

Reforming Ontario's Drug System

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Ontario is further reforming the prescription drug system to ensure wider availability of more affordable drugs. The reforms would end professional allowances and more fairly compensate pharmacists for the valuable work they do.

These proposed changes would benefit all Ontarians by:

- Lowering the cost of generic drugs for all Ontarians
 - For all generic drugs purchased through Ontario's public drug plan, generic drug prices would be reduced by 50 per cent, to 25 per cent of the cost of the original brand name drug.
 - Over the next three years the cost of generic drugs purchased out-of-pocket or through private employer drug plans would be reduced by more than 50 per cent, to 25% of the cost of the original brand name drug.
 - By 2014, generic drugs in Ontario would be sold for no more than 25 per cent of the cost of the original brand name drug.
- Eliminating so-called 'professional allowances' to make Ontario's drug system more accountable.
 - Pending legislative approval, all professional allowances paid by generic companies to pharmacy owners for drugs purchased through the Ontario Drug Benefit Program would be immediately eliminated. All other professional allowances would be phased out and completely eliminated by 2014.
- Ensuring pharmacists are fairly compensated for helping patients by increasing the dispensing fees government pays and by compensating pharmacists directly for the services they provide.
 - All dispensing fees paid by the Ontario government would increase by at least \$1 for every Ontario Drug Benefit prescription filled, effective immediately.
 - In the following years, dispensing fees paid by the Ontario government would increase annually.
 - \$150 million, including a new \$100 million fund, would compensate pharmacy owners for the professional services pharmacists provide to Ontarians. Within this funding, money would be dedicated to rural pharmacy services and long-term care pharmacy services.
- Supporting access to pharmacy services in rural and under-served areas with new dedicated funding.
 - Dispensing fees paid by the Ontario government would increase by up to \$4 for every Ontario Drug Benefit prescription filled in rural or underserved areas of the province.

Earlier Reforms: Results

In 2006, the drug system in Ontario was dramatically reshaped. Among the changes implemented, the government eliminated rebates and introduced professional allowances with the hope that the new payment model would be more transparent and would improve the care Ontarians received in the province's pharmacies.

The 2006 reforms resulted in over \$1 billion in savings which have been reinvested in the system for:

- 97 new brand name drugs
- 53 new generic drugs
- 38 new cancer drugs

What are Professional Allowances?

Professional allowances are monies generic drug companies pay pharmacy owners for stocking their prescription drug products. Pharmacy owners have been required to use these allowances for patient-focused activities. Generic companies reported providing at least \$750 million in professional allowances to pharmacy owners in 2009 (based on reporting from January to June 2009, on an annualized basis).

Ontario law has required that, twice a year, generic drug companies report to the government the amount of money they pay out to pharmacy owners in professional allowances. It also states that:

- Pharmacies must report the amount of money they receive and how they spend that money on the public side.
- Professional allowances must be used for direct patient care
- Professional allowances are capped at 20% for the province's drug programs. No cap exists for the non-government market.

Since 2006:

- Pharmacy owners have reported that 70 per cent of professional allowances have actually gone toward fringe benefits, bonuses, overhead costs and boosting profits instead of patient services as was the intent.
- As many as 100 individual pharmacy owners have failed to disclose any documentation whatsoever related to professional allowances collected, and over 650 provided incomplete reports in the latest reporting period.
- Audits have found that some pharmacies and wholesalers have been involved in a 're-sale' scheme which triggered the payment of professional allowances multiple times for the same product — a practice that has resulted in legal action against them.

Eliminating professional allowances would increase the accountability of Ontario's drug system, enable the government to more effectively compensate pharmacists for the care they provide to prescription drug users and help reduce the cost of generic drugs.