

## Generic Drug Price Changes in Ontario

On April 26, the Ontario government announced changes to how generic prescription drugs will be priced. Changes will apply to both the public and private sector. The changes are set to take effect May 15, 2010 and have unleashed a rarely seen backlash from pharmacists in Ontario, both independents and chains.

### The Changes

Professional allowances, sometimes referred to as rebates, are currently limited to 20% of sales for public plan customers. These will be eliminated altogether. In the private market, unregulated professional allowances will be immediately capped with additional reductions planned for the next two years and complete elimination on April 1, 2013.

Pharmacists argue that these professional allowances cover inventory costs at the pharmacy and help fund consultative or cognitive services.

The Ontario government says that some sort of professional fee compensation will be worked out in the future to allow pharmacists to continue their consultative service with their patients. The province expects funds for this will come from savings generated to the provincial medical system. The Ontario Drug Benefit (ODB) dispensing fees will continue to increase by 2.5% each year for the next 5 years. In addition, the program will pay up to an additional \$4 in dispensing fees to pharmacies located in rural and under-served areas.

An additional \$100 million will be earmarked for the *MedsCheck* service, a program that allows patients to meet with a pharmacist, annually, for a comprehensive review of their medications.

### The Outcome

Currently, while brand name medications cost less in Canada than most other countries in the developed world,



generics are more expensive, even in relation to the United States.

The new legislation should change that, at least in Ontario. For the public sector, the government will reduce the mandated ingredient cost paid to pharmacies for dispensing generic medications on the ODB formulary to 25%, from 50%. While the impact on the average ODB customer should be minimal, for the government, significant savings will be realized.

For generic drugs reimbursed by the private sector, the ingredient cost will be reduced from 70% to 50% of the equivalent brand name drug, with further reductions to 35% and 25% on April 1, 2011 and 2012, respectively. This will have a significant impact on the cash-paying customer who needs generic medication, and should lower costs to private drug plan sponsors. Group plan savings in the range of 3-5% could be available, depending on the usage patterns of particular employee groups.

Some pharmacists are threatening to curtail services and charge for some others that

## Quebec Premium Tax Being Increased

Quebec announced in their March 30<sup>th</sup> budget that, effective March 31, 2010, their insurance premium tax is being increased to 2.55% from 2.35%. This increase is scheduled to be in effect until March 31, 2014. This tax is separate from the special sales tax of 9% that also applies to group insurance premiums and Administrative Services Only (ASO) benefits.

All provinces and territories in Canada apply a premium tax to group insurance premiums, ranging from 2% to 4%. In Ontario the tax is 2% for all life insurance and accident & sickness premiums or ASO benefits.

they say are funded by their rebates from generic drug manufacturers. Some inconvenience may be experienced by some patients. Others may not notice anything significant.

As the impact of these changes make their way through the marketplace, we will provide you with further comment on this issue.

## New Travel Insurance Requirements for Cuba

As of May 1, 2010, all travellers to Cuba must purchase travel medical insurance from their home country ahead of their trip\*. Upon arrival, travellers may be asked to show proof of travel insurance with a document showing **valid dates for the duration of their stay in Cuba.**

The standard travel assistance card provided as part of most Group Benefits Plans does not show specific travel dates.

If you offer group travel medical coverage under your Group Benefits Plan, we recommend that you advise your employees of the new document requirement. If any employees are planning a trip to Cuba, have them contact their insurance provider to obtain proof of travel medical insurance **showing dates of coverage.**

If you do not have group travel medical coverage under your Group Benefits Plan, Cowan offers individual travel medical insurance. You can obtain an online travel insurance quote at: [www.cowangroup.ca/travelquote](http://www.cowangroup.ca/travelquote).

We are also happy to answer any questions you might have. Please contact your Cowan consultant for further information.

*\*Please note: Any valid travel insurance policy issued by an insurance company will be accepted in Cuba*