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CLHIA Launches Industry Initiative to Protect Canadians' Drug Coverage

The Canadian Life and Health Insurance Association has announced the formation of the Canadian Drug Insurance Pooling Corporation, to help alleviate the impact of high drug costs on fully insured employer drug plans. This not-for-profit corporation will oversee a new industry-wide drug pooling arrangement, which comes into effect on January 1, 2013. The pooling arrangement will collectively protect fully insured private drug plans from the full financial impact of high cost drugs. This protection will help plan sponsors to sustain group drug benefit programs in the event of recurring, very high cost prescription drug claims, while providing employees continued access to the drugs they need.

The new arrangement contains the following elements:

- Insurers must follow a common set of operating standards, including the formation of internal pools to place all high cost drug claims from all of their fully insured group drug business. (EP3 or Extended Health Policy Protection Plans)
- Claims in excess of an insurer's pooling threshold must be fully pooled, and pooled rates at the time of quote or renewal cannot be impacted by the number or size of any high cost claims that are being pooled.
- Individual insurers can, however, set premiums based on the experience of the entire EP3 pool, or based on any other non client-level experience criteria.
- A joint industry pool will also help spread risk across insurers.

This initiative will help keep plan sponsors from having to restrict reimbursement for expensive drugs and help ensure that plan members are not left without critical drug coverage that they rely on. It will also ensure that plan sponsors are not tied to their current group insurance provider, in the presence of a large recurring drug claim.

The agreement will apply to fully insured drug plans only, not ASO, refund accounting or stop loss plans. The industry may decide to extend this agreement to cover other types of employer plans at a later date.

Additional information will be provided as insurers work to implement their EP3 design and pricing, within the new industry framework.