



June, 2010

Update on Ontario Drug Reforms

On June 7, 2010, after two months of negotiation with the Ontario Pharmacists' Association (OPA) and pharmacy chains, the Ministry of Health and Long-Term Care announced its final plan. They will follow through with the originally proposed drug system reforms, with minor changes.

The following is a review of the changes scheduled to take effect on July 1, 2010:

Lowered Generic Drug Pricing

Private Sector

The reimbursement of generic drugs will be reduced from 70% to 50% of the brand name cost. Incremental reductions to 35% and 25% will take place on April 1, 2011 and 2012, respectively.

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 name cost.

These price changes will apply to most generic drugs listed on the Ontario Drug Benefit (ODB) formulary and drugs not listed on the formulary, but that are deemed interchangeable.

Elimination of Pharmacy Professional Allowances

Private Sector

The currently unregulated Professional Allowances (PAs), will be regulated at 50% and gradually eliminated by April 1, 2013.

Public Sector

The Ontario Government will eliminate PAs, which are currently regulated at 20%.

In place of the PAs, ordinary commercial terms will become available and capped at 10% of the product value.

Dispensing Fees

Private Sector

Dispensing fees will continue to be unregulated by the government.

Public Sector

The ODB program will increase the dispensing fees from \$7 to \$8 per prescription, with an additional \$5 in dispensing fees to pharmacies located in rural and under-served areas, as opposed to the previously proposed \$4.





Mark-ups

Private Sector

Mark-up on drug ingredient cost will continue to be unregulated by the government.

Public Sector

The current 8% ingredient cost mark-up will remain for all pharmacies. However, the previously proposed \$125 cap on mark-up will not be implemented.

Cognitive Services & Transition Funding

Private Sector

As of yet, cognitive services and transition funding through transition allowances or fees are not subject to private payers.

Public Sector

In 2010/11, the government will invest \$150 Million for cognitive services provided by pharmacists. Of this annual investment, \$50 Million will be used to expand the MedsCheck program and \$75 Million will go towards transition funding. The remaining will be used for other cognitive services.

As part of the transition fund, a \$1 transitional fee will be added to the \$8 dispensing fee per prescription. The transitional fee will decrease to \$0.65 in 2011/12, \$0.35 in 2012/13 and \$0 as of March 31, 2013. The transition fund will support pharmacies until new billable cognitive services, possible under Bill 179's increased scope of practice, are set up.

What Does This Mean For Plan Sponsors?

As mentioned in our previous update on Ontario, these changes will have a positive impact on private payers. ClaimSecure estimates a 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.

