



GENERIC DRUG PRICING

Affordable Access to Generic Drugs in B.C.

July 9, 2010



Today's Announcement

- Agreement has been reached between government and associations representing B.C. pharmacies
- Significant reductions in generic drug prices that will benefit all British Columbians
- Re-investment of savings for value added health services including new drugs to improve patient care and enhance the role of pharmacists



BRITISH COLUMBIA'S PRESCRIPTION DRUG SYSTEM



Brand Name Drugs

- Single manufacturer
- Protected by patent
- Prices regulated by Patented Medicine Prices Review Board
- All pharmacies carry the same single brand
- Example: Crestor (manufactured by AstraZeneca and used to treat high cholesterol)



Generic Drugs

- Multiple manufacturers
- Non-patented
- No national price regulation or standard
- Lower cost alternative to brand
- Manufacturers required to compete for pharmacy shelf space
- Example: Atorvastatin is the generic form of Lipitor (the top selling drug in the world used to treat high cholesterol)



Payment

- Three sources of payment for prescription drugs in B.C.
 - PharmaCare
 - Employer/union-sponsored benefit plans
 - Cash payers/individuals



PharmaCare

- All B.C. residents are eligible for coverage (Fair PharmaCare)
- Specific plans provide coverage for income assistance, long term care, and mental health beneficiaries
- Expenditures of \$908M (2008/09) on pharmaceuticals and medical supplies



Employer/Union Benefit Plans

- 2.7 million B.C. residents get coverage from employer/union-sponsored plans
- In 2008/09, total private expenditures on prescription drugs was \$1.4 billion
- Approximately 30% of private drug expenditures are paid by individuals out-of-pocket (CIHI, 2009)



STATUS QUO UNACCEPTABLE



Generic Drug Prices Too High

- B.C. pays more than other countries (Competition Bureau, 2007 and 2008)
- Manufacturers maintain artificially high prices and provide rebates to secure pharmacy shelf space
- Generics represent a significant expenditure in B.C.:
 - PharmaCare \$286M* (08/09)
 - Benefit plans/cash \$347M (08/09)
- Generics increasing as a proportion of total drug cost
 - PharmaCare: 60% growth in generic expenditure between 05/06 and 08/09*

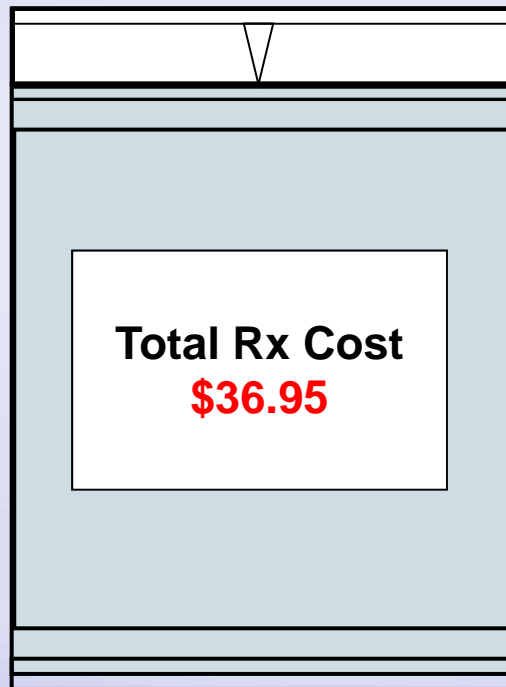
* Includes expenditures on brand drugs where reimbursement capped at price of generic alternatives



Generic Prescription Costs*

Example:

30-day Rx for generic
rabeprazole 20mg
(anti-acid medication)



Wholesaler – 4%

Generic Manufacturer – 27%

Pharmacy – 69%

* Based on \$8.60 dispensing fee plus
60% assumed manufacturer rebate



Implications for Pharmacy

- Generic drug prices are inflated allowing for significant rebates from manufacturers
- Pharmacies have become reliant on rebate revenues
- As generic drug prices are reduced, pharmacy will need to transition business model



ADDRESSING THE PROBLEM



Action to Date

- Pharmaceutical Task Force recommended government and industry negotiate reduction in generic drug prices
- Interim Agreements put in place with pharmacy associations (2009 – 2010) while Long Term Agreement was negotiated



Benefits to Date

- New generic drugs covered by PharmaCare limited to 50% of brand price.
- Limits on fees paid for daily/weekly dispensing
- **Annual savings to taxpayers = \$29 million**
- Introduction of new services to improve patient access
 - Prescription renewal and adaptation



The BC Approach

- Develop solution through negotiation with Associations
- Non-legislative approach
- Reduce generic prices without undue administrative burden
- Stakeholders consulted throughout the process



NEW AGREEMENT



Pharmacy Agreement

- Effective July 28, 2010 to March 31, 2013
- Significant savings for all British Columbians
- Generic drug prices reduced to 35% of brand prices
- Increase in PharmaCare maximum dispensing fee
- Investment in new value-added pharmacy services
- Increased rural support for pharmacies



Generic Drug Prices (as % of brand price)

	Status Quo	October 2010	July 2011	April 2012
Existing generics	65% (average)	50%	40%	35%
New generics*	50% - 70%	42%	40%	35%

* Generics launched since November 2008



Generic Drugs – Projected Annual Savings*

PharmaCare (2012/13) **\$170 million**

**Employer/Union Plans
& Individual** (2012/13) **\$210 million**

TOTAL SAVINGS (2012/13) **\$380 million**

* Savings relative to current generic prices. Anticipates patent expiries on brand drugs.



PharmaCare Payments to Pharmacies

	Status Quo	July 2010	October 2010	July 2011	April 2012
Maximum dispensing fee payment	\$8.60	\$9.10	\$9.60	\$10.00	\$10.50
Maximum drug mark-up	7.0%	7.0%	8.0%	8.0%	8.0%



Generic Drug Prices (example of savings)

	Status Quo	October 2010	July 2011	April 2012
Max. PharmaCare cost for 30 day prescription generic rabeprazole 20mg (anti-acid medication)*	\$36.95	\$30.77	\$27.34	\$25.67

* Prescription cost includes dispensing fee and mark-up on drug



Net Savings to PharmaCare

	2012/13
Savings on generic drugs	\$170M
Increased fees & mark-up on drug cost	\$60M
NET SAVINGS	\$110M



Investment in Enhanced Services

- Commitment to invest \$35 million to enhance patient care
- New clinical services and compensation defined by parties (e.g.)
 - Medication management
 - Chronic disease management
- Enhanced rural pharmacy program funding to support community-based pharmacy in rural B.C.