



Life and Health Insurance Industry Fact Sheet

Drug Reform in Ontario

1. It's all about fair drug pricing - Ontarians are paying too much for generic drugs

- Spending on prescription drugs has grown faster than any other category of health expenditures, with the cost to employers providing drug benefits more than doubling over the past decade.
- The 2008 Canadian Generic Drug Sector Study released by the Competition Bureau concluded that generic drug prices are higher in Canada compared to other countries and Canadians are not benefitting from competition in the generic market.
- Canadians pay up to 5 times more for generic drugs than anywhere else in the world.
- There is a perception that a generic drug should cost considerably less than a brand name drug. Following the regulation of generic drug pricing for the public Ontario Drug Benefit Program (ODB) in 2006, new generics were introduced for that plan at 50% of the brand price. Private payers were charged much more - as much as 95% in one case (Lisinopril).

2. Lower drug prices are important for all Ontarians

- All Ontarians should have access to lower prices for generic drugs whether they are covered by the Ontario Drug Benefit Plan, by employer benefit plans or have to pay out of their own pockets.
- 8.6 million Ontarians are covered by private (group and individual) benefit plans. These plans paid more than \$4.1 billion for drug claims in 2008.
- Close to 70% of private prescription drug spending in Ontario is delivered through group benefit plans; however not all employers in Ontario are in a position to offer drug plans.
- Ontarians with no coverage paying the full cost of their drugs often pay the highest prices because they have no pricing controls in place to protect them and no ability to negotiate prices with pharmacies or manufacturers. By lowering overall generic drug costs, all Ontario residents will benefit.
- Prior to 2006, the market in Ontario operated as a single-tier system for pricing. Government and private spending on prescription drugs increased at about the same annualized rate. The introduction of Bill 102 in 2006 changed that, resulting in significantly higher cost increases for individuals and private sector plans. The Canadian Institute for Health Information (CIHI) reported annual increases for government programs of 5.5% compared to 9.6% for private plans.

- The average dispensing fee has also been steadily increasing for private-sector plans since 2006 from \$9.95 to \$10.61 in 2009, 51.6% higher than the \$7 paid by public plans.

3. Lower drug pricing will benefit the end consumer in a short period of time

- Lower generic drug costs, in the absence of any other increases added by pharmacies, could save Ontario employers as much as \$350 million per year.
- Private plans pay for 35% of drug costs and individuals pay 17% of drug costs out of pocket either because they have no coverage or pay the portion that is not covered by their benefit plan (the deductible).
- Individuals without any coverage and paying out of pocket would see an immediate benefit from lower prices for their generic drugs.
- For employers with Administrative Services Only (ASO) plans* (where the employer self insures paying actual claim costs but has outsourced the administration of the plan), savings from lower claim costs flow directly to the employer plan and therefore will result in lower premiums.
- Insured plans are renewed annually with rates based on experience, with savings priced in as plans renew. Savings will enable employers to sustain or enhance their health benefit plans. For example, lower generic drug costs can help offset the rising costs of other health benefits (e.g., new patented drugs, biologics, mental health services) as well as help fund wellness and health promotion programs.

Note:

There are over 5,000 ASO Plans in Ontario, with 3 out of 7 people in Ontario receiving their benefits through an ASO plan. The Canadian market is very competitive with 30 Insurance companies providing this service in Ontario to over 50,000 employers.

4. Regulation of pricing is just as important for generic drugs as it is for brand-name drugs

- Pricing of brand name drugs is regulated by the Patented Medicine Prices Review Board (PMPRB). As of yet, the PMPRB has no authority to regulate the prices of non-patented generic drugs. There is no national pricing control for generic drugs.
- Regulation of pricing is especially important as a number of major brand-name drugs come off patent over the next few years (e.g., Lipitor). Lower prices for generic prescription drugs extended across all types of plans would provide savings to not only Ontarians insured by the ODB, but to



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employees in the private-sector with health benefit plans, as well as to those without plans who have to pay out of their own pockets.

5. Lower drug pricing is important to the sustainability of quality health care in Canada

- Prescription drugs are a medical necessity to maintain and restore health. The inability to afford drugs means that individuals go without, resulting in more serious medical conditions and loss of time from work. This, in turn, results in additional costs to the health care system in the form of hospital stays and frequent visits to medical offices and emergency rooms.
- A recent survey reported by the Ministry of Health and Long-Term Care in Ontario indicates that as many as one in four residents (25%) have walked away from the pharmacy counter without filling their prescription due to its cost.

6. There is a need for greater transparency in the cost of prescriptions

- Ontario consumers should receive information about the costs of their prescriptions to assist them before they make their purchase. The prescription drug price includes - the drug cost, a mark-up and a dispensing fee.
- The ability to see an itemized price list of drugs and fees would provide Ontarians with the ability to choose where they fill their prescriptions.
- In turn, this would facilitate competition, and therefore more competitive pricing amongst pharmacies.

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