

Benefits Bulletin

Information Update for Group Benefits Plan Sponsors and Plan Advisors

ONTARIO BILL 102 - PRICING ADJUSTMENTS

Over the past months, Manulife Financial has provided you with updates on Bill 102, Ontario's *Transparent Drug System for Patients Act, 2006* which amended the *Drug Interchangeability and Dispensing Fee Act* and the *Ontario Drug Benefit Act*. Bill 102 is expected to generate significant prescription drug cost savings for the Ontario Drug Benefit program (ODB) because 1) the *Act* expands the list of interchangeable drugs, and 2) the price of an interchangeable drug has been set at 50 percent of the brand name equivalent (with some exceptions).

Ontario provincial drug formulary changes

On December 20, 2006, the ODB released the updated Ontario provincial drug formulary. The new formulary included new prices, a new list of brand name products, and new negotiated prices for selected generic products. While some drug ingredient costs increased in price many of them decreased. There were also over 400 discontinued drug products removed from the plan.

The new lower prices reflect the ODB's 50 percent generic pricing rule for ODB recipients, along with the ODB negotiated prices for single source generic products. A generic drug, that is listed as being interchangeable for a brand name drug covered by ODB, must have a price that is less than or equal to 50 percent of the comparable brand name product's price.

Effective *January 1, 2007*, Manulife has increased the ingredient cost of any drugs that have increased in price on the ODB formulary (since we use provincial formulary prices as a benchmark to set rates for drugs listed on the formulary).

For drugs that the ODB decreased in price, Manulife is further investigating our interpretation of the legislation and our ability to decrease our price on the ODB drugs while ensuring our plan members are not negatively impacted.

As well, effective *April 1, 2007*, the ODB will be reducing its allowable mark-up on eligible drugs from 10 percent to 8 percent. The ODB will not reimburse pharmacies a mark-up greater than 8 percent. Pharmacists are not permitted to pass along the remaining 2 percent to either the patient or a third party payor. Note: Manulife Financial's allowable mark-up for Ontario will remain at 10 percent.

Impact to private plans with plan members over age 65

There is no impact to private plan drug costs since Bill 102 didn't change the deductible or co-payment levels for ODB recipients over 65. Manulife will continue to mirror the ODB and adjudicate claims based on the current practices for plans that provide reimbursement of the ODB deductible and co-payment.

For ODB recipients (age 65 years and older), whose annual income is equal to, or greater than, the threshold set by the ODB		For ODB recipients (age 65 years and older), whose annual income is less than the threshold set by the ODB	
Deductible	Co-payment	Deductible	Co-payment
\$100	\$6.11 per prescription	Not applicable	\$2.00 per prescription

Impact to private drug plans with plan members under age 65

Manulife has conducted a detailed analysis of the ODB formulary and the new prices. We've determined that the overall impact of the price increases is minimal, and there will be no impact to total health premiums for Ontario employees with standard prescription drug plans. By increasing the ingredient cost of drugs that the ODB applied an increase to, Manulife is ensuring plan members who are being dispensed drugs listed on the ODB formulary will not be affected negatively.

Furthermore, decreasing allowable drug costs to match the provincial plan, would result in some cost savings for plan sponsors. Generic pharmaceutical companies can no longer charge more than 50 percent of the brand name price (with some exceptions). Since this arrangement is applicable to ODB-eligible recipients only, it has yet to be determined what ingredient cost pharmaceutical manufacturers will bill for drugs purchased for patients who are not ODB recipients. We expect pharmacists to charge a non-ODB customer the same ingredient cost as they would an ODB recipient.

Manulife will monitor the effects of the decrease in prices which took effect January 2007 as well we will also closely monitor dispensing fees to identify any potential shifts to the private plans.

Ingredient drug cost

The amount a pharmacist pays to purchase a drug.

Mark-up

An additional amount a pharmacist can charge for a drug, above the original drug or ingredient cost. The mark-up is applied to cover the costs of running the pharmacy.

Dispensing fee

The professional fee a pharmacist charges to fill the prescription.

Active plan members age 65 and over

Although the Ontario Government's original intent was for the ODB program to become second payor for working seniors who have private insurance coverage, there has been no additional information on the criteria that will be used to define a "working senior," or guidelines on how this change would be administered. Until there are additional changes in legislation or regulation, the ODB will remain first payor to individuals 65 years and older.

If there are changes in legislation or regulation to enforce this change, it could have financial impact to private drug plans that cover active plan members age 65 and over, since the liability for claims for these plan members will shift to the private plans.

Plan sponsors may want to revisit their decisions about coverage for active employees over the age 65 due to potential cost-shifting.

Manulife will continue to monitor issues relating to Ontario's Bill 102 and will advise plan sponsors accordingly. We will continue to work closely with the Canadian Life Health Insurance Association and our pharmacy benefit manager to ensure the provincial government is aware of Bill 102's potential impact to private plans.

For more information on Ontario's Bill 102

http://www.health.gov.on.english/public/legislation/drugs/hu_drugsact.html

You can also refer to Manulife's earlier Benefits Bulletins on Bill 102 (May, July and November 2006). Go to www.manulife.ca and click-on "Newsletters" under the heading "Group Benefits." Look for the heading "Group Benefits Bulletins."

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