

Alberta Pharmaceutical Strategy Phase Two

Generic drugs

Alberta Pharmaceutical Strategy

Phase one of the Alberta Pharmaceutical Strategy was announced in December 2008. This phase introduced a new seniors' drug plan, a new drug program for Albertans with rare diseases, a consolidated government-sponsored drug plan, an improved drug approval process and revised premiums for non-group drug benefit coverage.

The second phase of the Alberta Pharmaceutical Strategy was announced on October 20, 2009. Phase Two aims to:

- Reduce prescription drug costs and save money for Albertans, employers and government
- Improve prescription drug use and
- Provide better care to Albertans and improve their health

Generic drugs

Generic drugs are prescription drugs that are not protected by patents. Because a manufacturer no longer has an exclusive right to produce and market the drug, it is usually produced and sold by a number of manufacturers. These drugs are the same as or interchangeable with the brand name drug they are replacing.

The prices of generic drugs are a provincial responsibility. Alberta does not currently regulate the price of generic drugs. Under the existing system, generic drug prices in Alberta are higher than those of most other Canadian provinces.

Generic drugs account for about 55 per cent of prescriptions dispensed and 35 per cent of government's total drug spending.

Phase Two changes

As part of Phase Two, government will:

- **Reduce generic drug prices**
Generally, the price of a generic drug is 75 per cent of the price of the equivalent brand name drug. In October 2009, the price for **new** generic drugs was reduced to 45 per cent of the brand price. Starting in April 2010, the price for **existing** generic drugs will be reduced to 56 per cent of the brand price.

Example:

For Participants in Alberta Health and Wellness Sponsored Seniors' Drug Plan and Non-Group Plans

Current:

Brand name cost	\$93.33
Generic cost (at 75% of brand)	\$70.00
Dispensing fee	\$10.93
Total drug cost	\$80.93
Total co-pay	\$24.28

New pricing:

	New generic	Existing generic
Brand name cost	\$93.33	\$93.33
Generic cost (at % of brand)	\$42.00 (45%)	\$52.26 (56%)
Dispensing fee	\$10.93	\$10.93
Total drug cost	\$52.93	\$63.19
Total co-pay	\$15.88	\$18.96

Savings:

\$8.40

\$5.32

- **Make reduced generic drug prices available to all Albertans**
Alberta does not currently regulate the price of generic drugs. All Albertans should benefit from these reduced drug costs, whether they have government-sponsored drug coverage, employer-sponsored drug coverage, a private plan or no drug coverage.
- **Allow pharmacies to continue accepting rebates**
Generic drug manufacturers often pay rebates to community pharmacies for stocking their products. A report issued by the Competition Bureau estimates that generic drug rebates currently return between 20 and 80 per cent of the product price to pharmacies. When generic drug prices are reduced, rebates are also expected to be reduced. When the new pharmacy compensation model is implemented, the Alberta government will not intervene with normal business practices for generic drug rebates.

More information

Alberta Health and Wellness:

Website: www.health.alberta.ca

Telephone: 310-4455 toll-free throughout Alberta