



OUTCOMES CONFERENCE 2008

Policy and Legislative Changes in Canada

- Private Payers' Impact -

Pierre-Étienne Tremblay
Director, Professional & Provider Relations

Optimizing the value of health benefits

- In recent years, most provincial legislative changes have lead to an increase in drug costs for private payers.
- Ontario legislative changes have lead to cost reduction for private payers in Ontario... and Quebec.
- Alignment by all private payer stakeholders will be key in order to adopt and implement plan tools that can help reduce and control drug costs.



Ontario's Transparent Drug System for Patients Act

Optimizing the value of health benefits

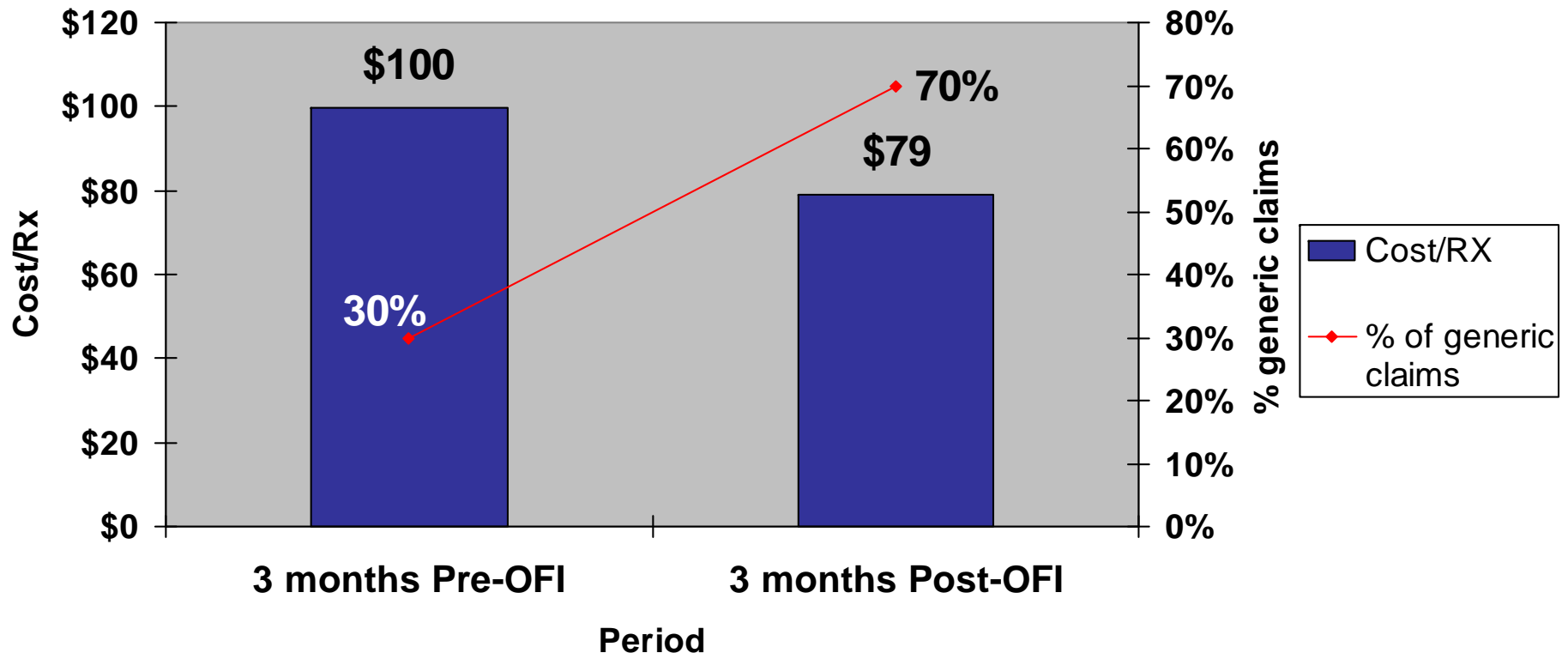
Main changes since April 2007

1. Off-Formulary Interchangeability (OFI) changes
2. The *MedsCheck* program
3. Reporting of professional allowances

1. Off-Formulary Interchangeability (OFI)

- OFI expands the generic substitution for drugs that are not listed on the ODB Formulary.
- OFI targets the private sector.
- Since its introduction, many new multiple source drug products have been approved.

Impact: OFI Generic Substitution has lead to lower Drug Spend for private plans



*The analysis was done on the 7 OFI molecules approved on June 6, 2007 (clonidine, mefloquine, paroxetine, sumatriptan, tizanidine, glimepiride, gabapentin)

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2. The *MedsCheck* program

- 9 months after the launch of *MedsCheck*:
 - 153,537 patients had received a review; and
 - 98% of pharmacies had provided a service to an eligible patient at least once.

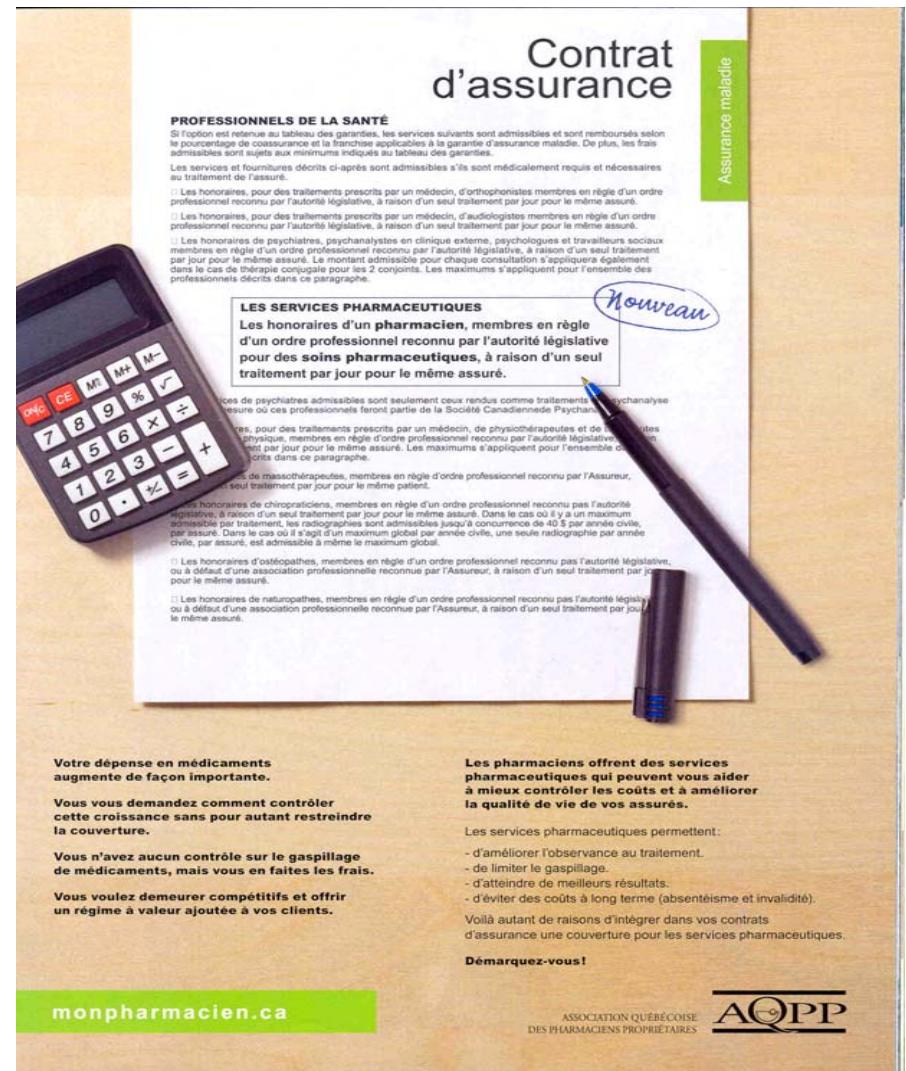
(Source: Ministry of Health and Long-Term Care)

Impact:

- Penetration is about 1.2% of the total population, ODB recipients included.
- Modification of patient consuming habits and pharmacy service offering could create pressure to cover cognitive fees where/when they are not covered by the public sector.

An example:

- AQPP has published in the March 2008 issue of the *Journal de l'Assurance* an ad promoting the inclusion of pharmaceutical services in private plans.



Contrat d'assurance

PROFESSIONNELS DE LA SANTÉ
Si l'option est retenue au tableau des garanties, les services suivants sont admissibles et sont remboursés selon le pourcentage de coassurance et la franchise applicables à la garantie d'assurance maladie. De plus, les frais admissibles sont sujets aux minimums indiqués au tableau des garanties.
Les services et fournitures décrits ci-après sont admissibles s'ils sont médicalement requis et nécessaires au traitement de l'assuré.

- Les honoraires, pour des traitements prescrits par un médecin, d'orthophonistes membres en règle d'un ordre professionnel reconnu par l'autorité législative, à raison d'un seul traitement par jour pour le même assuré.
- Les honoraires, pour des traitements prescrits par un médecin, d'audiologistes membres en règle d'un ordre professionnel reconnu par l'autorité législative, à raison d'un seul traitement par jour pour le même assuré.
- Les honoraires de psychiatres, psychanalystes en clinique externe, psychologues et travailleurs sociaux membres en règle d'un ordre professionnel reconnu par l'autorité législative, à raison d'un seul traitement par jour pour le même assuré. Le montant admissible pour chaque consultation s'applique également dans le cas de thérapie conjugale pour les 2 conjoints. Les maximums s'appliquent pour l'ensemble des professionnels décrits dans ce paragraphe.

LES SERVICES PHARMACEUTIQUES
Les honoraires d'un pharmacien, membres en règle d'un ordre professionnel reconnu par l'autorité législative pour des soins pharmaceutiques, à raison d'un seul traitement par jour pour le même assuré.

Nouveau

Les honoraires de psychiatres admissibles sont seulement ceux rendus comme traitements de psychanalyse ou ces professionnels feront partie de la Société Canadienne de Psychanalyse.

Les honoraires, pour des traitements prescrits par un médecin, de physiothérapeutes et de chiropraticiens, membres en règle d'un ordre professionnel reconnu par l'autorité législative, à raison d'un seul traitement par jour pour le même assuré. Les maximums s'appliquent pour l'ensemble des professionnels décrits dans ce paragraphe.

Les honoraires de massothérapeutes, membres en règle d'un ordre professionnel reconnu par l'Assureur, à raison d'un seul traitement par jour pour le même assuré.

Les honoraires de chiropraticiens, membres en règle d'un ordre professionnel reconnu par l'autorité législative, à raison d'un seul traitement par jour pour le même assuré. Dans le cas où il y a un maximum admissible par traitement, les radiographies sont admissibles jusqu'à concurrence de 40 \$ par année civile, par assuré. Dans le cas où il s'agit d'un maximum global par année civile, une seule radiographie par année civile, par assuré, est admissible à même le maximum global.

Les honoraires d'ostéopathes, membres en règle d'un ordre professionnel reconnu par l'autorité législative, ou à défaut d'une association professionnelle reconnue par l'Assureur, à raison d'un seul traitement par jour pour le même assuré.

Les honoraires de naturopathes, membres en règle d'un ordre professionnel reconnu par l'autorité législative, ou à défaut d'une association professionnelle reconnue par l'Assureur, à raison d'un seul traitement par jour pour le même assuré.

Votre dépense en médicaments augmente de façon importante.
Vous vous demandez comment contrôler cette croissance sans pour autant restreindre la couverture.
Vous n'avez aucun contrôle sur le gaspillage de médicaments, mais vous en faites les frais.
Vous voulez demeurer compétitifs et offrir un régime à valeur ajoutée à vos clients.

Les pharmaciens offrent des services pharmaceutiques qui peuvent vous aider à mieux contrôler les coûts et à améliorer la qualité de vie de vos assurés.

Les services pharmaceutiques permettent:

- d'améliorer l'observance au traitement.
- de limiter le gaspillage.
- d'atteindre de meilleurs résultats.
- d'éviter des coûts à long terme (absentéisme et invalidité).

Voilà autant de raisons d'intégrer dans vos contrats d'assurance une couverture pour les services pharmaceutiques.

Démarquez-vous!

monpharmacien.ca

ASSOCIATION QUÉBÉCOISE DES PHARMACIENS PROPRIÉTAIRES **AQPP**

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3. The reporting of professional allowances

- Pharmacies must now provide:
 - the amount of all professional allowances received (public and private)
 - the total amount of all professional allowances monies expended by pharmacy (for private and public services)

Impact:

- No direct benefit for private payers as the 20% limit on professional allowances does not apply to the private sector
- Increase in transparency and monitoring



Cancer Care Ontario (CCO)

Optimizing the value of health benefits

– **Flash-Back on CCO**

- Patients may have their prescribed non-formulary intravenous (IV) cancer drugs administered in a designated hospital or in a private infusion clinic.
- A Provincial Working Group (PWG) developed recommendations, namely:
 - Patients should be charged for IV cancer drugs and other drugs given as part of the cancer therapy.
 - Patients could be charged a \$250 fixed infusion fee per visit for non-drug related costs.

Impact: Overall, we observed an increase in drug claims & cost

Examples: Avastin® and Erbitux ®

	Total Drug Cost		Number of Paid Claims		% Increase	
	12 months prior to CCO	12 months after CCO	12 months prior to CCO	12 months after CCO	Total Drug Cost	Number of Paid Claims
Avastin®	\$101,000	\$289,000	58	214	186%	269%
Erbitux ®	\$20,533	\$151,238	12	85	608%	637%

How can we explain such an increase?

- PWG recommendations increased the access to non-formulary IV cancer drugs.
- More private infusion clinics in Ontario - increased access.
- Possibility of an increase in off-label use (indications not approved by Health Canada).
- Over time, IV cancer drugs acquire new indications approved by Health Canada.



The Quebec Drug Policy

Optimizing the value of health benefits

Main legislative changes since April 2007

1. The lifting of the price freeze
2. Reduction of generic prices
3. Reduction of the maximum wholesaler's profit margin
4. Regulation of the pharmacy professional allowances and other benefits

1. The lifting of the price freeze

- Price freeze in effect since 1994
- The 2007 increase was 2.03% (CPI)
- In June 2007, of the 442 price increases, 8 drugs were among the ESI Canada top 100.

Impact:

Not directly measurable but it most probably has been transferred to the U&C price reimbursed by private payers.

2. Reduction of the generic prices

- Generic prices : from 70% - 63% to 60%-54%.
- On February 1, 2008, of the 8900 DINs on the RAMQ price list, 1253 saw their cost decrease by approximately 21% to 28%.
- The lowest price method.

Impact:

Private payers have benefited from a reduction in the U&C price charged by pharmacies for these DINs.

Impact: Private payers have benefited from a cost decrease

Drug Name	Rank by claim \$	Qty	Pre-change U&C avg.	U&C Feb -2008	U&C March 2008	% change in the U&C	% of the reduction transferred
<i>Apo-Ramipril 10mg Cap</i>	68	30	\$34.73	\$31.32	\$30.67	- 11.7%	71%
<i>Apo-Paroxetine 20mg Tab</i>	86	30	\$48	\$44.28	\$43.88	- 8.6%	66%
<i>Ratio-Citalopram 20mg Tab</i>	112	30	\$41.80	\$39.03	\$38.78	- 7.2%	40%
<i>Ratio-Ramipril 10mg Cap</i>	160	30	\$34.76	\$31.07	\$30.52	- 12.2%	74%
<i>Gen-Metformin 500mg Tab</i>	187	30	\$11.49	\$11.26	\$11.07	- 3.7%	56%

Optimizing the value of health benefits

3. Reduction of the maximum wholesaler's profit margin

- Maximum profit margin governing the wholesalers of medications lowered from 9% to 7%, and then to 6%
- Maximum mark-up for certain high priced medications (appendix III of the *List of Medications*) increased from \$20 to \$24

In October 2007, the published margins were:

Wholesaler	Profit margin*
Distribution Famili-Prix Inc.	7.15%
Rep-Pharm Inc.	5.6%
Le Groupe Jean Coutu (PJC) Inc.	5%
McMahon Distributeur Pharmaceutique Inc.	7.15%
McKesson Services Pharmaceutiques	6.5%
Amerisource Bergen	5.5%
Kohl & Frisch Limited	5%
Shoppers Drug Mart Limited	5%
Centre Distribution Racine Inc.	6.5%
Distributions Pharmaplus Inc.	7%

* The profit margin of each wholesaler recognized by the Minister under the *Act respecting prescription drug insurance* is published in Appendix II of the *List of Medications*. The following profit margins were the profit margins published in the *List of Medications* on October 1, 2007.

Impact:

- Before the legislative changes, the aggregate maximum profit margin governing the wholesalers was estimated at 5.5%
- We therefore anticipate the increase in acquisition costs will be reflected in the U&C price charged by pharmacies for claims reimbursed by private payers.

4. Pharmacist's Professional Allowances and other benefits from manufacturers

- Since November 2007, the benefits a pharmacist may legally receive are the professional allowances and other authorized benefits provided in the in the *Regulation respecting benefits authorized for pharmacists*.
- The regulation includes specific terms for generic drug manufacturers and for manufacturers of innovative drugs.
- Reporting of benefits is mandatory.

Summary of the regulation

- The professional allowances and authorized benefits are defined in the regulation.
- Their use must namely relate to educational programs, promotion or protection of health, etc.
- The limits are set at:
 - 20 % of the sales from a generic manufacturer (on the list of medications); and
 - A reasonable cost and frequency (no retail goods) for manufacturers of innovative drugs.

Impact:

- The reduction in generic prices and the limit on professional allowances could reduce the amount of professional allowances received by pharmacies.
- Therefore, the legislative amendment could result in certain changes in pharmaceutical practice and therefore impact the level of the U&C price charged by pharmacies for claims reimbursed by private payers.



Other Legislative Changes

Optimizing the value of health benefits

1. Top provincial drug programs

- SK: All senior to pay no more than 15\$/RX
 - Private payers are now 2nd payer on these claims
- NL: The lowest price policy for drugs listed on the provincial formulary must include the ODB prices.
 - A slight price decrease on certain NL formulary drugs; postponed until Jan.09
- NL and NS: protection for individuals and families against the financial burden of high drug costs
 - No impact, as private payers remain first payers.

2. Expanded powers to Health Care Providers

- Midwives granted prescribing authority (NU, SK)
 - An increase in accessibility to prescribers

3. Private surgeries

- Certain private surgeries are allowed in Quebec.
 - Possibility of increased costs for private payers as drugs that used to be administered in a hospital setting will now sometimes be administered in a specialized medical centre.
 - Some examples: arthroplasty (hip or knee replacement), cataract extraction and intraocular lens implant.

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