



## Update on Ontario Drug Reforms

On April 7, 2010, the Government of Ontario announced long awaited reforms to Ontario's drug system. The proposed regulations, which amend the *Drug Interchangeability and Dispensing Fee Act (DIDFA)* and *Ontario Drug Benefit Act (ODBA)*, include the following changes scheduled to take effect on May 15, 2010:

### (1) Lowered Generic Pricing

For the public sector, the Ontario Government will reduce the ingredient cost amount paid to pharmacies for dispensing existing generics on the Ontario provincial formulary from 50% to 25% of the published brand price. For generic drugs reimbursed by the private sector, the ingredient cost will be reduced from 70% to 50%, with incremental reductions to 35% and 25% on April 1, 2011 and 2012, respectively. The regulation of generic pricing in both the public and private markets will ultimately eliminate the two-tiered pricing that was created by Bill 102 in 2006.

### (2) Elimination of Pharmacy Professional Allowances

The Ontario Government will eliminate professional allowances, which are currently regulated at 20% for the public market. These rebates are provided by generic manufacturers to pharmacies for stocking their products. In the private market, however, the currently unregulated professional allowances will be regulated at 50% and gradually eliminated.

Further reductions are scheduled as follows:

- 50% to 35% on April 1, 2011
- 35% to 25% on April 1, 2012
- 25% to 0% on April 1, 2013

The Province will establish conditions for replacing professional allowances with "ordinary commercial terms". Commercial terms will be defined by the government in the months to come.

### (3) ODB Dispensing Fees & Mark-ups

On May 15, 2010, the Ontario Government will place a \$125 cap on the current 8% ingredient cost mark-ups for drugs that are publically funded only. There will be no restrictions/caps implemented for the private sector. The Ontario Drug Benefit (ODB) public program will also increase the dispensing fees from \$7 to \$8 per prescription. Dispensing fees will continue to increase by 2.5% each year for the next 5 years. In addition, the program will pay up to an additional \$4 in dispensing fees to pharmacies located in rural and under-served areas.

### (4) Cognitive Services

The Province will reinvest a portion of the generated savings into the health care system. This will help fund the expansion of pharmacy cognitive services proposed by Bill 179, which includes the monitoring and managing of chronic diseases (ex. diabetes). Furthermore, an additional \$100 million will be injected into the MedsCheck service, a publicly funded program that allows all Ontarians to schedule an annual comprehensive medication review with a pharmacist for up to 30 minutes.

## What Does This Mean For Plan Sponsors?

These changes will have a positive impact on private payers. Plan Sponsors may expect cost savings of up to 3-4% as a result of the reduced generic pricing, assuming no changes to pharmacy dispensing fees and mark-ups submitted to private payers. In addition, pharmacies are likely to look to private payers for reimbursement of cognitive fees, which would offset some of the savings. We will keep you apprised of any changes.

For more information about these changes, please contact your ClaimSecure Client Service Representative at 1-888-479-7587 or visit the following link: [http://www.health.gov.on.ca/english/public/legislation/drugs/regulation\\_935.pdf](http://www.health.gov.on.ca/english/public/legislation/drugs/regulation_935.pdf)

