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## Generic Prescription Drugs Maintaining health care standards while controlling costs

### Skyrocketing costs of prescription drugs

Each year, the cost of prescription drug claims increases by 10 to 15 percent. The average group plan member in Canada claims over \$1,200 annually in prescription drug costs alone. Approximately one out of every three claimants has drug expenses exceeding \$1,000 a year, and one in twenty-five claim more than \$5,000. Since 2005, expenses related to high-cost drugs has increased by 327%.

These figures show how a drug plan is a significant part of the overall benefits package; the figures also illustrate how important a drug plan is to employees. Without the aid of a drug plan, employees would have to pay these expenses on their own. Employers and insurers are struggling to find ways to keep health care plans viable and affordable. The challenge is to find cost containment solutions while ensuring all employees receive the same level of treatment.

### Generic medications

One solution that has helped manage prescription drug costs is the **generic, or lowest cost alternative (LCA)**, solution. Usually, generic drugs become available after patent protections on the original drug have expired. Health Canada confirms that generic drugs contain the **same active ingredients** and have similar dissolution characteristics and are just as safe and effective as the name brand versions. With many commonly-prescribed medications due to come off patent over the next several years, there will be more generic choices than ever before.

Scientifically speaking, there may be some difference in the dyes, coatings, binding agents or packaging. However, the major difference is in their lower cost. Stakeholders say, **generics save patients and health care plans significant costs without compromising quality of care.**

### EHC drug plans are changing

Generic substitutions usually cost 30-50% less than the name brand equivalent. If the annual cost of medication is over \$1,000, the savings of generic drugs quickly becomes substantial.

Due to the ever increasing costs of prescription drugs, most benefit plans have changed, or are changing, to the **generic or Lowest Cost Alternative (LCA) drug plan**. The term LCA is used because these plans reimburse patients the equivalent of the lowest cost drug that Health Canada confirms has the same active ingredient. If there is more than one generic available or if the brand reduces its price to below the generic, the lowest price is reimbursed.

If a generic substitution is not available, the benefit plan will continue to reimburse the name-brand drug at the plan percentage.

### Generic/LCA drug plans

Regardless of what was prescribed or dispensed, generic/LCA drug plans reimburse up to the equivalent lowest price drug with the same active ingredient. If a drug is purchased that costs more than the LCA, the patient pays the difference.

This leads to the question of what happens when a doctor prescribes a brand name drug even when a generic is available.

Keep in mind that benefit plans do not dictate the treatment that the patient should or should not receive. Plans will determine if a drug is covered or not, and how much will be reimbursed, based on the contract provisions.

Some plans don't allow any exceptions. This means that if the doctor prescribes the name brand drug, patients will be out of pocket the difference. That being said, most plans will allow for exceptions as long as patients follow the insurers exception process.

## Applying for an exception

When a plan has adopted the generic/LCA drug plan and, for medical reasons, the physician requires the name brand drug only, in most cases the insurer will allow an exception. However the request must be made directly to the insurer.

The exception request is specific to each insurer. Some insurers simply require the prescription from the physician that states “no substitutes” or “no alternatives”. Others require a special authorization form to be completed that provides an explanation and justification for the request. Whichever the insurer requires, the approval must be made **before** claims will be paid.

For reimbursement plans where the patient submits a claim form, prescription drug receipts must be submitted along with the appropriate doctor’s note or special authorization request form. For plans with a pay direct or deferred drug card, the request must be sent to the insurer separately, as the pharmacist does not have authority to approve or decline the exception.

In either case, once approved, the insurer will maintain this record until they require an update.

## The role of the pharmacist

The role of pharmacists is also changing as many jurisdictions now allow the pharmacist to renew and substitute (or adapt) a prescription provided by a physician. As a result, many patients are dispensed the generic drug whenever one is available. Pharmacists remain the experts when it comes to pharmaceuticals. However, some pharmaceutical companies market directly to physicians and this may be causing some confusion.

**If you have any questions about whether there is a generic for your prescription, or what the lowest cost alternative is, ask your pharmacist.**

## Conclusion

The ever-escalating costs of prescription drugs is born by all Canadians, whether through higher taxes that are needed to maintain provincial programs, increased premiums for group health coverage, or increased out of pocket costs.

With prescription drugs being the second most costly component in the Canadian health care system (behind the cost of hospitals, but more costly than physicians), the generic/LCA drug plan is only the first step in this on-going discussion on how to manage these costs into the future.