

Ontario is moving ahead with changes to the drug system - lowering generic drug prices for all Ontario residents

On Monday June 7, 2010, the Ministry of Health (MoH) and Long Term Care (LTC) announced that the regulations proposed April 7th will begin to take effect on July 1, 2010 with only a few changes.

Originally, the regulations were expected to go into effect on May 15, but were delayed to allow the Minister time to review submissions from pharmacists and other stakeholders. With the delay, it was uncertain whether the government would make significant changes to the proposed regulations, particularly in how the regulations would apply to the private sector.

The government has now confirmed that the lower generic prices, as well as the elimination of the professional allowances, will apply to both the public and the private sector.

Overall Impact and next steps

It is expected that the reduced generic prices and the elimination of the professional allowance will have a significant impact for the pharmacy community. Pharmacies may look at alternate ways to offset some of their loss in revenue, such as through increasing dispensing fees and applying mark-up on drugs for private payors (i.e., those with benefit plans, as well as cash paying customers).

For our Pay-Direct Drug plans (PDD), we have some protection from these potential increases because of price controls in place.

- The dispensing fee paid is limited to a reasonable and customary amount of \$11.99. Pharmacies can balance bill Sun Life plan members if their fee is higher than \$11.99. If pharmacies start increasing their dispensing fees, then plan members can expect to see an increase in their out-of-pocket expenses.
- The allowable markup on ingredient costs is limited to that agreed upon between Telus (our Pharmacy Benefit Manager,) and the participating pharmacies. As part of this agreement, the pharmacy agrees to not balance bill the member additional amounts over the allowable ingredient cost.

The type of price controls on PDD plans are generally not applied to paper reimbursement (non drug card) plans. If your plan is a non PDD plan, you may want to contact your Sun Life Financial group benefits representative to discuss options to manage the potential increase in costs to your drug plan.

The reduced generic pricing will apply to private plans. To determine the potential overall savings, we will continue to monitor the pharmacy reaction to these changes, as well as any exemptions allowed by the Ministry of Health.

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| Topic | Proposed Regulations | Final Regulations |
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| Generic Price Reduction <ul style="list-style-type: none"> • ODB (public drug plan) currently pays up to a max. of 50% of brand price • Private plans currently pay between 63% to 75% of brand prices for generics | Public Plan (ODB): <ul style="list-style-type: none"> • Reduced to 25% of Brand cost, effective May 15th Private Sector: <ul style="list-style-type: none"> • reduced to 50% of brand, effective May 15, 2010 • reduced to 35% of brand, effective April 1, 2011 • reduced to 25% of brand, effective April 1, 2012 | Public Plan (ODB) <ul style="list-style-type: none"> • Same as proposed, but effective July 1, 2010 Private Sector: <ul style="list-style-type: none"> • Same as proposed, but to take effect as follows: <ul style="list-style-type: none"> • 50% - July 1, 2010 • 35% - April 1, 2011 • 25% - April 1, 2012 Notes: <ul style="list-style-type: none"> • Reduced pricing applies to only generics on the ODB formulary • Reduced pricing for generics of Lipitor will be implemented immediately (June 7th) for both public plan and private payors. Lipitor, a highly utilized cholesterol lowering drug, recently went off patent. We expect the generics will soon be on the ODB formulary • Some generics will be exempt from the reduced prices (e.g., products older than 10 yrs, & non-solid drug products) |
| Phasing out of Professional Allowances <ul style="list-style-type: none"> • Professional allowances currently regulated on ODB/public plan limit of 20% on ODB drugs • On private plans, professional allowances are not currently regulated | Public Plan (ODB) <ul style="list-style-type: none"> • Reduced to 0%, effective May 15, 2010 Private Sector: <ul style="list-style-type: none"> • Reduced to 50%, effective May 15, 2010 • Reduced to 35% effective April 1, 2011 • Reduced to 25% effective April 1, 2012 • Reduced to 0% effective April 1, 2013 | Public Plan: <ul style="list-style-type: none"> • Same as proposed, but effective July 1, 2010 Private Sector: <ul style="list-style-type: none"> • Same as proposed, but effective as follows <ul style="list-style-type: none"> • 50% - July 1, 2010; • 35% - Apr.1, 2011; • 25% - Apr 1, 2012; • 0% - Apr 2., 2013 |

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| Increase dispensing fee, for ODB/Public plan only <ul style="list-style-type: none"> Currently, ODB pays a \$7 dispensing fee This change will not directly impact private payors | Public Plan (ODB): <ul style="list-style-type: none"> Increase fee by \$1 - from \$7 to \$8, effective May 15, 2010 For rural pharmacies, increase fee up to \$4 - from \$7, up to \$11 (\$ increase based on defined criteria) | Public Plan (ODB): <ul style="list-style-type: none"> Same as proposed, but effective July 1, 2010 For rural Pharmacies, increase up to \$5 (up to a maximum of \$12) depending on rural location and distance between pharmacies |
| Cap on Markup for ODB/Public Plan only <ul style="list-style-type: none"> Currently, ODB pays a maximum of 8% mark-up on formulary drug | Public Plan (ODB) <ul style="list-style-type: none"> 5% for self-distributing pharmacies; 10% for rural pharmacies; 8% for all other pharmacies \$125 cap on mark-up | Public Plan (ODB): <ul style="list-style-type: none"> No change to current mark-up - mark-up remains at 8% on all drugs There is no cap applied |
| Extra funding for Professional Services provided by pharmacies | Public Plan <ul style="list-style-type: none"> \$100 million in additional funding to compensate pharmacies for professional services and to support pharmacies in rural areas This is in addition to the \$50 million currently in place for the MedsCheck program | Public Plan <ul style="list-style-type: none"> 150 million investment stays the same, but: <ul style="list-style-type: none"> \$75M will be used to pay a Transitional Fee to pharmacies until professional services are implemented. This additional fee will gradually decrease as follows: <ul style="list-style-type: none"> \$1 effective July 1, 2010 \$0.65 effective April 1, 2011 \$0.35 effective April 1, 2012 Eliminated effective April 1, 2013 <p>Note: This additional fee is intended to be paid for ODB recipients only; it is not intended that private plans also pay this fee</p> |

Here is the previous [Focus Update](#) announcing the proposed Ontario Drug plan details.

For additional information on the Ontario drug reforms, please visit the Ontario government Web site at www.ontario.ca/drugreforms.

Questions?

Please contact your Sun Life Financial group benefits representative