

On Wednesday, April 7 the Ontario government announced plans to reduce the price of **generic drugs***.

If the new rules are approved, the price the pharmacy will be allowed to charge for a generic drug will be reduced to **25 per cent** of the cost of the brand name drug. Currently, generic drugs cost group benefits plan members (and cash paying customers) between 60 and 70 per cent of the brand name price.

The change will affect the generic drug prices paid by

- the provincial drug plan,
- employer-sponsored group benefits plans, and
- individuals who pay for their medications out of their own pockets.

For **employer-sponsored group benefits plans and individuals without a drug plan**, the price reduction will be phased-in as follows**:

Date	Generic drug price
April/May 2010	Prices reduce to 50 per cent of brand price
April 1, 2011	Prices reduce to 35 per cent of brand price
April 1, 2012	Prices reduce to 25 per cent of brand price

For the **public plan**, regulations will be posted for 30 days at which point it is expected that the prices will be reduced to 25 per cent. Further clarification is required to determine if there will be a period for pharmacies to dispense existing stock at the old price.

Drug use in Ontario:	Brand versus Generic
Brand name drugs	76 per cent of sales
Generic	24 per cent of sales

At the same time, the government announced the following:

- If approved, legislation will phase-out the professional allowances that are paid to pharmacists by generic drug companies. The government said these allowances have kept the price of generic drugs higher. Professional allowances will be eliminated on the public plan once legislation takes effect.

- Dispensing fees paid to pharmacists by the **provincial drug plan** (Ontario Drug Benefit Program) will increase by \$1 to \$8. In rural areas, the dispensing fee increase will be up to \$4. The additional money for rural pharmacists is intended to help maintain easy access to medicine by residents in isolated areas.
- Dispensing fees paid by the provincial drug plan will then increase by 2.5 per cent annually over the next five years.
- A \$100 million fund will be created to compensate pharmacists for new professional services that they will be allowed to deliver to patients. This is in addition to the MedsCheck program that already exists.

At this time, Manulife Financial is reviewing the implications the changes might have on plan designs. Manulife Group Benefits commends the province of Ontario for taking these actions to help

- control drug prices and give the people of Ontario access to affordable medicines,
- deliver better value for tax-payers, and
- protect employer-sponsored drug plans and the coverage they provide to millions of Ontario residents.

For more information visit the Ontario government website

Ontario.ca/drugreforms

*Generic is the term used to describe a drug product that has the same active ingredients as a 'name brand' drug but which is sold at a lower price. Laws prevent generic drugs from being manufactured until a name brand drug's patent protection has expired.

** Based on information made available to the Canadian Life and Health Insurance Association at the time of publication.

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