



Info Note

July 2010

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Ontario Drug Benefit Plan Reform

On June 7, 2010, the government of Ontario announced that nearly all of the changes to the Ontario Drug Benefit Plan that had been proposed on April 7 will be taking effect on July 1.

The Ontario government has decided to eliminate professional allowances paid by generic drug companies to pharmacy owners who stocked their products. This measure should considerably reduce the cost of generic drugs both for the Ontario government and private plans.

Expected repercussions

We are expecting these measures to have significant repercussions on Ontario pharmacies. Pharmacy owners could try to recoup revenue in a variety of ways, like increasing their dispensing fees or their markup through customers who are not covered under the government plan.

Control measures

DFS already has control measures in place for the majority of its clients. For most plans with a drug payment card, the measures are:

- Dispensing fees are limited to a predetermined usual and customary maximum. Insureds will be responsible for paying any amounts exceeding the dispensing fee maximum.
- The pharmacy owner markup is limited to a percentage of the drug price. Insureds will be responsible for paying any amounts exceeding this percentage.

If you have any questions or would like to discuss the application of control measures for your clients, please contact your account executive.

(See reverse side)

Next steps

DFS will review all the new generic drug prices once they are known in order to determine how they will impact its plans. As soon as this is done, we will provide you and our mutual clients with an update.

Summary of the announced changes

Change	Private plans	Public plan
Lowering of generic drug prices	<ul style="list-style-type: none">• Price reduced to 50% of the brand name drug cost, as of July 1, 2010• Price reduced to 35% of the brand name drug cost, as of April 1, 2011• Price reduced to 25% of the brand name drug cost, as of April 1, 2012	<ul style="list-style-type: none">• Price reduced to 25% of the brand name drug cost, as of July 1, 2010
Gradual elimination of professional allowances <i>(These allowances are paid by generic drug companies to pharmacy owners.)</i>	<ul style="list-style-type: none">• Reduced to 50%, as of July 1, 2010• Reduced to 35%, as of April 1, 2011• Reduced to 25%, as of April 1, 2012• Reduced to 0, as of April 1, 2013	<ul style="list-style-type: none">• Reduced to 0, as of July 1, 2010
Increase in dispensing fees	<ul style="list-style-type: none">• Does NOT apply to private plans	<ul style="list-style-type: none">• Will be increased from \$7 to \$8, as of July 1, 2010
Cap on markup	<ul style="list-style-type: none">• Does NOT apply to private plans	<ul style="list-style-type: none">• Remains at 8%
Professional services	<ul style="list-style-type: none">• Does NOT apply to private plans	Investment of \$100 million, \$75 million of which will be used to pay a transition fee to pharmacies: <ul style="list-style-type: none">• \$1, as of July 1, 2010• \$0.65, as of April 1, 2011• \$0.35, as of April 1, 2012• Elimination as of April 1, 2013

For more information on this topic, refer to the [government of Ontario's](http://www.health.gov.on.ca/en/public/programs/drugreforms/) website at the following address: <http://www.health.gov.on.ca/en/public/programs/drugreforms/>

Communication

In the next few days, we will be contacting all administrators whose plans include members residing in Ontario to inform them of these changes.

If you require any additional information, please feel free to contact your account executive

Sales, Group and Business Insurance