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The Emergence of Plan Sponsor Pharmacies in Canada: An Innovative Approach to Expanding Access to Health Benefits

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PARTNERS IN EDUCATIONAL EXCELLENCE



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Key Areas of Focus

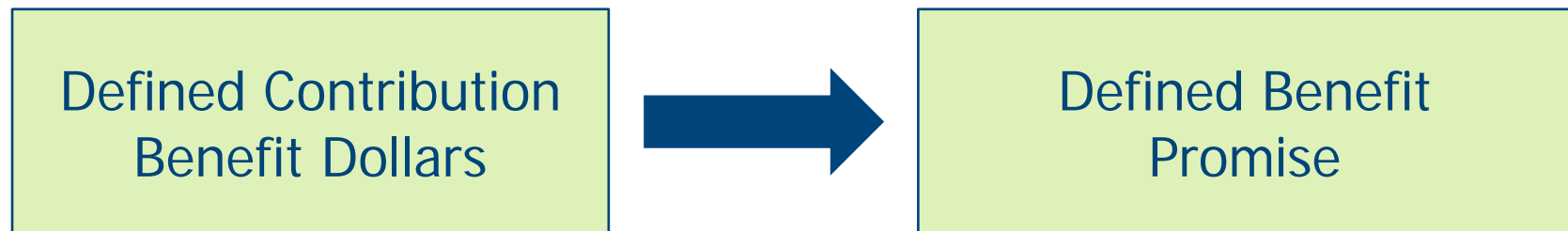
- Why would any Plan Sponsor move down the path of integrating a pharmacy into its benefits plan?
- How does a Plan Sponsor Pharmacy differ from a traditional Preferred Provider Network (PPN)?
- What different models for a Plan Sponsor Pharmacy exist and how are they evolving?

Market Focus

- **Plan Sponsor Pharmacy model only works for self-insured (ASO) health plans—**
It is not a fit for fully insured plans
- Growing alignment concern between self-insured health plans and the traditional Carrier-centric model that is optimized for fully insured plans
Evidenced by the growing monetization of “solutions”

What Does a Plan Sponsor Pharmacy Involve?

Balancing the following equation which threatens the breadth of benefit coverage, amount of coverage and/or long-term viability of the health benefit plan:



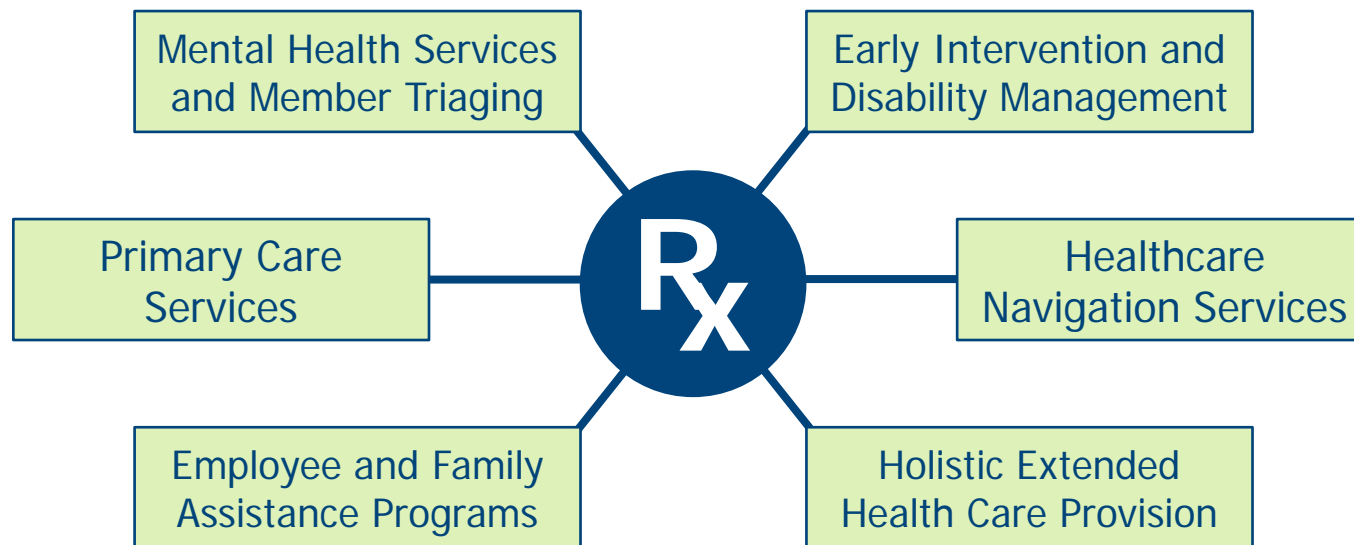
What Does a Plan Sponsor Pharmacy Involve?

Integration of the following elements:

- 1) Plan design, funding and administration
- 2) Prior Authorization/clinically based claims management
- 3) Provision of pharmacy services to members
- 4) Management of a broader clinical network to service members across a wide geographical area
- 5) Measurement of health and financial outcomes

What Does a Plan Sponsor Pharmacy Involve?

Pharmacy is the **first phase** in a larger vision to establish and fund broader Health Hub for members:



Why Start With a Pharmacy?

- Plans with independent Prior Authorization (PA) can directly integrate with the Plan Sponsor Pharmacy
 - >35% of plan spending for many large, self-insured plans relates to chronic specialty drugs
- Savings obtained through evidence-based, transparent management of complex claims materially reduces inefficient and ineffective spend

Why Start With a Pharmacy?

CASE STUDY: Multi-employer group, >100,000 employee lives combined, independent PA for specialty claims

Over the last 3 years:

- Need for clinical intervention on **48%** of new PA claims
- Average savings/new PA claim reviewed: **\$14,409**
- Total savings generated: **\$108,565,366**
- **91%** of claims completed same/next day

Why Start With a Pharmacy?

Reinvestment back into the plan that drives further expansion of benefits driven by:

- Alignment of dedicated Clinical Team (salaried)
- No customer acquisition cost and no retail overhead
- Mark-up arbitrage and professional allowances
- Public funding of growing list of clinical services
- Preferred listings of multi-source products

Preferred Provider Network (PPN)

- PPNs have been around for decades but have had very low levels of adoption and value creation
- What differentiates a Plan Sponsor Pharmacy model from a Pharmacy PPN?

Plan Sponsor Pharmacy vs. PPN

Benefit to Plan Sponsor	Plan Sponsor Pharmacy	Pharmacy PPN
Drug mark-ups and dispensing fee discounts	☑	☑
Retail discount (<i>e.g.</i> , 10% off OTCs, etc.)		☑
Integration with Prior Authorization	☑	
Elimination of ingredient cost mark-ups/fees	☑	
Access to Professional Allowances	☑	
Access to provincially funded clinical service fees	☑	
Zero EBITDA (reinvestment of all proceeds)	☑	
Measurement of financial and health outcomes using transactional-level claims data	☑	

Plan Sponsor vs. Virtual Pharmacy

Significant growth in virtual pharmacies recently but they all suffer from key structural weaknesses when compared to a Plan Sponsor Pharmacy:

- High Customer Acquisition Cost
- Voluntary Use and Demographic Misalignment
- Weak Value Proposition
- Profit Motive
- Lack of Data

Plan Sponsor Pharmacy Models

Current models of Plan Sponsor involvement:

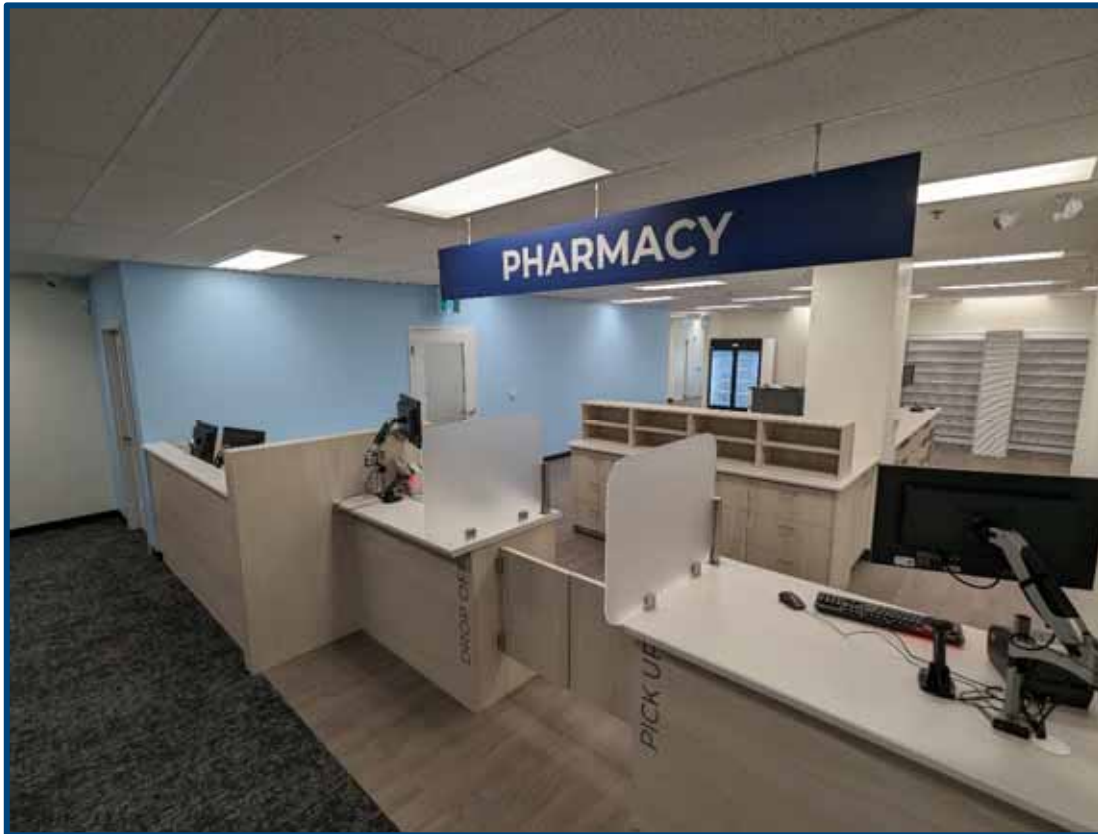
- Full ownership of pharmacy equity (with separate team hired to manage the day-to-day operations)
or
- Partnership with Pharmacy/Pharmacist based partner(s) who own 51%+ based on Plan Sponsor preference or regulatory requirements (where Shareholder Agreement governs the relationship)

Plan Sponsor Pharmacy Models

Next model: Cooperative built for multiple self-insured Plan Sponsors interested in participating in a Plan Sponsor Pharmacy and taking advantage of model but without the desire for ownership or capital contribution

- This is where we expect greater number of self-insured Plan Sponsors to be involved moving forward
- Plan Sponsor Pharmacy transparency will be established by transactional-level claims data and Service Agreements

Plan Sponsor Pharmacy in Practice



Plan Sponsor Pharmacy in Practice



Key Takeaways

- Plan Sponsor Pharmacy integrates plan design, claims mgmt and clinical services
- For most groups, it is first stage of broader **health hub** vision
- Proceeds are reinvested back into participating plan(s) to expand access
- Differs from traditional PPN model
- Growth likely to come from cooperatives

Thank You!

Questions?

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