



# special communiqué

June 16, 2010

A periodic publication to inform key stakeholders about topics of special interest.

Two important updates concerning public and private drug plans are included in this Special Communiqué. We hope you find this information helpful and if you have any questions please contact your Medavie Blue Cross representative.

<b>Ontario Drug Benefit changes</b>	<b>Page 1</b>
<b>Lipitor goes generic</b>	<b>Page 3</b>

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## Ontario Drug Benefit changes

The Province of Ontario is moving ahead with reforms to its prescription drug program.

The Ontario government's 2006 reforms included changes for the public sector such as lowering generic drug prices, limiting professional allowances and requiring pharmacies to report how professional allowances were spent. These changes were followed by increases to dispensing fees and higher generic drug pricing for private plans. On April 7, 2010 the government announced proposed changes for both the public and private plans as well as for individuals paying out of their own pockets. The legislation was opened up for public consultation. That process has been completed and the province announced the final changes on June 7.

### Lower generic drug prices

- Public sector – generic drug prices will be limited to 25 per cent of the brand price effective July 1, 2010.
- Private sector – generic drug prices will be limited to 50 per cent of the brand price effective July 1, 2010. Further reductions for the private sector on the price of generic drugs will be implemented on April 1 for the next two years at 35 per cent of brand price in 2011 and 25 per cent of brand price in 2012.
- Immediate regulation of the price of generic versions of Lipitor® (for more information on Lipitor, please see page three). This will result in significant savings for drug programs in Ontario.
  - Public sector - 25 per cent of the brand price effective June 18, 2010.
  - Private sector - 50 per cent of the brand price effective June 18, 2010. Further reductions for the private sector on the price of generic drugs will be implemented on April 1 for the next two years at 35 per cent of brand price in 2011 and 25 per cent of brand price in 2012.

- There may be some exemptions to these changes:
  - Single-source generics (only one listed) may be exempted based on the high cost of raw materials.
  - Older products may be exempted (i.e., products where the brand reference has been listed as a benefit for more than 10 years and products where the brand has not been a benefit for more than five years).
  - If the brand has dropped its price by more than 20 per cent in the last two years.
  - Non-solid drug products (i.e., liquids, creams) may be priced up to 35 per cent of brand. This equals about eight per cent of public sector generic expenditures.
  - Three-month incentive period for a generic product to be priced at up to 50 per cent of the brand if the generic manufacturer breaks patent. Breaking patent is when a generic company successfully fights a patent to bring the generic version onto the market sooner than when the patent was set to expire.

#### **Private label generics**

- Private label generics produced by either pharmacies or wholesalers are prohibited in both public and private markets.

#### **Dispensing fees**

- For the public sector, dispensing fees will rise to between \$8 and \$12 from the current \$7.
- The amount will be determined by physical access and pharmacy concentration.
- Dispensing fees for the private sector are not regulated. Please note, however, Medavie Blue Cross announced in a communiqué on March 31, 2010 that we would reimburse to a maximum usual and customary dispensing fee of \$11.99 in Ontario.

**Eliminate Professional Allowances** that are paid to pharmacies by generic drug manufacturers for stocking their products.

- Public sector – These will be eliminated effective July 1, 2010.
- Private sector – Limited to 50 per cent of the total drug price. Further cuts will occur on April 1 for the next three years as follows: 35 per cent of the drug price in 2011 and 25 per cent of the drug price in 2012. In 2013 professional allowances will be eliminated.

#### **Allowable markup**

- For the public sector, an eight per cent markup will be allowed for every pharmacy on eligible drug products to cover distribution and carrying costs.
- There will be no dollar-value cap on the allowed markup.

#### **Professional services**

- Establishing a \$100 million fund to pay for patient care offered by pharmacists.
- Providing \$75 million in transition fees until further professional services are implemented.
- Providing \$25 million for services that will benefit rural communities (for example, facilitating the delivery of prescriptions to people with limited mobility).

- The ministry has begun discussions with the pharmacy sector and will be establishing a committee that includes pharmacists to determine what new services will be covered under the new professional services fund. It has not yet been determined whether all Ontario residents will have access to these professional services or whether this will be limited to those who qualify under the Ontario Public Drug Programs.

#### Transition fees

- Provided to pharmacies in the form of an additional \$1 dispensing fee.
- This transition fee is on top of the proposed increase in dispensing fees and is applicable to the public sector only.
- Will be gradually decreased over the next three years as follows: in 2010/2011 reduced to \$1, in 2011/2012 reduced to \$0.65, in 2012/2013 reduced to \$0.35 and, on March 31, 2013, transition fees will be eliminated.

#### MedsCheck

- Continuing the annual investment of \$50 million that allows all residents of Ontario, including cash-paying patients and those covered by a private drug plan, to review their medications and usage with a pharmacist at no charge to the patient.
- Expanded to include initial and follow-up consultations for people with diabetes, quarterly medication reviews for long-term care home residents and at-home reviews for people who have difficulty traveling to a local pharmacy.
- Payment to pharmacies for the annual *MedsCheck* will be increased to \$60 from \$50.

#### What do these changes mean to plan sponsors and members?

Over the long term, all plans should benefit from these changes. At Medavie Blue Cross, we are committed to monitoring the situation and analyzing how these changes impact your plans. We will keep you informed of future developments.

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## Lipitor goes generic

Lipitor<sup>®</sup> (atorvastatin) appears near the top of all of our drug utilization lists. It is the world's top-selling drug and in 2009 Canadian sales totalled more than \$1 billion.

Lipitor is a cholesterol-fighting drug developed and marketed by Pfizer. Lipitor is indicated for lowering cholesterol and to prevent heart attacks and stroke in patients who are at high risk of experiencing these events. In general, most patients who receive this medication are over the age of 40, as this is the patient population at highest risk of cardiovascular disease and high cholesterol. With the recent introduction of a generic atorvastatin, plan sponsors can expect substantial savings in drug costs once provinces deem it interchangeable with the brand.

As mentioned, with the changes in Ontario, generic Lipitor has been deemed interchangeable and will be priced at 25 per cent of the brand price effective June 18th for the public sector, and at 50 per cent of the brand price for the private sector with further reductions over the next two years.

Apotex Inc. and Teva Canada Ltd., two generic manufacturers, recently announced that their version of Lipitor will be priced at 50 per cent of the brand name drug nationally. We have reached out to other manufacturers to confirm their pricing.

In addition to Ontario, Prince Edward Island has deemed generic atorvastatin interchangeable with Lipitor. In Prince Edward Island it will be priced at 52.5 per cent of the brand, this comes into effect July 1, 2010.

Other provinces are evaluating the interchangeability of generic atorvastatin. We are awaiting their decisions. We will keep you updated as more information becomes available.