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## The perils of blind faith

Mike Sullivan | August 12, 2010

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In retrospect, it looks like it might have been wise for Alberta to follow the followers in BC and Quebec and let the Ontario Government take the heat before introducing their version of generic drug pricing reforms.

The Alberta story is a not a pleasant one for any plans and plan members that are paying the transition fund charge of \$3 per prescription, as the benefit they are seeing in many cases is weak to say the least. This is another example of how blind faith is never a great response when it comes to changes in government policy and how they might benefit plan sponsors in a given region.

Let's take a look at the situation in Alberta. Here are examples of a handful of the pricing changes on some important generic products:

Generic ramipril (Altace) 5mg – blood pressure lowering medication:

- Alberta Formulary Price in 2009: \$0.50/capsule
- Alberta Formulary Price July 2010: \$0.4815/capsule
- Savings on 3 months of this medication: \$1.67
- Change in Price: 3.7% decrease

Savings when you factor in a transitional allowance per prescription of \$3 in Year 1, \$2 in Year 2, and \$1 in Year 3 – not a pretty picture.

Generic venlafaxine XR (Effexor XR) 75mg – popular antidepressant:

- Alberta Formulary Price in 2009: \$1.0876/capsule
- Alberta Formulary Price July 2010: \$1.0876/capsule
- Savings on 90 capsules of this medication: \$0
- Change in Price: N/A
- Savings when you add any kind of transitional allowance: negative

Generic simvastatin (Zocor) 20mg – cholesterol lowering medication

- Alberta Formulary Price in 2009: \$1.386/tablet
- Alberta Formulary Price July 2010: \$1.386/tablet
- Savings on 3 month supply of this medication: \$0
- Change in Price: N/A

Generic gabapentin (Neurontin) 300mg – used to treat pain or epilepsy

- Alberta Formulary Price in 2009: \$0.613/capsule
- Alberta Formulary Price July 2010: \$0.6092/capsule
- Savings on 90 capsules of this medication: \$0.34
- Change in Price: 0.62% decrease

Generic rabeprazole (Pariet) 20mg – used to treat stomach hyperacidity

- Alberta Formulary Price in 2009: \$0.91/tablet
- Alberta Formulary Price July 2010: \$0.7826/tablet
- Savings on 90 tablets of this medication: \$11.47
- Change in Price: 14% decrease (finally – a slight winner)

This may help to put into perspective why pharmacies in Ontario were so furious. They have to wave goodbye to allowances from generic companies and face cuts to 25% of brand cost on generics under the government plan, yet pharmacies in Alberta aren't seeing huge changes in many prices and its business as usual with allowances. Pharmacists in B.C. also escaped the radical surgery that took place in Ontario, and Quebec just got to play its trump card with its ability to make the lowest prices in the country. However, it is Alberta's initial drug reforms which appear have the least amount of bite.

So while the market lauded the government changes from Edmonton months ago, and for extending such wonderful discounts to all Albertans (and not just to the government), maybe it's time to look a little deeper with respect to how deep those savings really are. Sure, numbers like 56% of brand price, 45% of brand price all look good until you consider where the starting point was. There seems to be a common belief that post-Bill 102 in 2006, generic drug prices surged up to an average of 70% or more of the price of brand drugs. That simply wasn't the case.

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It's easy to make numbers sound however you want them to sound, and numbers like 56% of brand price sound much better than "we have found a way to shave 0.6% off the cost of gabapentin, and nearly 4% off the cost of ramipril, although there isn't much we can do for venlafaxine and simvastatin right now."

On the positive side, these relatively modest price changes in Alberta have not negated opportunities for plan sponsors. The same thing goes in Ontario where, despite the generic drug reforms, Dalton McGuinty will still pay 100% more this year for the same generic drug compared to the 67 year old Ontario Drug Benefit voter in his riding. The upside is that we are still seeing very significant differences in drug costs being submitted across the country, which presents opportunities for sponsors well positioned to take advantage of these differences in the marketplace.

It has also been great to see that many pharmacy providers have finally begun to find religion, are no longer myopically focused solely on provincial governments, and are starting to craft new offerings to appeal to private sector plan sponsors. Some of these programs look interesting, and others are a complete waste of time, but it's nice to see private plan sponsors commanding more attention and respect from their customer base—one worth billions of dollars a year. I can't think of another market that spends that much money on its customers every year, and yet have been virtually ignored for this long.

There is opportunity in the market to contain costs and extract better value and health outcomes for money invested in employee health benefits, it's just not at the foot of our legislative colleagues.

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