

# COURIER

## Ontario generic drug price reforms mean major changes

The Ontario government has released clarifications of its controversial plan to reduce generic drug prices. (See the April 2010 special edition of the *Coughlin Courier* for background information.)

While the provincial government remains committed to cutting generic drug prices by eliminating the payment of professional allowances to pharmacies by pharmaceutical firms, the government has published a timeline for the reductions that extends to 2012. It also has developed a schedule that gradually reduces the special allowances paid to pharmacies to April 2013.

To offset the financial impact the new regulations will have on pharmacies, the government has also said that it will now pay pharmacies an additional \$1 dispensing fee on prescriptions filled through the Ontario Drug Benefit (ODB) plan in 2010-11. That amount will be reduced to 65 cents on ODB prescriptions filled in 2011-12 with a further reduction to 35 cents per prescription in 2012-2013.

The published generic price reductions are as follows:

### Legislated generic price as a percentage of the equivalent brand name drug price

Date	ODB plan	Private plan
Current	50%	Unregulated
2010	25%	50%
April 1, 2011	25%	35%
April 1, 2012	25%	25%

### Maximum professional allowance to be paid to pharmacies by manufacturers (Percentage of the generic drug price)

Date	ODB plan	Private plan
Pre-April 7, 2010	20%	Unregulated
Current	0%	Unregulated
2010	0%	50%
April 1, 2011	0%	35%
April 1, 2012	0%	25%
April 1, 2013	0%	0%

### Classification of pharmacies by location

In its earlier announcement, the provincial government said that the maximum dispensing fees under the ODB plan would be increased from their current level of \$7 per prescription to \$8 in *urban* centres and up to \$12 in *rural* areas. However, initial government communications did not define either term. Since then, the government has published a four-tier list defining pharmacies by both postal code and location.

Under this arrangement, pharmacies in rural areas where competing pharmacies may be several kilometres away, will be eligible to charge a higher ODB dispensing fee than those in urban areas where consumers may have many pharmacy choices available within a short distance.

The following outlines the new pharmacy classifications:

Pharmacy description	Maximum dispensing fee
<b>Type 1</b>	<b>\$8.00</b>

Pharmacies other than Types 2, 3 or 4.

<b>Type 2</b>	<b>\$9.00</b>
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Has a postal code with the second digit of "0" and meets one of the following conditions:

- There is no other pharmacy within five kilometres.
- The nearest other pharmacy is no more than five kilometres away and is the only other pharmacy in a five kilometres radius.
- The nearest other pharmacy is at least five kilometres away but no more than 10 kilometres away.

<b>Type 3</b>	<b>\$11.00</b>
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Has a postal code with the second digit of "0" and meets the following condition:

- The nearest other pharmacy is at least 10 kilometres away but no more than 25 kilometres.

<b>Type 4</b>	<b>\$12.00</b>
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Has a postal code with the second digit of "0" and meets the following condition:

- The nearest other pharmacy is at least 25 kilometres away.

**ODB fees changes planned for 2011-2014**

Another key element to the change was the government’s plan to publish ODB fee increases per pharmacy type for the years spanning 2011 to 2014. The scheduled fee increases are:

Date	Pharmacy type	Dispensing fee
<b>April 1, 2011</b>	Type 1	\$8.20
	Type 2	\$9.22
	Type 3	\$11.28
	Type 4	\$12.30
<b>April 1, 2012</b>	Type 1	\$8.40
	Type 2	\$9.45
	Type 3	\$11.55
	Type 4	\$12.61
<b>April 1, 2013</b>	Type 1	\$8.62
	Type 2	\$9.69
	Type 3	\$11.84
	Type 4	\$12.92
<b>April 1, 2014</b>	Type 1	\$8.83
	Type 2	\$9.93
	Type 3	\$12.14
	Type 4	\$13.25

**Impact on Coughlin Preferred Provider Network (PPN)**

Participating pharmacies in Coughlin’s Preferred Provider Network commit to limiting their dispensing fees and mark-ups on generic drugs to the specifications of the Ontario Drug Benefit plan.

While the change from a single dispensing fee and mark-up arrangement to regional fee template with varying mark-ups will add a degree of complexity to the drug claims process, we expect the PPN program will be able to function with minimal disruption, once the initial transition to the new fee schedule is complete.

**Impact on plan sponsors**

Plan sponsors that participate in the Coughlin PPN should expect some confusion during the transition process, particularly from members living in designated rural areas where the ODB plan maximum will increase from the former level of \$7 to the new higher levels.

On a positive note, the publishing of projected ODB fee increases to the year 2014 will allow plan sponsors to plan for cost increases over the next three to four years and to budget accordingly.

