

INTERIM AGREEMENT

This Interim Agreement is made as of the 12 day of December , 2008

BETWEEN:

**HER MAJESTY THE QUEEN IN THE RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA as represented by the Minister of Health Services**

(“the Ministry”)

AND:

THE BRITISH COLUMBIA PHARMACY ASSOCIATION

(“the Association”)

(collectively referred to as “the Parties”)

WHEREAS:

- A The Ministry provides assistance to British Columbia residents with the purchase of designated prescription drugs and medical supplies through its PharmaCare program (“PharmaCare”);
- B The Association represents pharmacists and pharmacies in British Columbia.
- C The Parties wish to establish a stable and long-term collaborative relationship;
- D The Parties wish to implement the recommendations contained in the report of the Pharmaceutical Task Force (“the Task Force”) in a collaborative manner;
- E The Parties wish to support and accomplish the delivery, in British Columbia, of pharmaceutical services that optimize patient care and outcomes in a cost effective manner;
- F The Parties agree that pharmacies should be fairly compensated by the Ministry to provide pharmaceutical services under the PharmaCare Program in a manner that is financially sustainable for the Province of British Columbia; and
- G The Parties wish to enter into this Interim Agreement with a view to formalizing the arrangement between them into a longer term agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants set forth herein, the Parties agree as follows:

INTERIM AGREEMENT

1.0 Communications

The Parties agree to work together collaboratively to communicate the provisions and benefits of this Agreement to pharmacies, other interested parties and the public.

2.0 Interim Pricing for New Generic Multisource Drugs

The Parties support the interim policy for pricing for new generic multisource drugs as outlined in Appendix One and agree to the implementation of the policy effective January 1, 2009.

3.0 Frequency of Dispensing

The Parties support the policy for frequency of dispensing as outlined in Appendix Two and agree to the implementation of the policy effective February 1 2009.

4.0 Allocation of Savings accrued from sections 2 and 3 above

The Ministry will distribute thirty-three percent of the first \$29 million in savings and fifty percent of further savings accrued from the implementation of sections 2 and 3 (hereinafter called "Funds Available") as follows:

- i. up to one million dollars of the Funds Available will be allocated as follows:
 - (a) one-third to the evaluation described in Section 6.0; and
 - (b) two-thirds to the design and development of demonstration projects for Medication Management and Review, as described in Section 7.0;
- ii. the remaining Funds Available will be allocated to a fund to be used to compensate pharmacies for Prescription Adaptation, as detailed in Section 5.0 and in the interim policy on prescription adaptation outlined in Appendix Three.

5.0 Prescription Adaptation

- i. The Parties support the interim policy on Pharmacy Clinical Services Associated with Prescription Adaptation as outlined in Appendix Three and agree to the implementation of the policy effective January 1 2009 subject to the signing, by community pharmacies, of the Prescription Adaptation Agreement referred to in Section 5.ii below;
- ii. The Parties agree to work together to expedite the signing, by each community pharmacy in British Columbia, of the Prescription Adaptation Agreement as outlined in Appendix Four by March 31, 2009;

INTERIM AGREEMENT

- iii. The Parties agree that the interim policy on payment for clinical services related to prescription adaptation will not be effective in relation to any community pharmacy until that pharmacy has entered into the Prescription Adaptation Agreement.

6.0 Evaluation of Prescription Adaptation

The Parties agree to develop, by March 31, 2009, a collaborative project to evaluate the cost to pharmacies of providing consultative services related to prescription adaptation, the effect of this policy on patient health outcomes and the utilization of other health services. The evaluation itself will be completed by September 30, 2009. Up to one million dollars will be allocated for this project. This will be funded 1/3 by funds from 4 (i) and 2/3 from the Ministry.

7.0 Medication Management and Review

The Parties agree to collaborate on the design, development and future implementation of demonstration projects for medication management and review. The projects will be funded from Funds Available as outlined in Section 4.0 (i) (b), with additional funds allocated as agreed by the Management Committee as available from under-spending from prescription adaptation as described in Appendix Three.

8.0 Additional Fees and Charges

The Parties agree that pharmacies will not charge British Columbia residents fees for prescription adaptation or any other fees or charges as a result of the policies in this agreement.

9.0 Allocation of Any Surplus in the Funds Available at the End of the Term of this Agreement

The Parties agree that if there are any funds remaining in the Funds Available at the end of the term of this Agreement, those funds will be allocated as determined by the management committee.

10.0 Tendering for Generic Multisource Drugs

The Ministry agrees not to commence any tendering process for the procurement of generic multisource drugs while this Agreement remains in effect,

11.0 Management Committee

A management committee will be struck by January 31, 2009 with two members from each Party to assist in the implementation of this agreement. The management committee will share information related to the operation of this agreement.

INTERIM AGREEMENT

12.0 Long Term Agreement

The Parties agree to enter into discussions with the objective of achieving a long term agreement by September 30, 2009 relating to the following issues:

- i. the matters contained in this Interim Agreement;
- ii. new policies and approaches that could achieve savings consistent with the recommendations of the Task Force;
- iii. fee schedules for services provided by pharmacies;
- iv. a new Pharmacy Participation Agreement;
- v. ways to further enhance services provided by pharmacies to British Columbians; and
- vi. any other matter that the Parties agree to include.

13.0 No Precedent

The Association agrees that the policies for pricing for new generic multisource drugs, frequency of dispensing, and prescription adaptation being implemented without prejudice to any future discussions or policy changes.

14.0 Dispute Resolution

The Parties agree to work together collaboratively to resolve any issue that may arise during the implementation of this agreement.

15.0 Agreement Term

This Agreement will come into effect at the date of signing and will remain in effect until the earlier of the signing of a long term agreement or January 1, 2010.

The Parties agree for this agreement to be successful, savings from section 2 and 3 have to be realized. If by July 1 2009, either Party determines that the savings are not being realized.

1. The Parties will meet to try and find a resolution to the savings short fall
2. If the Parties cannot find a resolution to the funding short fall, then either Party may terminate this agreement with 30 days notice.

INTERIM AGREEMENT

16.0 Headings

The headings used in this Agreement are for convenience only and are not a part of this Agreement nor shall they affect the interpretation of any of its provisions.

17.0 No Partnership

This Agreement shall not be deemed to create any partnership, joint venture, amalgamation or agency relationship between the Parties.

18.0 Applicable Law

This Agreement shall be governed by and construed under the laws of the Province of British Columbia and the Parties agree to attorn to the exclusive jurisdiction of the courts of the Province of British Columbia.

19.0 Appendices

Any appendices to this Agreement are an integral part of this Agreement.

IN WITNESS WHEREOF, the Parties have each caused this Agreement to be duly executed as of the day and year first written above.

Agreed to for and on behalf of Her Majesty)
the Queen in right of the)
Province of British Columbia by)
a duly authorized representative of)
the Minister of Health Services)
Pharmaceutical Services Division)
1515 Blanshard Street)
Victoria, BC, V8W 3C8)

Agreed to for and on behalf of
the British Columbia
Pharmacy Association

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Witness: _____

Witness: _____

10.5.1 Actual Acquisition Cost and Maximum Pricing Policy

Policy: Subject to Section 10.5.2, PharmaCare payment is based on the actual acquisition cost (AAC) up to a maximum price of 7 percent above the manufacturer's price for wholesaled drugs.

The cost submitted is to be reduced by any volume rebates or free goods received. Actual freight costs can be included in the AAC.

A discount paid or credited by a supplier for prompt payment of invoices is not included in the calculation of AAC (the PharmaCare-recognized discount is usually no more than 2 percent).

PharmaCare will recover any overpayments made as a result of claims submitted above the AAC.

Drug costs submitted in excess of the PharmaCare maximum will be adjudicated based on the maximum.

For reference

10.5.2 Interim Policy – Pricing for New Multi-Source Generic Drugs

Effective from January 1, 2009 to December 31, 2009.

A drug that meets the following criteria may be deemed by PharmaCare to be a “new generic drug”:

- the Therapeutic Products Directorate of Health Canada has issued a Notice of Compliance along with a Declaration of Equivalency;
- the first generic version of the brand name drug to be listed on the PharmaCare formulary was listed on or after November 1, 2008; and
- neither the brand name drug nor the generic version of it is subject to patent protection or any other legal constraint that precludes the introduction of a competing generic version;
- is not a new strength of a drug that is currently available in generic form, but may be a new dosage form (e.g. tablet vs. fast-dissolving wafer) and/or formulation (e.g. regular vs. extended release) of a drug that is currently available in generic form.

For the purpose of this pricing policy, PharmaCare will publish and regularly update a list of new generic drugs.

This policy is effective only when there are multiple sources for a new generic drug. For the first generic version of a drug listed, the effective date of this policy will be the listing date for the first drug when a second new generic version of the same drug is listed within one month. When the second generic version of a drug is listed more than one month after the listing of the first version, the effective date of the policy for both drugs will be the listing date for the second drug.

Policy: Ingredient costs paid by PharmaCare for a new generic drug will be adjusted by a cost reduction factor, which is expressed as a percentage of the manufacturer’s list price for the new generic drug.

The cost reduction factor is specific to the new generic drug and is equivalent to the differential between:

- a) the new generic drug manufacturer’s list price for the new generic drug; and
 - b) 50 percent of the brand name manufacturer’s list price for the equivalent brand name drug. The list price of the brand drug will be determined based on the average price for the last twelve months.
-

PharmaCare claims for a new generic drug will continue to adjudicate based on the usual actual acquisition cost and maximum pricing policies established in Section 10.5.1.

INTERIM AGREEMENT – APPENDIX 1

Plan rules, including patient deductibles and co-payments, will continue to apply in the usual manner to claims for a new generic drug.

Application of the post listings Low Cost Alternative calculations on new generic drugs will be discussed by the management committee.

Reimbursement

Policy: On a monthly basis, discounts will be calculated by multiplying drug-specific cost reduction factors by the total ingredient costs paid by PharmaCare to each pharmacy for each new generic drug.

The resulting discounts for all new generic drugs will be applied as adjustments (deductions) to the last pharmacy payment of the following month.

The payment remittance advice will identify the total discount amount for each generic drug.

The following examples illustrate the calculation of the discount amount to be applied as a payment adjustment for one drug and the calculation of the reimbursement net of discount by PharmaCare. For these examples the following definitions and dollar figures apply:

- D = Discount to be applied as an adjustment to a payment for one drug.
- P = PharmaCare reimbursement net of discount to a pharmacy for one drug;
- PIC = Total ingredient costs paid by PharmaCare for a new generic drug - \$1,000;
- a = New generic drug manufacturer's list price for the new generic drug (price for purchase by pharmacies direct from manufacturer) - \$70; and
- b = 50 percent of the brand name manufacturer's list price for the equivalent brand name drug - $.50 \times \text{brand name list price of } \$100 = \$50$.

Calculation of Discount for One Drug

$$D = \text{PIC} \times \{(a-b) / a\}$$

$$D = \$1000 \times \{(\$70-\$50) / \$70\}$$

$$D = \$1000 \times .29 \text{ (.29 or 29\% = the cost reduction factor for this drug)}$$

$$D = \$290$$

Calculation of Reimbursement Net of Discount

$$P = \text{PIC} \times (b / a)$$

$$P = \$1000 \times (\$50 / \$70)$$

$$P = \$1,000 \times .71$$

$$P = \$710$$

Payment Adjustment Retroactivity

The first payment adjustments pursuant to this policy will be delayed until system development requirements are met. During this period of delay, discount amounts will accrue from the policy effective date until such time as they can be processed. Accrued amounts will be applied as a single payment adjustment. Subsequent payment adjustments will be calculated and applied monthly.

No Additional Charges Permitted

Policy: Consistent with paragraph 4 of the Pharmacy Participation Agreement, a pharmacy must not impose on patients or other third party payers any additional charge or fee to recover or offset, in whole or in part, the PharmaCare discount on the new generic drug.

For reference

PharmaCare Frequency of Dispensing Policy

Policy: For a pharmacy to receive a dispensing fee payment, the pharmacist is required to dispense:

- a) the total quantity of drug specified by the prescriber on the written prescription, or
- b) the Maximum Days Supply allowed under PharmaCare policy.

That is, the pharmacist must dispense the Maximum Days Supply unless the prescriber directs that a smaller quantity be dispensed, or the criteria and conditions for increased dispensing frequency set out in this policy have been met.

Consistent with the Maximum Days Supply policy, PharmaCare expects that long-term maintenance medications will be dispensed in 100 days supply and short-term medications will be dispensed in quantities up to 30 days supply, excluding prescriptions under the Trial Prescriptions Program.

For information on the Maximum Days Supply policy, please refer to Section 10.4 of the PharmaCare Policies and Procedures Manual. For more information on the Trial Prescription Program, please refer to Section 9.5.

Dispensing less than 28 days supply

PharmaCare will not pay more than one dispensing fee for less than 28 days supply, except in the circumstances outlined below. Criteria and conditions for increased frequency are determined by the refill interval resulting from the change: e.g. daily dispensing or 2 to 27 days supply dispensing.

Daily Dispensing

Only a prescriber may authorize daily dispensing, *in hand-writing*, on the original written prescription.

Policy: Where daily dispensing is authorized *in hand-writing* by a prescriber on the written prescription, PharmaCare will pay one (1) dispensing fee per patient, per drug, per day, to a maximum of three (3) dispensing fees per patient per day.

The written prescription will be valid for a maximum of sixty (60) days for the purposes of PharmaCare dispensing fee reimbursement. At the expiry of the sixty day period, the prescriber must re-authorize daily dispensing *in hand-writing* on a new prescription if the prescriber wants daily dispensing to continue.

Dispensing 2 to 27 days supply:

The dispensing of drugs in less than 28 days supply (with the exception of daily dispensing) may be initiated by a prescriber or a pharmacist.

Policy: Where dispensing less than 28 days supply (with the exception of daily dispensing) is directed by the **prescriber**, *in hand-writing* on the written prescription, PharmaCare will pay one (1) dispensing fee per patient, per drug, per prescribed supply, to a maximum of five (5) dispensing fees per patient, per prescribed supply.

- **E.g.:** Where the prescriber has prescribed the use of weekly compliance packaging, PharmaCare will pay one dispensing fee per patient, per drug, per week, to a maximum of five (5) dispensing fees per patient per week.
- **E.g.:** Where the prescriber has prescribed bi-weekly dispensing, PharmaCare will pay one (1) dispensing fee per patient, per drug, every two (2) weeks, to a maximum of five (5) dispensing fees per patient every two (2) weeks.

For some patients, the pharmacist may identify patient safety or compliance concerns that render dispensing the full prescribed quantity inappropriate. In these cases, the pharmacist may dispense less than 28 days supply (with the exception of daily dispensing), provided the patient or the patient's representative is made aware of, and consents to, the change in dispensing frequency.

Policy: Where the **pharmacist** changes the dispensing frequency because of patient safety or compliance concerns, the pharmacist must complete and retain on file the Authorization for Frequent Dispensing form detailing the Clinical Criteria supporting more frequent dispensing. These criteria must be consistent with the Clinical Criteria Guidelines presented below.

The pharmacist must obtain the signature of the patient (or the patient's representative) on the Authorization for Frequent Dispensing form, after the form has been filled out by the pharmacist, to indicate the consent of the patient (or the patient's representative).

Once such authorization has been received, the pharmacist is required to notify the prescriber of the change to the dispensing frequency by faxing the Authorization for Frequent Dispensing form to the physician.

The prescriber may override the change to the dispensing frequency if it is felt that frequent dispensing is inappropriate for the patient.

When these conditions are met, PharmaCare will pay one (1) dispensing fee per patient, per drug, per authorized supply, to a maximum of five (5) dispensing fees per patient per authorized supply.

Clinical Criteria Guideline for dispensing less than 28 days supply

Any reduction by a pharmacist in dispensing quantity to less than 28 days supply must be consistent with the following clinical criteria:

The patient is unable to manage his/her drug therapy independently. That is, the patient exhibits one or more of the following:

- cognitive impairment
- no support structure to assist with administration of drug therapy
- complex medication regimen
- physical (e.g. visual) or mental handicap
- non-compliance or misuse is suspected
- history of abuse or poor compliance
- risk of dependence
- susceptible to theft or loss of belongings
- illiteracy
- language barrier

Effective Date

This policy is effective February 1, 2009. Changes to the PharmaNet system to accommodate this policy will not be complete at that time. It is PharmaCare's expectation that pharmacies will claim dispensing fees up to the maximum number of fees claimable under this policy. For additional prescriptions over the maximum of three (3) dispensing fees for daily dispensing or five (5) dispensing fees per patient, per prescribed/authorized days supply for 2 to 27 days dispensing, the dispensing fee claimed should be entered into PharmaNet as \$0.00 per additional transaction.

Pharmacies are not permitted to charge PharmaCare patients any fees in addition to the maximum three (3) dispensing fees per patient for daily dispensing or five (5) dispensing fees per patient, per prescribed/authorized days supply for 2 to 27 days dispensing under this policy.

The Ministry of Health Services will audit pharmacy claims records and will recover funds where dispensing fees are paid on ineligible prescriptions.

Patient request for smaller quantities or compliance packaging

Nothing in this policy restricts patients from purchasing pharmacy services, or smaller quantities, at their own expense. If a patient requests less than 28 days supply, but does not meet the clinical criteria outlined above, any dispensing fees in excess of those payable by PharmaCare are the responsibility of the patient.

- **E.g.:** A patient with a prescription for 100 days supply of medication requests weekly dispensing in compliance packaging for convenience. The patient does not meet the clinical criteria for weekly dispensing. Subject to the patient's usual plan rules and deductibles, PharmaCare will

INTERIM AGREEMENT - APPENDIX 2

pay one dispensing fee per drug for the 100 days supply. Additional fees associated with the weekly compliance packaging are the responsibility of the patient.

For reference

Interim Policy - Pharmacist Clinical Services Associated with Prescription Adaptation

Effective January 1, 2009 – December 31, 2009

Prescription adaptation is defined by the College of Pharmacists of British Columbia (BC) Professional Practice Policy 58 as one of three professional activities:

1. Renewing a prescription.
 2. Changing the dose, formulation or regimen of a prescription to enhance patient outcomes.
 3. Making a therapeutic drug substitution within the same therapeutic class for a prescription.
-

Policy: PharmaCare will remunerate pharmacies for clinical services associated with adapting any prescription for all BC residents providing:

- the adaptation is consistent with the terms and conditions set out in the College of Pharmacists of BC's Professional Practice Policy 58, and
 - the pharmacy has signed a Clinical Services Associated with Prescription Adaptation Agreement and the Clinical Services Associated with Prescription Adaptation Agreement remains in effect.
-

Clinical services associated with prescription adaptations that are not consistent with the College of Pharmacists of BC Professional Practice Policy 58 are ineligible for remuneration under this policy.

Fees Related to Clinical Services

The payment of fees related to clinical services from January 1, 2009 to December 31, 2009 will be based on Funds Available, as defined in the Interim Agreement between the province and the BC Pharmacy Association (the Agreement).

Payment will be provided following the quarter in which the clinical service has been provided subject to the maximum fee paid for clinical service policy described below. The fee per clinical service will be determined based on the total eligible prescription adaptations in the quarter divided by the funds available from the quarter as per Section 4.0 of the Agreement.

PharmaCare will pay pharmacies for clinical services associated with eligible prescription adaptation up to a maximum fee level per prescription adaptation.

INTERIM AGREEMENT – APPENDIX 3

Policy: The maximum fee paid per clinical service will not exceed:

1. For renewing and/or changing the dose, formulation or regimen of a prescription: a factor of up to one times the usual dispensing fee, calculated based on the allowable maximum dispensing fee established by PharmaCare.
2. For making a therapeutic substitution: 2.0 times that of other eligible clinical services fees associated with prescription adaptation.

Policy: Pharmacies that intend to make claims for clinical services associated with prescription adaptation must agree that no additional fees will be requested or accepted from patients or third party payers for these services. If any additional fees are requested or accepted, PharmaCare may recover clinical service fees paid to the pharmacy in relation to the associated prescription adaptation for that patient.

This policy will provide remuneration consistent with related PharmaCare policies.

Special Services Fees:

Policy: Special services fees will not be paid for any prescription that has an associated clinical services fee for adaptation.

Frequency of Adaptation:

Policy: A maximum of two clinical service fees will be paid during a six month period for any adaptation, per drug, per person.
