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## Biologics are ramping up their dominance

From the state of the economy to the implementation of drug reform legislation and prolific genericization of branded products, there has been much speculation about the impact that biologic drugs will have on private plans. Less than five years ago, most of this discussion took place in the future tense. Long development times in the pipeline, combined with a heavy degree of media attention and the futuristic nature of newer, more complex agents instilled in many plan sponsors a lingering feeling that biologics were just a distant blip on the radar.

Many plans now realize that biologics are growing significantly as a percentage of the total drug spend in Canada for both private and public payors. While it is difficult to get a good picture of the biologic trends in Canada, we can look to the U.S. for some context. According to a 2011 Thomson Reuters-Newport report, sales of the top 12 biologics in the U.S. reached roughly \$30 billion in 2010. The issue for the plan sponsors and employers today is managing coverage of the agents, knowing that many are both effective and costly. To do that with authority, plan sponsors need to understand what biologics are, as well as what to expect in terms of their use and cost.

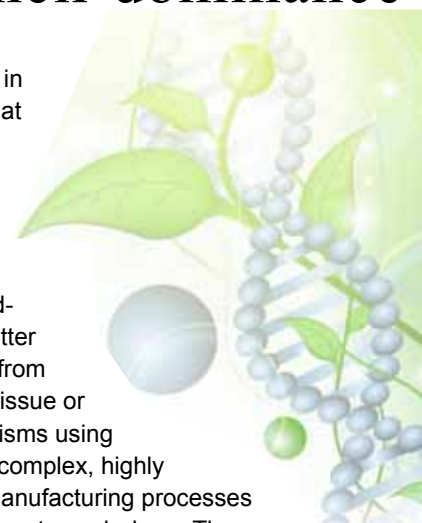
The use of biologics is not a recent development. Insulin (which has been used in Canada to control diabetes since the early 20th century) and vaccines (first developed in the late 19th century) are part of this group, as are drugs derived from bacteria and micro-organisms (excluding antibiotics) or developed through specialized methodologies such as recombinant DNA procedures. Health Canada also considers blood and blood products, as well as other agents that span a number of therapeutic categories as biological products.

One of the key differences between traditional pharmaceutical medications and biologics lies in how each is manufactured. The former are chemically

synthesized in a process that is relatively easily replicated; think of these as recipe-based products. The latter are derived from living cells, tissue or micro-organisms using much more complex, highly controlled manufacturing processes that are unique to each drug. They are more expensive to research, manufacture, store and deliver than pharmaceuticals, and, as a result, they can cost the plan sponsor much more.

One class of biologics has come to dominate the field of drug benefits. This class includes a number of products used to treat severe Rheumatoid Arthritis (RA), Juvenile RA, Crohn's Disease, Ulcerative Colitis, Psoriasis, Psoriatic Arthritis, Ankylosing Spondylitis and Cancer. These drugs first appeared in Canada in 2001 with the introduction of Enbrel for the treatment of RA. The number of drugs on the market and the scope of indications for use have grown significantly over the past 12 years.

While the pace of approvals for new biologics in Canada and U.S. has slowed somewhat in recent years, the number of indications for existing agents has increased. As biotechnology-driven product development becomes an attractive focus for research-based pharmaceutical companies, plan sponsors can expect to see more products and higher sales in the near future because the number of trials has swelled from 1200 or so between the years 2000 and 2005 to over 6,000 today.



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## Canadians travelling without health insurance

A recent study on summer travel by BMO Insurance found that 83 per cent of Canadians planned to take a vacation this past summer and spend an average of \$3,073 on travel, the most popular destinations being the United States, Europe and Central and South America.

However, only half of Canadians who travel purchase medical insurance before heading off, potentially leaving themselves and their families financially vulnerable to high costs should they get sick or have an accident while travelling.

Getting sick while out of the country can be very expensive. The cost of a broken leg in the United States, for example, can cost up to \$20,000, while an air ambulance from Florida to Ontario can run up to \$15,000. Even within the country Canadians may not be covered for all required medical care when travelling to another province.

According to the Canadian Life and Health Insurance Association, group health insurance through your employer, union or professional association may cover out-of-country hospital and/or medical expenses, but you should check to see what is covered and what is excluded.

For example, will your policy cover you for the entire length of your absence from Canada or your home province? If you extend your stay, can your policy be extended?

Unless you and your family are covered through other means, it's extremely important to make sure you have travel medical insurance because emergencies can happen anytime, anywhere. Making sure you have travel medical insurance should be a high priority item on any traveller's vacation to-do list.

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As biologics ramp up their dominance of private payors' drug spend what can plan sponsors do to balance the clinical use of biologics with cost containment?

Understand what your drug plan definition is: generic drugs that also cover brand name drugs, or mandatory generic that allows brand names to be covered, but if there is a generic drug available, and the patient wants the brand name drug, the patient pays the difference.

Having access to robust data is the cornerstone to setting flexible policy that captures maximum savings today while allowing plan sponsors to make efficient course corrections when they're required. Even a small percentage point change in costs with these pricey drugs can make a significant dent to a plan's drug spend.

Communicate your drug policy to plan members on a regular basis. Plan members view drug benefits as a simple customer value proposition: a yes or no on a drug's coverage tells them whether or not their drug plan is a worthwhile benefit. Clearly communicating the plan's policy on biologics so that members can understand why certain drugs are covered can help reinforce the value of a benefits package. It can also help ensure that a drug covered under the plan will be prescribed at the outset, which removes the need for claim denials at the pharmacy level.

Biologic drugs represent a new vista of treatment options for a wide range of diseases. Many of them are effective in getting people back to work, and keeping them there. The time has come to make biologics an active part of the conversation on drug plan philosophy, design and policy.

Until next time...

Source: Benefits Canada, August 2011



## DID YOU KNOW?

**The average U.S. hospital in-patient stay last year was \$15,737**

***Before travelling, ensure you have Out-of-Canada Emergency Medical Coverage for your ENTIRE trip!***

## Out-of-Canada Emergency Medical Top-Up Coverage now available at [www.rwam.com](http://www.rwam.com)

Many of RWAM's group plans have the OOC emergency medical benefit that provides coverage for a maximum number of days per trip. Generally this maximum is a 60 day trip duration.

If you are planning a trip that will exceed your plan's trip duration maximum, you can now purchase top-up coverage on-line through RWAM's website.

The top-up coverage automatically mirrors the group coverage for those employees under age 55. For employees 55 or over (including spouses), completion of an on-line health questionnaire is required prior to policy issue. If coverage is approved, it will also mirror the group coverage.

This new individual top-up coverage is now available with quotes being accessed through [www.rwam.com](http://www.rwam.com)

~ On our home page, simply...

1. Click on "Purchase Top-Up Emergency Medical Out-of-Canada coverage" under the Plan Member section.
2. An introductory page explaining the coverage in further detail will appear for your review.
3. Click on the posted link to obtain a quote and purchase top-up coverage via credit card.

Note: You must be insured through RWAM's OOC plan to purchase this top-up coverage. To confirm your existing group coverage or plan design, or if you have any further questions regarding this new top-up product, please contact: Heather Aguiar, ext. 221 or email [haguiar@rwam.com](mailto:haguiar@rwam.com)