Patented Medicine Prices Review Board
Conseil d'examen du prix des médicaments brevetés

Wholesale Up-charge Policies of Canada's Public Drug Plans

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National Prescription Drug Utilization Information System

NPDUIS

Canada

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About the PMPRB

The Patented Medicine Prices Review Board (PMPRB) is an independent quasi-judicial body established by Parliament in 1987.

The PMPRB has a dual role: to ensure that prices at which patentees sell their patented medicines in Canada are not excessive; and to report on pharmaceutical trends of all medicines and R&D spending by patentees.

The PMPRB reports annually to Parliament, through the Minister of Health, on its activities, on pharmaceutical trends relating to all medicines, and on R&D spending by patentees.

The NPDUIS Initiative

The National Prescription Drug Utilization Information System (NPDUIS) provides critical analyses of drug price, utilization, and cost trends in Canada to support drug plan policy decision-making for participating federal, provincial, and territorial governments.

The NPDUIS initiative is a partnership between the PMPRB and the Canadian Institute for Health Information. It was established in 2001 by the federal/provincial/territorial Ministers of Health.

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Executive Summary

Over the past decade, pharmacies have increasingly sourced their supply of prescription drugs via third parties, either wholesale or retail distribution networks, rather than receiving them directly from the manufacturer. In light of this trend, the purpose of this study is to report on the wholesale up-charge policies across the NPDUIS participating jurisdictions to better understand the instruments available in controlling related costs. Summaries are provided for British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, the Yukon and the national Non-Insured Health Benefits (NIHB) program.

Wholesale up-charge is the percentage markup charged on prescription drugs sourced via wholesalers or other distributors. While the specific rationale for reimbursing a pharmacy for these charges varies from one jurisdiction to another, generally the purpose is to cover the costs of acquiring a drug product that go beyond the actual price of the ingredient.

Generally speaking there are few differences in how the public drug plans regulate wholesale up-charges. Once a jurisdiction decides to reimburse these costs, what changes from one plan to another is the amount (typically a percentage of the ingredient cost) that the plan is willing to reimburse a pharmacy. The following are some general observations about how these fees are regulated:

- As part of the reimbursement process, all of the public drug plans publish some form of benefit price list (i.e., reimbursement formulary) that establishes the maximum amount the plan reimburses for a specific medication. In most jurisdictions the published drug benefit price includes the maximum allowed up-charge.
- The maximum allowed up-charge typically differs depending on whether there are multiple sources for a drug included in the drug plan's benefit list. The benefit price for single-source drugs is typically equal to the manufacturer's price plus the maximum allowed wholesale up-charge. The benefit price for multi-source drugs is typically the lowest priced version of a particular drug or therapeutic equivalent plus the maximum allowed wholesale up-charge.
- The maximum allowed up-charge amount is often established based on input from or negotiation with local pharmacy associations and, thus, reflects the realities of the local pharmaceutical market and the designs of individual reimbursement plans.

Drug plan policy is by its nature dynamic, reflecting the on-going demands of the respective pharmaceutical markets of Canada's provinces and territories. The policies described in this document reflect the environment as of December 2011 and are subject to change.

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1 Introduction

A 2005 NPDUIS study on changes in distribution patterns in the pharmaceutical industry showed that drug shipments were increasingly distributed to pharmacies via a third party, either a wholesale or retail distribution network, rather than coming directly from the manufacturer.[1]

Given the increased use of wholesale distribution networks, policy makers in the NPDUIS participating jurisdictions were interested in better understanding the instruments currently being used to control wholesale up-charge costs. Hence, the purpose of this study is to provide information on the wholesale up-charge policies in the NPDUIS member jurisdictions.

Wholesale up-charge is the percentage markup charged on prescription drugs sourced via wholesalers or other distributors. While the rationale for reimbursing a pharmacy for these charges varies from one jurisdiction to another, generally speaking, the purpose is to cover the costs that go beyond the actual price of the ingredient.

It should be noted that the policies described in this document reflect the environment as of December 2011 and are subject to change. While every attempt has been made to ensure accuracy, drug plan policy is by its nature dynamic, reflecting the on-going demands of the respective pharmaceutical markets in Canada's provinces and territories.

[1] *The Impact upon Public Drug Plans of Changes in Drug Distribution*. PMPRB, November 2005.

2 Jurisdictional Up-charge Overview

Most Canadian jurisdictions regulate wholesale up-charges in one way or another. The mechanisms that they employ are aimed at ensuring access to medication and reflect the realities of the local pharmaceutical market, the designs of their reimbursement plans and their relationships with key stakeholders, namely, manufacturers, distributors and pharmacists. It is important to note that most jurisdictions that reimburse wholesale up-charges only do so for drugs sourced through wholesale distributors.

While each jurisdiction uses different mechanisms to enforce the limits on up-charges, from a practical standpoint, they all work in a similar fashion. As part of the reimbursement process, all of the public drug plans publish some form of benefit price list (i.e., reimbursement formulary) that establishes the maximum amount the plan reimburses for a specific medication. Almost all of the jurisdictions that actively regulate the amount of the wholesale up-charge include the maximum allowed up-charge in the published drug benefit price.[2] The only exceptions are Ontario, Saskatchewan and the Yukon. No up-charges or markups are included in the prices published in their drug benefit lists.

In the majority of cases, pharmacies are reimbursed for the actual acquisition cost (AAC) of a drug up to the benefit price. The policy of establishing a price ceiling for each product allows pharmacies to be reimbursed for the full amount of the claim as long as their AAC is below the published drug benefit price. Thus, the claimed amount for a prescription generally reflects the AAC of the product, including any wholesale up-charge, plus any dispensing fee or retail pharmacy markup (if allowed) reported separately.

Public drug plans accept that the amounts claimed reflect the true AAC. However, short of a full audit, this is difficult to verify. The recent debate over pharmacy rebates has shown that rebates can take many forms and may not be easily translated into a reduction in the AAC. Similarly, it is difficult to determine whether a pharmacy has, in fact, paid a wholesale up-charge.

The maximum allowed up-charge typically differs depending on whether there are multiple sources for a drug included in the drug plan's benefit list. For single-source drugs, the benefit price is equal to the manufacturer's price plus the maximum allowed wholesale up-charge. In the case of multi-source drugs, the benefit price is typically the lowest priced version of a particular drug or therapeutic equivalent plus the maximum allowed wholesale up-charge.

Beyond this rather simple description, there are a number of subtle differences that make each jurisdiction's up-charge reimbursement policy unique. For example, some jurisdictions will reimburse claims above the benefit price on a case-by-case basis, while others will not (requiring either the pharmacy or the patient to absorb the difference). Currently, only four jurisdictions will reimburse an amount claimed by a pharmacy that is above the benefit price: Alberta, Ontario, Prince Edward Island, and Newfoundland and Labrador. It should be noted that reimbursements above the maximum allowed price occur primarily in response to situations in which supplies of a given generic drug are unavailable at the approved price. While it is rare for some plans to receive claims for amounts above the published price, others are experiencing an increase in requests as drug shortages become more prevalent.

[2] Prince Edward Island does not publish drug benefit prices for single-source drugs. Prices published in the province's MAC list of interchangeable products include a 5% wholesale up-charge.

The greatest difference between the jurisdictional policies is related to the maximum allowed wholesale up-charges. The Summary Table that follows provides an overview of the policies by jurisdiction including the maximum allowed wholesale up-charge by availability of a specific drug (single or multi-sourced), a description of how the reimbursement is determined, and the legislation or agreement used to enforce the regulation.

A more detailed description of the individual policies for each of the jurisdictions can be found in Appendix C. A description of the source material used (Appendix A) and definitions of the terminology used in the report (Appendix B) are also provided.

Summary Table – Wholesale up-charge policies by jurisdiction*

	Up-charge allowed		Reimbursement	Legislation / Agreements
	Single source	Multi-source		
BC	Max. 8%		**Benefit Price** = Manufacturer's List Price + Pharmacy Markup for non LCA or RDP partial benefit drugs **Accepted Price:** Claimed amount up to Benefit Price **Claimed Amount > Benefit Price** not reimbursed	Agreement with provincial pharmacy association
AB	Max. 7.5%	Not reimbursed	**Benefit Price** = Manufacturer's Price (quoted) + Up-charge Max. (if wholesaler) **Accepted Price:** Claimed AAC up to Benefit Price **Claimed Amount > Benefit Price** reimbursed on case-by-case basis (single-source drugs only)	Alberta Price Confirmation Agreement with manufacturers Re: *Drug Program Act* (passed but awaiting proclamation)
SK	Max. 8.5% to a maximum of $50/ package	Max. 6% to a maximum of $50/ package	**Benefit Price** = Manufacturer's Price (quoted) + Up-charge Max. (if wholesaler) **Accepted Price:** Claimed AAC up to Benefit Price **Claimed Amount > Benefit Price** not reimbursed	Agreements with manufacturers and wholesalers
MB	Unregulated – drugs listed before December 2008 Not reimbursed – drugs listed after December 2008		**Benefit Price** (Drugs listed before Dec. 2008) = Wholesale List Price **Benefit Price** (Drugs listed after Dec. 2008) = Manufacturer's Price (quoted) **Accepted Price:** Claimed AAC up to Benefit Price **Claimed Amount > Benefit Price** not reimbursed	Utilization Management Agreement signed with manufacturers
ON	Not reimbursed except as part of pharmacy markup of 8%		**Benefit Price** = Manufacturer's Price (negotiated) **Accepted Price:** Claimed AAC up to Benefit Price + Pharmacy Markup **Claimed Amount > Benefit Price + Pharmacy Markup** generally not reimbursed, except for restricted use of the cost-to-operator provision	*Drug Interchangeability and Dispensing Fee Act*
NB	Unregulated		**Benefit Price (Single-source drugs)** = Unpublished **Benefit Price (Multi-source drugs)** = Maximum Allowable Price (MAP) based on the Wholesale List Price **Accepted Price:** Claimed AAC up to MAP price **Claimed Amount > MAP** not reimbursed	*Prescription Drug Payment Act and Regulations*

Summary Table – Wholesale up-charge policies by jurisdiction* *(concluded)*

	Up-charge allowed		Reimbursement	Legislation / Agreements
	Single source	Multi-source		
NS	Not directly reimbursed; instead reimburses a pharmacy markup; amount ranges from 2% to 10.5% depending on type of drug		**Benefit Price (Single-source drugs)** = Manufacturer's List Price + Pharmacy Markup **Benefit Price (Multi-source drugs)** = Maximum Reimbursable Price or Pharmacare Reimbursement Price (amount established by the Minister of Health) + Pharmacy Markup **Accepted Price:** Claimed AAC up to Benefit Price **Claimed Amount > Benefit Price** not reimbursed	Agreement with provincial pharmacy association
PEI	Max. 13%	Max. 5%	**Benefit Price** = Manufacturer's List Price + Up-charge Max. (if wholesaler) **Accepted Price:** Claimed AAC up to Benefit Price **Claimed Amount > Benefit Price** reimbursed on a case-by-case basis	PEI Drug Programs Master Agreement
NL	Max. 8.5%	Max. 9%	**Benefit Price (Single-source drugs)** = Manufacturer's List Price + Up-charge Max. (direct or wholesale) **Benefit Price (Multi-source drugs, i.e., generic interchangeable)** = Manufacturer's Price (quoted) + Up-charge Max. (direct or wholesale) **Accepted Price:** Submitted Claim up to Benefit Price **Claimed Amount > Benefit Price** can be considered on case-by-case basis	*Pharmaceutical Services Act* and *The Interchangeable Drug Products Formulary Regulations*
Yukon	Max. 14%	Max. 14%	**Benefit Price** = Wholesale List Price (exclusive of Up-charge) **Accepted Price :** Claimed AAC up to Benefit Price + Up-charge (if wholesaler) **Claimed Amount > Benefit Price** not reimbursed	Agreement with territorial pharmacy association
NIHB	No regulation associated specifically with NIHB		Follows pricing arrangement of patient's jurisdiction of residence	Participation agreements with pharmacies

* The overview in this table is a snapshot of policies as of December 2011 and is subject to change. Particulars related to anticipated changes can be found in the detailed descriptions in Appendix C.

Note: AAC – Actual Acquisition Cost
LCA – Low Cost Alternative
MAP – Maximum Allowable Price
NIHB – Non-Insured Health Benefits
RDP – Reference Drug Program
Up-charge refers to wholesaler up-charge.
Markup refers to pharmacy markup.

3 Conclusion

Generally speaking there are few differences in how the various public drug plans regulate wholesale up-charges. Once a jurisdiction decides to reimburse these costs, what changes from one plan to another is the amount that the plan is willing to reimburse (typically a percentage of the ingredient cost). These amounts are often established based on input from or negotiation with local pharmacy associations.

As part of the reimbursement process, all of the public drug plans publish some form of benefit price list (i.e., reimbursement formulary) that establishes the maximum amount the plan reimburses for a specific medication. In most jurisdictions the published drug benefit price includes the maximum allowed up-charge.

The maximum allowed up-charge typically differs depending on whether there are multiple sources for a drug included in the drug plan's benefit list. The up-charge amount is often established based on input from or negotiation with local pharmacy associations and, thus, reflects the realities of the local pharmaceutical market and the designs of individual reimbursement plans.

It may be worth further investigating how Canada's pharmaceutical distribution network is structured. An understanding of the dynamics of the supply chain in Canada could offer some insight into the true costs of distribution. While it would be almost impossible to attach a dollar figure to these costs, further knowledge of this industry may be useful in the development of future reimbursement policies.

Appendix A: Sources of Information

A review of all available on-line information was conducted with respect to plan and formulary design, including the legislative and regulatory underpinnings of each drug plan.

Structured interviews were held with representatives from each jurisdiction concerning the policies affecting the reimbursement of wholesale up-charges, including active policies, recent and upcoming changes, sourcing strategies (i.e., tendering), and internal practices that may not be publicly available. In addition, each of the plan representatives was asked to comment on their policy's strengths and weaknesses and any particular concerns that they may have related to wholesale up-charges. Summaries were produced and distributed to respondents to ensure that their particular plans and policies were captured accurately.

Appendix B: Terminology

- **Wholesale up-charge** is the percentage markup charged on prescription drugs sourced via wholesalers or other distributors. In this paper, it is considered to be synonymous to the terms wholesale markup, wholesale allowance, distribution allowance etc.
- **Markup** in this paper refers to pharmacy markups.
- **Benefit list** (i.e., reimbursement formulary) in this paper refers to a list of prescription drugs covered by a particular drug benefit plan. In most cases, the public drug plan benefit lists in Canada include the maximum price each plan is willing to reimburse in addition to the description of the drug and coverage details.
- **Benefit price** is the maximum amount the drug plan is willing to reimburse for a specific medication.

Appendix C: Drug Plan Summaries

British Columbia

Policy

- PharmaCare will reimburse the pharmacy to a maximum of the manufacturer's list price plus an 8% pharmacy mark-up. This amount may be reduced subject to Low Cost Alterative (LCA) and Reference Drug Program (RDP) pricing policies.
- The maximum amount that the drug plan will reimburse is published in the BC PharmaCare Formulary. The published price includes the 8% mark-up.
- The plan will not reimburse an amount greater than the formulary amount.

Legislation/Agreements

- Agreement with the British Columbia Pharmacy Association.
- The province is currently in negotiations with the pharmacy association for a new agreement.

Reimbursement

- Before October 15, 2010, the published benefit price was based on price quotes supplied by manufacturer. For drugs shipped via a wholesaler, the price included a distribution allowance (maximum 7%).
- After October 15, 2010, the published benefit price is the manufacturer's list price plus an 8% pharmacy markup on all drugs.

Alberta

Policy

- While no regulation exists in Alberta limiting distribution allowances, the Alberta government is finalizing work to support implementation of the *Drug Program Act* (passed but awaiting proclamation) that may include the following controls:
  - For single-sourced drugs, Alberta Health and Wellness (AHW) will reimburse the pharmacy for the actual acquisition cost (AAC) (minus rebates) to a maximum of a 7.5% up-charge on the manufacturer's cost for products sourced via a wholesaler.
  - For an interchangeable drug, no up-charge is allowed.
  - The price that is published in the formulary is the manufacturer's quoted price plus the distribution allowance (maximum 7.5%).
  - Pharmacies are required, under the terms of the Alberta Blue Cross Pharmacy Agreement, to charge the AAC. For single-source products, exceptions above the published price may be permitted in some circumstances. Alberta is monitoring the use and applicability of this provision.

Legislation/Agreements

- As part of its pharmaceutical strategy, all manufacturers are required to comply with the terms and conditions of the Alberta Price Confirmation Agreement.
- Pharmacies are required to comply with the Alberta Blue Cross (ABC) Pharmacy Agreement.

Reimbursement

- The manufacturer/vendor submits a price quote to the drug plan that identifies the price of the base product in addition to any applicable distribution allowance sought.
- ABC adjudicates based on published prices. As long as the claimed amount is equal to or less than the published price, claims are permitted.
- AHW does not track the distribution allowance at this time.

Other

- Additional inventory allowance is a separate allowance for additional drug inventory costs beyond those included in the dispensing fee.

Saskatchewan

Policy

- The Saskatchewan Drug Plan will reimburse the pharmacy for its actual acquisition cost (AAC) including a wholesale up-charge on those drugs sourced via a wholesaler. The plan will reimburse to a maximum of 8.5% up-charge for brand-name single-source drugs, 6% for generic drugs and drugs covered under a standing offer contract and 5% for insulin. The maximum up-charge that will be reimbursed is $50.00 per package.
- The wholesaler up-charge is not included in the price published in the Saskatchewan formulary. The plan will not reimburse an amount greater than the published amount plus the applicable up-charge.
- Because pricing agreements are signed with both manufacturers and wholesalers, if a pharmacy's AAC exceeds the formulary price, the plan investigates with the manufacturer and wholesale to determine why there is a discrepancy.

Legislation/Agreements

- The maximum allowable up-charge is established through an agreement negotiated with the wholesalers.

Reimbursement

- Pricing agreements with manufacturers, whether they are standing offer contracts (SOCs) or not, fix the price at which they agree to sell to the pharmacy. This becomes the basis for the formulary price.
- SOCs are negotiated for high-volume generic drugs and guarantee the bidder market exclusivity.
- Pharmacies can only purchase SOC products from the wholesalers with whom the Minister of Health has an agreement for the distribution of SOC products.

Manitoba

Policy

- For drugs listed prior to December 2008, the formulary price is based on the wholesale list price. Wholesale up-charge is included in the listed price.
- For drugs listed after December 2008, manufacturers must sign a utilization management agreement (UMA), quoting the best price to supply their product to pharmacies. This becomes the formulary list price. No up-charge is added to this amount.

Legislation/Agreements

- The *Prescription Drugs Payment of Benefits Regulation* defines how Manitoba Pharmacare will establish the amount it will reimburse.
- Utilization management agreements are signed with manufacturers for drugs listed after 2008.

Reimbursement

- The drug plan will reimburse claims to a maximum of the formulary price.
- Should a pharmacy's actual acquisition cost (AAC) exceed the formulary price, the pharmacy is expected to recoup the difference via the professional fee, which is not capped.
- The policy applies to both single-source and multi-source drugs. However, for multi-source drugs, the plan will reimburse only up to the level of the lowest price in an interchangeable category for drugs covered by Pharmacare.

Other

- There are concerns about some price increases that have occurred within the group of drugs introduced before December 2008.
- The drug plan is currently looking to extend UMAs to this group.

Ontario

Policy

- The Ontario Drug Benefit (ODB) program will reimburse the pharmacy for its actual acquisition cost (AAC) (minus rebates) plus a maximum of 8% markup on the negotiated drug benefit price (DBP).
- While this markup can be added to any claim, its purpose is to cover the inventory and distribution costs to the pharmacy, including the wholesale up-charge.
- The DBP published in the Ontario formulary does not include the markup.
- In circumstances in which the AAC is greater than the DBP + 8%, the ODB will reimburse a cost to operator amount. The markup cannot be added to this amount.
- Claimed amounts in excess of the Benefit Price + Pharmacy Markup may be processed on a case-by-case basis as cost-to-operator claims. The cost-to-operator provision is restricted to cases where a pharmacy is unable to acquire the lowest drug benefit price product and must dispense the original product or a higher priced drug product.

Legislation/Agreements

- Amended in 2006, the *Drug Interchangeability and Dispensing Fee Act* outlines the powers of the executive officer of the public drug programs. These powers include the negotiation of the DBP with manufacturers, the amounts to be reimbursed to pharmacies, decisions on appropriate professional allowances and auditing powers.

Reimbursement

- Formulary price is based on the price negotiated with manufacturer. This is the published amount.
- As long as the claimed amount is less than the formulary price plus the 8% up-charge, it does not matter what the relative proportion of that amount is — ingredient cost or allowance.
- Given that manufacturers are compelled to sell all listed products at the DBP or lower, the instances of cost to operator claims should be rare.

New Brunswick

Policy

- Wholesale up-charges are not regulated in New Brunswick.
- The province pays the actual acquisition cost (AAC) on brand-name and generic single-source drugs. There is no cap.
- In the case of multi-source drugs, a maximum allowed price (MAP) is established for each interchangeable drug category based on a manufacturer price list. The MAP price is the lowest price available to the pharmacy.

Reimbursement

- The New Brunswick Prescription Drug Program publishes a listing of MAP prices in addition to a formulary of drugs covered by the program.
- Pharmacies will not be reimbursed for amounts claimed above the MAP price.

Nova Scotia

Policy

- In July 2011, Nova Scotia Health and Wellness negotiated changes with the Nova Scotia Pharmacy Association as to how it reimburses drugs. Changes are being phased in through to June 30, 2014. (Note: unless explicitly expressed, all tariff amounts are current to December 31, 2011.)
- The pharmacy markup paid by the provincial drug plan is based on several factors, one of which is the wholesale up-charge.
- The province pays the actual acquisition cost (AAC) plus 2% (to a maximum of $50 per prescription) on all compounded extemporaneous products except methadone and injectables.
- In the case of single-source drugs, the province pays the manufacturer's list price plus 10.5% (to a maximum of $250 per prescription) including methadone. In the case of multi-source drugs, the province will pay either the maximum drug cost (either the MRP or PRP; see below) plus 6% (to a maximum of $250 per prescription).

Reimbursement

- In the case of multi-source drugs, a maximum reimbursable price (MRP) is established for each interchangeable drug category based on a manufacturer price list. The MRP is the lowest price available to the pharmacy.
- For certain groups of drugs that have similar therapeutic effects or have less expensive bulk formats available, the Minister of Health will establish a Pharmacare Reimbursement Price (PRP). This price was formerly known as the Special MAC (Maximum Allowable Cost).
- The prices of interchangeable products are published in the Nova Scotia Pharmacare Reimbursement List.
- Pharmacies will not be reimbursed for amounts claimed above the MRP or PRP plus a maximum allowable up-charge.

Other

- Based on the agreement with the Nova Scotia Pharmacy Association, the transition fee included in the benefit price increases over the life of the agreement. From September 1, 2011, to December 31, 2011, that amount was $0.10. By April 1, 2013, the amount will increase to $1.05.

Prince Edward Island

Policy

- For single-source drugs, PEI's Drug Cost Assistance Program will reimburse the pharmacy for the manufacturer's net catalogue price for those products shipped through a wholesaler plus a maximum 13% up-charge.
- In the case of multi-source drugs, the reimbursed price is the lowest manufacturer's price plus a markup of 5%.
- The drug plan identifies in advance which manufacturers ship their products directly to pharmacies and publishes them in its Schedule B listing. No up-charge is paid on products from these manufactures.
- Claims greater than the formulary amount are allowed only on a drug-by-drug basis, typically in situations in which a product is in short supply and not available. These claims are only allowed for the period in which the shortage occurs.

Legislation/Agreements

- Pharmacy Services Agreement, which was signed in 2005 and is currently in the process of being renegotiated.

Reimbursement

- The contents of Schedule B are based on a list supplied by the government of Nova Scotia and are supplied to the provincial pharmacy association in advance of publication.
- Schedule B refers only to products that are shipped directly from the manufacturer.

Newfoundland and Labrador

Policy

- For single-source drugs, the Newfoundland and Labrador Prescription Drug Program will reimburse the pharmacy for the manufacturer's list price (MLP) plus a maximum of an 8.5% up-charge.
- The price for single-source drugs is published in the Benefit Status table and includes the 8.5% up-charge.
- In the case of multi-source drugs, the reimbursed price is the lowest manufacturer's price plus a markup of 9%. This price is published in the Interchangeable Drug Products Formulary, which also includes the up-charge.
- Claims greater than the formulary amount are allowed only on a case-by-case basis, typically in situations in which a product is in short supply and not available. These claims are only allowed for the period in which the shortage occurs.

Legislation/Agreements

- Formulary inclusion and pricing is legislated under the *Pharmaceutical Services Act* and regulated under the *Interchangeable Drug Products Formulary Regulations 2007*.

Reimbursement

- Newfoundland and Labrador has a Benefit Status List which outlines eligible benefits under the five plans of the Newfoundland and Labrador Prescription Drug Program (NLPDP). The NLPDP also administers the Newfoundland and Labrador Interchangeable Drug Products Formulary (NIDPF), governing multi-source drugs. The NIDPF outlines the maximum price a pharmacy can charge when presented with a prescription for a drug listed in the Formulary.
- Manufacturers must submit a price quotation to the drug plan for inclusion on the Interchangeable Drug Products Formulary.
- Provincial regulations stipulate that the minister can refuse formulary inclusion if the guaranteed price is thought to be too high. While Ontario's ODB formulary is listed as a benchmark in regulations, it is not currently being used in the Minister's decision making process after strong complaints by the provincial pharmacist association.
- The prices obtained for additions to the NLPDP are downloaded from a private company contracted to act as the provinces claims adjudicator (xwave) – currently that would be Cubic Health. Cubic maintains current catalogue prices for the various manufacturers and then xwave adds the 8.5% wholesale up-charge prior to publishing.

Other

- Prices quoted by manufacturers for the Interchangeable Drug Products Formulary extend beyond drug plan beneficiaries to all residents of the province. The manufacturer must agree to sell at the quoted price to all pharmacies.
- The term "formulary" refers only to multisource products (i.e., generic drugs). The term "benefit list" is used to describe the total list of products considered for coverage under the public drug program.

Yukon

Policy

- Yukon Pharmacare will reimburse the pharmacy for the actual acquisition cost (AAC) (minus rebates) to a maximum of 14% up-charge on the formulary price for products sourced via a wholesaler.
- The maximum allowed price published in the Yukon's formulary does not include the up-charge.
- The Plan will not reimburse an AAC above the listed price.

Legislation/Agreements

- Regulation of the wholesale up-charge is based on an agreement with the Pharmacy Society of Yukon signed in 1997. While it is no longer officially in force, the agreement continues to serve as the basis for payment, terms and conditions.

Reimbursement

- The published formulary price is taken directly from McKesson's wholesale price list and does not include the allowed up-charge.
- For multi-sourced drugs, the Pharmacy Agreement states that the lowest cost interchangeable brand of drug, also known as lowest cost alternative (LCA), will be covered.
- Single-source and multi-source drugs are treated the same in terms of the amount claimed as a wholesaler up-charge.

Other

- Typically the wholesale up-charge from claims averages 8%.

NIHB

Policy

- It is NIHB's policy to reimburse patient claims at the rate established by the jurisdiction of residence of the patient.
- As such, these rate reflect local formulary prices and rules governing wholesale up-charges.

Legislation/Agreements

- Agreements are signed with individual pharmacies interested in participating in the NIHB program and if possible with provincial pharmacy associations.
- These agreements govern administrative procedures and establish limits on reimbursement amounts.

Reimbursement

- Claims are settled through NIHB's claim's administrator, ESI Canada.
- Reimbursement amounts reflect local formulary prices and rules governing wholesale up-charges.