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Canadian Healthcare Association
Association canadienne des soins de santé
75 years of service / 75 années de service

Policy Positions Regarding Issues addressed by the National Pharmaceuticals Strategy

ACCESS AND COST OF GENERIC DRUGS

(Approved by Board of Directors, June 2006)

In September 2004, Canada's First Ministers agreed to establish a ministerial task force to develop and implement a National Pharmaceuticals Strategy (NPS) and to report on their progress by June 30, 2006. The eighth action of the National Pharmaceuticals Strategy is to accelerate access to non-patented drugs and achieve international parity on prices of non-patented drugs. CHA defines access and cost of generic drugs as *numerous policies affect the access to and cost of generic drugs, including intellectual property protection, regulation of the drug approval process, reimbursement and formulary decisions, and the regulation of prices.*

Policy Positions

- Canadians should pay fair and reasonable drug prices in order to ensure access to appropriate treatment and to encourage innovation in Canada's health industry.
- Health system funders and managers should encourage the appropriate and cost-effective use of all pharmaceuticals, including generic drugs.
- Federal, provincial, and territorial governments should encourage and support data collection by an existing agency such as the Canadian Institute for Health Information or the Patented Medicine Prices Review Board on current and projected prescribing patterns and pricing of generic, off-patent (brand name), and patented medicines and the effect of prescribing patterns and pricing on pharmaceutical expenditures and health outcomes.
- Federal, provincial, and territorial governments should cooperate to set policies for regulating the price of generic and off-patent (brand name) drugs in parallel with policies for patented pharmaceuticals.
- CHA acknowledges that changes to intellectual property protection (IPP) policies and changes to policies affecting drug approvals, reimbursement, and pricing may

promote innovation and economic development in the health industry. However, CHA views changes to policies affecting drug approvals, reimbursement, and pricing, rather than changes that lengthen IPP, as a more effective means of reducing drug prices. For that reason, CHA does not support the need for immediate changes to IPP policies.

- Health system funders, managers, pharmacists, and industry should review the impact on drug expenditures of rebates provided by pharmaceutical companies to pharmacies for stocking generic drugs.

Background

- The use of generic drugs is but one of many important strategies in the management of pharmaceutical spending. Other examples are bulk purchasing, use of generics, reference-based pricing, and restricted drug listings.
- For some years, the federal government has regulated the price of patented medicines through the Patented Medicine Prices Review Board (PMPRB). In October 2005, federal, provincial, and territorial health ministers gave the PMPRB responsibility to monitor and report on non-patented drug prices (“Annual Conference,” 2005). To allow PMPRB to regulate the price of non-patented drugs, provinces will consider formally delegating their responsibility in this area to the federal government.
- In general, the price of generic pharmaceuticals is higher in Canada than in many other OECD countries. The Patented Medicine Prices Review Board reported that the price of generic drugs in Canada exceeded the median of foreign prices by 21 to 51% (2003).
- Pharmaceutical companies that manufacture generics provide rebates (“promotional allowances”) to pharmacies for stocking generic drugs (“McGuinty Government,” 2006; Caicco, 2003).
- In April 2006, the Ontario Government introduced legislation regarding access to pharmaceuticals, which proposes to outlaw hidden rebates to pharmacies, change the pricing structure to pay less for generic drugs, and compensate pharmacists for providing patient counseling and medication management reviews (“McGuinty Government,” 2006).

- Though generic pharmaceuticals accounted for about 40% of prescriptions filled in Canada in 2000, they represented only 11% of the dollar value of total sales by pharmaceutical manufacturers (Patented Medicine Prices Review Board, 2003). Because the value of generics sold in Canada is low compared to patented and off-patent (brand name) medicines, changes in the price of generics will have less impact on overall drug expenditures.
- Referenced-based pricing (RBP) is another cost-containment strategy used by some public drug plans to reduce pharmaceutical expenditures. RBP can target the use of both generic and brand name medicines. Under RBP, the drug plan groups together drugs that are deemed therapeutically equivalent and identifies the lowest priced drug in the group as the ‘reference.’ The drug plan reimburses all drugs in the group at the referenced price and patients who opt to use the more expensive alternatives must pay the difference (Canadian Pharmacists Association, 2005c). Studies of the RBP program in British Columbia showed significant savings, without increasing hospital admissions or deaths (Canadian Health Services Research Foundation, 2005).

References

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The Canadian Healthcare Association is a leader in developing, and advocating for, health policy solutions that meet the needs of Canadians.

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