On April 13, 2006 the Ontario government proposed changes to the Ontario Drug Benefit Program, and tabled the *Transparent Drug System for Patients Act, 2006 (Bill 102).*

The proposed changes result from recommendations made by the Drug System Secretariat, which was established by the Ontario Ministry of Health and Long-Term Care to conduct an objective, system-wide review of the province's drug system.

The Secretariat's recommendations were packaged to reform the provincial drug system, and the subsequent *Transparent Drug System for Patients Act 2006* would incorporate the necessary legislative changes required to implement the drug system strategies. Bill 102 will amend two existing pieces of legislation:

- *The Drug Interchangeability and Dispensing Fee Act*, and
- *The Ontario Drug Benefit Act*

At this point the private group insurance industry does not have sufficient information to fully assess the impact on private group drug plans in Ontario. In the interim, this *Benefits Bulletin* will provide you with a high level overview of the proposed changes, and will highlight those that are expected to most significantly impact private group drug plans.

**Impact to plan sponsors**

If passed, most of the changes in Bill 102 will become effective on October 1, 2006. The changes to the conditions under which the Minister may authorize ‘generic interchangeability’, however, would come into force upon Royal Assent – the significance of this change being that the definition of ‘interchangeable drugs’, and any subsequent expansion to the list of generic equivalents, is expected to have an impact for plan sponsors.

Private generic drug plans use each province's government drug program’s list of ‘interchangeable drugs’ to determine generic substitutes, and this determines which brand name drugs have a generic equivalent, and which generic will be used for a lower generic price cutback. Until now, in Ontario this list has been limited to only generics for brands listed on the Ontario Drug Benefit (ODB) Formulary. This meant that if a brand drug that was NOT listed on the ODB had a generic, it was not used as a generic substitute or lower generic price cutback.

*This information is intended for the purposes of administering and managing group benefit plans. It is not intended for public use.*
Bill 102’s proposed changes would expand the list of interchangeable drugs in Ontario in two ways: First, the Minister will be permitted to list additional drugs as interchangeable because of the change in conditions for authorization; second, in October, the ODB formulary may include generics for brand name drugs NOT listed on the Ontario Drug Benefit for payment. This may expand the number of brand drugs that will have a lower cost generic interchangeable.

Private generic drug plans in Ontario would consequently generate additional savings because more brand name drugs would have generic substitutes, however until there is more information on what this new, expanded list of drugs will look like, and how it will be managed, the specific savings to private drug plans cannot be confirmed.

Another key issue arising from the proposed Bill 102 that is likely to have an impact on private insurance drug plans is that the ODB has stated its intent to become secondary payor for “working” seniors age 65 and over, whereas private group insurance drug plans have typically been second payor to the ODB drug plan for seniors. In effect, this means that the liability for the majority of the claims for active plan members age 65 and over will shift to private plans, and this cost-shifting would likely have a financial impact on private drug plans that cover “active” plan members age 65 and over. The specific impact to plan sponsors cannot be confirmed until we receive further information from the ODB on how this will be administered and managed.

The Ontario government also signaled the intent to make other changes following passage of Bill 102, most of which are expected to have a significantly lesser impact on private plans:

- Ontario will introduce a generic code of conduct that will prohibit pharmacy rebating activities, and set Government procurement prices for generic drugs at 50% of the brand name drug costs. This would mean a shift from the current procurement prices for generic drugs, which is:
  - The first generic entrant’s price cannot exceed 70% of the incumbent’s branded price, and
  - Subsequent entrants’ prices cannot exceed 90% of the first entrant’s price;
- The ODB will become the second payor for the Federal Public Service Health Care Plan, the Canadian Forces, the RCMP, as well as retired Members of Parliament and federal judges;
- The dispensing fee ODB will reimburse pharmacists will be increased from $6.54 to $7.00;
- The ingredient cost markup ODB will reimburse pharmacists will be reduced from 10% to 8%, to a maximum of $25; and
- The ODB and hospital formularies will be aligned, and a rapid review process will be introduced for breakthrough drugs, and this will start prior to Health Canada’s Notice of Compliance.

Manulife is continuing to monitor information from the Ontario Minister of Health, and will advise plan sponsors of specific impacts, as applicable. In the meantime, if you have general questions on the proposed changes, please contact your Manulife Financial representative.

For more detailed information on the proposed changes, please see the Ontario Ministry of Health website at: www.health.gov.on.ca/english/public/legislation/drugs/hu_drugsact.htm