How does the insurer apply mandatory generic substitution?

Single-source drug: A new drug on the market for which there is no generic equivalent.

Original drug (or innovative drug): A drug no longer protected by a trademark for which one or more generic equivalents are available.

Generic drug: A drug that is equivalent to the original drug (same medicinal composition, subject to the same safety and effectiveness standards) but is less expensive than the original drug because less research was required before marketing it.

This condition encourages participants to choose generic drugs because their full cost is covered by the plan. For original drugs, reimbursements under the plan are based on the cost of the generic equivalent, unless the physician stipulates, on the prescription, that the original drug must be used for therapeutic reasons specific to the beneficiary's condition (e.g. allergy to a non-active component of the generic drug).

Even where there are no therapeutic considerations, the participant can still choose the original drug, but must pay the difference between the cost of the original drug and the cost of the generic drug. In other words, it is up to the participant, and not the plan, to pay the additional cost of an original drug.