

## **NOTICE FROM THE EXECUTIVE OFFICER**

March 16, 2012

### **Upcoming Changes for April 1, 2012**

This notice is to remind you that a number of regulatory changes will be implemented **effective April 1, 2012**. The upcoming regulatory changes include:

- Increase in Dispensing Fees for Ontario Drug Benefit Program
- Transition Fee payment set at \$0.35 for each eligible drug claim
- Generic drug pricing set at 25% in the private market (subject to certain exceptions)
- Professional Allowance set at 25% for generic drug products dispensed in the private market

#### **(1) Increase in Dispensing Fees for Ontario Drug Benefit Program**

As set out in Ontario Regulation 201/96 made under the *Ontario Drug Benefit Act* (“ODBA”), which came into effect on July 1, 2010, pharmacies are eligible to receive an annual increase in the dispensing fee paid for prescriptions reimbursed under the Ontario Drug Benefit (“ODB”) program, on April 1st of each year until 2014.

Effective April 1, 2012, the dispensing fee paid for most ODB prescriptions will increase to \$8.40. In addition, pharmacies that are eligible to receive higher dispensing fees based on its location in rural and remote areas (i.e. the pharmacy must be located in an area where the second figure of the postal code is '0' or the pharmacy's score on the Rurality Index for Ontario is greater than 40) will also receive increases, based on the distance between pharmacies:

- If there is no other pharmacy within 5 km, the fee increases to \$9.45.
- If there is only one other pharmacy within a 5 km radius, the fee increases to \$9.45.
- If the nearest other pharmacy is between 5 km and 10 km away, the fee increases to \$9.45.
- If the nearest other pharmacy is between 10 km and 25 km away, the fee increases to \$11.55.
- If the nearest other pharmacy is 25km or more away, the fee increases to \$12.61.

Please ensure your pharmacy software systems are updated appropriately for April 1, 2012. Claims submitted with an incorrect fee are not eligible for resubmission for a higher dispensing fee.

#### **(2) Transition Fee Payment**

As part of the changes to Ontario’s drug system in July 2010, a transition fund was created to support pharmacies to adapt to the changes within the drug system. The initial transition fee of \$1 per eligible claim was effective July 1, 2010 and reduced over a three year period.

Effective April 1, 2012, the transition fee payments for each eligible claim will be \$0.35 per claim. Transition fee payments will be processed and added to the pharmacy's regular payment cycle.

**(3) Generic Drug Pricing set at 25% in the private market under the *Drug Interchangeability and Dispensing Fee Act***

In July 2010, the Ontario government made changes to the prescription drug system, which included lowering the cost of interchangeable products. Subject to certain exemptions, the cost of interchangeable (generic) drugs must be priced at less than or equal to 25% of the Drug Benefit Price (DBP) of the original (brand) product as set out in the regulation under the *Ontario Drug Benefit Act* (ODBA). The changes also specified a gradual decrease to interchangeable drug product pricing in the private market over a three year period for private employer drug plans and people who pay cash for their prescriptions as set out in the regulation made under the *Drug Interchangeability and Dispensing Fee Act*.

Effective April 1, 2012, interchangeable products that are supplied in the private market and which are designated as listed drug products under the ODBA will be required to be priced at the same DBP as set out under the ODBA (i.e., priced at a maximum of 25% of the original product price). The only exception to that rule is if the price for the product under the ODBA is higher than 25% (due to an eligible exception under the ODBA), then the higher ODBA price applies.

**(4) Professional Allowance set at 25% for generic drug products dispensed in the private market**

In July 2010, Ontario also took steps to gradually eliminate professional allowances in order to provide more transparency and accountability as part of the changes to the drug system.

Effective April 1, 2012, the total dollar amount of professional allowances that may be provided by a manufacturer to persons listed in subsection 12.1 (1) of the *Drug Interchangeability and Dispensing Fee Act* (e.g., wholesalers, operators of pharmacies, or companies that own, operate or franchise pharmacies, or to their directors, officers, employees or agents) will be set at 25% in respect of all of a manufacturer's interchangeable products that are dispensed by a pharmacy and that are not reimbursed under the *Ontario Drug Benefit Act*.

We appreciate your attention to this matter and continued co-operation in making these benefit adjustments.