



Canadian Life & Health  
Insurance Association  
Association canadienne des  
compagnies d'assurances  
de personnes

Submission to the  
**ONTARIO MINISTRY OF FINANCE TO THE  
CONSULTATION ON THE PREFERRED  
PROVIDER NETWORKS IN THE EMPLOYER-  
SPONSORED DRUG INSURANCE SECTOR**

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October 22, 2024





## EXECUTIVE SUMMARY

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments on the consultation on [Preferred Provider Networks \(PPNs\) in the Employer-Sponsored Drug Insurance Sector](#). Overall, we believe that regulating PPNs will not improve patient access or experience. In our experience, PPNs:

- Help manage drug costs for both employers and Ontarians,
- Provide additional health services for patients, and
- Promote competition in the market.

Based on these benefits, we recommend that the Ontario government not regulate PPNs as it could lead to higher costs and less access to much needed medications for Ontarians.

We have provided more details on each of these points in our submission.

## WHO WE ARE

The CLHIA is the national trade association for life and health insurers in Canada. Our members account for 99 per cent of Canada’s life and health insurance business.

The life and health insurance industry is a key contributor to the health and well being of Canadians and the healthcare system through the provision of supplementary health insurance. The industry also provides financial security to Canadians through a range of financial security products, such as life insurance and annuities.



### Protecting 11.1 million Ontarians

**10.4 million**  
with drug, dental and other health benefits

**8.5 million**  
with life insurance averaging \$273,000 per insured

**5 million**  
with disability income protection



### \$56.7 billion in payments to Ontarians

**\$19.7 billion**  
in health and disability claims

**\$7.5 billion**  
in life insurance claims paid

**\$29.5 billion**  
in annuities



### \$3.7 billion in provincial tax contributions

**\$424 million**  
in corporate income tax

**\$452 million**  
in payroll and other taxes

**\$746 million**  
in premium tax

**\$2.09 billion**  
in retail sales tax collected



### Investing in Ontario

**\$378 billion**  
in total invested assets

**97%**  
held in long-term investments



## OVERVIEW

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Over 10 million Ontarians have supplementary health insurance plans, which include coverage for prescription drugs and other health supports. Most, if not all, of these plans include coverage for specialty medicines, recognizing the growing need for access to high-cost, life-saving treatments such as biologics and other advanced therapies. Many specialty medications are not covered by public drug plans. The comprehensive coverage of specialty medicines in private plans is significant, reflecting the evolving landscape of healthcare and the increasing prevalence of chronic conditions requiring these therapies.

Less than two per cent of claimants in Canada are for specialty medications<sup>1</sup> yet they accounted for nearly 26 per cent<sup>2</sup> of total private drug spending in 2023 – with some drugs costing over \$1 million per patient per year. The cost of these medications has increased significantly over the last decade. Employers expressed concerns about significant increases in the cost of benefit plans driven by increases in the cost of prescription drugs. In response, insurers and benefits administrators took steps to reduce the cost of drug benefit plans. To help manage these costs for employers and their employees, many insurers introduced the PPN model to seek the best prices for employers and employees.

PPNs have been in existence for over a decade and provide support to the health of employees and the sustainability of employer health plans. It is critical to note that Ontario residents and employees are ultimately the beneficiaries of these programs.

Thousands of pharmacies are included in PPNs. These tend to be geographically expansive networks that cover participating Ontarians all over the province. Many specialty PPNs offer delivery by mail or to a nearby pick-up location to increase convenience and help ensure access for Ontarians in remote areas. Some insurers also offer exception processes to plan members with unique circumstances to promote access.

The CLHIA and our members recognize the important role that pharmacies and pharmacists play in health care, which is why specialty PPNs are designed to complement pharmacist care and offer enhanced services. We also believe this important role and patient choice can coexist with the value specialty PPNs have provided to employers and Canadians for more than a decade.

### *PPNs provide additional health services for patients*

PPNs are a critical tool for delivering a patient-centred model of care and there are several different models of PPNs. These models help individuals access much needed medications to manage complex health needs. For more details on the different types of PPN models, see section below named “Background on PPN Models.”

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<sup>1</sup> 2022 Drug Data Trends & National Benchmarks Report (Telus Health)

<sup>2</sup> Express Scripts Canada: 2024 Drug Trends Report



PPNs can support access to additional health services and programs, such as one-on-one education and adherence support from nurses, pharmacist clinical management to support the management of a patient’s condition, and monitoring for medication utilization. Some of these services and programs also require enhanced coordination between the benefits administrator, the patient, drug manufacturer patient support program (where applicable), and pharmacy to actively manage and monitor drug utilization to ensure effectiveness of the medication. These additional health supports may not be available to the patient outside of the PPN model. Patients with complex, specialty drug needs may rely on these resources to ensure effective and positive treatment outcomes. Restricting PPNs restricts the ability of providing these services and could put Ontarians’ access to health services at risk.

### *PPNs help employers and their employees manage drug costs*

Employers who offer workplace benefit plans to their employees expect insurers to take steps to keep drug costs affordable. Based on our members’ experiences, some insurers are able to achieve cost savings through the PPN model.

Employers and their employees use specialty PPNs to help manage their drug costs through reduced markups at in-network pharmacies. These savings give patients access to specialty drugs that may otherwise be too costly for an employer to include in their coverage, and at a reduced out-of-pocket cost for patients with a co-pay. Savings for employers help with the sustainability of workplace benefit plans and can also be invested in areas of employee well-being other critical health care benefits, such as mental health supports.

Additionally, enhanced services available through PPNs, such as the active management and monitoring of medication effectiveness, helps reduce wasteful spending by reducing poor treatment adherence. By actively supporting patients, PPNs help ensure drugs are taken correctly and at the right times, lowering costs, promoting better health outcomes and reducing unnecessary side effects for patients. A reduction in waste also lowers costs that are ultimately borne by employers and employees.

Restricting or limiting PPNs, and their ability to help lower costs, would run counter to the trends in drug development and future costs. Over the last decade, there has been a notable shift in pharmaceutical development toward more specialized medicines, with an increasing number of higher-cost medicines entering the market and accounting for a substantial share of sales. A decade ago, most of the top-selling patented medicines had annual treatment costs under \$1,000. In 2022, median annual treatment costs were over \$21,000 (25 times the median in 2013)<sup>3</sup>.

Most of our members utilize a PPN model that applies to a small number of carefully selected high-cost specialty drugs. However, without this specialty PPN model, the cost for many employers to cover specialty drugs could be challenging, which could reduce coverage and limit a patient’s ability to access treatment while inadvertently shifting costs back to provincial drug programs. The savings

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<sup>3</sup> PMPRB Annual Report, 2022



delivered to employers, employees and their families through specialty drug PPNs contribute to the long-term sustainability of health benefit plans and increase access to treatment.

### *Elimination of specialty PPNs risks patient access and increased costs*

The CLHIA is concerned that any government intervention that restricts pharmacists from participating in specialty PPNs or restricts insurers' ability to provide care through these networks would create unintended consequences for patients. Specifically, eliminating the specialty PPN model could reduce patient access to enhanced care and result in increased costs for employers who sponsor drug plans. Specialty PPNs in Ontario have been working well for employers and Ontario families. This is evidenced by the data collected by several of our members through satisfaction surveys of patients who are enrolled in their specialty PPN programs. The results of these surveys consistently show satisfaction rates of over 90%. The downsides of regulating or eliminating PPNs (e.g., reduced competition, increased prices, and reduction of patient access) do not outweigh the benefits to Ontarians.

### *PPNs promote competition*

Establishing a PPN is a competitive process that may include various competitive activities such as, procurement, marketing, and negotiations. Through these competitive activities, pharmacies may offer lower prices than they would otherwise, as well as commit to enhanced service and support standards that employers require. Additionally, insurers review these agreements periodically to ensure that employer and patient needs are being met.

PPNs are no different than any other organization or industry that chooses vendors that can offer lower prices and enhanced services. Restricting this ability would be anti-competitive and would run counter to common business practices employed by many organizations and governments on a daily basis.

## **RECOMMENDATION: Government intervention is unlikely to improve patient access or experience**

The CLHIA believes that access to affordable medication and high-quality pharmacist care for all Canadians should be a priority. PPNs help keep costs manageable, which maximizes coverage and access, and delivers high quality support and care for patients.

At a time when many Ontarians are struggling with affordability, it is very important that PPNs be allowed to continue to deliver the savings consumers value. According to recent polling, nearly 70% of all Canadians, regardless of whether they have employer health benefits, place a lot of importance on paying the lowest prices and would choose lower prices even if it meant switching pharmacies<sup>4</sup>.

**We recommend that the Ontario government not regulate PPNs, as it will likely lead to higher costs and less access to much needed medications for Ontarians. The best course of action is**

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<sup>4</sup> Internal CLHIA polling



to maintain the status quo, allowing employers and patients to manage drug costs, while enabling patients access to enhanced and personalized care.

## BACKGROUND ON PPN MODELS

For clarity, we have defined the different type of PPN models as follows:

	<b>Voluntary</b>	<b>Mandatory</b>
<b>Closed</b>	<ul style="list-style-type: none"> <li>• Only pharmacies contracted or enrolled may participate</li> <li>• Reimbursement for patients is available for drugs purchased at non-network pharmacies</li> <li>• Patients may have lower reimbursement at non-network pharmacies</li> </ul>	<ul style="list-style-type: none"> <li>• Only pharmacies contracted or enrolled may participate</li> <li>• Patients will not receive (or have lower) reimbursement for drugs purchased at non-network pharmacies</li> </ul>
<b>Open</b>	<ul style="list-style-type: none"> <li>• Any pharmacy willing to meet the terms set out in the agreement may participate</li> <li>• Reimbursement for patients is available for drugs purchased at non-network pharmacies</li> <li>• Patients may have lower reimbursement at non-network pharmacies</li> </ul>	<ul style="list-style-type: none"> <li>• Any pharmacy willing to meet the terms set out in the agreement may participate</li> <li>• Patients will not receive reimbursement for drugs purchased at non-network pharmacies</li> </ul>

Insurers alone do not dictate the terms of PPN agreements. Insurers may provide options to the plan sponsors (employers) on whether to utilize a PPN and PPN design based on the coverage they want to provide their employees.

## RESPONSES TO CONSULTATION QUESTIONS

Canadian life and health insurers provide millions of Ontarians with access to a wide range of prescription drugs and other health supports through extended health care plans. To provide the best coverage of medications for consumers, life and health insurers negotiate with pharmaceutical companies to provide a wide range of prescription drugs and then work with employers to offer and administer extended health care plans to their employees. Insurers also engage with pharmacies to deliver the best value and support for plan sponsors (employers) and their employees and their families.

As such, life and health insurers are in a unique position to provide responses to the consultation questions as they engage with all employers, pharmacies and pharmacists (including retail pharmacies, specialty pharmacies, and small/independent pharmacies), and patients on a regular basis. We have provided responses to each of the questions below.



## CONSUMERS

### *1. Are there any qualitative differences between the service and care provided by pharmacy operators participating in PPNs (closed or open) and those that are not? Please explain.*

The service and care provided by pharmacy operators is consistent across all operators insofar as there is a baseline level of care that ensures proper medication dispensing, patient safety, and adherence to professional standards. However, pharmacies participating in PPNs must also meet specific service levels or service level agreements (SLAs) required by insurers, on behalf of the employers that fund workplace drug plans.

SLAs introduce additional oversight for enhanced services that are not strictly required and governed by standard pharmacy practices. For example, complex cases often require specialty expertise and more frequent monitoring and outcome reporting. As a result, PPN-participating pharmacies may be required to demonstrate a capacity to focus on these enhanced services by offering case management, infusion and injection support, often delivered by nurses, and other mechanisms that are found outside a typical retail pharmacy. In addition to potential enhanced clinical services, many PPNs also offer services including support for financial reimbursement, such as through personalized assistance in accessing drug manufacturer patient support programs or eligible provincial programs.

SLAs can also be focused on the supply chain. For example, given current drug shortages, some PPN pharmacies have helped facilitate access to specialty drugs.

### *2. Do closed and mandatory PPNs have an effect on consumer choice and accessibility for consumers of specialty medicine in Ontario?*

#### *a) If so, does this effect differ from that of open PPNs? Please explain.*

#### **Consumer choice and accessibility**

Closed and mandatory PPNs affect consumer choice and accessibility for specialty medicines in Ontario. In a mandatory closed PPN, consumers are limited to specific pharmacies within the network to ensure better coordination of care and more efficient management of complex medications. These networks are more likely to offer specialized services, such as enhanced monitoring or personalized care tailored to specific diseases and management of complex conditions.

It is important to note that PPNs do not remove an individual's right to choose. PPNs allow consumers to fill a prescription at any pharmacy that can provide the medication. However, with a mandatory PPN, patients covered under their employer-funded workplace benefits plan only receive reimbursement and additional health support services if the patient receives their prescription from a participating pharmacy.

In terms of accessibility, most, if not all, specialty drug PPN pharmacies offer delivery to home, work or another desired location, providing ease of access and convenience. Many of our members see over 80% of their consumers utilizing remote delivery services. Many PPNs also offer an exception



process, for predetermined rationale, so that a patient can receive the same reimbursement at a pharmacy of their choice as they would at an in-network pharmacy.

Insurers carefully consider access and potential patient hardship when designing their PPN formulary. Medication costs are only one factor, with the needs of the patient population that use each medication another key consideration. For example, medications used by patients for end-stage cancer treatments may not be included because asking these patients to go to a specific location might be difficult due to their medical condition.

It is also worth noting that regulations around PPNs may not necessarily increase patient choice. This is evident in Quebec where there are regulations banning PPNs and a good proportion of patients in Quebec are only served by a handful of providers. However, these pharmacies charge significantly higher than other pharmacies for the same drug within the same province.

## Cost

Closed PPNs in Ontario presented greater savings for both employers and their employees and families, ensuring future sustainability of these plans. Participating pharmacies may be able to offer greater savings based on expected volume to offset reduced fees. Mark-up reductions for drugs may also be greater.

### *b) How important a consideration is this for users of specialty medicine?*

It is important to note that consumers retain the right to choose any pharmacy but may have reduced or no drug reimbursement if they purchase a PPN drug outside the network, in the case of a mandatory PPN. As mentioned above, there are also implications to their ability to access additional health services available through the PPN. In part, this is because insurers have negotiated lower drug markups and additional health services with network pharmacies for employers and their employees that are not offered outside of the network.

The size of the PPN also plays a role—larger networks provide more accessible options, while smaller ones have fewer retail options, but offer delivery to home, work or another desired location. In cases where large pharmacy operators do not have a physical presence, they may partner with affiliate providers (e.g., retail pharmacies) who are in those communities to support the logistics of medication delivery. Delivery and affiliate services ensure that plan members in remote or underserved areas still have access to their medications, even if a pharmacy location is not nearby. Smaller networks may be able to offer higher markup discounts.

Similar to any preferred provider network, whether that be patient support programs, long-term care PPNs, hospital formularies, etc., these networks exist to ensure sustainability of services, where patients may not have had access otherwise.





### *3. Would you prefer coverage with a higher co-pay and greater choice in pharmacy over coverage with a lower co-pay at a smaller network of preferred pharmacies?*

As noted above, nearly 70% of all Canadians, regardless of whether they have employer health benefits, place a lot of importance on paying the lowest prices and would choose lower prices even if it meant switching pharmacies<sup>5</sup>.

CLHIA members understand that employers that provide health benefit plans have been struggling for over 15 years with the rising costs of prescription medications, specifically specialty medicines. To assist in managing drug costs and ensure the viability of overall benefits plans, it is important that drug costs are managed. PPNs offer savings for employers and patients with respect to prescription drugs, which allows for the savings to be invested in other critical health care benefits, such as mental health coverage. Reducing the options available to Ontario employers to design a plan that works for their business and employees does not benefit employers or their employees.

## **PHARMACY OPERATORS**

### *4. Do PPNs have an effect on SIPs?*

#### *a) If so, do they affect SIPs' ability to compete effectively?*

PPNs may not be an ideal fit for Small Independent Pharmacies (SIPs), depending on their ability to participate. Generally, SIPs aim to meet the general needs of the population, especially in smaller communities, but it may be challenging for them to meet the niche market needs of specialty dispensing. There are constraints that could impact a SIP's ability to participate in a PPN that are not within the control of insurers and do not flow from PPN design.

Many SIPs are not equipped to dispense the kinds of specialty medications that are usually included in specialty PPNs. Some of these medications require special storage and handling, such as stable refrigeration with backup power generation – infrastructure that not all SIPs have in place. Some SIPs cannot afford to keep certain specialty medications in stock because of huge upfront drug costs, meaning that they are not able to have those medications on hand when a patient needs them.

Additionally, SIPs that do not qualify for enhanced services, or choose not to implement additional monitoring, would not be able to participate within some PPNs. However, it is important to note that they are not incurring the costs (e.g., extra staffing, special equipment, carrying costs, margin reductions, etc.) associated with participating in a PPN, especially ones focused on specialty drugs and enhanced services.

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<sup>5</sup> Internal CLHIA polling



***b) If so, do they pose risks to patient safety in cases where patients receive medication from multiple pharmacies due to PPN restrictions?***

While patients may prefer to use the same pharmacy, many make choices based on price and convenience <sup>6,7</sup>. Patients can continue to receive continuity of care regardless of whether they choose to get their prescriptions through multiple pharmacies. There are controls already in place that ensure coordinated, continuity of care regardless of the patient's pharmacy of choice (e.g., regulatory requirements for pharmacists to review medical history and for physician-pharmacist communications, ability for pharmacists to access patient history, etc.).

In-network pharmacies must meet the same clinical safety standards as other retail pharmacies, as determined by the Ontario College of Pharmacists (OCP) and may need to meet enhanced standards through the SLAs required by insurers. Many in-network pharmacies have the added benefit of enhanced services such as extra monitoring, in-depth ailment-medication education, financial reimbursement navigation and personalized support from healthcare professionals such as nurses.

As such, PPNs can help enhance patient safety by promoting repeat monitoring and offering additional supports. PPNs help centralize medication management/coordination, ensuring that pharmacies have full visibility of a patient's medication history through advanced adjudication and technology systems. This coordination reduces the likelihood of fragmented care. Risks to patient safety are not inherent to PPNs and, if anything, are mitigated by PPNs.

***5. What level of interest is there among SIPs in providing specialty medicine and/or being included in PPNs? Please explain.***

The CLHIA does not have any comments on this question.

***6. Are there constraints on the capacity of some or all SIPs to provide access to the range of specialty medicine typically included in PPNs?***

Yes. There are constraints that could impact a SIP's ability to participate in a PPN. These are not within the control of insurers and do not flow from PPN design but can create challenges for SIPs. More specifically, the high cost of specialty drugs can create several challenges. It should be noted that even in regulated markets, such as Quebec, SIPs are not involved in the distribution of specialty drugs in a large degree due to these market forces.

These products often involve high carrying costs for pharmacies in the form of cold chain storage and transportation (e.g., monitored fridges, obligation to insure the products, etc.). While other lower cost drugs (e.g., insulins, vaccines, etc.) can have the same challenges, the very high costs associated with specialty drugs creates a higher degree of risk for SIPs.

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<sup>6</sup> [Comparison of factors influencing patient choice of community pharmacy in Poland and in the UK, and identification of components of pharmaceutical care - PMC \(nih.gov\)](#)

<sup>7</sup> [Predisposing, Enabling, and Need Factors Associated with the Choice of Pharmacy Type in the US: Findings from the 2015/2016 National Consumer Survey on the Medication Experience and Pharmacists' Roles - PMC \(nih.gov\)](#)



Additionally, specialty drugs are typically used by only a small number of patients. If a patient at a small pharmacy were to discontinue their specialty medicine, a small pharmacy could be left with tens of thousands of dollars of “dead inventory” with little to no prospect of being able to use this stock with a different patient. The use of specialty PPNs can concentrate the supply of specialty drugs into pharmacies with multiple patients on a given therapy, with far less inventory risk than would be expected in a smaller pharmacy. The concentration of specialty drugs also enables these pharmacies and pharmacists to develop expertise in the care and dispensing of these medications.

***7. To what extent do SIPs excluded from closed PPNs for specialty medicine provide similar medicine under other public or private benefits plans?***

The type of medications offered by SIPs depends on several factors, such as special equipment and carrying costs, risk of dead inventory, etc, rather than whether a drug is covered by a public or private plan.

Again, it is important to note that less than two per cent of claimants in Canada are for specialty medications<sup>8</sup>.

**SPECIALTY PHARMACIES**

***8. How large a portion of specialty pharmacies’ business do PPNs account for?***

The CLHIA does not have any comments on this section.

***9. Do closed and mandatory PPNs have an effect on quality of care for specialty pharmacies? Do open and voluntary PPNs have a similar effect? Please explain.***

Most, if not all, insurer administered PPNs require participating pharmacies to meet a consistent standard of care in their delivery of core and enhanced services. Insurers monitor performance against the set standards and may take remedial action to protect patient care if the standards are not being met (e.g., by removing a pharmacy from its network).

**LARGE PHARMACY OPERATORS**

***10. Do PPNs impact competition among peer pharmacies? If so, how?***

The pharmacy industry is a competitive market. Pharmacies compete using many strategies, such as waiving co-pays, advertising to encourage patients to switch pharmacies, and price competition, especially on generic drugs.

When constructing a PPN, the insurer or party responsible for the management of the PPN, will typically go through a rigorous procurement process to identify suitable participants. While several different criteria are considered, price plays a significant role (as it does in any procurement process). Pharmacy operators therefore are incentivized to provide very competitive prices (i.e., reduced mark-

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<sup>8</sup> 2022 Drug Data Trends & National Benchmarks Report (Telus Health)



ups) to be successful in the procurement process and be included within the PPN. This process inherently creates a competitive environment and reduces prices for employers and patients.

PPNs also foster a competitive environment focused on quality and performance. Pharmacies included in PPNs must consistently meet strict standards to ensure the highest level of care for patients. Failure to meet these requirements puts them at risk of being outcompeted by another pharmacy. This drives pharmacies to continually improve their services to maintain their position in the network. Overall, PPNs add an additional layer of competition by holding pharmacies accountable to high-quality care standards.

It is important that pharmacies can compete to provide high quality standards and lower costs for employers and patients. Regulating PPNs removes a competitive element that has been effective in driving costs down.

With less than two per cent claimants in Canada for specialty medications <sup>9</sup>, insurer PPNs applying to only a carefully selected portion of this total. PPNs do not apply to the vast majority of drugs prescribed in Ontario.

### ***11. How prevalent are PPNs and how large a portion of large pharmacy operators' business do they account for?***

The prevalence of PPNs varies among large pharmacy operators. Many pharmacy operators and industry members have been using PPNs for over ten years as a key strategy to manage rising drug costs while ensuring quality care.

### ***12. How do large pharmacy operators address needs of plan members in communities that they do not serve in close proximity?***

Large pharmacy operators address the needs of plan members in communities where they do not have a physical presence by offering mail-order delivery services, while ensuring validated cold chain processes are followed. They may also partner with affiliate providers (i.e., retail pharmacies) who are in those communities, to support the logistics of medication delivery. Delivery and, where applicable, affiliate services ensure that plan members in remote or underserved areas still have access to their medications, even if a pharmacy location is not nearby.

#### ***a) To what extent are such plan members required to rely on mail-order delivery and for which type of medication? What are the implications for patient experience?***

Plan members in such communities often rely on mail-order delivery. To be clear, this is often the case regardless of whether a mandatory PPN is in use. Local SIPs may not carry the particular specialty medication nor have the infrastructure (i.e., infusion services) necessary to dispense specialty medications. Specialty medications may also be delivered by mail/courier or provided through an affiliate store or infusion clinic, given their complex handling and monitoring needs. Mail-

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<sup>9</sup> 2022 Drug Data Trends & National Benchmarks Report (Telus Health)



order can provide convenience for consumers and does not disqualify the patient from the benefits associated with PPNs, such as health case management.

In addition, many large pharmacy operators provide pharmacist consultations and healthcare advice by offering virtual pharmacist consultations and robust customer support to maintain a high level of patient care and ensure adherence to treatment.

CLHIA members have found high satisfaction rates (over 90%) for these PPN services, suggesting that the combination of lower costs, enhanced clinical supports, and/or convenient pick-up and delivery options is well accepted by consumers. Many of our member companies see over 80% of consumers utilizing remote delivery services.

***b) To what extent do large pharmacy operators collaborate with local pharmacies in such communities?***

Where appropriate and feasible, specialty PPN partners may collaborate with smaller independent pharmacies to help ensure a positive patient experience. This typically happens in remote locations or where a patient has limited access to mail services. This kind of collaboration helps ensure quality of care.

***13. Do closed and mandatory PPNs have an effect on the quality of care that large pharmacy operators can provide? Please explain.***

Closed and mandatory PPNs have a positive effect on the quality of care that large pharmacy operators. While all pharmacies are required to meet the requirements set forth by the OCP, pharmacies within a PPN are further required to meet the standards and requirements established by the insurer, on behalf of employers that sponsor (i.e., fund) the drug plans. This requirement applies to all pharmacies within a PPN, including large pharmacy operators.

By operating within a closed network, insurers can maintain tighter control over service standards, implement enhanced care protocols, and ensure consistency across all locations. These PPNs enable pharmacies to offer specialized services like medication adherence programs, enhanced patient monitoring, and personalized care plans, which are more economically viable with the higher patient prescription volumes associated with closed and mandatory PPNs.

Additionally, closed PPNs allow large pharmacy operators to allocate resources more effectively, ensuring that patients receive focused, high-quality care, especially for complex or high-cost treatments. The structured environment of closed PPNs ensures adherence to consistent care standards.

**INSURERS AND EMPLOYERS**

***14. Do you currently use PPNs? If so, do you employ closed PPNs and/or mandatory PPNs?***

Most insurers offer a variety of PPNs to meet the needs of the employers who help fund drug plans and the employees and their family members who depend on drug coverage. While there are a variety



of voluntary and mandatory PPN models in existence today, most of the PPNs operated by insurers in Ontario operate on a closed basis.

Canadians who rely on specialty medications to help them manage complex health needs benefit from PPNs, which include protocols to support both continuity of care and a high-quality support and care for patients.

PPNs help to ensure that Canadians who need life-saving medication and other supports can receive them, while also preserving the sustainability of benefit plans. Insurers have a responsibility and mandate to help keep drug costs affordable for employers who offer workplace benefit plans to their workers.

***15. Do closed PPNs have an effect on cost and quality of care? Please explain.***

Yes, closed PPNs have a positive effect on both the cost and quality of care. From a cost perspective, closed PPNs allow insurers and pharmacy operators to negotiate maximum pricing discounts through volume-based agreements, with the savings passed onto employers and their employees. This helps manage rising drug costs and keeps benefits plans sustainable, and can help fund programs, such as health case management, at no additional cost to plan sponsors. For illustration, a specialty drug costing \$1 million annually will incur nearly \$150,000 in pharmacy markups alone. Through a closed and mandatory PPN arrangement, the employer may be to realize up to 70% savings on that markup, driving the future sustainability of the plan.

Additionally, closed and/or mandatory PPNs can offer the greatest degree of cost savings and quality consistency, as more volume through fewer pharmacies tends to generate more savings, and monitoring of compliance with SLAs is more efficient.

In terms of quality of care, closed PPNs enable insurers to provide enhanced, consistent services by ensuring that participating providers offer additional supports. These supports may include patient monitoring, financial navigation support, medication management programs, and adherence initiatives that promote improved health. By focusing care within a defined network, closed PPNs ensure that patients receive more coordinated and personalized attention, contributing to higher overall care consistency and quality while driving future sustainability of plans.

***16. How do insurers and employers select pharmacy operators to include in PPNs? What level of input do employers have and to what extent does this correlate with employer size?***

The process for selecting the pharmacy operators to include in PPNs varies across CLHIA members. In most cases, this would include a competitive process and/or negotiation with pharmacy operators to identify the best possible participants at highly competitive prices. Insurers and their PPN managers, as well as employers in some cases, select pharmacy operators for inclusion in PPNs based on a combination of factors, including the ability to provide high-quality care, cost-effectiveness, geographic coverage, operational excellence particularly with cold chain products, service levels, quality assurance procedures, enhanced services (e.g., medication management and monitoring),



data reporting and more. Some services may even be provided by nurses with specialized training in the disease state and its related medications.

Employers make decisions they feel are in the best interest of their employees. Some have surveyed their employees but most look to their organizational strategy, demographics, etc. to make these decisions. Carriers facilitate and provide input to support employer objectives.

The size of the employer correlates with their level of involvement in drug plan and PPN design decisions. Larger employers may have more engagement and influence in the selection process, as they bring a significant number of employees into the arrangement.

Smaller employers typically rely more on the insurer's established PPNs, with less direct input in selecting operators. In working with an insurer and its inherent scale-based leverage, smaller employers can achieve savings on drug costs that reach far beyond what they could achieve on their own.

## INSURERS

### *17. What proportion of your plans cover specialty medicine? What portion of these employ PPNs?*

CLHIA members indicated that most group benefits plans include coverage for specialty medicines, recognizing the growing need for access to high-cost, life-saving treatments such as biologics and other advanced therapies. The high level of specialty coverage reflects the evolving landscape of healthcare and the increasing prevalence of chronic conditions requiring these therapies.

Of the group benefit plans in Ontario that include specialty medicine coverage, many employ some form of PPN. This approach supports managing rising drug costs while ensuring members receive consistent, high-quality care through specialized pharmacies. PPNs allow better pricing and ensure that members access pharmacies with the expertise required to manage the complex needs associated with specialty medications.

### *18. How is the scope of specialty medicine defined and to what extent, if any, are PPNs used for non-specialty medicine?*

There is no standard definition for specialty medications, but it is generally accepted that that term refers to medications that are high maintenance and high-cost (e.g., \$10,000 and over per person) and are designed to treat highly complex diseases. These drugs may include those that require frequent dosing adjustments and intensive clinical monitoring, intensive patient training and compliance assistance, limited distribution, and/or the requirement for specialized handling or administration. Examples of conditions that would require specialty medications include cancer, rheumatoid arthritis, multiple sclerosis, and rare diseases. It is also common for medications that require prior authorization approval to be included within the PPN. Some of these medications may be considered non-specialty, but given their significant impact on plan costs, PPN services are needed.



Where an insurer offers PPNs, both specialty and non-specialty medications may be dispensed by the participating pharmacy. This allows patients the option to obtain all their prescriptions through the PPN if desired.

Non-specialty PPNs are used by insurers across drug plans, often in unique business situations and to extend PPN benefits, such as cost savings and improved adherence to non-specialty drugs.

***19. How prevalent are PPNs in benefits plans other than those sponsored by employers (e.g., individual benefits plans)?***

PPNs are becoming increasingly prevalent in benefits plans beyond those sponsored by employers, including individual health insurance plans. Insurers recognize the value of PPNs in controlling drug costs and ensuring quality care, and some carriers have extended these networks to individual policyholders. While the structure and scope of PPNs in individual plans may not be as extensive as in employer-sponsored plans, they are still a key component in optimizing access to medications and providing enhanced services like medication adherence programs and cost savings on high-cost drugs.

***20. What is the price differential between plans involving closed PPNs, open PPNs, and no PPNs? Similarly, what is the price differential between plans involving mandatory PPNs and those involving voluntary PPNs?***

Prices would vary and are determined based on negotiations between insurance companies (or their PPN managers) and pharmacies. Generally, based on our members' experience, there can be significant savings on pharmacy markups through certain PPN arrangements resulting in substantial savings for employers and patients (where a co-pay exists).

Generally, plans with PPNs would benefit from lower costs, including lower dispensing fees, mark-ups and ongoing costs. Plans with mandatory PPNs are expected to realize greater savings based on higher prescription volumes for the selected pharmacy(ies). Plans that do not include a PPN are underwritten to account for the absence of those potential benefits, which often results in higher premiums.

***21. Do you currently employ PPNs for non-specialty medicine? If so, are these primarily open or closed, and voluntary or mandatory?***

Non-specialty PPNs are used by some insurers. Sometimes they are also in unique business situations (e.g., the request of plan sponsors) and to extend PPN benefits, such as cost savings and improved adherence to drugs. Ultimately, it is the employer's decision on whether to utilize a PPN and which PPN model to utilize.

**SMALL AND MEDIUM SIZED EMPLOYERS**

***22. Do you sponsor coverage for specialty medicine?***

Canadian insurance carriers recognize the importance of providing access to specialty medicines, even for small to mid-sized employers (SMEs). All carriers have standard or optional drug plan





features that provide coverage for high-cost specialty medicines, and the vast majority of employer-sponsored plans would include some element of specialty medicine coverage.

The approach often involves structuring plans with cost-management strategies, such as implementing PPNs, and offering tiered coverage options, which help manage financial impacts while ensuring employees have access to the specialty care they need.

For SMEs, these plans are designed to provide comprehensive drug coverage, including access to high-cost specialty medicines, without compromising on affordability or quality of care.

### ***23. How important are the savings provided by closed (or mandatory) PPNs for SMEs?***

The savings provided by closed or mandatory PPNs are particularly important for SMEs, helping them afford coverage for specialty medicines that may otherwise be cost-prohibitive. SMEs typically face tighter budget constraints compared to larger organizations. As such, insurers leverage their scale to provide coverage and pricing discounts the SMEs could not otherwise manage on their own. PPNs enhance the coverage and savings available to SMEs.

#### ***a) Do closed PPNs allow SMEs to sponsor coverage for specialty medicine they would otherwise be unable to pay for?***

Based on CLHIA members' experiences, closed PPNs have been effective in enabling SMEs to sponsor coverage for high-cost specialty medicines. By negotiating lower prices with pharmacies, closed PPNs allow SMEs to offer access to essential specialty drugs like biologics or other high-cost therapies without overwhelming their benefits budgets. Without the savings these PPNs provide, many SMEs would likely find it challenging to offer such comprehensive drug coverage, which would reduce access to specialty medications for Ontarians.

#### ***b) Similarly, do mandatory PPNs allow SMEs to sponsor coverage they would otherwise be unable to pay for?***

Mandatory PPNs have a similar effect to closed PPNs by providing cost savings based on employees filling their prescriptions within a designated network of pharmacies. These savings are especially valuable for SMEs, as they help pool coverage offered by insurers to limit employer's exposure to high-cost claims and control expenses related to specialty drug claims, which could help them to provide coverage they might not otherwise be able to afford. In mandatory PPNs, the exclusivity of the network allows for greater bargaining power, which directly benefits SMEs and plan members by lowering costs.

#### ***c) Are open PPNs able to provide comparable cost-savings?***

Most of our members do not find that open PPNs have provided comparable cost savings. An open PPN is not as common as closed PPNs. Participating pharmacies are willing to offer reduced mark-ups as a result of reasonable assumptions regarding volume. If any pharmacy can join the network, this may impact the advantage to a 'participating' vs. 'not participating' pharmacy.



## POLICY CONSIDERATIONS

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### *24. Is policy intervention regarding PPNs desirable? If the government were to intervene, what course of action would be best? Which category of stakeholder should be directly regulated, and which regulator should be responsible?*

CLHIA members do not support policy intervention. Any policy intervention is likely to lead to negative impacts on employers to provide sustainable workplace drug programs and for consumers who need access to and savings on their prescription medicines, especially high-cost specialty medications.

As we have noted above, PPNs are a highly effective drug plan management tool and are working well. PPNs have been in existence for more than a decade, have proven to be popular with employers, have high participation rates, and have high consumer satisfaction scores. Any policy intervention would likely weaken insurers' ability to negotiate with pharmacies for lower mark-ups and undermine the effectiveness of PPNs as a tool for managing drug costs.

The best course of action is to maintain the status quo, allowing employers and drug plan beneficiaries to continue to enjoy the maximum savings and access to additional health services. The fact is PPNs are working both for patients and employers. Changes to these structures could have unintended consequences both for patient care, as well as plan sustainability.

The government should also recognize that PPNs are used across the healthcare sector. Government intervention on PPNs could impact their ability to produce cost savings for other health organizations. For example, Ontario Health, hospitals and long-term care facilities utilize PPNs through their procurement processes. Restricting or limiting PPNs would drive up their operating costs, which, in turn, will put financial pressure on government funding for these facilities.

### *25. How would AWP or OCP regulation impact cost, accessibility, quality of care? Cost of and access to specialty medicine? Accessibility for consumers (including geographical access)? Quality of care for consumers?*

#### **Cost**

A closed and mandatory PPN provides quality care and volume-based cost savings, contributing to improved access to additional services, plan affordability for employers and more sustainable plans. As mentioned above, any policy intervention would likely weaken insurers' ability to negotiate with pharmacies for lower mark-ups and could add impact cost savings.

#### **Access to care**

PPNs are not intended or designed to limit access to drugs. Where unique geographic challenges exist, PPN providers will often partner with local affiliate pharmacies to deliver the medications or provide an exception. CLHIA members are willing and prepared to work with employers, patients and clinicians to develop exception situations that would allow patients to obtain their medications outside a given PPN on a case-by-case basis. Government intervention is not needed to ensure consumers get the specialty medications they require.



## Quality of care

The key requirement for a PPN to deliver quality care and protect consumers from risk is the availability of licensed, high-quality pharmacists in Ontario. If the OCP is ensuring that all licensed pharmacists are meeting the minimum standard of practice, then Ontarians should be assured of the quality of care they receive in or outside of a PPN.

In addition, PPNs typically require higher levels of care than the regulated minimum, and participating pharmacies/pharmacists are monitored to ensure quality and consistency. Limiting PPNs would reduce the ability of insurers and employers to offer employees higher levels of care and support, which can impact access to additional health services available through PPNs. It would also reduce the ability of pharmacists and their allied health team members to offer this enhanced level of care and support to their patients.

## Choice for consumers and employers

As mentioned above, government intervention banning PPNs may not necessarily increase patient choice. This is evident in Quebec where there are regulations banning PPNs and a good proportion of patients are only served by a handful of providers.

Regulating PPNs would also reduce the options available to Ontario employers to design a plan that works for their business and employees.

### ***26. For Insurers: How would regulation that limits closed PPNs or mandatory PPNs impact quality assurance?***

Insurers typically utilize SLAs to require pharmacies/pharmacists participating in a PPN to meet specific standards of care and enhanced services, often at a level that exceeds the base level stipulated by a regulatory college. The SLA helps to ensure a consistent level of care and service across the PPN. As you open the PPN and add more participants, it becomes more challenging to monitor and enforce the SLA standards.

### ***27. For Specialty Pharmacies and Large Pharmacy Operators: How important are closed PPNs to the business models of specialty pharmacies and large pharmacy operators? Specifically:***

#### ***a) Would mandating that PPNs be open or voluntary affect the prices you can offer as part of PPN agreements?***

Yes. Mandating that PPNs be 'open' to any participants reduces the incentive to offer lower prices given the lack of assurance around volume for participants. Further, removal of mandatory PPNs would also decrease volumes, in turn, increasing prices.

#### ***b) Would mandating that PPNs be open or voluntary affect the standards and quality of care that pharmacies you can offer while remaining competitive?***

The CLHIA does not have any comments on this question.



*c) Would mandating that PPNs be open or voluntary affect the scale you need to compete effectively?*

The CLHIA does not have any comments on this question.

## CONCLUSION

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In closing, the industry does not recommend regulating PPNs, as it will lead to higher costs and less access to much needed medications for Ontarians. The best course of action is to maintain the status quo, allowing employers and patients to manage drug costs, while enabling patients to access enhanced and personalized care.

We greatly appreciate the opportunity to provide comments on the PPNs in the employer-sponsored drug insurance sector. Should you have any questions, please contact Joan Weir, Vice President, Group Benefits at [jweir@clhia.ca](mailto:jweir@clhia.ca).



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