

Drug System Renewal

Ensuring better access to affordable medicines

April 7, 2010

Why Are We Here

- Further improve value for money on the \$4.1 billion the province spends on Ontario's Drug Programs
- Discuss specific reforms to the Ontario Public Drug Programs
- Discuss what this means for pharmacists and all Ontarians

Ontario's Drug System

How Ontarians Pay for Drugs

- Ontario Public Drug Program
- Employer benefit programs
- Cash payment



Ontario's Public Drug Programs

- Funds over 4,000 brand and generic drugs
- Pays for the prescription drugs for 2.8 million residents
 - this includes seniors, residents of long-term care homes and homes for special care, social assistance and disability benefit recipients, and people who qualify under the Trillium Drug Program
- 3,306 pharmacies in Ontario
- 11,408 registered pharmacists in Ontario in 2008

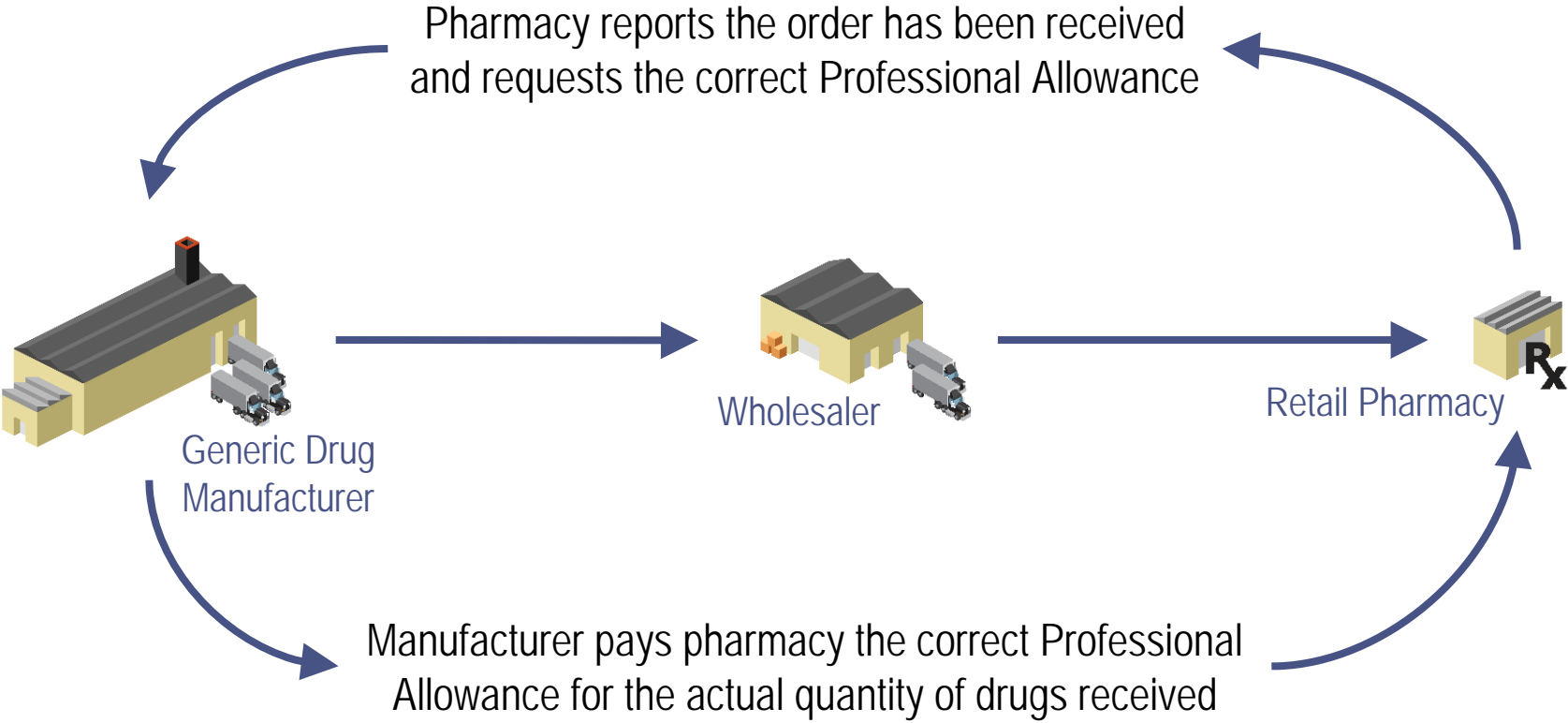
Employer Benefit Plans

- About 8.6 million Ontario workers and their families receive coverage through employee or union benefit plans at an annual cost of about \$4 billion to employers
- About 15% of Ontario's population pay out-of-pocket

Drugs – Brands and Generics

- Brand drugs
 - Prescription drugs that are protected by a patent, supplied by a single company, and marketed under the manufacturer's brand name
- Generic drugs
 - Generic drugs are low-cost versions of brand name drugs, that are produced by several different generic companies once the patents expire on the brand name drug
 - Drug benefit plans – such as the Ontario Drug Benefit (ODB) Plan and employer drug benefit plans – often require that generic drugs be substituted for brand name drugs because they are much less expensive (called “mandatory substitution”)

Ontario's Generic Drug Supply Chain



The Need for Drug System Renewal

Building on Past Reforms

- Transparent Drug System for Patients Act (2006)
 - Better value for money
 - Improved access for patients
 - Education about appropriate use of medication
 - Investment in innovation and research
 - Strengthened transparency and accountability

Benefits of Past Reforms

- Over \$1 billion in savings, reinvested
 - 97 brand name drugs
 - 53 generic drugs
 - 38 cancer drugs
- 465,000 MedsCheck consultations

Need for Further Reform

- Professional allowances (PAs)
 - Inflated price for all Ontarians
 - \$750 million a year
 - Misdirected
 - PAs were intended to be for activities that directly benefit patients
 - Almost 70% was used for salaries, bonuses and fringe benefits

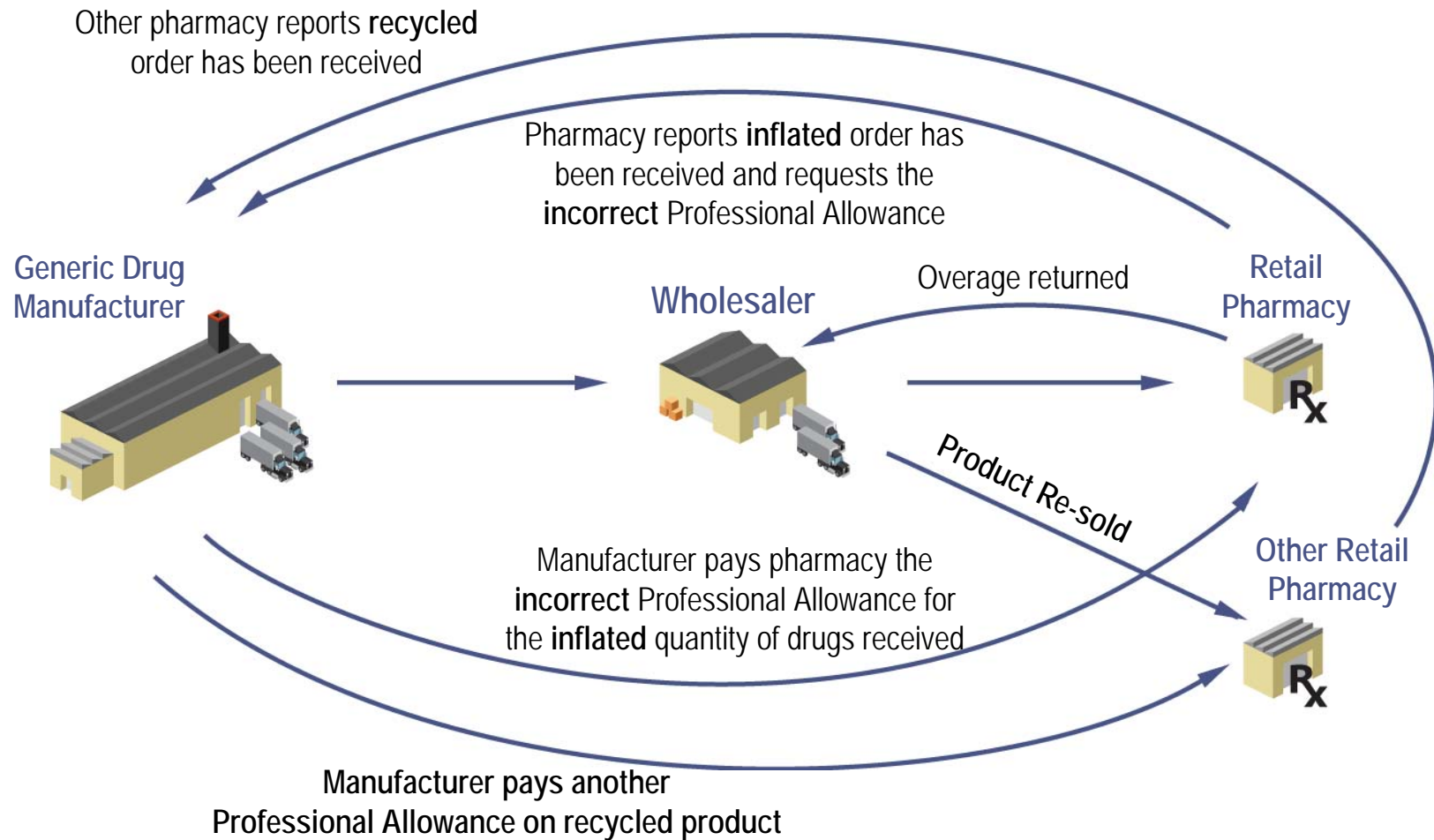
Need for Further Reform

- Professional allowances
 - Failure to disclose documentation
 - 100 pharmacies failed to provide any documentation related to the payments they've collected
 - 650 pharmacies submitted incomplete reports

Need for Further Reform

- Professional allowances
 - “Recycling”
 - 22 provincial offence charges
 - Issued 12 rebate penalty orders
 - Put 4 pharmacies on notice that pharmacy agreements may be terminated
 - Filed 5 complaints with Ontario College of Pharmacies and Health Canada
 - Issued demand letters requiring additional information from 51 pharmacies, 1 generic company and 1 wholesaler

Professional Allowances—Turned Rebates



Example: 4 generic drugs in 5 other countries
Ontarians pay up to 22 times the price paid in other countries

| GENERIC DRUG | DOSE MG | ONTARIO | UNITED STATES | | NEW ZEALAND | | FRANCE, GERMANY & UK | |
|--------------------------------------------------|------------|---------------|-----------------|-----------------------|------------------|------------------------|-------------------------|-----------------------|
| | | Price (\$) | **Price (\$) | Ontario pays... | ***Price (\$) | Ontario pays... | *Price (\$) | Ontario pays... |
| ENALAPRIL (Blood Pressure) | 5 | 0.4279 | 0.0987 | 4.3 times more | 0.0194 | 22.1 times more | 0.1416 | 3 times more |
| | 10 | 0.5142 | 0.1015 | 5.1 times more | 0.0244 | 21.1 times more | 0.1419 | 3.6 times more |
| GABAPENTIN (Epilepsy) | 300 | 0.4865 | 0.1839 | 2.6 times more | 0.3163 | 1.5 times more | 0.4374 | 1.1 times more |
| METFORMIN (Diabetes) | 500 | 0.0965 | 0.0689 | 1.4 times more | 0.0155 | 6.2 times more | 0.0574 | 1.7 times more |
| RANITIDINE (Gastrointestinal Disorder) | 150 | 0.4042 | 0.0718 | 5.6 times more | 0.0254 | 15.9 times more | 0.2866 | 1.4 times more |

All prices shown in Canadian dollars.

- * Price at which manufacturers sold to wholesalers; represents average prices for France, Germany, & UK; Ex-manufacture prices are exclusive of the 5% distribution costs provided by manufacturers to wholesalers
 - ** State-defined Maximum Allowable Cost; represents average prices for Virginia, Illinois, & New Hampshire
 - *** Retail drug price set by sole supplier as determined by competitive agreement for Enalapril and Ranitidine
- Source: OPDP Formulary, 2007; IMS Midas, 2006; Virginia Medicaid, Illinois Medicaid New Hampshire Medicaid; NZ Pharmaceutical Schedule December 2007

Ontario is spending more on generic drugs than most developed countries

- Competition Bureau studies demonstrate this fact:

Generic Drug Sector Study <http://competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/02495.html>

Benefiting from Generic Drug Competition in Canada: The Way Forward [http://competitionbureau.gc.ca/eic/site/cb-bc.nsf/vwapj/GenDrugStudy-Report-081125-fin-e.pdf/\\$FILE/GenDrugStudy-Report-081125-fin-e.pdf](http://competitionbureau.gc.ca/eic/site/cb-bc.nsf/vwapj/GenDrugStudy-Report-081125-fin-e.pdf/$FILE/GenDrugStudy-Report-081125-fin-e.pdf)

The proposed changes would benefit all Ontarians

- Lower generic drug prices by 50%, to a 25% regulated price
- Legislation was introduced that would, if passed, eliminate professional allowances
- Not allow private label generics
- Increase dispensing fees for pharmacists
- Compensate pharmacists for additional services they provide to Ontarians
- Boost support to pharmacists in rural and under-serviced areas

Benefits for Ontarians: Lower Costs

- Lower the price of generic drugs for Ontario's public drug system, private employer drug plans, and people who pay directly, saving taxpayers millions



Public Market - Ontario Public Drug Programs

Price, dispensing fee, and mark-up are regulated; Professional Allowances capped at 20%
Example based on generic version of the original \$20 brand name drug.

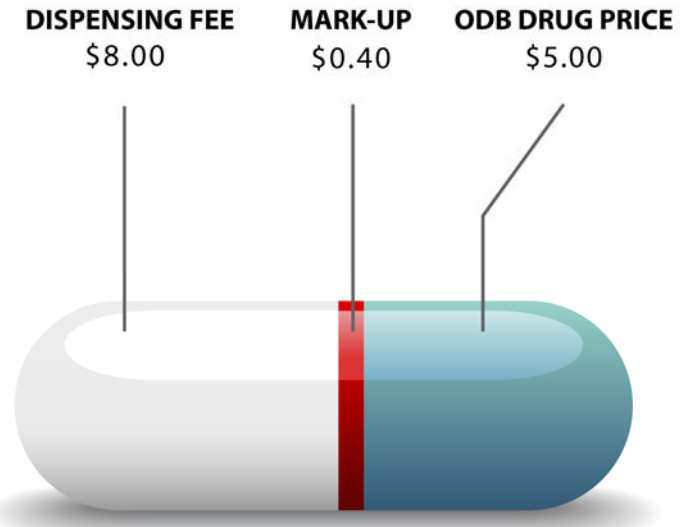
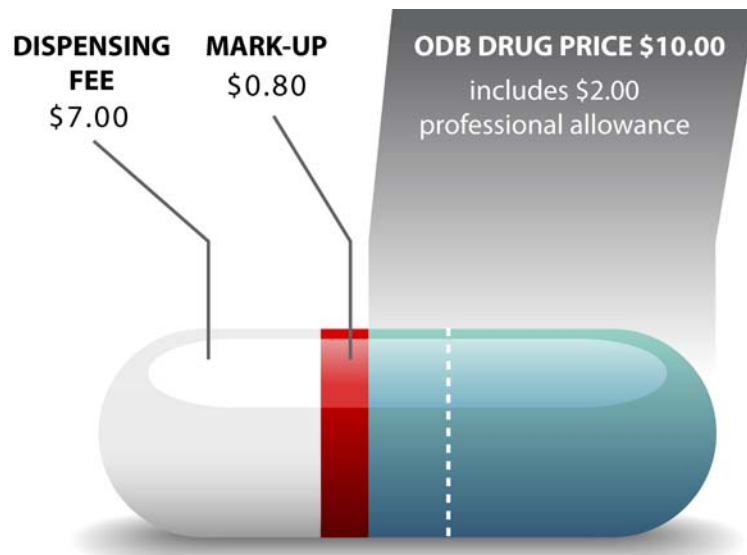
CURRENT

What ODB Pays \$17.80

**SAVINGS OF
\$4.40 or 25%**

POST-REFORM

What ODB Pays \$13.40



- ODB Price is at 50% of original brand name drug price
- Professional Allowances are capped at 20%
- Mark-up is 8% of ODB price

- ODB Price is 25% of original brand name drug price
- Professional Allowances are eliminated
- Dispensing fee would increase by \$1 in urban areas (up to \$4 in rural areas)
- Mark-up remains the same at 8% of ODB price

Private Market: Employer drug plans & cash-paying Ontarians

Price, dispensing fee & mark-up not regulated; no cap on Professional Allowances.

Example based on generic version of the original \$20 brand name drug.

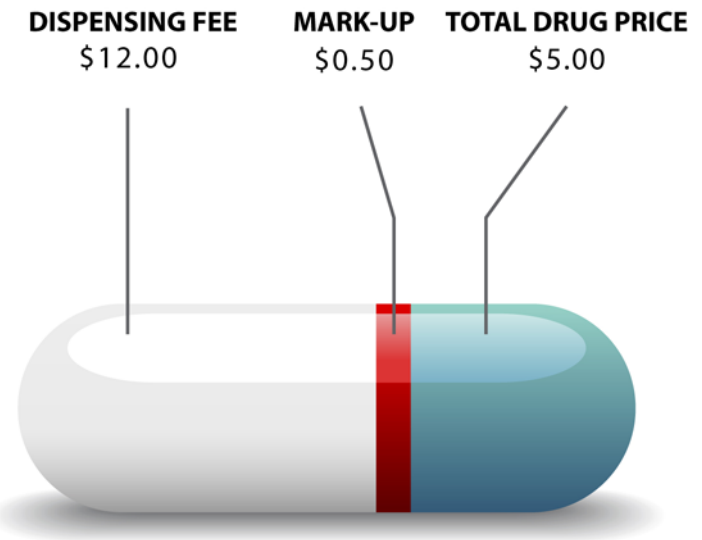
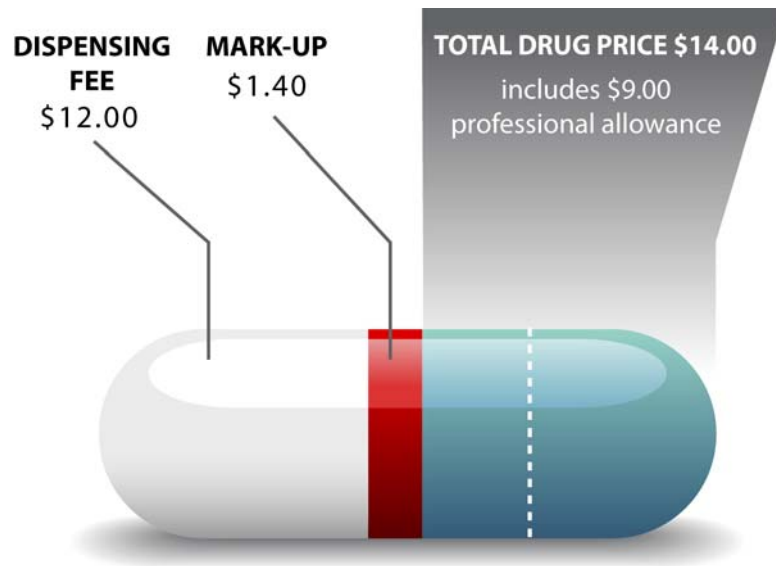
CURRENT

Ontarian pays \$27.40

**SAVINGS OF
\$9.90 or 36%**

POST-REFORM

Ontarian pays \$17.50



Assumptions (Conservative):

- Generic price is 70% of original brand name drug price
- Professional Allowances about 63% to 70% of brand name drug price
- Mark-up is 10% of drug price

- Price is 25% of original brand name drug price
- Professional Allowances are eliminated
- Mark-up remains at 10%

Benefits for Ontarians: More Service

- Increase funding to pharmacists to allow them to provide more services to patients.



Benefits for Ontarians: Equitable Access

- Ensure access to and support pharmacy services in rural communities
 - Boost financial support for pharmacists in rural communities
 - Funding professional services
 - provided by rural
 - pharmacies



Outcomes

- Wider access
- Transparency
- Accountability
- Increased annual funding



For More Information on Ontario's Drug System Reforms, visit our website:

- English:

Ontario.ca/drugreforms

- French:

Ontario.ca/reformemedicaments