

The Impact of Catastrophic Drugs on Small Business in Atlantic Canada

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Agenda

- **Introduction**
- **Costs are going up!**
- **Some reasons why**
- **Where Catastrophic Drugs Fit**
- **Solutions?**
- **Summary**



Introduction

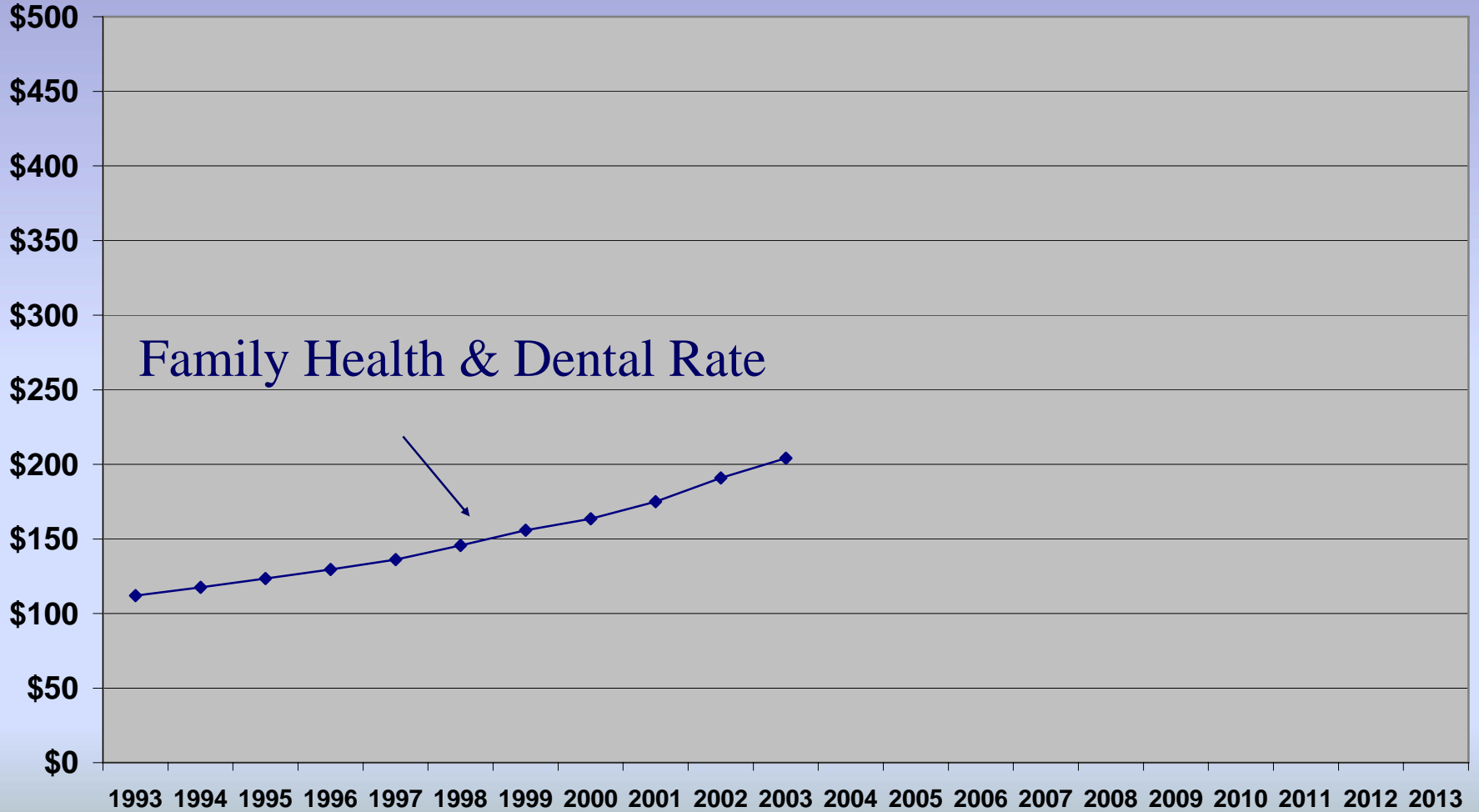
- Focus of Presentation
 - BIG TOPIC – Little Time
 - For a different perspective focus will be on the impact on small and medium size business
 - Short presentation – encourage questions

Costs Are On The Rise!

- **Costs are increasing at a rapid pace**
- **There doesn't look to be much relief in sight**

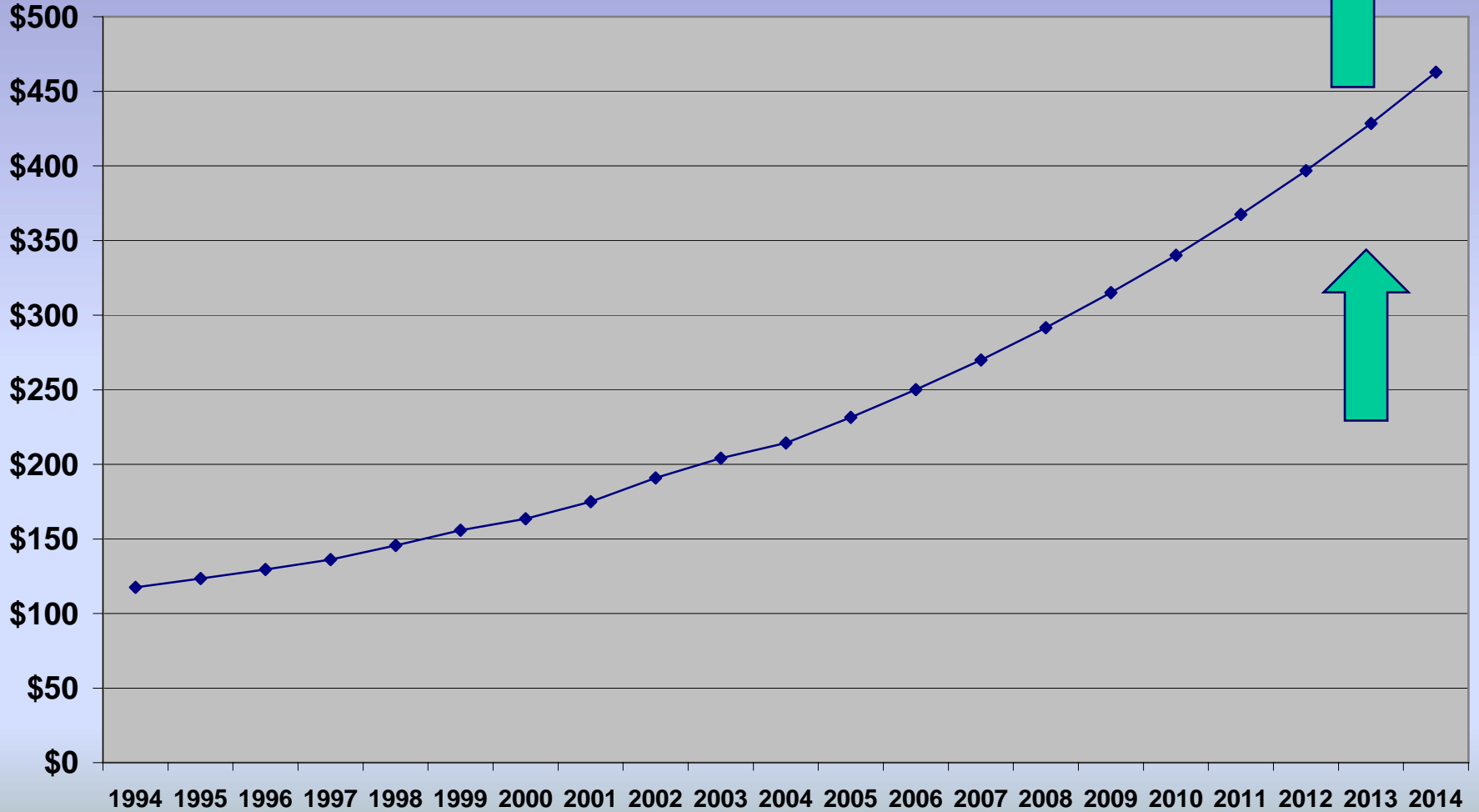
Health & Dental Monthly Rates

Historical and Projected - SB+W Database



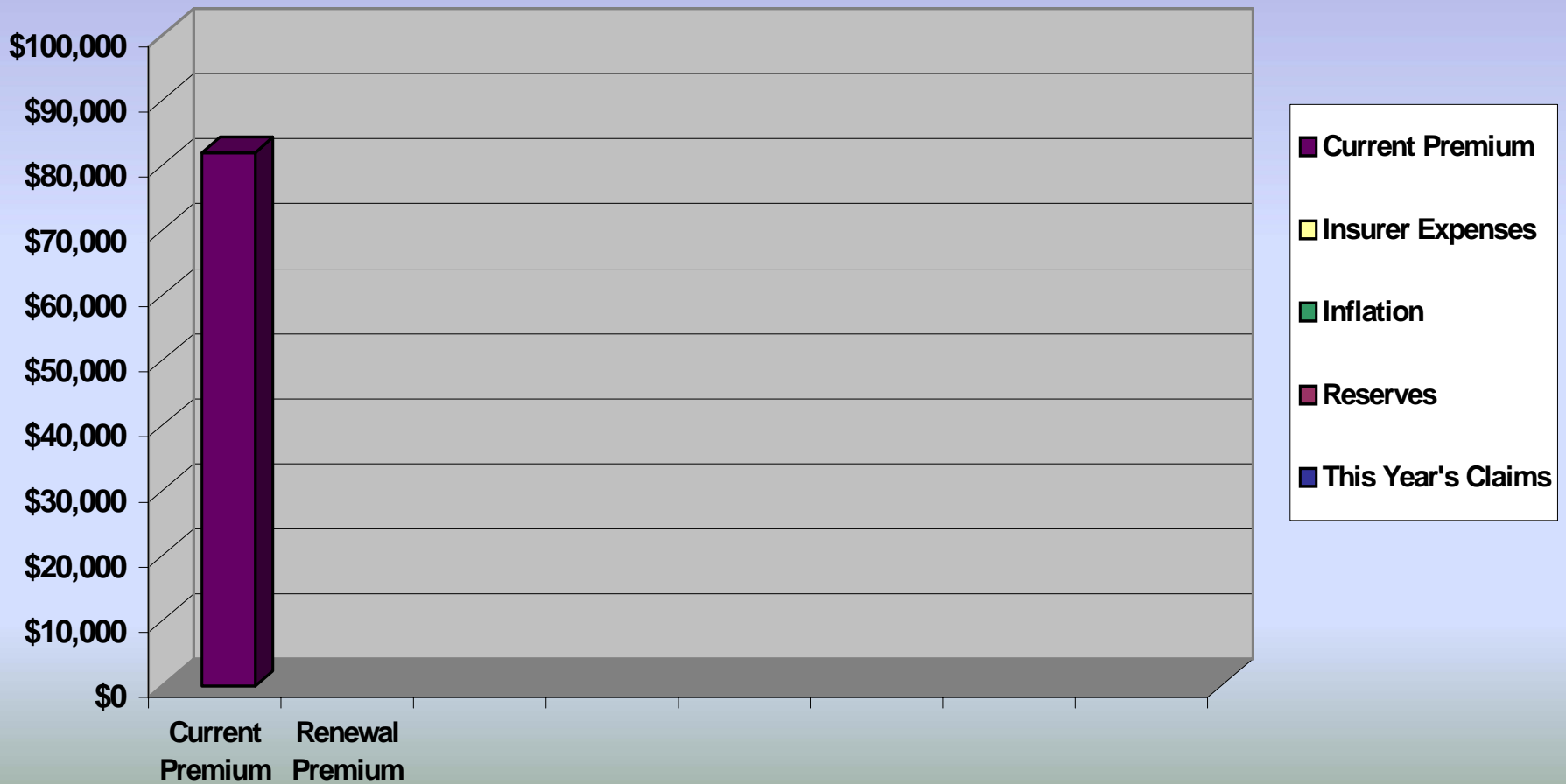
Health & Dental Monthly Rates

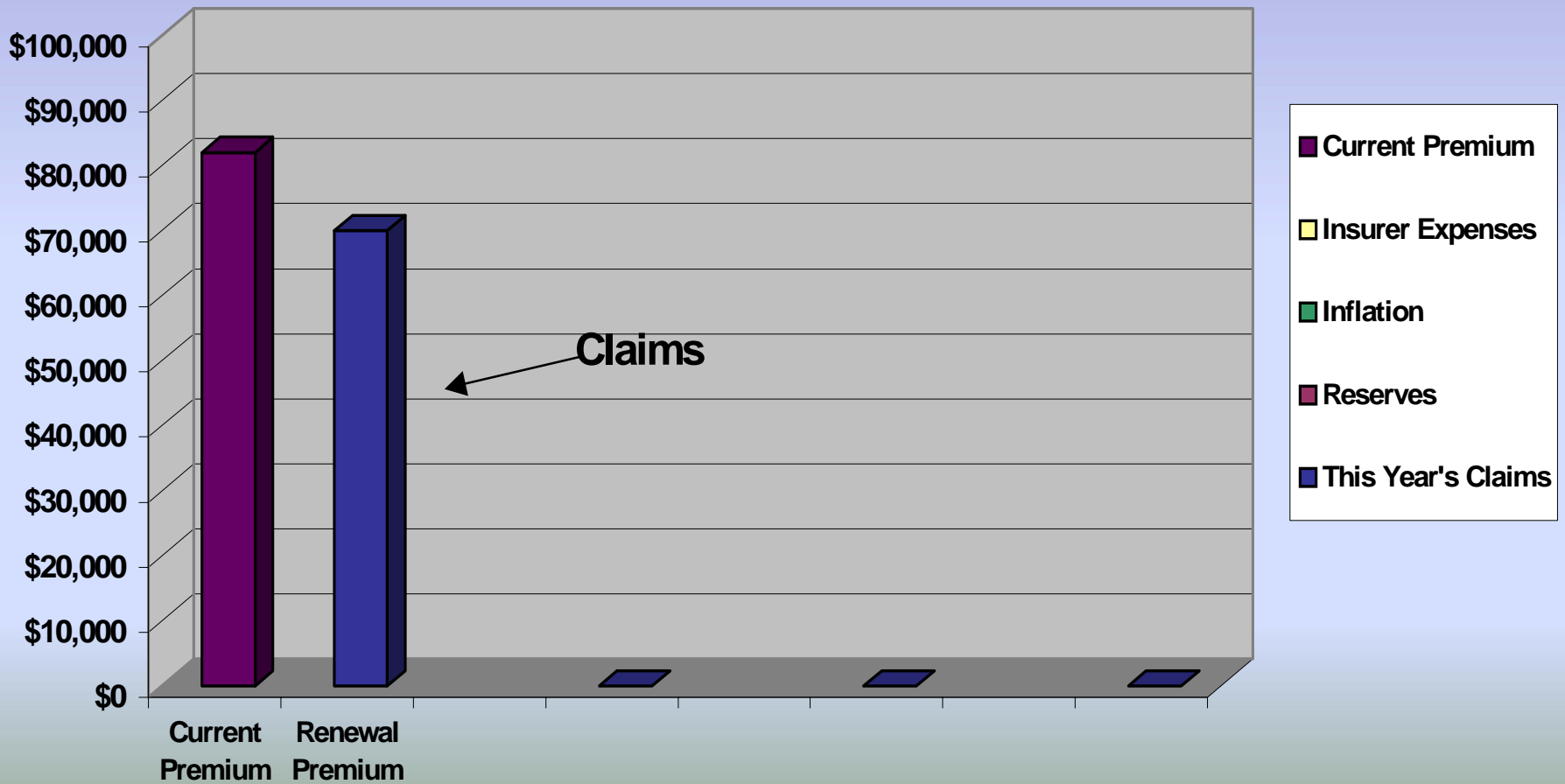
Historical and Projected - SB+W Database

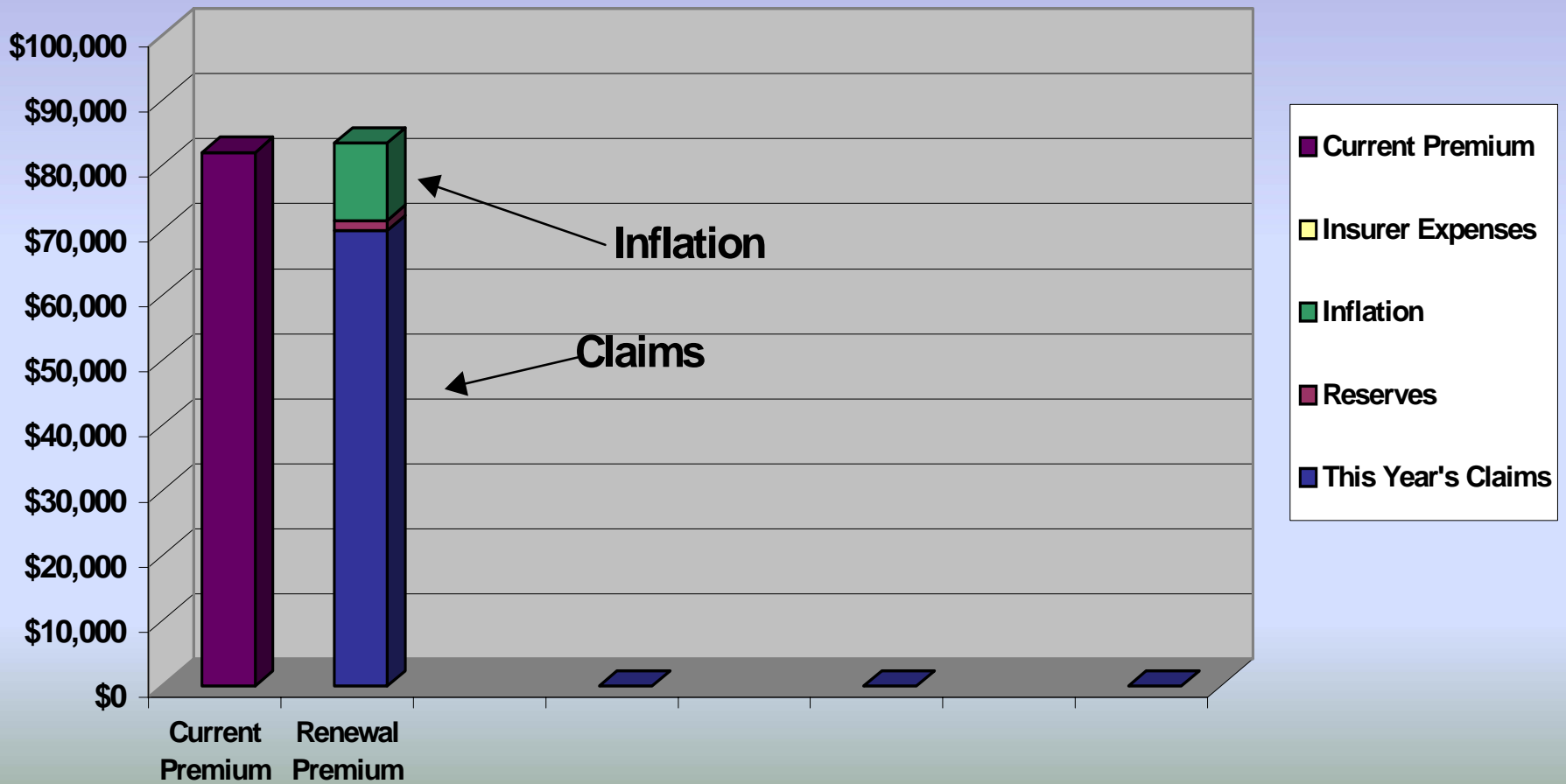


- Many of our clients spend in excess of 7% of payroll on group insurance
- 10% of payroll is not far away

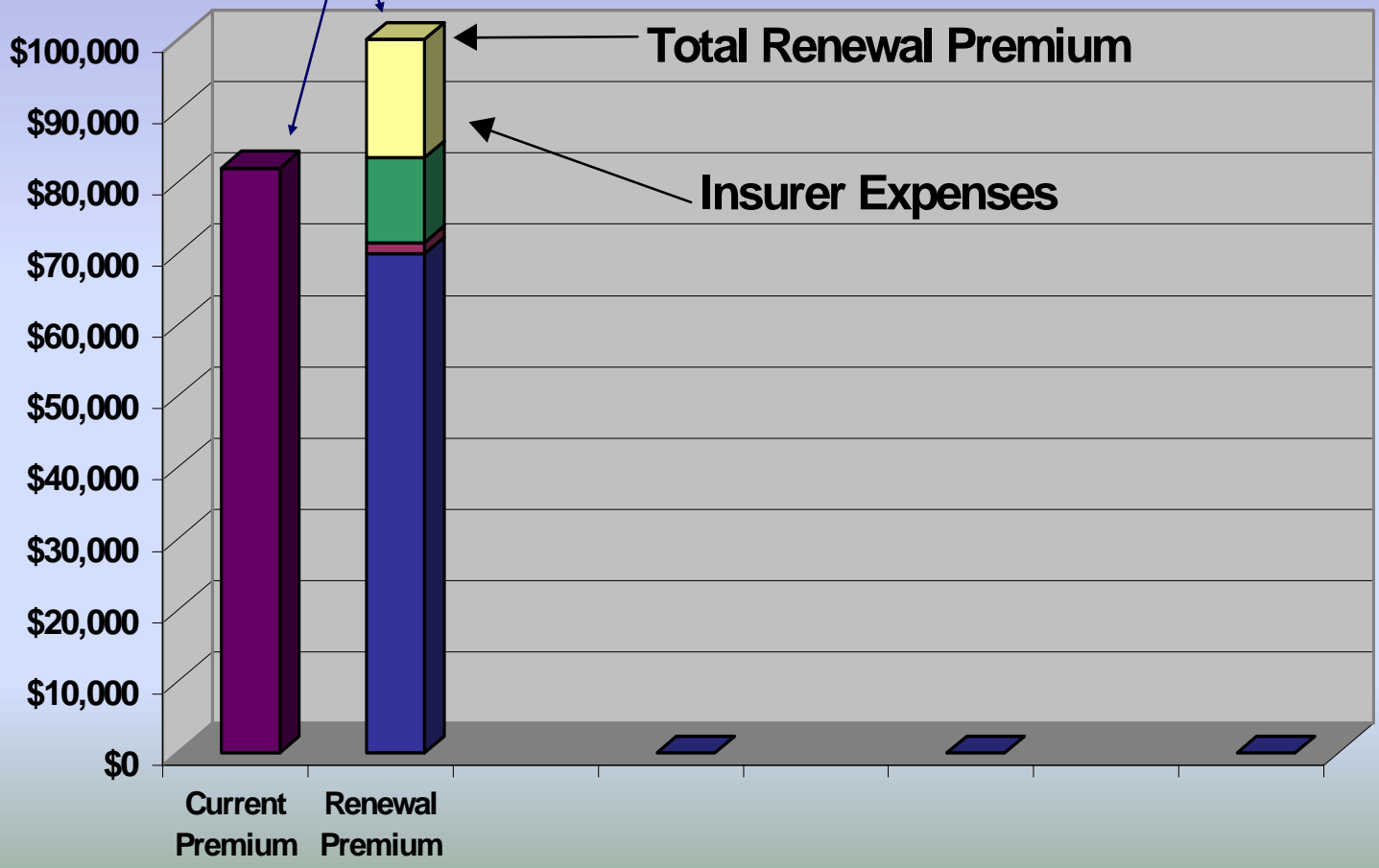
- Health & Dental Renewal Methodology
- Experience Rated Non-Refund Case
- Most cases between 20-150 employees are underwritten this way
 - Current claims are used as a predictor for next years claims
 - Rates are set to cover claims + insurers expenses







= 20% increase in rates

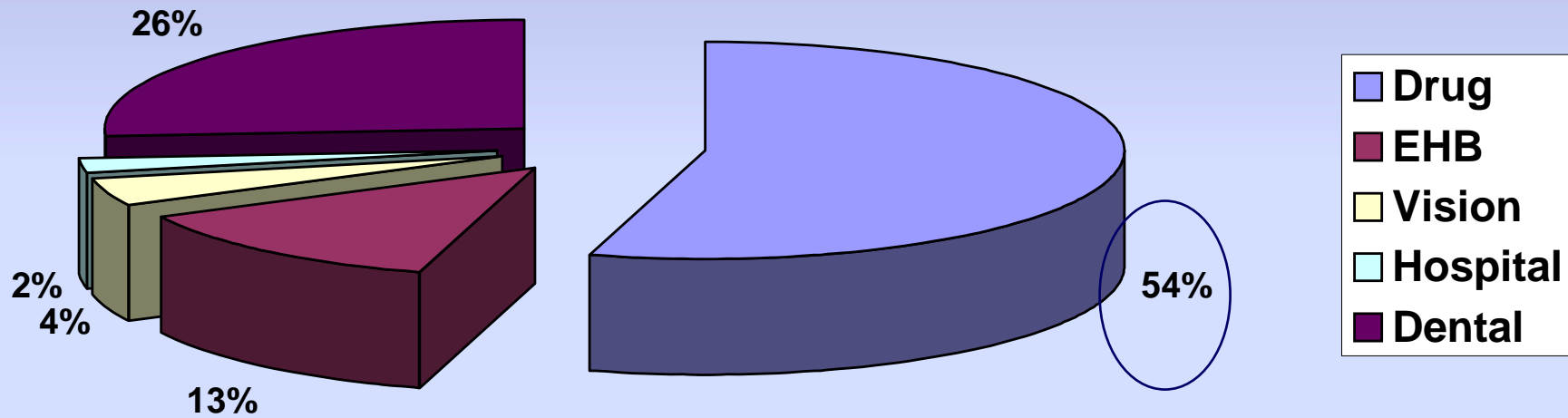


- Current Premium
- Insurer Expenses
- Inflation
- Reserves
- This Year's Claims

- So there are two areas of cost
 - Expenses and related costs
 - Claims
- Obviously, each employer's claims drive the

- Background information:
 - In Atlantic Canada a significant majority of employers ask their employees to contribute half the cost of premiums through payroll deduction

Health & Dental – Breakdown of Claims



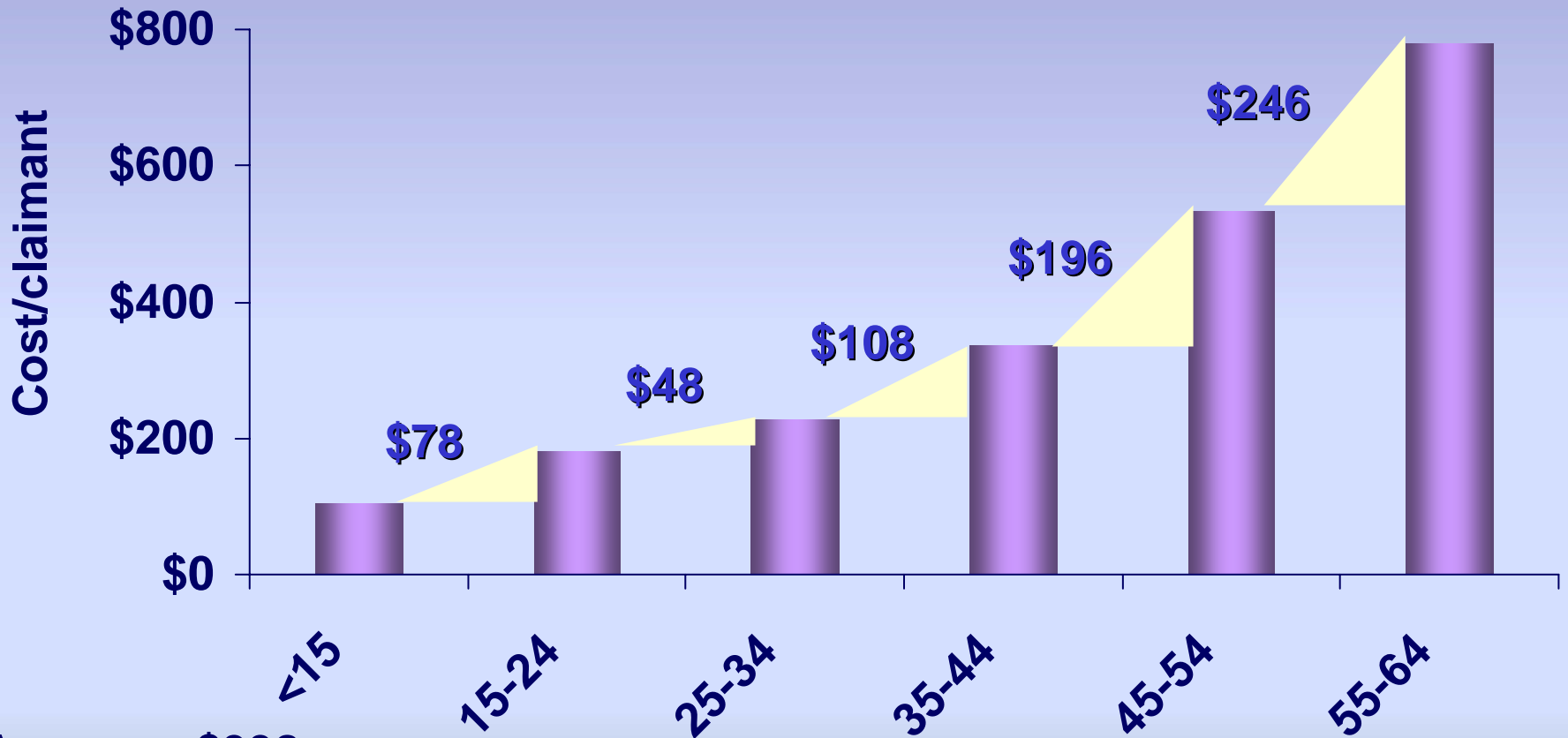
Drugs

- Demographics



The Merck Frosst Handbook on Private Drug Plans 1997-2000
A Research Report from Brogan Inc.

Cost per Claimant



Average: \$338

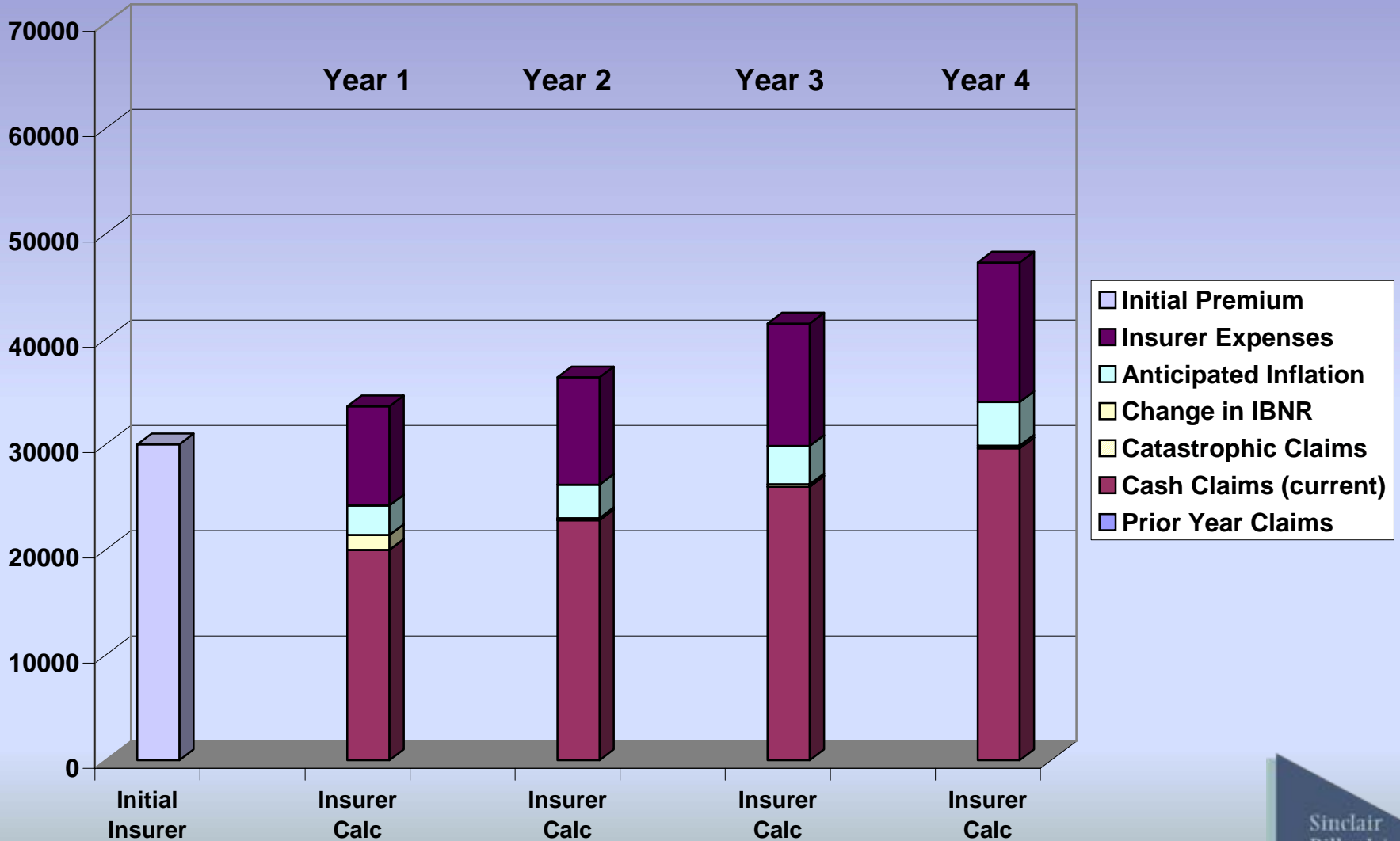
Drugs

- Demographics
- New Medications
 - New patented maintenance meds
 - ‘Blockbusters’
 - **Celebrex**
 - Catastrophic Drugs - low incidence wonders
 - **Enbrel - Remicade – Gleevec – Tracleer**

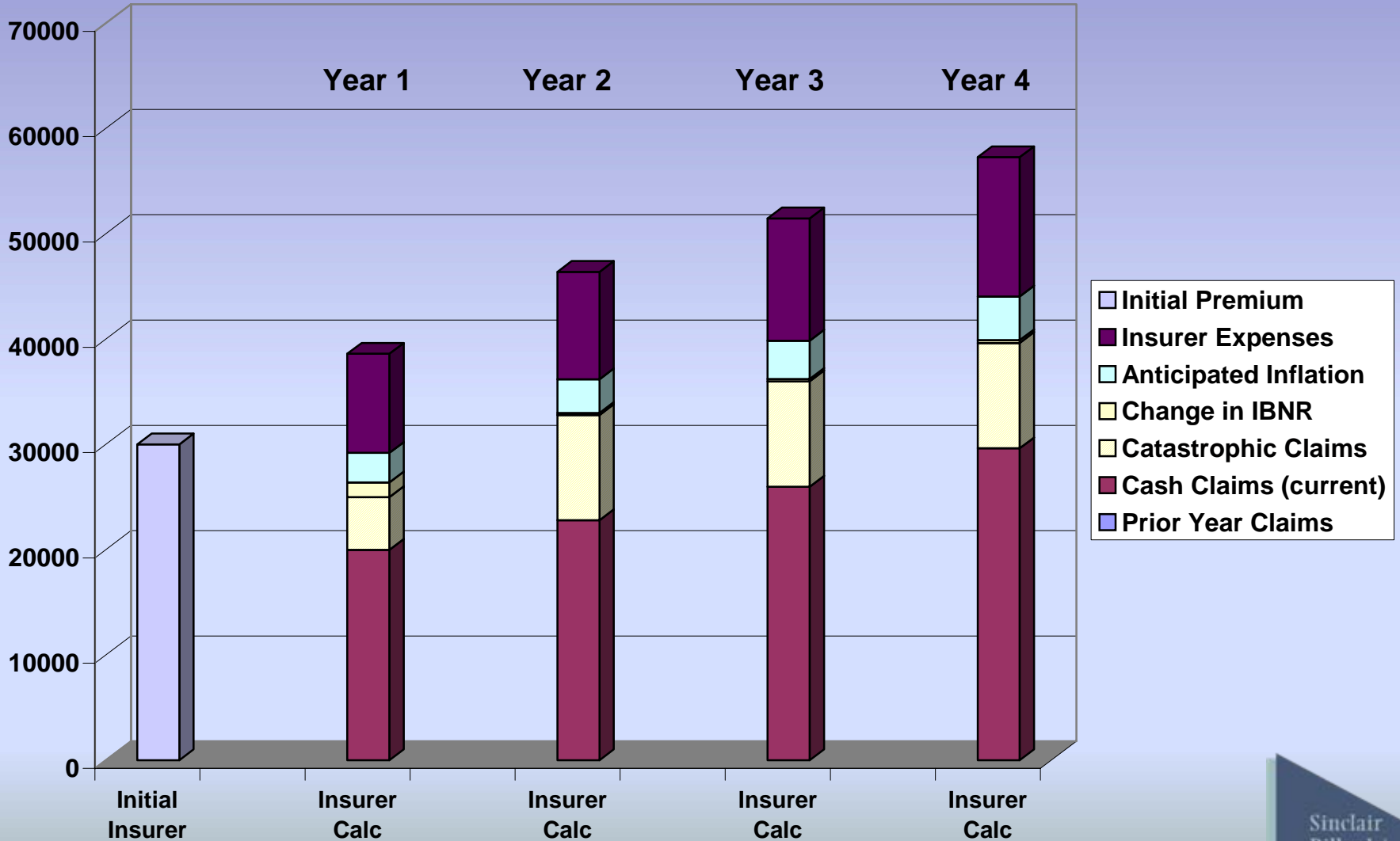
Catastrophic Drugs – What are the insurers doing?

- Over the past two years have offered ILAP (Individual Large Claim Pooling)
- Claims in excess of pooling level – (e.g. \$10,000) are removed from the calculation
- But it is still a problem

Course of a Typical Renewal Process



Course of a Typical Renewal Process



Related Issues

- Impact of long term disability claims
- Early retirees
- Public plan downloading

What Can be Done?

- A federal catastrophic drug program – i.e. drugs for any individual over \$5,000?
- Provincial programs similar to other parts of the country?
- Better arrangements from insurers allowing more options for:
 - employees upon early retirement or disability?
 - portability of group business?

