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Benefits *Bulletin*

Benefit News to Keep You in the Know and the Now

Generic Drug Price Reduction

In January, the pan-Canadian Pharmaceutical Alliance announced that it had negotiated price reductions of 25-40% on 70 commonly used generic drugs. As of April 1st, the cost of some generics will be priced at just 10% of the cost of the brand name counterpart.

In exchange for these savings, the Alliance has agreed to not tender bids from drug companies for a period of five years.

On the whole, this is good news. Collectively, public plans across Canada expect to save approximately \$385 million in the first year and anticipate \$3 billion in savings over the five years of the agreement. Savings are expected to impact private plans as well but not to the same extent due to the lower volume of claims.

Some criticize that the freeze on tenders limits open competition and thereby does not allow the lowest price possible. However, governments feel that the agreement affords the public lower costs while also ensuring a stable supply of medication from a variety of sources.

The drugs impacted by this announcement cover many top claimed drug categories such as high blood pressure, cholesterol disorders, and depression. Depending on the level and type of claims submitted to private plans, employers may see a reduction in claim costs over the coming years. However the savings will not be immediate and the impact of these price adjustments will depend on what drugs are claimed on the plan.

Crunching the Numbers

A 25-40% reduction sounds impressive but a closer look reveals the numbers may be deceiving. For example, Ramiril is a commonly used drug to treat high blood pressure and is included in the list of 70 drugs included in this announcement. The cost of Ramiril 5mg will reduce by 33% which sounds wonderful. However, this equates to a savings of approximately \$1.23 for a 30-day supply or less than \$15 over the course of a year.

While any savings for plan sponsors is good news, the degree to which this announcement impacts private plans may be more limited than the headlines indicate. Plan sponsors should remain focused on areas where a greater impact can be seen such as moving employees away from brand name to generic drugs and alternative, lower-cost therapeutic classes, and step-therapy programs.

Founded in 2010, the pan-Canadian Pharmaceutical Alliance (pCPA) combines representatives from all provinces and territories and the Federal government to negotiate drug prices for publicly covered drugs.