Drug pricing in Canada: the 30,000’ view

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Agenda

• Brief history of brand drug pricing in Canada
• Some statistics on drug prices, sales
History

• **1969**: compulsory licensing: generic drug companies could sell generic copies of patented brand drugs in exchange for 4% royalty.
History

• **early 1970s:**
  • provincial governments launched drug plans for seniors, low income, residents of nursing homes
  • no formal mechanism for setting brand drug reimbursement prices
History

• **early 1970s:**
  • provincial governments sanctioned pharmacist-initiated generic substitution of branded drugs
  • growth in generic drug manufacturing sector.
History

- **early 1970s:**
- growth in private drug coverage
- provincial government reimbursement prices of brand drugs, listed on government formularies, became prices paid by private plans
History

• 1987: FTA with US: Canada guarantees minimum # years of market exclusivity for brand drugs.

• 1988: Canada regulates prices of patented drugs.
  – Patented Medicine Prices Review Board
    • http://www.pmprb-cepmb.gc.ca/en/home/
  – Introductory prices of novel drugs limited to median of prices charged in 7 comparator countries (US, Swiss, UK, France, Germany, Sweden, Italy).
  – Introductory prices of me-toos limited to prices of existing domestic therapeutically similar drugs.
History

• 1993: NAFTA: compulsory licensing abolished.
  – Canada adopts 20 year patent terms
  – patent linkage regime modeled on US system.
  – marked increase in litigation between brand and generic drugs
History

• **Early 1990s:** provincial government drug plans adopt Cost Effectiveness Analysis (CEA) and thus presumably constrain prices.

• Growth in CEA industry.

Number of economic appraisals of pharmaceutical drugs published annually, 1970-2009

![Graph showing the number of economic appraisals of pharmaceutical drugs published annually from 1970 to 2009.]
History

• **2006**: Ontario government drug plan exploits buying power:
  – requires brand companies to pay secret discounts off of formulary prices as condition for formulary listing
  – known as “product listing agreements”

• **2007+**: other provinces follow suit
History

• **2012+**: private drug plans increasingly entering into pricing agreements with manufacturers of high priced biologics.

• Growth of PBM industry.

[An End to Blank Cheques](http://www.reformulary.com/files_docs/content/pdf/en/end_to_blank_cheques.pdf)
Evidence on prices & sales
Pharmaceutical Expenditure as a Share of GDP, 2011, by Country

FIGURE 17 Pharmaceutical Expenditure as a Share of GDP, 2011

Source: OECD

PMPRB 2013 Annual Report
FIGURE 9 Average Foreign-to-Canadian Price Ratios: 2005, 2013

Source: PMPRB
Growth in Patented Medicine Price Index and CPI, by year, 1988-2013

PMPRB 2013 Annual Report
Average drug cost per private plan claimant

Source: EXPRESS SCRIPTS CANADA  Drug Trend Report 2013