Benefits CANADA

Ontario drug changes announced

June 07, 2010 | Jody White

Ontario's Ministry of Health and Long-Term Care has announced the final changes to the Ontario Drug System Renewal, but plan sponsors won't notice much of a difference from the original legislation.

Generics

The cost of generic drugs will remain as planned (Year 1: 25% of brand price for government, 50% of brand price for private sector plan sponsors; 35% of brand price effective April 1,
2011, and 25% of brand price from April 1, 2012.)

However, some exceptions will be made, such as:

• single–source generics;
• non-solid dosage forms;
• generics of brand products that have been benefits for 10 years or more;
• generics of brand products that were delisted from the provincial formulary 5 years ago or more, generics for brand drugs that have dropped prices by 20% or more over past 2 years; and
• three-month pricing exceptions for new generics that come to market where generic company has fought to break patent and bring drug to market sooner, etc.

Professional allowances

The controversial rebates currently supplied to pharmacists by drug manufacturers will end as of July 1 for the Ontario Drug Benefit, while for private plans it will be reduced along the same 3-year schedule as generics. Instead, the government will provide new "Commercial Terms"—such as prompt payment discounts, distribution service fees and volume discounts—which will be capped at 10%, as per the original legislation.

According to Mike Sullivan, president of Cubic Health Inc., the government's announcement is more applicable to public sector plan sponsors than it is to their private sector counterparts due to the following points:

Mark-ups will remain at 8% (for the public sector) for all pharmacies.

Dispensing fees will increase from $7 to $8, $9, $11 or $12, depending on how far pharmacies are located from one another.

The government will partially offset the financial blow to pharmacies by with a transition allowance on ODB claims that will provide an additional $1 dispensing fee per prescription in 2010/2011, $0.65 in 2011/2012 and $0.35 in 2012/2013 and $0 thereafter).

For private plans sponsors, the good news is that generic price reductions are coming. The bad news is that pharmacy will be looking elsewhere to make up that lost revenue.

"Very little has changed since April's announcement for private sector plans outside of some of the generic pricing exemptions," says Sullivan. "Overall lower generic prices are good news, but there are a number of ways around these changes that will adversely impact employers, such as higher mark-ups and higher dispensing fees.