

Changes to Alberta's Prescription Drug Program

As part of the Alberta Pharmaceutical Strategy, the Government of Alberta has announced a number of significant changes to its drug programs. These changes will have an impact on plan sponsors providing drug coverage in the province of Alberta. The changes include:

- A delay to the proposed optional Seniors' Drug Program
- New lower limits on generic drug prices
- A temporary Transitional Allowance that pharmacists can charge on each prescription of \$75 or less.

Delay in changes to Alberta Seniors' Drug Program

As communicated in [Focus Update 187](#), the government announced changes to the Seniors' Drug Program effective July 1, 2010. However, on March 31, 2010, Alberta Health and Wellness announced that it was delaying implementation of the changes and that the current Seniors' Drug Program will remain in effect.

Under the current program, Alberta seniors and their dependents are automatically provided with premium-free drug coverage. Seniors pay 30% of the cost of prescriptions up to a maximum of \$25 per prescription.

We anticipate Alberta Health and Wellness will re-open discussions on the proposed changes in the fall. In the meantime, we continue to actively communicate with the government and will continue to advocate that it remain the first payor under the program.

Changes to Generic Drug Pricing – Beginning April 1, 2010

The price for existing generics listed on the provincial formulary has been reduced to 56% of the brand cost, beginning April 1, 2010. This reduced generic price applies to both public and private payors. All new generics entering the market and added to the Alberta formulary will be priced at 45% of the brand cost.

Alberta Health and Wellness will permit the existing higher pricing for a 60-day grace period to allow pharmacies to deplete their generic drug inventory purchased before April 1. However, pharmacists will be required to charge the lower rate for any inventory purchased after April 1.

Sun Life Financial will be changing its price files to reflect the new generic drug pricing as of June 1, 2010, which is at the end of the 60-day grace period.

Generic drugs that are not on the Alberta formulary – but are covered by private health plans – will not benefit from this new pricing. Please note that on average, over 80 per cent of generic drugs covered by Sun Life Financial's drug plans are on the formulary and will benefit from the reduced generic pricing.

Transitional Allowance – Effective April 1, 2010

In recognition of the immediate financial impact resulting from this change to generic pricing, pharmacies will be allowed to charge a “transitional allowance” as set out below on each prescription of less than \$75, regardless of whether the prescription is for a brand-name or generic drug.

- \$3 per prescription, from April 1, 2010 until March 31, 2011
- \$2 per prescription, from April 1, 2011 until March 31, 2012
- \$1 per prescription, from April 1, 2012 until March 31, 2013

After March 31, 2013, the transitional allowance will be eliminated.

Sun Life Financial lobbied the Alberta government to restrict the transition allowance to generic drugs on the formulary only, but the government moved forward in permitting the allowance on all prescriptions of \$75 or less. Consequently, pharmacies began charging this transition allowance as of April 1, 2010 – for all prescriptions less than \$75 in both public and private markets.

To ensure your plan members are not required to pay an additional out-of-pocket expense as a result of this change, these transitional allowances will be considered an eligible expense under your Sun Life Financial group benefits plan.

Impact to your plan

Based on our analysis, in the first year, the savings from the lower generic drug pricing will be offset by the \$3 transitional allowance, with savings increasing marginally in years 2 and 3. Over the longer term, we anticipate the savings from lower generic drug pricing to be about 2% of current prescription drug costs.

Questions?

If you have any questions regarding these changes to the Alberta Pharmacare program and how they affect your group benefits plan, please contact your Sun Life Financial group benefits representative.

For additional information, please visit the Alberta government Web site at <http://www.health.gov.ab.ca/>