

COURIER

Special edition for Ontario plan sponsors

Ontario cuts generic drug prices

The Ontario government has introduced plans to reduce generic drug charges for employer-sponsored drug plans by as much as 50 per cent beginning as early as May 2010.

Under revisions to Bill 102 announced on April 7, 2010, the \$750 million in professional allowances paid by pharmaceutical manufacturers to drug stores would be eliminated, resulting in across-the-board reductions in the prices of generic drugs.

Under the plan, generic drug prices will ultimately be reduced to 25 per cent of their brand name equivalent over the following three-year period:

Date	Generic drug price reduction
April/May 2010	To 50% of the brand name price.
April 1, 2011	To 35% of the brand name price.
April 1, 2012	To 25% of the brand name price.

Currently, generic drugs cost between 60 and 70 per cent of their brand name equivalent.

For individuals receiving drug benefits under the Ontario Drug Benefit plan (primarily those receiving social assistance benefits), the reduction to 25 per cent of the brand name price will be effective immediately on passage of the new legislation. As well, the maximum mark-up on drugs covered under the ODB will be capped at \$125.

To offset the reductions, the dispensing fees that pharmacists may charge for prescriptions filled under the ODB plan will increase from the current level of \$7 per prescription to \$8 in *urban* areas and \$11 in *rural* areas. (The official definition of urban and rural communities has yet to be disclosed.) Pharmacists will also

be able to charge for a number of newly mandated professional services such as giving vaccinations and prescribing certain medications. (For background, see the February 2010 issue of the *Coughlin Courier*.) As well, up to \$100 million in additional money will be directed to the provincial MedsCheck Program.

The elimination of the \$750 million rebate to pharmacists has met with strong protests among pharmacy owners, with some pharmacy chains reducing their store hours and others introducing delivery fees and other surcharges for their services.

Impact on benefit plans

Plan sponsors should benefit from lower generic drug prices over the next two years.

It should be noted that additional charges, such as delivery fees, are not covered by most benefit plans. Plan sponsors should be prepared to communicate this to their plan members or employees.

Impact on Coughlin's Preferred Provider Network (PPN)

Participating pharmacies in Coughlin's PPN limit dispensing fees to the Ontario Drug Benefit plan maximum. Covered dispensing fees will be adjusted to the new levels mandated by the legislation.

More information will be provided as it becomes available. 

