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MAIL-ORDER PHARMACIES – ARE THEY WORTH THE RISKS?

Is mail-order a good option for your drug plan? It depends on what you are trying to achieve, and whose behaviour you are trying to impact.

A RISKY BUSINESS

Mail-order pharmacies, also called online pharmacies, are pharmacies that operate on the Internet and send the prescription drugs directly to the patient's home. When first introduced more than a decade ago, mail-order pharmacies in Canada ran into jurisdictional barriers. The issue was that inter-provincial shipping was forbidden and each province wanted to impose its own pharmacy rules and requirements. There were other issues around fill errors, lack of live support for the patient, and problems with parcel delivery. Adding to that, a growing number of illegal online pharmacies, many posing as "Canadian", are selling counterfeit or somehow compromised drugs worldwide. In the summer of 2013, the U.S. Food and Drug Administration, in partnership with international regulatory and law enforcement agencies, took action against more than 9,600 websites that illegally sell potentially dangerous, unapproved prescription medicines to consumers, issuing regulatory warnings and seizing over $41 million worth of illegal medicines worldwide (Source: FDA News Release, June 27, 2013).

These challenges curtailed the growth of legitimate mail-order pharmacies, until the upward spiral of prescription drug expenditure attracted brick and mortar pharmacies across Canada to the business of distributing drugs by mail.

A COST-EFFICIENT ALTERNATIVE

The math behind the savings tied to mail-order drugs is relatively straightforward. Mail-order pharmacies specialize in maintenance medication that they can pre-stock on with aggressive volume buying. They process and deliver the drugs in days, rather than minutes, meaning that the physical dispensing can be efficient and economical. When the provincial legislation or prescribing physician allows, they may also issue longer duration prescription fills, saving again on dispensing costs. Reputable mail-order pharmacies provide access to expert counsel, including a licensed pharmacist, by phone or email, but they do not have to pay for the physical presence of a pharmacist in every city where the drugs are delivered. They also reduce their staffing costs by using pharmacy technicians, who are paid considerably less than pharmacists, whenever their qualifications are sufficient for the task at hand. Mail-order companies also use efficient pill counting equipment instead of manually counting medications. When combined, these differences can add up to considerable potential savings to the patient, plan members and ultimately, group benefit plans.

The initial slow growth of mail-order pharmacies in Canada showed that consumer behaviour will not change when the outcome does not impact them directly. Lower costs are only valued when patients pay for part or all of their prescriptions. Without plan design incentives, there are few reasons for a member to switch to a new and unknown pharmacy service provider.

Additionally, there remains a perception that face-to-face contact with a health care professional results in better and longer compliance, particularly for certain classes of medication (Source: "The impact of pharmacist face-to-face counseling to improve medication adherence among patients initiating statin therapy" by Michael Taitel, Jenny Jiang, [...], and Ian Duncan. Published in Patient Preference and Adherence on April 10, 2012). With increasingly complex medication, the risks linked to drug interactions, compliance and taking the medication as prescribed have never been as important as it is now. By the same token, the cost of non-compliance has never been higher.

Despite all these challenges, the mail order pharmacies sector has managed to grow in North America. From October 2012 through the end of September 2013, it represented about 19% of all drug expenditures in the US (Source: American Journal of Healthy-System Pharmacists – Vol 71, 2014). Considering Canada has the second-highest expenditure on drugs per capita among OECD countries after the United States, we can be certain mail-order pharmacies will fight for their share of this market. This potential for growth means that Canadian plan sponsors should be aware of the potential risks and benefits of mail-order pharmacies. For all you know, some of your plan's members may already be ordering their drugs online.

MAIL-ORDER PHARMACIES IN CANADA

A quick survey of the dozens of mail-order pharmacies in operation in Canada shows that the current space can be subdivided according to the markets that they are targeting.

On one hand, there are the independent online pharmacies that compete on the basis of price alone. The majority of these firms are reaching out to international markets, the U.S. in particular, leveraging Canada's competitive drug pricing. The focus on price alone means that if you are considering an online pharmacy for your benefit plan, these may not be the best fit. Remember, if the deal looks too good to be true, it probably is. There is a duty to guide members to reputable providers, even when promoting lower cost.

On the other hand, there are the firms focused on serving the Canadian market. These operations are often affiliated with well-known brick-and-mortar pharmacies and combine cost savings with some form of access to qualified pharmacists to provide patient counselling services. Pharmacists have long been considered among the most trusted and accessible healthcare professionals. It is difficult for potential clients to trust a website providing such a confidential and personal service if it has neither a brick-and-mortar effigy nor means of direct human contact. For most people, it is easier to trust those pharmacies which offer a human touch, even if just a telephonic one, than those existing purely in cyberspace. This has provided a key competitive advantage to large retail pharmacy chains entering the mail-order market.

Eye-opener: *Visit www.pharmacychecker.com, a website run by an independent American consumer research group. It provides ratings and on-line instant price comparisons for more than 40 online pharmacies based mainly in the United States and Canada. This site rates pharmacies on a scale of 1 to 5 and notes whether a pharmacy is licensed, requires a prescription, provides its address and phone number, and offers personal privacy and payment security. The site compares prices for more than 1,000 drugs at these pharmacies and gives details on shipping fees and delivery times (Source: JohnsHopkinsHealthAlerts.com).*

As an example, Sobeys leveraged its extensive pharmacy expertise, which includes Lawtons Drugs and its pharmacy benefit manager MHCSI, to create Sobeys Pharmacy by Mail. Loblaw's recent acquisition of Shoppers Drug Mart warrants close observation. These changes are sure to have interesting implications for the future of pharmacy in Canada. Suffice it to say that there are many deals out there, and more to come.

PROMOTING MAIL-ORDER OPTIONS TO YOUR PLAN MEMBERS

If you are thinking of promoting a mail-order or online option for your benefit plan, here are a few tips:

1. Build your incentive carefully. In this domain, change is rapid. Find a way to engage the members, or don't bother trying to introduce mail-order as an option.
2. Know your numbers and understand which medications are most appropriate for, and most cost-effective for online purchasing. If you do not have an in-house medical advisor, ask your insurer or claims administrator to talk with their in-house experts. Communicate and educate your members and their families.
3. Look for 24/7 telephonic consultation to replace face-to-face access during regular pharmacy hours. New evidence is showing that lack of patient compliance is a major cost driver and a source of concern. Consultation should include coaching for compliance and adherence. The absence of "live" consultation should throw up a bright red flag.
4. Review and evaluate the return policy and how quickly they can replace medications shipped in error, duplicated or otherwise in need of replacement.
5. Talk to your benefits advisor about the ability to integrate the mail-order data into a consolidated claims report if the mail-order is not on the same claims payment platform as the rest of the benefit plan.
6. Instead of just cost-cutting, look for better counselling including helping members navigate the new world of co-pay assistance from the manufacturers. Remember, if the deal looks too good to be true, it probably is. There is a duty to guide members to reputable providers, even when promoting lower cost.
7. Ask for written performance standards including error rate, response time, source of price files, clinical interventions, patient monographs (if the insurer is endorsing them for their book of business, ask the insurer for the key performance metrics that they are monitoring).

In conclusion, mail-order has its risks and its benefits. You may be able to use the option to help your plan and your members save money and get high touch counselling. To manage the risks, do your research and keep watching this space for new developments as insurers in Canada start moving towards Preferred Provider Networks.

If you have questions regarding this article, or would like to submit your comments, please do not hesitate to contact Avinash Maniram at 604-647-3215 or Jane Petruniak at 604-647-3233.

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