



ALBERTA

*Deputy Premier
Minister of Health
MLA, Edmonton - Glenora*

M.O. 601/2019

WHEREAS Section 8(1) of the *Government Organization Act* authorizes the Minister of Health to establish or operate programs and services the Minister considers desirable in order to carry out matters under the Minister's administration;

WHEREAS Alberta Blue Cross ("ABC") administers Government-Sponsored Drug Plans under the authority of the ABC Master Agreement;

WHEREAS Pharmacies enter into an ABC Pharmaceutical Services Provider Agreement ("Provider Agreement") with Alberta Blue Cross which governs the receipt, adjudication, processing and payment of claims;

WHEREAS the Provider Agreement provides explicit authorization for the Minister to direct and authorize ABC to deduct and retain a holdback in respect of a Holdback Policy approved and published by the Minister; and

WHEREAS such Holdback is being implemented as a mechanism for the Government of Alberta to constrain growth for drug benefit fees and pharmacy services fees within its budget.

THEREFORE, I, SARAH HOFFMAN, Minister of Health, pursuant to section 8(1) of the *Government Organization Act*, do hereby:

1. Approve the attached Holdback Policy; and
2. Direct and authorize Alberta Blue Cross to apply the attached Holdback Policy.

This Ministerial Order is effective April 1, 2019.

DATED at Edmonton, Alberta this ^{4th} day of Feb. , 2019.



SARAH HOFFMAN
MINISTER

Pharmacy Holdback Policy

SECTION 1 DEFINITIONS

- 1.1 "ABC Pharmaceutical Services Provider Agreement" or "Provider Agreement" means the written Alberta Blue Cross Pharmaceutical Services Provider Agreement (Pharmacy), the form of which is approved by the Minister, which Alberta Blue Cross has entered into with a community pharmacy.
- 1.2 "Actual Expenditures" means the amount of funds disbursed by Alberta Health to Alberta Blue Cross for Pharmacy Expenditures in a given period.
- 1.3 "Alberta Blue Cross" or "ABC" means the ABC Benefits Corporation as continued under the *ABC Benefits Corporation Act*.
- 1.4 "Alberta Government-Sponsored Drug Plan" means any of the drug programs in existence as of the effective date of the Term. It shall also include any drug programs established by Her Majesty the Queen in Right of Alberta during the Term of the Holdback Policy, including, but not limited to, any amalgamations, additions or deletions from the following drug programs:
- the Alberta Blue Cross *Non-Group Coverage (Group 1)* offered by the Alberta Government,
 - the Alberta Blue Cross *Coverage for Seniors (Group 66)* provided to all Alberta senior citizens,
 - the drug coverage provided to individuals approved by Alberta Health for *Palliative Care Drug Coverage*. (For these individuals the *Palliative Coverage Drug Benefit Supplement* must also be considered), and
 - the drug coverage provided to individuals by Alberta Community Social Services, Alberta Advanced Education and/or Alberta Children's Services including any relevant supplemental drug benefits.
- 1.5 "Alberta Health" means the Department of Health established under the authority of section 2 of the *Government Organization Act*, most recently set out in Order in Council 17/2017.
- 1.6 "Budget Expenditures" means the projected budget allocated by Alberta Health for Pharmacy Expenditures in a given period, as set out in Schedule 1.
- 1.7 "Claim" means "Claim" as defined in the Provider Agreement.
- 1.8 "Compensation Plan" means the Compensation Plan for Pharmacy Services established by Ministerial Order 601/2018, as may be updated, amended or replaced from time to time.
- 1.9 "Contingency Account" means an account that contains the Holdback Amount for each Pool.
- 1.10 "Dispensing Fee" means "Dispensing Fee" as defined in the Provider Agreement.
- 1.11 "Distribution Fee" means any portion of the Drug Benefits Fee, apart from the Dispensing Fee and Drug Cost.
- 1.12 "Drug Benefits Fee" means "Drug Benefits Fee" as defined in the Provider Agreement.
- 1.13 "Drug Cost" means the portion of the Drug Benefits Fee which is calculated by multiplying the quantity of the drug by the price published, from time to time, in the Alberta Drug Benefit List or ABC Drug Price List, as applicable.
- 1.14 "Holdback Policy" means the policy to retain a portion of Pharmacy Expenditures to address any Budget Expenditures overage, as outlined in this Ministerial Order.
- 1.15 "Holdback Amount" means the cumulative funds withheld from Pharmacies, as calculated by Alberta Blue Cross using the Holdback Percentage.
- 1.16 "Holdback Percentage" means the percentage of Pharmacy Expenditures to be held back from Pharmacies.

- 1.17 "Minister" means the Minister of Health or any such person the Minister may delegate from time to time to perform the duties and obligations of the Minister herein.
- 1.18 "Plan Member" means "Plan Member" as defined in the Provider Agreement.
- 1.19 "Pharmaceutical Services" means "Pharmaceutical Services" as defined in the Provider Agreement.
- 1.20 "Pharmacist" means "Pharmacist" as defined in the Provider Agreement.
- 1.21 "Pharmacy" means "Pharmacy" as defined in the Provider Agreement.
- 1.22 "Pharmacy Expenditures" means the amount of funds disbursed by Alberta Health to compensate Pharmacies for claims for Dispensing Fees, Distribution Fees and Pharmacy Services Fees.
- 1.23 "Pharmacy Services" means those services identified as pharmacy services pursuant to the Compensation Plan;
- 1.24 "Pharmacy Services Fees" means those prices, professional fees and other payments regarding the provision of Pharmacy Services provided by a Pharmacy, discussed, described and/or defined in the Compensation Plan.
- 1.25 "Provider" means "Provider" as defined in the Provider Agreement.
- 1.26 "Pool" means the Holdback Amount for a specified subset of Pharmacy Expenditures.
- 1.27 "Quarter" or "Quarterly" means one of four consecutive three-month periods within a 12-month period. The first Quarter begins on April 1 and ends on June 30. The 12-month period is based on the fiscal year beginning April 1 and concluding March 31 of the subsequent year.
- 1.28 "Quarterly Reconciliation" means a Quarterly process that determines what proportion of the Holdback Amount will be distributed to Pharmacies and/or to the Contingency Account.
- 1.29 "Resident" means a resident of Alberta as defined in the *Alberta Health Care Insurance Act* who is registered with the Alberta Health Care Insurance Plan.
- 1.30 "Term" means the period identified in Section 6.1.
- 1.31 "Year End Actual Expenditures" means the cumulative Actual Expenditures for the fiscal year commencing on April 1 and ending on March 31 of the subsequent year.
- 1.32 "Year End Budget Expenditures" means the cumulative Budget Expenditures for the fiscal year commencing on April 1 and ending on March 31 of the subsequent year.
- 1.33 "Year End Reconciliation" means an annual process that determines what proportion, if any, of the Contingency Account will be distributed to pharmacies or used to balance Alberta Health's Budget Expenditures.
- 1.34 "Year-to-Date Actual Expenditures" means the cumulative Actual Expenditures for the fiscal year commencing on April 1 to a particular date, up to March 31 of the subsequent year.
- 1.35 "Year-to-Date Budget Expenditures" means the cumulative Budget Expenditures for the fiscal year commencing on April 1 to a particular date, up to March 31 of the subsequent year.

SECTION 2 GENERAL

- 2.1 Subject to all the provisions herein, all Holdback Amounts shall be calculated, deducted and retained by ABC until applicable reconciliations are concluded.
- 2.2 Where a Pharmacist has provided a Pharmaceutical Service to a Plan Member of an Alberta Government-Sponsored Drug Plan or a Resident as outlined under the Compensation Plan, and a Pharmacy makes a Claim for such Pharmaceutical Service to ABC that results in a Holdback Amount being deducted and retained by ABC pursuant to this Holdback Policy, the Pharmacy shall not charge, bill, collect, receive or claim, directly or indirectly, from any person, including (without limitation) the Plan Member, the Resident, an insurer, Alberta Health Services or any health, supportive living, or long term care facility, or any other department or agency of the Province of Alberta or Government of Canada, any Holdback Amount retained by ABC.
- 2.3 The Holdback Policy shall apply to Claims submitted and paid by Alberta Blue Cross with a service date identified in the Claim for the period April 1, 2019 to March 31, 2020 inclusive.
- 2.4 This Holdback Policy will apply to all Providers who have signed the Provider Agreement.
- 2.5 The Minister may interpret all or any aspects of the Holdback Policy, and those interpretations will be binding upon the Provider.
- 2.6 Where reasonably practicable, prior to initiating any significant amendment to the Holdback Policy, the Minister will make reasonable efforts to solicit input from the Alberta Pharmacists' Association (RxA) on the proposed amendment.
- 2.7 Notices required under the Holdback Policy will be given to Providers by ABC.
- 2.8 Nothing herein shall in any way fetter the legislative and regulatory authority of the Minister or the Government of Alberta.
- 2.9 The Minister delegates the Assistant Deputy Minister, Pharmaceutical and Supplementary Benefits Division, Alberta Health the authority to perform the duties and obligations and to exercise any discretion described in Sections 2, 3, 4, and 5.

SECTION 3 HOLDBACK POLICY AND CLAIMS

- 3.1 The Holdback Policy applies to all Claims submitted by Providers for Pharmaceutical Services provided to:
 - (a) Plan Members who are enrolled under an Alberta Government-Sponsored Drug Plan; and
 - (b) Residents under the Compensation Plan.
- 3.2 The Minister shall set the Holdback Percentage for each Pool effective April 1, 2019. The Holdback Percentage will be set at ten percent (10%) of Pharmacy Expenditures for each Pool effective April 1, 2019 unless the Minister sets a higher or lower percent and notice of which is provided to Pharmacies at least ten (10) business days in advance of April 1, 2019. The Holdback Percentage and shall be applied by ABC per pay period for Claims described in Section 3.1.
- 3.3 The Minister, subsequent to April 1, 2019, may increase the Holdback Percentage of a given Pool where the Minister is of the opinion that the Holdback Amount for that Pool will not be sufficient to address any deficiency resulting from the Actual Expenditures for that Pool exceeding the Budgeted Expenditures for that Pool.
- 3.4 The Minister, subsequent to April 1, 2019, may lower the Holdback Percentage of a given Pool where the Minister is of the opinion that the Holdback Amount for that Pool is in excess of that needed to address any deficiency resulting from the Actual Expenditures for that Pool exceeding the Budgeted Expenditures for the Pool.
- 3.5 Pharmacies will be provided a notice ten (10) business days in advance of any variation to the Holdback Percentage.

- 3.6 ABC will calculate the Holdback Amount on a particular Claim by applying the Holdback Percentage at the time at which a Claim is submitted and payable by ABC.
- 3.7 ABC shall deduct the Holdback Amounts for each Pharmacy from ABC's next regularly scheduled Electronic Funds Transfer (EFT) to that Pharmacy.
- 3.8 ABC will specify the amount of the Holdback Amount deducted and retained from a Pharmacy's submitted Claims on the Pharmacy's regular EFT statements.
- 3.9 Upon ABC deducting Holdback Amounts ABC shall deposit the Holdback Amounts to deposit accounts for one of the following two Pools:
 - (a) Pool 1 will be for Holdback Amounts retained by ABC from Dispensing Fees and Distribution Fees, and
 - (b) Pool 2 will be for Holdback Amounts retained by ABC from Pharmacy Services Fees.
 - (i) The Fee for the Assessment for the Administration of a Publicly Funded Vaccine is excluded from Pool 2.
- 3.11 Holdback Amounts will be disbursed to Pharmacies or retained in the Contingency Accounts after each reconciliation period outlined in Section 4 and 5, and Schedule 2, of this Holdback Policy.

SECTION 4 QUARTERLY RECONCILIATION

- 4.1 On a Quarterly basis, ABC will prepare and provide to the Minister a separate reconciliation for each Pool of that Pool's Year-to-Date Actual Expenditures compared to that Pool's Year-to-Date Budget Expenditures.
- 4.2 Upon the Minister reviewing the reconciliation from Section 4.1 and concluding that the Year-to-Date Actual Expenditures for a given Pool are less than the Year-to-Date Budget Expenditures, the Minister shall direct ABC to transfer the Holdback Amount to Pharmacies proportionate to their original contribution of the Holdback Amount.
- 4.3 If the Minister determines based on the reconciliation that Year-to-Date Actual Expenditures exceed the Year-to-Date Budget Expenditures for a given Pool, then upon the direction of the Minister ABC shall do the following:
 - (a) transfer funds from the Holdback Amount in the amount necessary to balance Budget Expenditures in the Contingency Account, and
 - (b) transfer any remaining Holdback Amount to Pharmacies, proportionate to their original contribution of the Holdback Amount.
- 4.4 Within sixty (60) days following the last day of the Quarter for which a Quarterly Reconciliation occurs, ABC will send an EFT to each Pharmacy for any Holdback Amount the Pharmacy is entitled to receive based on the results of the reconciliation per this Section 4.

SECTION 5 YEAR END RECONCILIATION

- 5.1 Following the fourth Quarterly Reconciliation, ABC will complete and provide to the Minister a Year End Reconciliation of Year End Actual Expenditures to Year End Budget Expenditures. ABC shall calculate The Year End Reconciliation by combining the expenditures for Pool 1 and Pool 2.
- 5.2 Where the Minister concludes that the sum of the Year End Actual Expenditures for Pool 1 and Pool 2 are less than the sum of the Year End Budget Expenditures for Pool 1 and Pool 2, the Minister shall direct ABC to transfer any amount in the Contingency Account to Pharmacies, proportionate to each Pharmacy's contribution to the Contingency Account.
- 5.3 Where the Minister concludes the sum of the Year End Actual Expenditures for Pool 1 and Pool 2 are greater than the sum of the Year End Budget Expenditures for Pool 1 and Pool 2, the Minister shall direct ABC to transfer the

amount necessary from the Contingency Account to Alberta Health in order to cover the amount of the deficiency in the Budget Expenditures.

- 5.4 Where the Minister determines that there are there any remaining funds in the Contingency Account after the Budget Expenditures has been balanced, the Minister shall direct ABC to transfer any remaining funds to Pharmacies, proportionate to each Pharmacy's contribution to the Contingency Account.
- 5.5 Within sixty (60) days following the last day of the fourth Quarter after which a Year End Reconciliation occurs following the fourth Quarterly Reconciliation, ABC will send an EFT to each Pharmacy for any Holdback Amount the Pharmacy is entitled to receive based on the results of the reconciliation per this Section 5.

SECTION 6 PROGRAM TERM

- 6.1 The Term of the Holdback Policy shall be from April 1, 2019 until March 31, 2020.

Schedule 1

Government of Alberta Pharmacy Budget Expenditures

Table 1: Pharmacy Budget Expenditures for 2019/2020 Fiscal Year (millions)

	Pool 1 (Dispensing Fees and Distribution Fees)	Pool 2 (Pharmacy Services Fees excluding Publicly Funded Vaccines)	Publicly Funded Vaccines
First Quarter (April 1 – June 30, 2019)	\$99.4	\$26.3	\$0.0
Second Quarter (July 1 – September 30, 2019)	\$114.1	\$32.3	\$0.0
Third Quarter (October 1 – December 31, 2019)	\$100.7	\$27.4	\$7.3
Fourth Quarter (January 1 – March 31, 2020)	\$119.8	\$36.2	\$0.5
Total	\$434.0	\$122.2	\$7.8

Schedule 2

Holdback Reconciliation Formulae

- AE = Year-to-Date Actual Expenditures for a given Pool
- BE = Year-to-Date Budget Expenditures for a given Pool
- CA = Year-to-Date Holdback Amount for a given Pool which includes the Holdback Amount for a given Quarter plus any amounts held in the Contingency Account from previous Quarters
- CAH = Amount held in Contingency Account following a given Reconciliation, to cover the variance between Actual Expenditures and Budget Expenditures
- D = Amount disbursed to Pharmacies for a given Pool
- V = Year-to-Date Variance of Actual Expenditures to Budget Expenditures for a given Pool
- X = Pool 1 (1) or Pool 2 (2) or Combined Pool 1 and 2 for Year End Reconciliation (C)

Quarterly Reconciliation

1. Where the Year-to-Date Actual Expenditures are less than or equal to the Year-to-Date Budget Expenditures for a given pool, the Holdback Amount and any amount held in the Contingency Account for that pool from previous quarters will be disbursed to Pharmacies:

Where $AE_x \leq BE_x$
then $CAH_x = 0$ and $D_x = CA_x$

2. Where the Year-to-Date Actual Expenditures are greater than the Year-to-Date Budget Expenditures for a given pool, the amount needed to cover the variance will be transferred to the Contingency Account for that pool, and any remaining Holdback Amount will be disbursed to Pharmacies:

(a) Where $AE_x > BE_x$ and $V_x \leq CA_x$
then $CAH_x = V_x$ and $D_x = CA_x - V_x$

(b) Where $AE_x > BE_x$ and $V_x > CA_x$
then $CAH_x = CA_x$ and $D_x = 0$

Year End Reconciliation

3. For the Year End Reconciliation, the Quarterly Reconciliation process outlined in (1) and (2) above is followed, with the amounts for Pool 1 and Pool 2 merged into a single combined Pool.