Update on Regulatory Changes

June 21, 2010
OPA Update on Regulatory Changes

June 17/10 - Meeting between Pharmacy & Ministry
- Pharmacy = OPA/CACDS/IPO
- Ministry = Brent Fraser & Pamela McDonald

Drug System Renewal

Providing Fairer Drug Prices For All Ontarians

June 7, 2010

Items requiring further discussion:
1. Inventory washout
2. Online payments of variable dispensing & transition fees
3. Cost-To-Operator claims
Professional Allowances

Proposed change announced in March/April

• Eliminate Professional Allowance (PAs) in both public and private markets

Today

• Same
• For Ontario’s drug programs, PAs will be eliminated altogether, effective July 1, 2010
• For the private market, PAs will be phased out over a 3-year period, to allow pharmacies time to adjust as the new professional services are introduced
  – Timing will be as follows: July 1, 2010 – up to 50%, April 1, 2011 – up to 35%, April 1, 2012 – 25% and eliminated completed as of April 1, 2013
Professional Allowances - OPA Update as of June 17

• None
Generic Drug Pricing

Proposed change announced in April

- Lowering the cost of generic drugs to up to 25% of the cost of the original brand name on April 1, 2010 for Ontario’s drug programs
- For private market, phased price reduction: up to 50% on April 1, 2010, up to 35% on April 1, 2011 and up to 25% on April 1, 2012

Today

- Same (except exemptions expanded) and initial effective date July 1, 2010
Generic Pricing - OPA Update as of June 17

- The Ministry currently plans **no washout period** for existing inventory
- Allows for a 10 days’ notice period of price change.
- We asked that they consider the financial implications to pharmacies, and reconsider a 30-day period for washout, including markup.
Generic Pricing Exemptions

Proposed change announced in April

- Single source generic (only one listed) may be exempted based on high cost of raw materials
- Older products may be exempted (such as products where brand reference listed is more than 10 years; and products where brand has not been a benefit for more than five years)
Generic Pricing Exemptions (continued)

Today

- Product priced at up to 25% of brand price unless the brand has dropped its price by more than 20% in last 24 months
- Non-solid drug products may be priced up to 35% (i.e. exempt from 25% price rule). This represents about 8% of total generic expenditures on public side
- Three-month incentive period for generic companies that “break patent” with drug product being priced up to 50%
- One-time regulation related to Lipitor to be priced immediately (prior to the July 1 effective date) leading to significant savings for Ontario’s drug programs
Generic Pricing Exemptions - OPA Update as of June 17

• These will be announced in the upcoming formulary notice of changes, expected 10 days before implementation.

• All generic vendors have been asked to submit exception list by next week.
Dispensing Fee

**Proposed change announced in April**

- Increasing dispensing fees by $1 (from $7 to $8) for prescriptions filled under Ontario’s drug programs
- Increasing dispensing fees up to $4 for rural pharmacies based on defined criteria

**Today**

- Same, except rural dispensing fees will increase up to $5 depending on rural location and distance between pharmacies
Rural Pharmacy Support

Proposed change announced in April
• Increasing dispensing fees up to $4

Today
• Dispensing fees will increase up to $5 for rural and underservices areas based on distance
  – Where there is < 5 km between pharmacies and more than two pharmacies in a town – will stay at new level of $8
  – Where there is < 5 km between pharmacies and two or less pharmacies in town = $9
  – Where there are no other pharmacies within 5 to 10 km = $9
  – Where there are no other pharmacies for 10 to 25 km = $11
  – Where there are no other pharmacies for more than 25 km = $12
Dispensing Fees - OPA Update as of June 17

Variable Dispensing Fees

- Those pharmacies eligible for greater than $8 per script will be notified by the Ministry as early as this week.
- The Ministry has done its analysis of eligibility, but there will be an opportunity to appeal by pharmacies.
Transitional Fees

- Transition fees provided to pharmacies in form of additional $1 dispensing fee, giving support to pharmacies until they can offer additional professional services
- This additional dispensing fee gradually decreases ($1 in 2010/11; $0.65 in 2011/12, $0.35 in 2012/13; $0 as of March 31, 2013) while pharmacies begin offering more professional services
Transition Fees - OPA Update as of June 17

Transition Fees

• These will be paid automatically, as a separate line item in the normal OPDP remittance advice, based upon scripts filled.

• Methadone scripts under capitation are not included with any fee increase at this time. These will be dealt with this fall. Suboxone dispensing would be included in this as well.

• Claims for LTC or Homes for Special Care are not eligible at this time.

• Pre-Trillium claims are not eligible at this time.
Mark-up

Proposed change announced in April

- 5% mark-up for self-distributing pharmacies;
  10% for rural pharmacies; 8% (i.e. no change) for all other pharmacies
- $125 cap on mark-up

Today

- 8% mark-up, for distribution and inventory carrying costs, remains for every pharmacy
- No mark-up cap
Mark-Up -
OPA Update as of June 17

• None
Professional Services

Proposed change announced in April
- Paying for additional professional services offered by pharmacists to patients and establishing a $100 million fund for doing so. This would be over and above the $50 million investment for the MedsCheck program, for a total of $150 million

Today
- $150 million investment stays the same
- Continuing the annual investment of $50 million for MedsCheck and expanding the program
- Providing $75 million in transition fees until further professional services implemented
- Providing $25 million for other services that will benefit rural communities, such as facilitating the delivery of prescriptions in rural communities for people with limited mobility, among other things
- 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
Professional Services - OPA Update as of June 17

- Professional Services funding, beyond the $75 Million to be covered by transition fees
- The $25 Million will focus on rural pharmacy services, although this may not necessarily be exclusive.
- An Ad Hoc Committee will be formed in July/August to put together a plan for payment for services.
MedsCheck Program

Proposed change announced in April

- No changes proposed
- Currently provides annual and follow up one-on-one consultations with a pharmacist for patients with a chronic condition and taking three or more prescription drugs

Today

- The program will be expanded to include initial and follow-up consultations for people with diabetes, quarterly medication reviews for long-term care home residents, and at-home review of medications for people who have difficulty travelling to local pharmacy
- The payment for the annual MedsCheck will be increased to $60
MedsCheck Program - OPA Update as of June 17

- Re ‘MedsCheck At Home’ in rural locations, there may be some consideration for mileage/time fee because of distances.

- Expansion for diabetic patients, not otherwise covered by a regular MedsCheck, will be at the pharmacists’ professional discretion.
  - Consideration for payment for additional counseling at the same time (e.g. diet, exercise, foot care).
Private Label Generics

Proposed change announced in April

- Private label generic products are prohibited in both public and private markets

Today

- Same and in addition, prohibition applies to both pharmacies and wholesalers
Private Label Generics - OPA Update as of June 17

• None
Other Issues

When opening a new pharmacy, the dispensing fee is automatically set at $8.

Appeals Process

• MOHLTC will assess the category of the new pharmacy and re-set the fee which may take several days.

• MOHLTC will only set and re-set the categories once annually.

• If re-categorization is necessary:
  – Retroactive payments would be made available.
  – When a store category changes mid-year, the Ministry will not re-set the categories immediately. Adjustments will be made retroactively.
Other Issues

- MOHLTC indicated the intention to meet with pharmacy on Long-Term Care in the upcoming months. For now, the higher fee with no transition fee applies.