



## Province of Ontario reforms drug system

The Ontario government is making numerous reforms to its drug system. These reforms were first introduced in April as part of a briefing entitled *Right Drug, Right Person, Right Price: Improving and Governing the Provincial Drug System*. Some of the reforms are to be implemented through the *Transparent Drug System for Patients Act, 2006*, also known as Bill 102. This bill recently passed in the Ontario legislature. The remaining reforms will evolve and take place through regulatory or policy changes.

According to the government of Ontario, the reforms are intended to improve patients' access to drugs under the public program, promote appropriate use of drugs, strengthen the government's position on getting value for money, reward innovation and bolster the governance and operation of the public drug system.

It is expected that the immediate impact of these reforms on group benefit plans will be limited. The anticipated effects on the public drug plan, plan sponsors, patients and pharmacies are outlined below, along with the expected impact of changes to second payor provisions.

### Impact on the public drug plan

#### Plan governance

- Governance and operation of the public drug system will be strengthened with the creation of an executive officer whose role includes making decisions on the listing of drugs, which are currently made by cabinet.

#### Drug costs

- Off-formulary interchangeability will be allowed for products that have the same or similar active ingredients, providing greater access to lower-cost generic drugs. This change is now in effect.
- The government had initially announced it intended to try to secure competitive pricing for generic drugs by limiting reimbursement to 50 per cent of the cost of the brand name drug, rather than the current 70 per cent to 90 per cent. **The government has backed away from this proposal and will maintain the 70 to 90 per cent rule.**
- Volume discount benefits will be secured for the Ontario government for drugs purchased for the public system.

#### Potential effect on group benefit plans

- There is no guarantee of savings for private plans but savings may result if pharmacists routinely fill prescriptions with interchanged lower-cost products.

### Impact on patients

- Drugs covered by the Ontario Drug Benefit (ODB) include the general formulary listing, limited use drugs and Section 8 requests (In exceptional circumstances, a request for special coverage of a drug not normally covered under the ODB program can be made. This process is known as Section 8.). The intent is to make the process of obtaining approval for drugs that are not part of the general listing less onerous for patients and physicians.

- A review of the current formulary will be undertaken, along with the elimination of limited use and Section 8 processes. A “conditional list” and “exceptional access mechanism” with specific criteria for listed drug products will be established.
- A rapid review process will be introduced for “breakthrough” drugs.
- Citizens will play a larger role in decision-making with the inclusion of two patient members on the Drug Quality and Therapeutics Committee and the creation of a citizens’ council.
- An “all drugs, all people” model will provide access to electronic drug history for all residents.
- There will be no changes to co-pay amounts, deductibles or eligibility criteria for public plan recipients.
- ODB and hospital formularies will be aligned to make patient care more seamless.

#### **Potential effect on group benefit plans**

More rapid approval of drugs under the provincial program may mean that the province becomes responsible for some costs now incurred by private plans.

#### **Impact on pharmacies**

- The allowable dispensing fee for drugs covered by the provincial plan will increase to \$7 from \$6.54. Plan members will continue to be responsible for the per-prescription deductible of \$6.11.
- Pharmacists will be compensated by the Ontario Health Insurance Plan for their role in patient counselling, such as providing assistance in chronic disease management.
- Allowed pharmacy markups on the ingredient cost of a drug (for drugs under the provincial plan) will be reduced to eight per cent from 10 per cent. The government originally announced that it intended to cap the markup at \$25, but has since decided not to proceed with this measure.
- The government had announced its intention to discontinue the practice of pharmacists receiving rebates (professional allowances) from generic drug manufacturers in exchange for buying their medications. The government has softened its

position and will now allow pharmacists to receive defined professional allowances according to a new code of conduct, with a cap equal to 20 per cent of the generic cost in the public system. No limit will be put in place for generic drug rebates for private sector sales.

#### **Potential effect on group benefit plans**

- The loss of pharmacy revenue from generic rebates and the reduction in markup costs for formulary drugs may cause pharmacists to increase dispensing fees to fill prescriptions for non-formulary drugs. This cost increase would flow through to group benefit plans.

#### **Impact of changes to second payor provisions**

- ODB will become second payor for the Federal Public Service Health Care Plan, the Canadian Forces and the RCMP, as well as retired members of Parliament and federal judges.
- ODB will become second payor to working seniors who have private insurance coverage.

#### **Potential effect on group benefit plans**

- The intent is for ODB to become second payor for working seniors who have other coverage. Plan sponsors covering working seniors will become first payors as a result of this change. This proposed change is not part of Bill 102 and will be implemented through supporting regulations. These regulations have not been developed nor have implementation plans been announced. Great-West will continue to follow developments in this area.

#### **Status of legislation**

The *Transparent Drug System for Patients Act, 2006* passed in the Ontario legislature in June. The bulk of the act becomes effective October 1, 2006. Great-West will provide further updates, as appropriate.

#### **For more information**

Please contact your benefits advisor or Great-West group representative for more information.

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