



**Neighbourhood
Pharmacy**
Association of Canada

Association canadienne
**des pharmacies
de quartier**

**Written Submission to the House of Commons
Standing Committee on Health**

**Re: Patented Medicine Prices Review Board
Guidelines**

November 6, 2020

Introduction

The Neighbourhood Pharmacy Association of Canada (Neighbourhood Pharmacies) appreciates the opportunity to provide its perspective to the House of Commons Standing Committee on Health concerning the Patented Medicine Prices Review Board's (PMPRB) Final Guidelines to support the implementation of amendments made to the Patented Medicines Regulations in August 2019.

Neighbourhood Pharmacies represents Canada's leading pharmacy organizations who deliver high value, quality care to Canadians in all models including chain, banner, long-term care, specialty and independent pharmacies as well as grocery chains and mass merchandisers with pharmacies. Our members are home to the most trusted providers of drug therapies, pharmacy-based patient services and innovative healthcare solutions. We advocate for community-based care and aim to advance sustainable healthcare for all stakeholders by leveraging the 11,000 pharmacies in every community across Canada.

Over the past year, Neighbourhood Pharmacies has been explicit about our concern that Guidelines proposed, and now finalized, by the PMPRB carry inadvertent but detrimental consequences for pharmacy operators that compromise their ability to provide critical patient support services.

The PMPRB, in updated Draft Guidelines released in June 2020, acknowledged that its proposed approach "will have a significant impact on industry revenues and result in drug shortages and a decline in support services currently available to patients." Despite this recognition, however, the Final Guidelines issued on October 23 pose the same serious risk to pharmacy.

As such, Neighbourhood Pharmacies continue to be concerned about the impact that sudden and dramatic pharmaceutical price decreases, which will occur under the Final Guidelines, will have on pharmacies and the level of care they can provide to patients who are dependent on support services for high cost, specialty medicines.

Impact on Patient Support Programs

Drugs for complex conditions require intensive patient support services. Patient Support Programs (PSPs) are administered by pharmacies who have invested heavily in infusion clinics and other infrastructure to provide the level of specialized patient care required and to ease the burden of care for patients and healthcare professionals. Patient support programs are funded by pharmaceutical manufacturers, so pricing and revenue expectations are an important factor.

Patient support programs are designed to provide personalized patient care and support, anticipating the needs of patients with complex medication therapy, to ensure patients receive the greatest value out of the medicines they are prescribed. There is almost no government funded support for the medication management of these patients, beyond a basic dispensing fee.

Programs are executed with compassionate care and support and ease the burden of care for patients and healthcare professionals. Care teams, comprised of nurses, pharmacists and other healthcare providers with experience in multiple disease states and therapeutic areas, oversee all elements of programs that include patient enrollment, reimbursement assistance, drug distribution and delivery through either a retail pharmacy or specialty pharmacy network, patient and healthcare professional education and training, and adherence support with robust data reporting.

The investments made by pharmacies specializing in this type of service deliver tremendous economic value to the healthcare system. Specifically, patient services delivered by pharmacies help ensure more positive clinical outcomes and thus the best value-for-money in the pharmaceutical supply chain. The comprehensive management of drug usage through the close monitoring of patients, helps ensure that no expensive, prescribed medicine, is being wasted.

Given Canada's privately operated patient supports, international prices are not a fair comparison for the price of medications. Among the basket of comparator countries, only in Canada do PSP's and pharmacies provide the clinical infrastructure (such as through infusion clinics) and services required to safely deliver complex medications for rare conditions, meaning there is a false dichotomy in the comparison tool.

Further, PSPs for drugs already on the market have been developed based on current prices and a price reduction will likely lead to a reduction in the amount of funding that manufacturers have allocated for patient support programs. We anticipate that manufacturers will be faced with difficult decisions regarding PSPs and the amount of funding they can allocate to ensure the best patient results. Patients who rely upon PSPs for their drug therapy will see a reduction in the level of care provided.

Repercussions for the Pharmacy Reimbursement Model

Recent amendments to the Patented Medicines Regulations and corresponding Guidelines are intended to reduce the price paid by Canadians for pharmaceuticals, an objective that should be aligned with the PMPRB's mandate to prevent *excessive* drug prices.

In focusing so closely on drug price reductions, the PMPRB has overlooked the unintended implications that will ripple across the drug distribution and front-line delivery network. Reimbursement for patient services that support the administration of expensive medicines for complex conditions and for the services provided by pharmaceutical distributors is based on a cost-plus model that is a function of drug prices. In other words, funding for these services are based almost exclusively on a percentage of the drug price and thus will also be reduced as a direct result of price reductions the medications provided for by the Guidelines.

The initial version of Draft Guidelines released in November 2019 had the potential to reduce the price of Grandfathered medicines by 20 per cent, on average, according to estimates by PDCI Market Access. This would have translated into a corresponding 20 per cent reduction in revenue for pharmacy and pharmaceutical distributors.

Revised Draft Guidelines issued in June of 2020 included an adjusted approach that would result in a 5 per cent average price reduction for Grandfathered medicines. However, PMPRB analysis also revealed that approximately one third of Grandfathered drugs – representing 20 per cent of sales – will experience a significant price decrease of 25¹ per cent or more.

Neighbourhood Pharmacies conservatively estimates that our members will experience a \$53 - \$67 million² drop in gross profit annually and these losses will be felt disproportionately by those pharmacies which serve the most complex patients. Pharmacies have limited ability to offset these losses since the markup formula is dictated by public drug plans for much of the market.

¹ PMPRB Public Webinar, July 8, 2020 slide 13

² Based on brand drugs sales of \$19 billion (IQVIA, MAT Sep2019), a 5% decrease in prices overall, and an average markup range of 5.5% - 7.0%

The Canadian Association for Pharmaceutical Distribution Management estimates that their members will encounter a loss of more than \$20 million annually. It is expected that the losses experienced by distributors will be accommodated through increased fees, compounding our shortfall to the tune of \$73 - \$87 million annually.

Repercussions of the Recent Federal Court Decision

Provincial drug plans and large private payors have negotiated Product Listing Agreements (PLA's) with pharmaceutical manufacturers for many products introduced over the past decade. Under these agreements, manufacturers pay rebates to the drug plan in exchange for formulary listing and as a result the net price is often much less than the list price. The scale of these rebate agreements is significant -- \$1.5 billion per year according to the pan-Canadian Pharmaceutical Alliance³.

Due to the Federal Court's recent decision in the application for judicial review of the recent amendments to the Patented Medicines Amendments by Innovative Medicines Canada (IMC), the PMPRB will be unable to collect information on the rebates negotiated by large payors from pharmaceutical manufacturers. As a result, the ability of provincial drugs plans and large private payors to realized intended savings is uncertain at best because, while list prices may be reduced, net prices after rebates will remain the same. The impact of price reductions to manufacturers is also minimized because their net price will not change.

Ultimately, it is patients, pharmacies and distributors who expect to bear a disproportionate burden of changes to Canada's drug pricing policy in a way that will wholly affect their businesses, services and quality of care.

Recommendation

Neighbourhood Pharmacies is deeply concerned that current plans for the implementation of Patented Medicines Regulation changes do not allow sufficient time for manufacturers, provinces, and pharmacy to create a new framework for serving these patients.

We are calling on the federal government to work collaboratively with stakeholders to ensure a phased-in approach allowing more time for provinces, pharmacy and manufacturers to fully assess the potential impact of the Guidelines on patient support programs and to determine how to maintain reimbursement for patient services.

We look forward to working in partnership with Health Canada and the PMPRB to ensure Canadians receive the health services they need and that no patients, particularly those requiring additional assistance, are left behind due to unintended consequences of pricing reforms.

³ Pan-Canadian Pharmaceutical Alliance website, accessed Nov 6, 2020. <https://www.pcpacanada.ca/about>