Administration (FDA), offers patients a huge convenience considering a growing number of medical tourists traipsing around the globe in search of more affordable medical treatments that don't skimp on quality.

Rx shipments from other countries are limited to Canada, England, Australia and New Zealand, which the FDA classifies as so-called tier-one nations whose quality control standards mirror those in the U.S.

In an increasingly dangerous world economy featuring politically unstable regions, avoidance also plays a significant role. For example, experts say countries such as Mexico or Iraq that don't have the same standards as the U.S. are bypassed, as are narcotics or so-called lifestyle drugs such as Viagra and Cialis that are in high demand yet prone to abuse or fraud. Similarly, there are guarantees regarding the pedigree of every script.

A huge concern is online or overseas pharmacies that may not even have a pharmacist and allow customers to buy meds online without a prescription. "You don't know whether you're getting the real med or not the real med," explains Gary C. Becker, CEO of ScriptSourcing, which helps self-funded employers mitigate prescription drug claims. He says the FDA is constantly on the lookout for rogue pharmacies.

Life Imitating Art

Finding cheaper drugs has long been a permissible option for Americans living in border states, according to Bill Hepscher, director of sales and marketing for the Canadian Medstore. "If they lived in Detroit, they could drive over to Windsor and fill a prescription for half of what the cost was here in the United States," he says.



Since 2003, the Canadian Medstore has helped facilitate orders from licensed international pharmacies that are shipped directly to U.S. citizens. Most of them are seniors on Medicare looking to avoid the so-called doughnut hole, those without prescription drug insurance or participants in high deductible health plans (HDHPs).

As the arrangement advanced and Medicare Part D was introduced, he recalls how big pharma worried about eroding margins backed legislation that would outlaw international pharmacy orders. That's when the FDA responded with regulatory guidance known as its "personal importation policy."

U.S. residents can order "maintenance medication" from an international pharmacy as long as it doesn't exceed a three-month supply, Hepscher notes. But there are also other conditions. For example, it must come from a licensed pharmacy in a tier-one country and be prescribed by a U.S. doctor whose patient is under his or her care. To his knowledge, he's not aware of any prosecution under this policy by the FDA, whose intent is to ensure that medications are coming

from reliable sources as opposed to penalizing individuals for ordering safe and affordable drugs.

Hepscher likens the arrangement to *The Dallas Buyers Club*

starring Matthew McConaughey. The film's premise involved procuring much cheaper medicine from Canada, England and European countries that hadn't been approved in the U.S. to treat a then-growing AIDS epidemic. "That's

kind of how the industry was created," he says.

Casey Macpherson, a pharmacist and COO of New Zealand-based Rx Manage, believes it's "a no-brainer" to consider an international prescription program as a means of strengthening the intent of self-insurance. Her firm doesn't charge monthly or admin costs to self-insured employer groups or co-pays and shipping fees to plan members, instead building its fee into the company's transparent pricing structure. Costs are incurred only when employees place an order.

The cost benefits associated with an international prescription program have wide appeal. Becker says customers include many large private employers, as well as state governments and municipalities looking for more austere solutions that please taxpayers. Fully insured employers would incur additional expenses because the prescription cost burden falls to carriers, who he says would charge more for that service.

"We're able to source name brand meds, maintenance name brand meds for a zero co-pay and on average, we're saving 60 cents on the dollar," Becker reports. One example is Nexium,



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which costs about \$2 per pill overseas versus the \$7-plus range domestically.

Partnering with PBMs

While there's no doubting the power of an international prescription program, it's not a panacea and, in fact, is usually offered in conjunction with traditional efforts. Hepscher says all of the employers he works with must offer a traditional domestic PBM. Employees are offered a "voluntary" option to order certain name-brand medications that do not have a generic alternative in the US. Crestor, a popular cholesterol-lowering drug, is a good example of a medication that provides a savings when ordered from the Rx Manage international program. Other cholesterol-lower drugs such as Lipitor and Zocor do have lower cost generic alternatives and are less expensive in the US.

"That drug is still available to the employee through their traditional PBM model," Hepscher explains. "They're simply offering this as a second voluntary option to them where the employee could choose to order that medication through an international pharmacy. And the reason that's a benefit to the employee is it's a zero co-payment.

"So instead of them paying us a \$50 or \$75 co-payment through their traditional PBM," he continues, "the employee gets that medication for a zero copayment. The cost to the employer is about half of what they're paying through the traditional PBM and the real benefit to the employee is obviously they can lower their costs and stay compliant on that medication. They're not skipping doses."

Hepscher says drug manufacturers can charge whatever they want for name-brand drugs in the U.S. because there are no price controls

and a patent protects from competition unlike the generic market that usually encourages competition.

Whereas multiple drug manufacturers will drive down the price of drugs that become available in generic form in the U.S., he says price controls help keep brand prices down in countries like Canada and New Zealand. However, they do just the opposite for generic medication costs due to a lack of competition.

Another reason an international prescription program cannot be the sole pipeline is the sense of urgency for some meds such as drops for an earache that need to be used right away. Hepscher says two-week shipping from an international pharmacy would render that option pointless. So there may be instances when it makes much more sense to go with a \$4 prescription at a patient's local Walmart. "Our mindset is truly consumerism; let's bring that cost down," he says.

Noting his business model can help substantially lower prices on about 300 medications, Hepscher says the onus is on PBMs to manage generics. "Our prices would be more expensive if we tried to source every single medication and what the U.S. based PBM can offer," he adds. "In most cases, there isn't a need for international fulfillment for generics. However, when it comes to name-brand drugs, the PBMs just like individual consumers are at the mercy of the manufacturers."

Until recently, the Canadian Medstore largely served the individual-insurance market. In discussions with brokers and HR executives, Hepscher says they were surprised that there's no per member per month charge. Rather, they learn ahead of time what each medication will cost without such fees. Employers pay only their medication's international cost and avoid a co-pay.

"If an employer decides to do business with us and the employee orders a drug, they see an immediate ROI," he explains,

unlike wellness programs whose payoff may not show up for years.

"If they don't engage their employees and the employees don't participate, it doesn't cost the employer anything other than the lost opportunity to have them participate in the program."

Within the self-funded arena, Hepscher sees a meaningful opportunity to bend the cost curve relative to fully insured plans that don't have the same flexibility on plan design. "The employer sees a massive savings of 50% on what they're paying for the prescription and the employee goes from a co-payment to paying zero," he observes. While Rx Manage can help employees on HDHPs manage their cost, there's no immediate savings to the employer since they are fully insured and already paying a premium for Rx coverage.

Here's why that's so significant: Becker notes that 20% hospitalizations are traced to medication non-adherence, while the average three-day hospital stay is \$30,000.

Staunch Opposition

Not surprisingly, the notion of importing cheaper drugs from other countries hasn't caught fire in the U.S. self-insured group market. The reason: a powerful drug lobby that funds the campaigns of politicians who eschew the issue in exchange for their support.

"It's in the PBM's best interest and it's in the pharmaceutical companies' best interest, for employers not to do this," observes an unnamed industry insider, noting a potential for huge profits. "The PBM is making money on spread pricing and rebates," the source explains. "The manufacturers would rather you pay \$65,000 for Gilenya, a multiple sclerosis med, than \$25,000 through Canada."

Another questionable practice in the U.S. that one could argue led in part to the creation of international prescription programs involves "co-pay assistance." Manufacturers will offer coupon cards that zero out the cost of an expensive prescription to employees, but jack up the price on employers, the source says.

Whatever direction a self-insured employer pursues in managing its prescription drug costs, Hepscher believes it's critical to embrace an innovative mindset or face continued uncertainty. "More and more, we're seeing groups that are just saying we just can't afford to offer these services anymore," he reports. "And it's not just the cost of the actual inhaler. It's the cost of the employee and the cost of non-compliance."

For example, \$50 co-pays for the Advair inhaler may seem like a bargain when the out-of-pocket cost usually runs \$300, but it still may be unaffordable to minimum-wage workers. What's unfortunate is when these individuals have a late-night asthma or COPD attack and end up in the ER. "The employer didn't see any value in that employee not filling the prescription," he says. "They'd rather them be compliant."

When viewed in strategic terms, having an international prescription program can lift morale, loyalty, recruitment and retention of top talent who no longer need to worry about rationing their pill supply. "It seems like every year they're going back to their employees with bad news," observes Hepscher, quipping about the potential for "pitchforks and the torches" being wielded at open enrollment meetings to explain higher monthly premiums and annual deductibles.

Adding this layer onto any Rx management effort certainly can help employers better explain the cost of prescriptions, he says and enable employee populations to "understand that there's a way that they can help keep those premiums down across the board." ■

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for 28 years.

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