

# THE INSURANCE INSIDER



## B.C. TO CUT GENERIC DRUG PRICES TO 35% OF COST OF BRAND NAME DRUGS OVER NEXT 3 YEARS

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Generic prescription drug prices in British Columbia will drop to 35% of the brand price, resulting in up to US\$380-million a year in savings, the B.C. government announced on July 9th, 2010

The province said the announcement follows an agreement between the government and the B.C. Pharmacy Association and the Canadian Association of Chain Drug Stores.

“We are lowering generic drug prices and making improvements to our drug system to benefit all British Columbians,” Health Services Minister Kevin Falcon said in a news release. “Quite simply, we were paying too much for some of the most popular drugs for high blood pressure, heartburn, depression, epilepsy and cholesterol. Change was needed if we want to keep drug costs sustainable and redirect the money to cover new drugs and provide better services.”

The province said generic drug prices in B.C. currently average about 65% of the brand-name cost. The agreement, which will be phased in over three years, will see PharmaCare reduce the price it pays to pharmacies for generic drugs to 35% of brand name drug costs.

*“...The province said generic drug prices in B.C. currently average about 65% of the brand-name cost...”*



## ARE GENERIC DRUGS *REALLY* THE SAME AS THEIR BRAND NAME EQUIVALENTS?

Generic drugs are copies of brand-name drugs that have exactly the same dosage, intended use, effects, side effects, route of administration, risks, safety, and strength as the original drug. In other words, their pharmacological effects are exactly the same as those of their brand-name counterparts.

An example of a generic drug, one used for diabetes, is Metformin. A brand name for metformin is Glucophage. (Brand names are usually capitalized while generic names are not.) A generic drug, one used for hypertension, is metoprolol, whereas a brand name for the same drug is Lopressor.

Many people become concerned because generic drugs are often substantially cheaper than the brand-name versions. They wonder if the quality and effectiveness have been compromised to make the less expensive products. The FDA (U.S. Food and Drug Administration) requires that generic drugs be as safe and effective as brand-name drugs.

Actually, generic drugs are only cheaper because the manufacturers have not had the expenses of developing and marketing a new drug. When a company brings a new drug onto the market, the firm has already spent substantial money on research, development, marketing and promotion of the drug. A patent is granted that gives the company that developed the drug an exclusive right to sell the drug as long as the patent is in effect.

As the patent nears expira-



tion, manufacturers can apply to the FDA for permission to make and sell generic versions of the drug; and without the startup costs for development of the drug, other companies can afford to make and sell it more cheaply. When multiple companies begin producing and selling a drug, the competition among them can also drive the price down even further.

So there's no truth in the myths that generic drugs are manufactured in poorer-quality facilities or are inferior in quality to brand-name drugs. The FDA applies the same standards for all drug manufacturing facilities, and many companies manufacture both brand-name and generic drugs. In fact, the FDA estimates that 50% of generic drug production is by brand-name companies.

Another common misbelief is that generic drugs take longer to work. The FDA requires that generic drugs work as fast and as effectively as the original brand-name products.

Sometimes, generic versions of a drug have different colors, flavours, or combinations of inactive ingredients than the original medications. Trademark laws in the United States do not allow the generic drugs to look exactly like the brand-name preparation, but the active ingredients must be the same in both preparations, ensuring that both have the same medicinal effects.

Reference: Office of Generic Drugs, Center for Drug Evaluation and Research

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## IS A GENERIC EQUIVALENCY DRUG PLAN RIGHT FOR OUR EMPLOYEE BENEFITS

Generic equivalent drug plans are offered by all group benefit providers in today's insurance market place. With B.C.'s new laws in place to legislate the cost of generic drugs at a maximum of 35% of their brand name equivalents, instituting a generic drug plan as part of your benefits package may be worth a second look.



The majority of employer sponsored drug plans are set up to reimburse for the cost of brand name drugs. On average, drugs account for 70% to 75% of a group's total Extended Health Care claims. With generics now limited to 35% of the cost of their brand name counterparts, the potential for claims savings in a benefits plan has increased dramatically.

Instituting a generic drug plan will not limit employees to

generics only. It will merely reimburse the claimant for the cost of a generic equivalent when a brand name is purchased. Where patents are still in place and generics are not yet available, the plan will reimburse for the full cost of a brand name drug.

This type of a plan gives employees the option to purchase brand name drugs should they wish, by paying

the additional cost above the listed generic price. It can help to reduce overall plan costs and place responsibility upon the plan member to make cost saving decisions.

Where a generic equivalent is available, often physicians will still prescribe the brand name drug based on the patient having access to an employer sponsored plan with brand name coverage.

## WE ARE INTERESTED IN PUTTING A GENERIC PLAN IN PLACE. WHAT NOW?

First, contact your Christy Insurance broker to discuss your options. We will start by providing you with drug claims history on your current plan that will show your existing Brand vs. Generic ratio.

We will then cost out the savings that will be incurred immediately through a premium reduction to your EHC plan by switching to generic. Should you wish to take advantage of these savings and implement the generic drug alternative, employee meetings will then be scheduled, to explain to staff the reasons and benefit of moving to a generic plan.

An amendment request will then be submitted by Christy Insurance to your current insurer and the effective date of the change can be made at any point throughout the year. It is not restricted solely by your renewal date.



Following the change, a detailed record of drug claims moving forward will be shown in future renew-

als to quantify the claims savings as a result moving to a generic plan.

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*"Instituting a generic drug plan will not limit employees to generics only..."*