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**Government of Ontario**

**Consultation on  
Preferred Provider Networks in Drug Group Insurance Plans  
(Proposal Number 25-MOF003)**

**Submitted by:  
Neighbourhood Pharmacy Association of Canada**

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**Submitted to  
Ministry of Finance**

## Executive Summary

Neighbourhood Pharmacies welcomes the Ministry of Finance's efforts to regulate Preferred Provider Networks (PPNs) in Ontario under a framework that supports informed patient choice, prevents exclusion of able pharmacies and advances sustainability across the pharmacy sector. After evaluating the two proposed policy options, we oppose a Standardized Mandatory Exemptions model, which undermines patient autonomy, burdens healthcare providers, and risks replicating the negative consequences seen in U.S. systems dominated by insurer-driven networks.

Instead, we recommend the Ministry adopt an "Any Able Provider" model underpinned by a **pharmacy sector-led operational readiness framework**. This model ensures all pharmacies that meet defined operational service capabilities can participate in PPNs. It preserves patient choice, supports competition across pharmacy business models, protects health outcomes, and provides payors with a consistent and transparent basis for inclusion.

We further recommend:

- Removing the term "willing" from legislation to prevent coercive financial terms and uphold pharmacy autonomy
- Defining "specialty" medications by the complexity of services required, not price alone
- Developing criteria for "Able" based on a pharmacy's operational readiness to deliver required services
- Ensuring the pharmacy sector leads the development of operational readiness criteria
- Ensuring PPN terms are financially viable and sustainable for able pharmacies

This pharmacy-led, patient-centred approach aligns with all four of the Ministry's stated policy goals while further protecting patient choice of, and access to, care and services via a thriving pharmacy sector.

## Introduction

The Neighbourhood Pharmacy Association of Canada (Neighbourhood Pharmacies) represents leading pharmacy organizations across the country, including chain pharmacies, grocery and/or mass merchandizers with pharmacies, banners and independent pharmacies, and pharmacies providing specialty medicines and services. In Ontario, we advance the delivery of care through more than 5,000 pharmacies of all models, that serve as integral community health hubs in urban, suburban, rural, remote and First Nations neighbourhoods. Ontario's pharmacies employ more than 68,000 Ontarians (including over 15,000 pharmacy professionals in community pharmacy practice alone), directly generate more than \$3.6 billion in GDP and dispense more than 299 million prescriptions valued at close to \$16 billion each year.

As the only Canadian association mandated to represent the voice of pharmacy operators, we act in Ontario and across the country to support policy makers with the development of

innovative solutions that allow pharmacies to support public health and primary care needs in their communities while advocating for a thriving and sustainable pharmacy sector.

We are pleased to contribute to this Ministry of Finance (the ‘Ministry’) exploration of potential policy options to regulate Preferred Provider Networks (PPNs). Through the diversity of our pharmacy membership across the province, as both pharmacy operators and employers, we can provide a holistic view that integrates the perspectives of the various pharmacy models the Ministry has identified in its initial consultation framework.

### ***Our Understanding of the Consultation***

We understand the Ministry is consulting on possible policy options to regulate Preferred Provider Networks in Ontario that satisfy the objectives of:

- **“Cost and coverage:** Maintain affordability of specialty medication by ensuring that intervention does not significantly impact cost of medication or affordability of coverage”
- **“Consumer choice:** Support consumers’ ability to choose how to access healthcare in a manner that suits their needs as appropriate”
- **“Competition:** Support an appropriate level of competition within the pharmacy sector”
- **“Health Outcomes:** Promote continuity of care, safety, and quality of care”

The two policy options on the table are:

1. **Option 1: Standard Mandatory Exemptions:** “Standardizing mandatory exemptions so that plan members have the right to receive coverage at a non-network pharmacy in circumstances set out by law or regulation”
2. **Option 2: Any Able and Willing Provider** “Promote choice and competition by mandating that any pharmacy PPN be open to any pharmacy operator which is able and willing to meet a PPNs’ terms.”

In fall 2024, we [urged the Ontario government](#) to intervene in the regulation of Preferred Provider Networks and recommended a multipronged consultation approach to reflect the diversity of stakeholders and the complexity of this landscape. We are pleased to see the Ministry launch a second consultation aligned with this recommendation and applaud this important step.

### ***Key Principles***

We believe that any regulatory approach to Preferred Provider Networks must:

- Be grounded in the protection of informed patient choice.
- Support a thriving and diverse pharmacy sector that strengthens access to medications and care across Ontario.
- Ensure pharmacy professionals and operators retain the autonomy to lead and deliver care.

We have evaluated the proposed policy options against these foundational principles and the Ministry's key objectives, and **offer the following recommendations:**

## **1. Standardized Mandatory Exemptions (SME) will not achieve the Ministry's objectives**

**We oppose any framework that requires patients to apply for exemptions in order to access their pharmacy of choice.** Informed patient choice must be the default—not granted by exception. Patients should have the right to receive medications outside the network while maintaining full benefit coverage.

Defining narrow conditions under which exceptions are permitted—whether medical, geographic, or otherwise—undermines the very principle of patient autonomy. Patients should not be forced to justify or disclose personal reasons for choosing a particular pharmacy. This approach is neither patient-centered nor aligned with a philosophy of respect for individual health decisions.

Moreover, mandatory exemption models impose unnecessary administrative burdens on patients and healthcare providers, including physicians, pharmacists, and specialists. Rather than improving access, such processes risk creating barriers to care by overwhelming providers with paperwork, ultimately diminishing—not enhancing—patient access and system efficiency.

### **Standard Mandatory Exemptions are akin to Closed Preferred Provider Networks (PPNs).**

In practice, closed PPNs limit patient access and informed choice, constrain the viability of pharmacy businesses, particularly for independent, rural and/or remote pharmacies. We firmly oppose any PPN model that excludes the participation of capable pharmacies that meet the operational requirements of network participation. We urge the Ministry to establish legislative safeguards that will ensure payors apply clear pharmacy-led criteria for inclusion. This will support a more open and inclusive network design that enhances access, maintains patient autonomy, and strengthens the care delivery of all the diverse models in the pharmacy sector.

While we acknowledge the importance of managing drug costs, there is insufficient evidence to support the claim that closed PPNs deliver meaningful system savings. Historically justified as a means for insurers to reduce the costs of medications, there is little indication that any resulting savings are passed on to plan sponsors, patients, or the broader health system. Moreover, the assertion that employers will reduce or eliminate benefits in the absence of closed networks is speculative and unsupported.

**While they may meet the Ministry's objectives for cost and coverage, neither SMEs nor Closed PPNs meet the objectives for consumer choice, competition, or health outcomes.**

## **2. An Innovative Solution: Pharmacy-Led Operator Readiness Framework.**

We support the Ministry of Finance's proposed direction toward an *Any Able and Willing Provider (AAWP)* policy model, as it reflects a positive shift toward fairness, access, and transparency in Ontario's drug benefit system. However, to fully realize the policy's potential, and mitigate unintended risks, we propose an innovative solution aligned with this direction but grounded in pharmacy sector expertise and key learnings from similar approaches in other jurisdictions, including the U.S. **We recommend the Ministry of Finance support a pharmacy sector-led framework that defines eligibility in an Open PPN based on operational readiness, protects informed patient choice and access, and allows any able pharmacy**

**to participate.** A model focused on pharmacies' ability to deliver complex services that provide system-wide value can be the foundation for a modernized approach to Preferred Provider Networks (PPNs) that more effectively meets the government's four stated policy objectives.

### **Considerations for this Pharmacy Sector-led Framework:**

#### ***The Word “Willing” Should be Removed and Legislation Should Focus on “Any Able Provider”***

We urge the Ministry of Finance to reconsider the use of the term “willing” in its proposed “Any Able and Willing Provider” framework. The term “willing” is problematic, as it implies that some pharmacies may be unwilling to provide medications or care—an implication that does not reflect the reality of the sector and its professionals. All pharmacies and their teams are committed to delivering high-quality patient-focused care within their scope and regulatory obligations. More concerning, however, is that “willing” implies that pharmacies are to accept PPN terms unilaterally set by insurers, including those that may be financially unsustainable.

Instead, we recommend the Ministry pursue “Any Able Provider” legislation which lays the foundation for Open PPN participation grounded in any pharmacy's demonstrated operational readiness and ability to meet PPN requirements, without the risk of potentially unsustainable contractual obligations.

#### ***“Specialty” Medications Should be Defined by the Value and Complexity of their Required Operational Services***

While the Ministry has acknowledged that this consultation is not limited strictly to PPNs designed for specialty medications, it has clearly stated a key objective is to “minimize cost and maximize coverage of expensive specialty medications.” We recognize that drug costs are rising and that payors and the health system must manage those costs effectively.

There is currently no standard definition of a “specialty medication”. It is commonly accepted that, in addition to being high cost, these drugs often require enhanced pharmacy services—many of which are operational in nature, such as specialized handling, storage, administration, compounding. Manufacturers of complex medications may also require that patients have access to enhanced non-clinical support services, including benefits navigation and care coordination with other healthcare providers. In some cases, stringent Risk Management Program protocols must be followed, which may require providers (including pharmacists) to support ongoing pharmacovigilance or collect Real-World Evidence. A pharmacy's capacity to meet these service requirements will be determined by its operational and administrative infrastructure, rather than the clinical and professional competencies of its pharmacy professionals, which are regulated by the Ontario College of Pharmacists. It is our view that specialty medications should not be defined solely by price, but by the complexity of services required to support the patients taking them. Our proposed operational readiness criteria to determine a pharmacy's ability participation in a PPN can then be grounded in its readiness to deliver the full scope of operational services associated with supporting patients with more complex needs.

Our 2023 report, [\*The Value of Specialty Pharmacy Services to the Healthcare System\*](#) defines, describes and quantifies an estimated \$1 billion in value of specialty services provided by Canada's pharmacies; filling care gaps that would otherwise have to be provided, and paid for, by the public healthcare system.

We propose that Ontario move to support the establishment of a pharmacy-led operational readiness framework to enable all able pharmacies to participate in Open PPNs. This would allow for a standardized approach to determine pharmacy eligibility based on their ability to meet service demands, rather than being excluded based on arbitrary or non-transparent criteria. Such a framework is essential to maintaining the quality of specialty services, preserving medication integrity, and ensuring equitable participation for pharmacies across all models.

### ***“Able” Should Be Based on Pharmacy Operational Readiness***

Participation in a Preferred Provider Network (PPN) should be open to any “Able” provider—where “able” is clearly and consistently defined based on a pharmacy’s operational readiness to provide the services required for the appropriate dispensing of the specialty medications covered under the PPN. This definition must be distinct from clinical competence, which is already upheld through the robust regulatory oversight of pharmacy professionals by their governing college, including adherence to established Standards of Practice and Codes of Ethics.

Operational readiness, in contrast, should refer to the infrastructure, processes, and service capabilities a pharmacy must have in place to meet the dispensing, administrative or logistical patient support requirements specific to the medication. As noted above, these activities can include secure storage, temperature-controlled handling, inventory management, and care coordination with other providers.

Establishing a distinct set of operational readiness criteria, focused on business operations, ensures PPN participation rules do not infringe upon the professional autonomy of regulated pharmacy professionals and avoids unnecessary duplication of regulatory oversight.

### ***The Pharmacy Sector Must Lead the Development of Operational Readiness Criteria***

The establishment of any criteria used to determine whether a pharmacy is operationally “able” to participate in a Preferred Provider Network (PPN) must be led by the pharmacy sector to ensure they reflect real-world practice. While operational in nature, the proposed criteria directly affect health outcomes and so must be defined by pharmacy operators and professionals who are the experts in medication management and associated patient care.

To support transparency and fairness, these operational readiness criteria should be uniform across payors, objective, and developed collaboratively by the pharmacy sector in consultation with key stakeholders, including payors. Once developed, the operational readiness criteria could be overseen by an existing body, a new arm’s length third-party or a sector-endorsed compliance process. Precedents exist for all types of oversight that uphold consistency and integrity, but more consultation is needed to determine what model might best support system and stakeholder needs.

While payors are critical stakeholders in the overall system—and their objective of managing drug costs to support sustainable benefit plans for Ontarians is certainly an important one—their role and priorities are fundamentally different than those of Ontario’s healthcare providers. Payors must focus on financial stewardship for plan sponsors. If improving health outcomes is a central goal of any future PPN regulatory framework, then the criteria used to assess a pharmacy’s operational readiness must be developed by those with direct responsibility for

delivering pharmacy services. Payors can and should provide input in this process, but they must not have decision-making authority over whether a pharmacy is able to meet the service delivery requirements of any medication.

### ***Sustainable Financial Terms Must be Assured***

Any regulatory framework governing Preferred Provider Networks (PPNs) must include legislative safeguards to ensure pharmacies can reasonably meet the financial terms of participation without compromising the sustainability of their business operations. While the Ministry's proposed AAWP approach introduces a means of determining if a pharmacy is able to meet the terms, it defers to insurers and their intermediaries to define what terms are reasonable—including financial terms—without any guarantee that these will be fair or viable for pharmacies. This imbalance puts considerable influence in the hands of payors, rather than those delivering frontline care to patients.

Putting pharmacies in a position of accepting reductions to their reimbursement, sometimes below the cost to deliver services, to be able to continue to compete diminishes the overall value of the care and services pharmacy teams provide. This is not a sustainable model for many models of pharmacy businesses, who cannot pass this loss of revenue on to their patients. Commoditizing the value of the very real services that pharmacy professionals provide diminishes the worth of their medication therapy management skills and expertise and could result in a “race to the bottom.”

Without legislative safeguards to ensure that PPN terms are financially sustainable—such as parameters on reimbursement terms—the model threatens to erode the economic foundation of community pharmacy and jeopardize patient access to pharmacy-provided medications and care. Legislation must therefore require fair, balanced and enforceable contract terms to protect the long-term viability of all pharmacy business models.

### **Cautionary Tale from the U.S.: A Warning for Ontario PPN Regulation**

The U.S. experience with pharmacy benefit managers (PBMs) and preferred provider networks (PPNs) offers a cautionary tale of what happens when insurers and their intermediaries gain unchecked influence over drug reimbursement policies. In the U.S., overwhelming market consolidation and the proliferation of opaque reimbursement terms in the drug insurance landscape have resulted in rising insurance premiums, despite claims of cost savings. Increasing vertical integration—where insurers or PBMs own their own pharmacies—has created a system in which these entities can prioritize their affiliated pharmacies, undermining other pharmacy operators and leading to pharmacy closures, pharmacy ‘deserts’ (communities with no access to pharmacies), and reduced patient access.

Canada is already showing early signs of this same trend, with major PBMs and insurers acquiring or operating pharmacies. A leading PBM in Canada is also currently under investigation for alleged anti-competitive practices related to the operation of its own PPN and pharmacy.

Additionally, in the U.S., a payor-driven approach to defining pharmacy participation in delivering specialty care has created a fragmented, complex, and costly environment. Each PBM or insurer applies its own operational readiness criteria. This patchwork system has severely limited participation with less than 3% of community pharmacies meeting the restrictive



requirements to serve patients with complex needs. The result is a highly exclusionary model that concentrates access among vertically integrated providers, drives high operational costs for participating pharmacies, and reduces patient access through limited dispensing networks.

Ontario must learn from these examples and ensure that PPN regulation actively guards against similar risks here—by limiting market consolidation, protecting informed patient choice, and ensuring that the development of any pharmacy operational readiness criteria for PPN participation is driven by pharmacy operators and healthcare providers.

## Summary

We recommend the Ministry of Finance support a pharmacy sector-led framework that defines PPN eligibility based on operational readiness, protects informed patient choice and access, and allows any able pharmacy to participate. Please refer to Table 1 below for concise summary of how our model addresses the stated Ministry of Finance objectives:

**Table 1: Mapping Ministry Policy Objectives to our Proposed Solution**

Policy Objectives	Pharmacy sector-led framework for PPN eligibility based on operational readiness
Cost and coverage:	Pharmacy-led operational readiness criteria to dispense any medications that are subject to PPN terms will provide payors with the assurance that pharmacies are fully operationally capable of safeguarding the integrity of all medications, including specialty medications. Criteria developed in collaboration with key stakeholders including payors will ensure consistency in plan member experience and a tangible ROI for payors standardizing processes that directly deliver value to plan sponsors.
Consumer choice:	Opening all PPNs to able pharmacies will expand the number of in-network pharmacies, providing increased consumer choice; ensuring that patients have the ability to choose their preferred pharmacy without an administrative exemption process further upholds patient autonomy and minimizes patient burden.
Competition:	Opening all PPNs to able pharmacies through the development of pharmacy-led operational criteria supports a diverse landscape in which any able pharmacy regardless of scale or business model can thrive.
Health Outcomes:	Developing operational readiness standards through the pharmacy sector—who are the experts in patient care delivery—ensures a focus on health outcomes and care delivery, minimizes fragmentation, and enables a standardized plan member experience. This alignment supports measurable improvements in health outcomes across all participating providers.

We urge the Ministry to move forward with Any Able Provider legislation grounded in pharmacy sector-defined operational readiness as the foundation for open and patient centred Preferred Provide Networks. This model directly supports all four of the Ministry's objectives, consumer choice, cost and coverage, healthy outcomes and competition. It also positions Ontario as a leader with a regulatory approach that balances cost control with patient access, system value and a thriving, diverse pharmacy sector.