

Expanding Access To Affordable Drugs

McGuinty Government Reforming Ontario's Drug System

NEWSApril 7, 2010
2010/nr-015

Ontario plans to further reform the prescription drug system to provide better access to lower-cost generic drugs for patients, while continuing to increase annual funding to the drug system as a whole.

These proposed changes include:

- Lowering the cost of generic drugs by at least 50%, to 25% of the cost of the original brand name drug for Ontario's public drug system, private employer drug plans, and people who pay for drugs out-of-pocket, saving taxpayers millions
- Eliminating abuse of the system by ending so-called 'professional allowances' - payments generic drug companies make to pharmacy owners intended to fund patient services, but are instead being used by many pharmacies as rebates to fund fringe benefits, bonuses, overhead costs and boost profits
- Ensuring pharmacists are fairly compensated for helping patients by increasing dispensing fees and paying for additional services provided to patients
- Supporting access to pharmacy services in rural communities and under-served areas with new dedicated funding

In 2009, generic drug manufacturers reported paying pharmacy owners more than \$750 million in professional allowances, with pharmacy owners themselves revealing that 70% were used for rebates instead of patient care.

In addition, during the past year, at least 100 pharmacy owners failed to provide any documentation related to the payments they've collected and 650 pharmacy owners provided incomplete reports. Some pharmacies have also been 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.

Today's announcement builds on steps taken in 2006 when the government introduced changes that lowered generic drug prices to 50% of the price of the original brand name drug, and helped fund access to 150 new prescription drug products.

QUOTES

"These reforms would enable us to maintain annual funding increases to Ontario's prescription drug system, offer patients wider access to lower-cost medicines, eliminate financial abuse within the system and provide new and dedicated funding for pharmacists."

- Deb Matthews, Minister of Health and Long-Term Care

"Today's announcement is welcome news. It means we'll be able to give our plan members, the education employees of Ontario, access to more drugs and better health services. We're going to use any money we gain from improved generic pricing to maintain or enhance our drug plan and increase our investment in health promotion."

- Vic Medland, President of Group Insurance Services, Ontario Teachers Insurance Plan

"Lowering the cost of all prescription drugs is a major priority for our members, regardless of whether they are covered by the Ontario government, private drug plans or paid out of their own pockets. They and all Ontarians will benefit from the direct savings in drug costs and redirection of the public savings from these measures towards more patient services and support of pharmacies in rural and under-serviced regions. We welcome the improvement to affordability and potential for more access to new drugs and will encourage similar measures in the rest of the provinces."

- Susan Eng, Vice President, Advocacy of the Canadian Association of Retired Persons

"We are very pleased with the government's announcement that they are reducing prices for generic drugs across the board, and moving towards equality for all Ontarians."

- Frank Swedlove, President of the Canadian Life and Health Insurance Association

"The Canadian Cancer Society applauds the Ontario government on the changes announced today that will enable greater access to funded drugs in Ontario. The Canadian Cancer Society strongly believes all Ontarians should have access to the cancer drugs they need without financial burden. The Society will be monitoring to ensure that the money saved through these initiatives will result in greater access to cancer drugs."

- Rick Perciante, Acting Chief Executive Officer, Canadian Cancer Society, Ontario Division

"Finally, a government that is willing to take on the drug companies and big pharmacies. This is a gutsy move that is going to reduce the cost of drugs, save jobs and produce better health outcomes."

- Sid Ryan, President Ontario Federation of Labour

QUICK FACTS

- Ontario's support for pharmacies has increased by \$318 million, or nearly 50 per cent, since 2003.
- Ontario pays approximately 25% - 75% more for generic drugs than many other countries, such as the United States and the United Kingdom.
- There are more than 140 new pharmacies in Ontario since reforms to the province's drug system began in 2006. As of February 2010, there are 3,306 pharmacies in Ontario.
- Approximately half of generic drug companies are located in Ontario.
- 2.8 million people receive coverage from Ontario's publicly funded drug system.

LEARN MORE

Find out more about the government's drug system reform plans.

Ivan Langrish, Minister's Office, 416-326-3986
Andrew Morrison, Ministry of Health and Long-Term Care,
416-314-6197

ontario.ca/health-news
Disponible en français

Reforming Ontario's Drug System

April 7, 2010

Ontario is further reforming the prescription drug system to ensure wider availability of more affordable drugs. The reforms would end professional allowances and more fairly compensate pharmacists for the valuable work they do.

These proposed changes would benefit all Ontarians by:

- Lowering the cost of generic drugs for all Ontarians
 - For all generic drugs purchased through Ontario's public drug plan, generic drug prices would be reduced by 50 per cent, to 25 per cent of the cost of the original brand name drug.
 - Over the next three years the cost of generic drugs purchased out-of-pocket or through private employer drug plans would be reduced by more than 50 per cent, to 25% of the cost of the original brand name drug.
 - By 2014, generic drugs in Ontario would be sold for no more than 25 per cent of the cost of the original brand name drug.
- Eliminating so-called 'professional allowances' to make Ontario's drug system more accountable.
 - Pending legislative approval, all professional allowances paid by generic companies to pharmacy owners for drugs purchased through the Ontario Drug Benefit Program would be immediately eliminated. All other professional allowances would be phased out and completely eliminated by 2014.
- Ensuring pharmacists are fairly compensated for helping patients by increasing the dispensing fees government pays and by compensating pharmacists directly for the services they provide.
 - All dispensing fees paid by the Ontario government would increase by at least \$1 for every Ontario Drug Benefit prescription filled, effective immediately.
 - In the following years, dispensing fees paid by the Ontario government would increase annually.
 - \$150 million, including a new \$100 million fund, would compensate pharmacy owners for the professional services pharmacists provide to Ontarians. Within this funding, money would be dedicated to rural pharmacy services and long-term care pharmacy services.
- Supporting access to pharmacy services in rural and under-served areas with new dedicated funding.
 - Dispensing fees paid by the Ontario government would increase by up to \$4 for every Ontario Drug Benefit prescription filled in rural or underserved areas of the province.

Earlier Reforms: Results

In 2006, the drug system in Ontario was dramatically reshaped. Among the changes implemented, the government eliminated rebates and introduced professional allowances with the hope that the new payment model would be more transparent and would improve the care Ontarians received in the province's pharmacies.

The 2006 reforms resulted in over \$1 billion in savings which have been reinvested in the system for:

- 97 new brand name drugs
- 53 new generic drugs
- 38 new cancer drugs

What are Professional Allowances?

Professional allowances are monies generic drug companies pay pharmacy owners for stocking their prescription drug products. Pharmacy owners have been required to use these allowances for patient-focused activities. Generic companies reported providing at least \$750 million in professional allowances to pharmacy owners in 2009 (based on reporting from January to June 2009, on an annualized basis).

Ontario law has required that, twice a year, generic drug companies report to the government the amount of money they pay out to pharmacy owners in professional allowances. It also states that:

- Pharmacies must report the amount of money they receive and how they spend that money on the public side.
- Professional allowances must be used for direct patient care
- Professional allowances are capped at 20% for the province's drug programs. No cap exists for the non-government market.

Since 2006:

- Pharmacy owners have reported that 70 per cent of professional allowances have actually gone toward fringe benefits, bonuses, overhead costs and boosting profits instead of patient services as was the intent.
- As many as 100 individual pharmacy owners have failed to disclose any documentation whatsoever related to professional allowances collected, and over 650 provided incomplete reports in the latest reporting period.
- Audits have found that some pharmacies and wholesalers have been involved in a 're-sale' scheme which triggered the payment of professional allowances multiple times for the same product — a practice that has resulted in legal action against them.

Eliminating professional allowances would increase the accountability of Ontario's drug system, enable the government to more effectively compensate pharmacists for the care they provide to prescription drug users and help reduce the cost of generic drugs.

Ontario Drug System

April 7, 2010

Ontario Public Drug Programs (OPDP) funds over 4,000 brand and generic drugs for eligible residents of Ontario. Pharmacists play an important role in dispensing these drugs and in providing support and clinical information to the patients.

Here's how the system works:

- Prescriptions - are typically issued in Ontario by physicians for drugs. These drugs are either brand or generic drugs. Brand name drugs are the original patented versions that are first approved to market. After the brand drug's patent has expired, generic drugs may enter the market. These products have the same active ingredient as brand name drugs but are priced lower than the original brand name drug.
- Patients – pay for their drugs in one of three ways:
 - Employer Benefit Plan – where the medicines are paid either wholly or partially through an insurance plan provided by your employer
 - Ontario Public Drug Programs, including the Ontario Drug Benefit Program– where individuals who qualify are covered under the provincial insurance program. These individuals will pay a small portion of the cost of a prescription
 - Cash Payment – where the patient pays directly out of their pocket
- Pharmacies – dispense for patients according to the prescription written by a doctor, using drugs they have obtained either directly from the manufacturer or from wholesalers. Pharmacies charge a mark-up fee on the medicines they sell and, in addition, they receive a dispensing fee. For those drugs paid for under the public drug plan, the dispensing fee and mark up charge is regulated and paid by the Ontario government. Pharmacies also receive payments from generic manufacturers called Professional Allowances.
- Professional Allowances – are payments made by generic manufacturers to pharmacies in exchange for stocking their products. These professional allowances totalled over \$750 million in 2009 and, consequently, drive up the real costs of medicines that patients, employer plans and the government pay.