

How Does the Patent Cliff Affect a Benefits Plan?

A cliff is a handy geographic metaphor for an impending deadline with perilous consequences.

A patent cliff is when a firm's revenues could "fall off a cliff" when one or more established products go off-patent, since these products can be replicated and sold at much cheaper prices by competitors. While it is applicable to any industry, in recent years the term "patent cliff" has come to be associated almost exclusively with the pharmaceutical industry.

In November 2011, the number 1 selling drug globally – Lipitor – lost its patent protection. Since then, almost all of the Canadian top 10 blockbuster drugs have lost patent protection, including Nexium, Crestor, Effexor and Pantoloc, to name just a few. Regardless of whether the lower cost generics became available immediately after the patent expired or after a 180-day exclusivity period passed, the opportunity for significant savings was suddenly available to private health plans, assuming they were contractually positioned to capture those savings."

If you haven't optimized generic drug usage in your drug plan - we suggest you seriously consider it.

In Canada, according to the Canadian Generic Pharmaceutical Association (CGPA), we are barely at a 60% generic fill rate (GFR) while the U.S. has a GFR of over 80%. Nothing will change unless you actively manage your drug-plan. Drug management solutions that are designed to optimize the generic usage, while maintaining the value of the plan, include generic drug strategies and multi-tiered plan designs.

Generic Drugs

Promoting the use of generic medications – especially with "mandatory generic" plan designs – is one of the original, and most widely used, plan design concepts in the Canadian marketplace. In a recent SunLife Financial survey, 79% of respondents expressed a high level of



comfort with the reimbursement of generic drugs. If your plan does not yet use a mandatory generic or "generics-first" protocol, putting one in place should be your first plan management step.

Tiered Plan Designs

According to the Canadian Generic Pharmaceutical Association (CGPA), the GFR in the U.S. is higher than in Canada, largely because of the common use of tiered plan designs.

Tiered drug plan designs assign medication to a coverage tier based on their value proposition and align member cost shared by tier to encourage consumerism and cost-effective drug selection. For example, generics might be covered at 100%, with preferred brands covered at 80% and non-preferred brands covered at 50%.

Medications for targeted disease states (e.g., diabetes) can also be selectively layered into "preferred" tiers, and plan management tools such as step-therapy, therapeutic substitution and prior authorization can also be leveraged within a tiered plan design.

If you have any questions or would like more information about maximizing generic usage in your drug plan or tiered plan designs, please contact your Cowan Benefits Consultant.

March 2013

Save The Date



Manufacturing Summit 2013

**Manufacturing Innovation Network
Bingeman's Conference Centre, Kitchener, ON
Wednesday, May 1st, 2013
11am – 5pm**

2nd annual half-day conference for manufacturing leaders and supply chain partners aimed at exploring the challenges and opportunities that lie ahead for Ontario's manufacturing sector.

Visit <http://wrmin.com/2013/mark-your-calendar-2nd-annual-min-summit-may-1-2013/> for more information.

Disability Management Seminar

Cowan Insurance Group will be hosting upcoming seminars in the Waterloo Region, Ottawa and Timmins on topics suggested by our clients focusing on Disability Management issues in the workplace. Stay tuned to find out more in our upcoming newsletter.

**Monday May 6, 2013 – Timmins, ON
Tuesday May 7, 2013 – Ottawa, ON
Wednesday May 8, 2013 – Cambridge, ON**

Cowan Insurance Group Named One of Canada's 50 Best Managed Companies of 2012



Cowan Insurance Group won a 2012 Canada's Best Managed Companies (Best Managed Companies) award.

"We are truly honoured to be named as one of Canada's 50 Best Managed Companies this year," said Heather McLachlin, President of Cowan Insurance Group. "As a first-time applicant, I am exceptionally proud that Cowan Insurance Group has been recognized as a national leader in business excellence. This award is a testament to the caliber of talent we have within our organization and to the innovative spirit of our employees and their unwavering commitment to put our customers at the centre of all we do."

Established in 1993, the Canada's Best Managed Companies is a national awards program, recognizing Canadian companies that have implemented world-class business practices and created value in innovative ways. Applications are reviewed by an independent judging panel that evaluates how companies address various business challenges, including new technologies, globalization, brand management, leadership, leveraging and developing core competencies, designing information systems, and hiring the right talent to facilitate growth.

We would like to take the opportunity to thank our clients and business partners for your continued support and loyalty. We would not have received this award without our ongoing partnership. You have helped us make a positive impact in the Canadian marketplace.

For more information about the award, visit www.bestmanaged.com or our website at www.cowangroup.ca.



Created by the International Foundation of Employee Benefit Plans (IFEBP), the day is intended to recognize benefits professionals and to provide an opportunity for better educating employers and employees about benefit topics.

This year, National Employee Benefits Day will be celebrated on April 2, 2013.

We encourage you to use the day to evaluate your employee benefit offerings and to take time to educate your employees on the valuable benefits you offer.

As part of this year's celebration, the IFEBP is focusing on mental health in the workplace. There is also a featured Benefits Day website, at www.ifebp.org/AboutUs/NEBD, which has resources available for both plan sponsors and their plan members, including the following:

- **Healthy Minds at Work** – provides information and links to credible resources that can help workplaces increase their understanding and recognition of mental health issues at work
- **Mental Health, Health Canada** – provides information about the promotion of mental health, as well as an evaluation of mental health programs and services in Canada and the mental health issues, problems and disorders encountered by Canadians

National Employee Benefits Day is also a time to recognize yourself and your peers for all your hard work and dedication. Give yourself a pat on the back for all that you do.

Here are a few ways you can help celebrate and have a little National Employee Benefits Day fun at your workplace:

- 1) **Employee Benefit Lunch and Learns** – review your plan details, and promote the online services available to your employees
- 2) **Onsite Massage** – Bring in a Registered Massage Therapist to do 20-minute chair massages for your employees
- 3) **Benefits Quiz** - provide a quiz on the available plan member benefits and offer a prize for the winner
- 4) **Provide healthy snacks** throughout the day
- 5) **Fitness challenge** - see www.challengeloop.com for some great ideas

Benefits Programs are a great way to attract and retain employees. This Day is your opportunity to provide a backdrop for discussion about an important component of your employees' overall total compensation package.



This bulletin is produced by the Benefits and Retirement Consulting Division of Cowan Insurance Group and its subsidiary, Wentworth Financial Services. We provide businesses, organizations and individuals with insurance and risk management solutions. We also specialize in advising and creating retirement, group benefits and disability management programs for employee groups and wealth management, financial planning and succession planning services to individuals.