Canadian Benefits CONSULTING GROUP

IN FOCUS NEWS

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MANDATORY GENERIC SUBSTITUTION

When generic substitution for brand name drugs was originally introduced to pay direct drug plans, the assumption was that doctors would allow, and pharmacists would dispense, generic medications.

By law, generic medications must contain the exact chemical composition of the brand name medication. The substantial price savings of the generic is based on copying, rather than creating, the product; lack of advertising costs, and cheaper product manufacturing.

Allowing doctors to indicate “no substitution” was intended to account for allergic reactions, and to allow patient choice. About 1% of patients expected to have an allergic reaction. Brand name coupons and advertising campaigns have kept brand name consumption higher. As a result, savings from implementing generic substitution have not been as high as anticipated.

Mandatory substitution forces reimbursement at the generic level regardless of patient choice. Doctors must submit documentation of allergic reaction for an exception to be made. While not limiting the patient’s right to choose brand over generic, the cost of that choice becomes the patient’s responsibility.

TELUS is one of the main pay direct providers in today’s market. According to TELUS, 61% of their groups now have mandatory generic substitution, up from 44% just 5 years ago.[1]

Savings to implement mandatory generic substitution usually vary between 1% and 13%, depending on the makeup of medications currently being used in the group. These savings can be redirected for the addition of new benefits such as telemedicine, medical cannabis, or mental health and wellness initiatives. By having patients bear the cost of their personal choices, more funds can be made available to enhance other benefits.

[1]2019 TELUS Health Drug Data Trends & National Benchmarks

BIOLOGICS & BIOSIMILARS

Biologic medications are created from living organisms, in contrast to chemical creations, like vaccines or non-artificial insulin. The cost of developing such fragile molecules at the generic level, and then controlling production, result in more costly medications, which are being used to treat some conditions which have not responded well to traditional medications, such as:

ARTHRITIS | CANCER | PSORIASIS | DIABETES

CHRON’S DISEASE & COLITIS | MULTIPLE SCLEROSIS

Biosimilars are like generic medications in that they are copies of biologics as generics are copies of brand name medications. Due to the biologic nature, however, they may not be identical to the biologic in the same way that generics are chemically identical to brand name.

Although Europe has embraced biosimilars with no perceived decrease in efficacy, North America has been slow to adopt biosimilars, perhaps in part due to existing exclusive purchasing agreements between biologic manufacturers and insurers.

Allowing the substitution of biologics for biosimilars in your plan is another way to uncover savings which can be used to enhance benefits for Plan Members.

Contact me for unbiased advice about your benefits plan.

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