

Drug System Renewal

Providing Fairer Drug Prices For All Ontarians

June 7, 2010

Why Are We Here

- Ontario is moving ahead with the reforms of the prescription drug system to provide fairer generic drug prices
- On April 7, the government announced the proposed changes
- Today, the government is outlining the final changes that will take effect on July 1, 2010

Background

- Ontario is spending more on generic drugs than most developed countries
- In some cases, we're paying five times more than what some US states pay.
- Professional Allowances (PAs) inflated price of generic drugs for all Ontarians; \$750 million per year as reported by pharmacy owners

Background

- Misdirected
 - PAs were intended to be for activities that directly benefit patients
 - Almost 70% was used for salaries, bonuses and fringe benefits
- Recycling
 - Some pharmacies were also involved in a re-sale scheme in order to receive professional allowances multiple times for the same product – a practice that has resulted in the government taking legal action against them

Professional Allowances

Proposed change announced in March/April

- Eliminate Professional Allowances (PAs) in both public and private markets

Today

- Same
- For Ontario's drug programs, PAs will be eliminated altogether, effective July 1, 2010
- For the private market, PAs will be phased out over a 3-year period, to allow pharmacies time to adjust as the new professional services are introduced
 - Timing will be as follows: July 1, 2010 – up to 50%, April 1, 2011 – up to 35%, April 1, 2012 – 25% and eliminated completely as of April 1, 2013

Generic Drug Pricing

Proposed change announced in April

- Lowering the cost of generic drugs to up to 25% of the cost of the original brand name on May 15, 2010 for Ontario's drug programs
- For private market, phased price reduction: up to 50% on May 15, 2010, up to 35% on April 1, 2011 and up to 25% on April 1, 2012

Today

- Same (except exemptions expanded) and initial effective date July 1, 2010

Generic Pricing Exemptions

Proposed change announced in April

- Single source generic (only one listed) may be exempted based on high cost of raw materials
- Older products may be exempted (such as products where brand reference listed is more than 10 years; and products where brand has not been a benefit for more than five years)

Generic Pricing Exemptions (continued)

Today

- Product priced at up to 25% of brand price unless the brand has dropped its price by more than 20% in last 24 months
- Non-solid drug products may be priced up to 35% (i.e. exempt from 25% price rule). This represents about 8% of total generic expenditures on public side
- Creating an incentive period (3 months with drugs priced at 50% of brand) to encourage generic companies to bring new drugs to market
- One-time regulation related to Lipitor to be priced immediately (prior to the July 1 effective date) leading to significant savings for Ontario's drug programs

Dispensing Fees

Proposed change announced in April

- Increasing dispensing fees by \$1 (from \$7 to \$8) for prescriptions filled under Ontario's drug programs
- Increasing dispensing fees up to \$4 for rural pharmacies based on defined criteria

Today

- Same, except rural dispensing fees will increase up to \$5 depending on rural location and distance between pharmacies

Rural Pharmacy Support

Proposed change announced in April

- Increasing dispensing fees up to \$4

Today

- Dispensing fees will increase up to \$5 for rural and under-serviced areas based on distance
 - Where there is < 5 km between pharmacies and more than two pharmacies in a town - will stay at new level of \$8
 - Where there is < 5 km between pharmacies and two or less pharmacies in town = \$9
 - Where there are no other pharmacies within 5 to 10 km = \$9
 - Where there are no other pharmacies for 10 to 25 km = \$11
 - Where there are no other pharmacies for more than 25 km = \$12

Mark-up

Proposed change announced in April

- 5% mark-up for self-distributing pharmacies; 10% for rural pharmacies; 8% (i.e. no change) for all other pharmacies
- \$125 cap on mark-up

Today

- 8% mark-up, for distribution and inventory carrying costs, remains for every pharmacy
- No mark-up cap

Professional Services

Proposed change announced in April

- Paying for additional professional services offered by pharmacists to patients and establishing a \$100 million fund for doing so. This would be over and above the \$50 million investment for the MedsCheck program, for a total of \$150 million

Today

- \$150 million investment stays the same
- Continuing the annual investment of \$50 million for MedsCheck and expanding the program
- Providing \$75 million in transition fees until further professional services implemented
- Providing \$25 million for other services that will benefit rural communities, such as facilitating the delivery of prescriptions in rural communities for people with limited mobility, among other things
- The ministry has begun discussions with the pharmacy sector and will be establishing a committee that includes pharmacists to determine what new services will be covered under the new professional services fund

MedsCheck Program

Proposed change announced in April

- No changes proposed
- Currently provides annual and follow up one-on-one consultations with a pharmacist for patients with a chronic condition and taking three or more prescription drugs

Today

- The program will be expanded to include initial and follow-up consultations for people with diabetes, quarterly medication reviews for long-term care home residents, and at-home review of medications for people who have difficulty travelling to local pharmacy
- The payment for the annual MedsCheck will be increased to \$60.

Transitional Fees

- Transition fees provided to pharmacies in form of an additional \$1 payment, giving support to pharmacies until they can offer additional professional services
- This additional payment gradually decreases (\$1 in 2010/11; \$0.65 in 2011/12, \$0.35 in 2012/13; \$0 as of March 31, 2013) while pharmacies begin offering more professional services

Private label generics

Proposed change announced in April

- Private label generic products are prohibited in both public and private markets

Today

- Same and in addition, prohibition applies to both pharmacies and wholesalers

What these reforms mean for Ontarians

- Lower priced generic drugs
- A more accountable drug system
- Bolstering support for rural pharmacies
- More services by pharmacists for patients (beginning with expansion of MedsCheck program)