

A FAIR AND EFFICIENT DRUG SYSTEM

March 27, 2012

The Ontario Drug Benefit (ODB) program helps seniors with the cost of their prescription drugs. All seniors are eligible for the ODB regardless of their income level. This means that someone with an annual income of \$300,000 currently gets the same benefit as someone with an income of \$30,000 per year.

The 2012 Budget announces changes to ensure the program is effective, properly administered and provides the most help to those in the greatest need. The fairness of the program will be improved by asking the highest-income seniors to pay more of their own prescription drug costs.

Starting August 2014, high-income seniors will pay a new income-tested deductible. The change will affect only about five per cent of senior ODB recipients — those seniors with the highest incomes and greatest ability to pay their own drug costs.

Effect of Changes for Senior ODB Recipients

	Per Cent
Paying More	5
Paying Less	3
Paying the Same	92
Total	100

The new deductible will increase gradually with net income:

- For high-income single seniors with income over \$100,000, the deductible amount will be \$100 plus three per cent of income over \$100,000
- For high-income senior couples with a combined income of over \$160,000, the new deductible for the couple will be \$200 plus three per cent of their family income over \$160,000
- These seniors will also continue to pay a co-payment of \$6.11 per prescription after the deductible amount
- Income thresholds will not be indexed for inflation.

Examples of ODB Deductibles

	No Change					
Single Seniors						
Net Income (\$)	16,000	40,000	100,000	120,000	150,000	200,000
Deductible (\$)	0	100	100	700	1,600	3,100
As % of income	0.00%	0.25%	0.10%	0.58%	1.07%	1.55%
Senior Couples						
Net Income (\$)	24,000	60,000	160,000	200,000	250,000	300,000
Deductible (\$)	0	200	200	1,400	2,900	4,400
As % of income	0.00%	0.33%	0.13%	0.70%	1.16%	1.47%

These changes will not increase drug costs for seniors with net incomes below the \$100,000 or \$160,000 thresholds who already get drug benefits:

- These seniors will continue to pay only the first \$100 of their drug costs each year, plus a co-payment of \$6.11 for each prescription after the \$100 amount
- The \$100 deductible will continue to be waived for lower-income seniors. Lower-income seniors who currently pay the \$2.00 co-payment will continue to pay \$2.00 per prescription.

There are about 1.9 million seniors living in Ontario. Under this change, about 75,000 seniors with net incomes over \$100,000 for singles and \$160,000 for couples will pay an average of \$665 a year more towards their prescription drug costs.

These changes will build on the reforms the government has made to the Ontario drug system since 2006 to improve the value for money that Ontarians pay for prescription drugs. These changes include reducing the prices of most generic drugs to 25 per cent of the cost of the comparable brand-name products. These reforms are saving seniors money on their prescriptions. By 2011–12, the savings in the Ministry of Health and Long-Term Care's drug programs were about \$500 million per year. An additional \$100 million in savings were achieved in 2011–12.

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