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Enhanced Generic Substitution

Although generic substitution has been a feature of many private plans for some time now, most standard generic plans currently allow for plan members to be covered for the cost of a brand name drug, if their doctor writes “**no substitution**” on the prescription. As the Canadian drug landscape continues to evolve, including provincial drug reform related to generic drugs, rising drug costs, and an increase in the use of “no substitution” on prescriptions, many plan sponsors are looking for ways to help ensure the sustainability of drug plans in the long term.

The average prescription cost for a brand name drug in Canada is \$72 and the average prescription cost for a generic is \$27. Between 2010 and 2014, billions of dollars worth of brand-name drugs go off patent, highlighting the impact that generic substitution will have on plans. Generic drugs have exactly the same active ingredients but may include different fillers, binders or dyes, which have no effect on the active ingredients or its effectiveness. A small minority of patients do have allergies to non-medicinal ingredients in drugs, but that could be either the generic or brand.

In an effort to combat these rising costs, two major insurance companies are modifying their standard generic substitution. Under the modified plans, unless a plan member provides medical evidence that a prescribed drug cannot be substituted, benefits will be based on the lowest priced interchangeable drug that has the same medicinal ingredients. A plan member can choose to pay the difference in cost and still purchase the prescribed drugs. This modified generic substitution could become the standard for many insurance companies in the future. In some cases, plan sponsors may have the option to opt-out of the enhanced generic substitution and maintain their current plan provisions.