

Generic Drugs- Important Facts

Overview

Providers of employee benefits programs are constantly looking for cost-saving opportunities to ensure long-term sustainability of benefit plans and more specifically, drug plans.

Many providers are moving to a mandatory generic substitution as the standard in new contracts. Companies will only reimburse the cost of the lowest priced equivalent drug. Even if a doctor writes “no substitution” on the prescription, the member will only be reimbursed for the lowest priced equivalent. The higher priced drug can still be purchased, but their reimbursement will be cut back. At this time, existing plans will remain unchanged.

Myths vs. Facts	True	False
Brand names work better		✓
Brand Name drugs are safer		✓
Brand name drugs are better quality than generic drugs		✓
Generic drugs are often made in substandard, less modern facilities		✓

Quality Control

A brand name drug and a generic drug must meet the same standards set by the Health Protection Branch of the Federal Government. Generic drugs are required by the FDA to have the same strength, quality and purity as their brand name equivalent. Generics are also required to scientifically show that their product performs in the same manner and delivers the same amount of active ingredients into the patient’s bloodstream in the same amount of time as the brand name drug. The reason for the substantial price difference is that generic drug producers do not have to repeat the extensive research, testing, trials, advertising and promotions that the pioneer drugs are subject to.

The FDA conducts over 3,500 facility inspections per year to ensure their production standards are met. Approximated 50% of generic drugs are actually produced by the same firm in the same facilities that the brand name drug is produced in. In summary, generics may have a different name, but they have the same chemical structure as their brand name counterpart.

Summary

Generic drugs offer the same quality medicine as brand name drugs at a much lower price. Each year, generic drugs save Canadians over a billion dollars. Over half of all prescriptions in Canada are filled using a generic drug and this is likely to increase as more widely prescribed drugs come off patent over the next several years.

If you have any questions regarding generic drugs and how they can benefit your plan please feel free to contact us directly at 604-688-5559.

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