



Ontario Public Drug Programs 2017 Value-for-Money Audit

Why We Did This Audit

- In 2016/17, total expenditures of the Ontario Public Drug Programs (Programs) were \$5.9 billion (before rebates from drug manufacturers); the expenditure of the Ontario Drug Benefit Program alone amounted to about \$5.4 billion when co-payments and deductibles were included.
- More than 4,260 pharmacies dispense drugs in Ontario and are reimbursed by the Ministry of Health and Long-Term Care for the cost of drugs and professional services provided.

Why It Matters

- Between 2006/07 and 2016/17, total expenditures of the Programs before rebates rose by 60%. The increase was attributed to increased use of newer and costlier drugs, a growing and aging population, and use of drugs coming from new areas of research.
- In 2016/17, about four million people (up from 3.1 million in 2006/07), most of them seniors (aged 65 and over) and people on social assistance, received drugs through the Programs, which cover about 4,400 drugs that are listed in the Formulary.

What We Found

- Access to most prescribed drugs is timely, but delays are incurred when coverage for the cost of drugs needs to be approved on a case-by-case basis. For example, in 2016/17, the overall time taken from the original request to when the Ministry replies with a decision for the two most requested biologic drugs (over 7,800 total requests) was, on average, approximately seven to eight weeks.
- According to the most recent data available, brand-name drugs accounted for about two-thirds of the total expenditures under the Ontario Drug Benefit Program. Over the last 10 years, the Ministry has taken initiatives, some with other provinces, to negotiate contracts with drug makers for significant rebates. In 2016/17, the Ministry received \$1.1 billion in rebates from drug manufacturers, but could not properly compare the prices it paid to those prices paid by other countries because pricing information is confidential globally.
- The Ministry must invoice brand-name drug makers to receive rebates. It took the Ministry an average of more than six months to invoice them after the date when rebates could be recovered. This resulted in about \$2.2 million of potential interest being unearned in 2016/17. Further, the Ministry made some errors in calculating the rebates—in one case, this led to a failure to invoice over \$10 million. The Ministry recovered this amount when the drug manufacturer informed it of the error.
- Generic drugs account for the remaining one-third of the total expenditures under the Ontario Drug Benefit Program. While generic drug prices in Ontario have dropped significantly in the last 10 years, the Province still pays more than other countries. For example, our analysis shows that, in 2015/16, Ontario paid roughly \$100 million (or about 70%) more for the same drugs as New Zealand.
- We compared a sample of common generic drugs used in both community and hospital settings in Ontario, and found that the Ministry paid \$271 million (or about 85%) more in 2016/17 for the same drugs. While there is no guarantee that the Ministry could obtain the same prices for these drugs as Ontario hospitals, there appear to be opportunities for more discounts on generic drugs.
- In 2016/17, the Ministry inspected 286 of the more than 4,260 pharmacies, and recovered \$9.1 million in inappropriate claims. However, our audit identified a further \$3.9 million in inappropriate claims and payments that the Ministry did not inspect and/or recover. The Ministry lacks an overall inspection strategy to target high-risk pharmacies.
- The Ministry spent \$157 million through the Ontario Drug Benefit Program on opioids for about 720,000 recipients in 2016/17. Despite numerous Ministry initiatives to deal with the current opioid crisis, it does not know whether individuals overdosed or died from using prescription or illicit opioids. Having this information would let the government know where to devote resources.
- The Ministry does not know if the MedsCheck program (\$550 million between 2008/09 and 2016/17) is effective. MedsChecks are consultations provided by a pharmacist to a patient who is taking three or more chronic medications (or meet certain other criteria), to review the patient's medication profile and identify and resolve drug-related problems.

Conclusions

- The Ministry had effective systems and procedures in place to ensure that people have timely access to most Ministry pre-approved drugs. However, the Ministry does not know whether it obtains the best possible prices for brand-name drugs compared with other countries.
- The Ministry has not recently evaluated other ways to set prices for generic drugs, such as the use of competitive tendering. Other countries, and hospitals in Ontario, used tendering and obtained lower prices than the Ministry for generic drugs.
- The Ministry is not recovering many invalid claims and payments to pharmacists.