

# 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

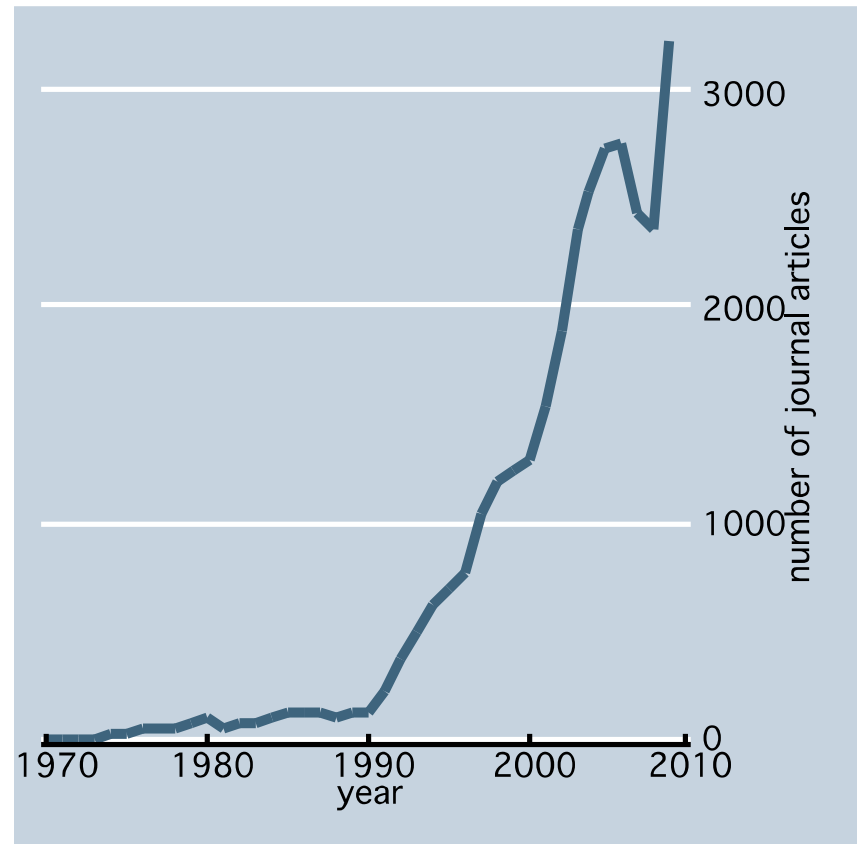
- **1993**: NAFTA: compulsory licensing abolished.
  - Canada adopts 20 year patent terms
  - patent linkage regime modeled on US system.
  - marked increase in litigation between brand and generic drugs



# 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



# 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

GETTING MORE VALUE OUT OF  
EMPLOYER DRUG PLANS

BY HELEN STEVENSON

President and CEO, Reformulary Group

Former Executive Officer, Ontario Public Drug Programs and

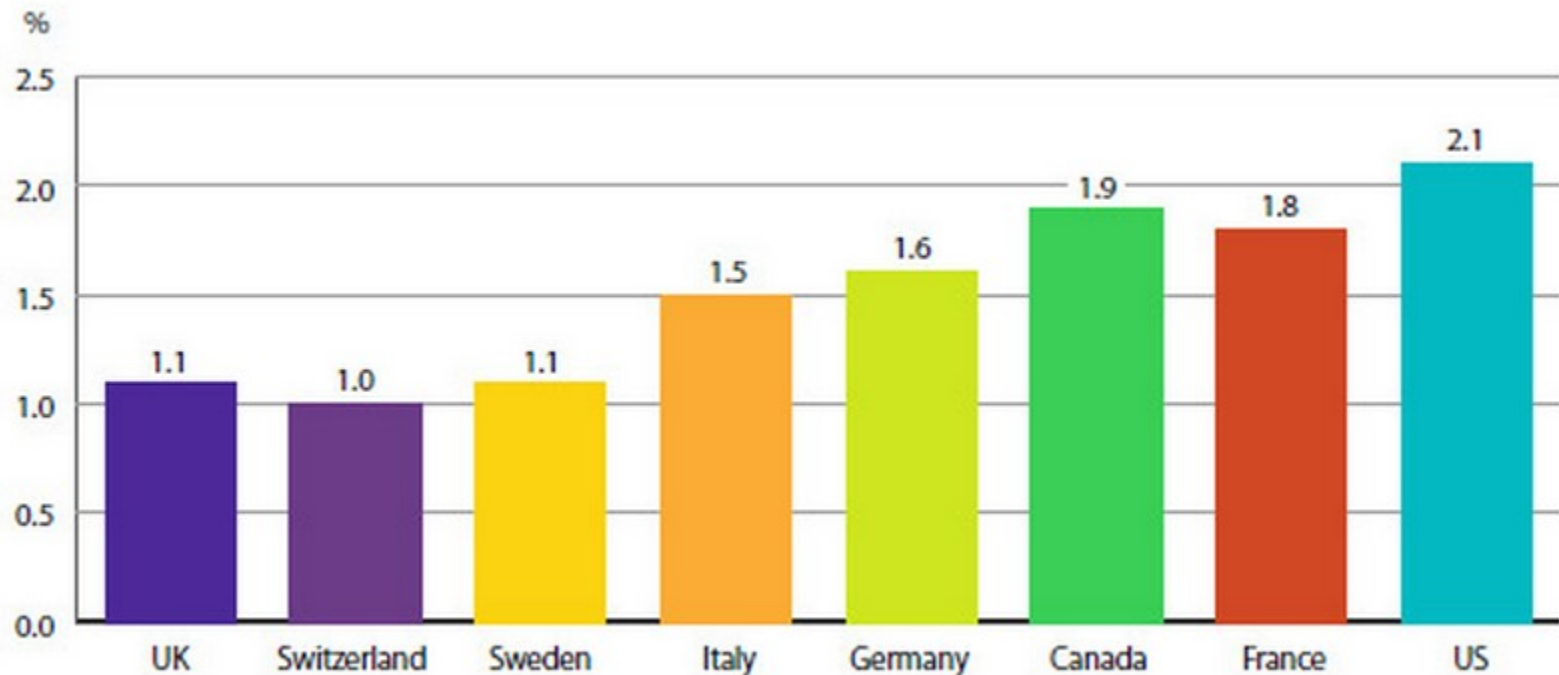
Former Assistant Deputy Minister of Health, Province of Ontario

[http://www.reformulary.com/files\\_docs/content/pdf/en/end\\_to\\_blank\\_cheques.pdf](http://www.reformulary.com/files_docs/content/pdf/en/end_to_blank_cheques.pdf)

# Evidence on prices & sales

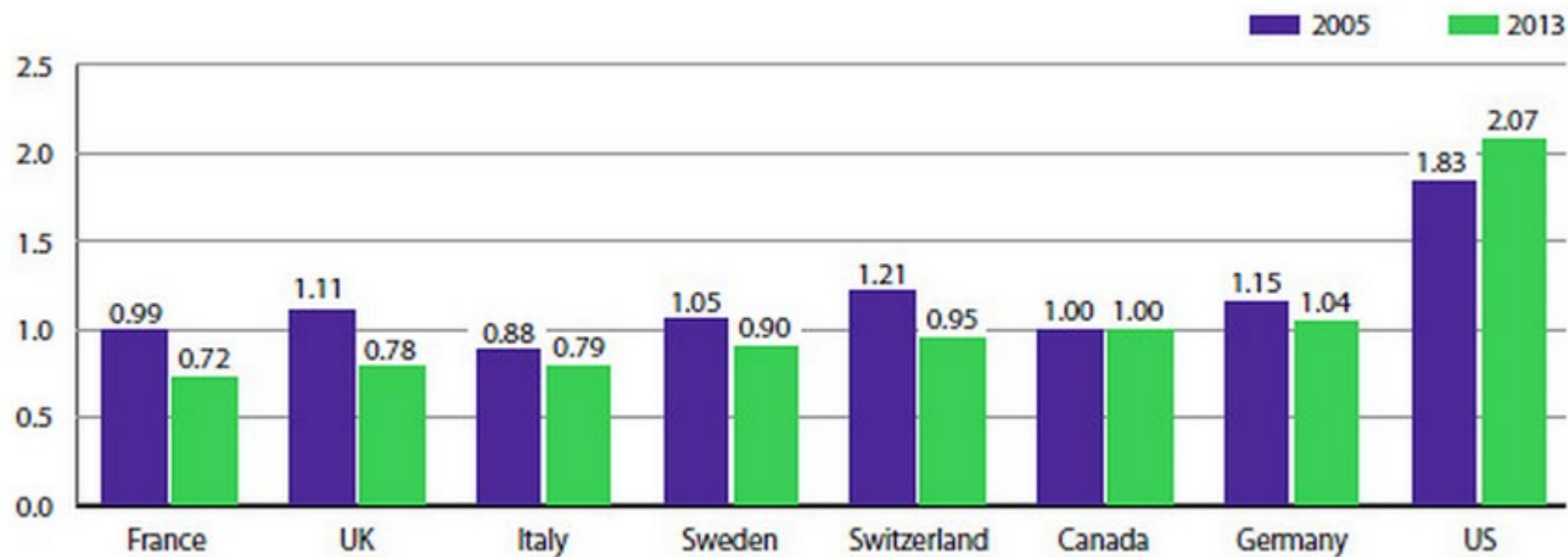
# Pharmaceutical Expenditure as a Share of GDP, 2011, by Country

FIGURE 17 Pharmaceutical Expenditure as a Share of GDP, 2011



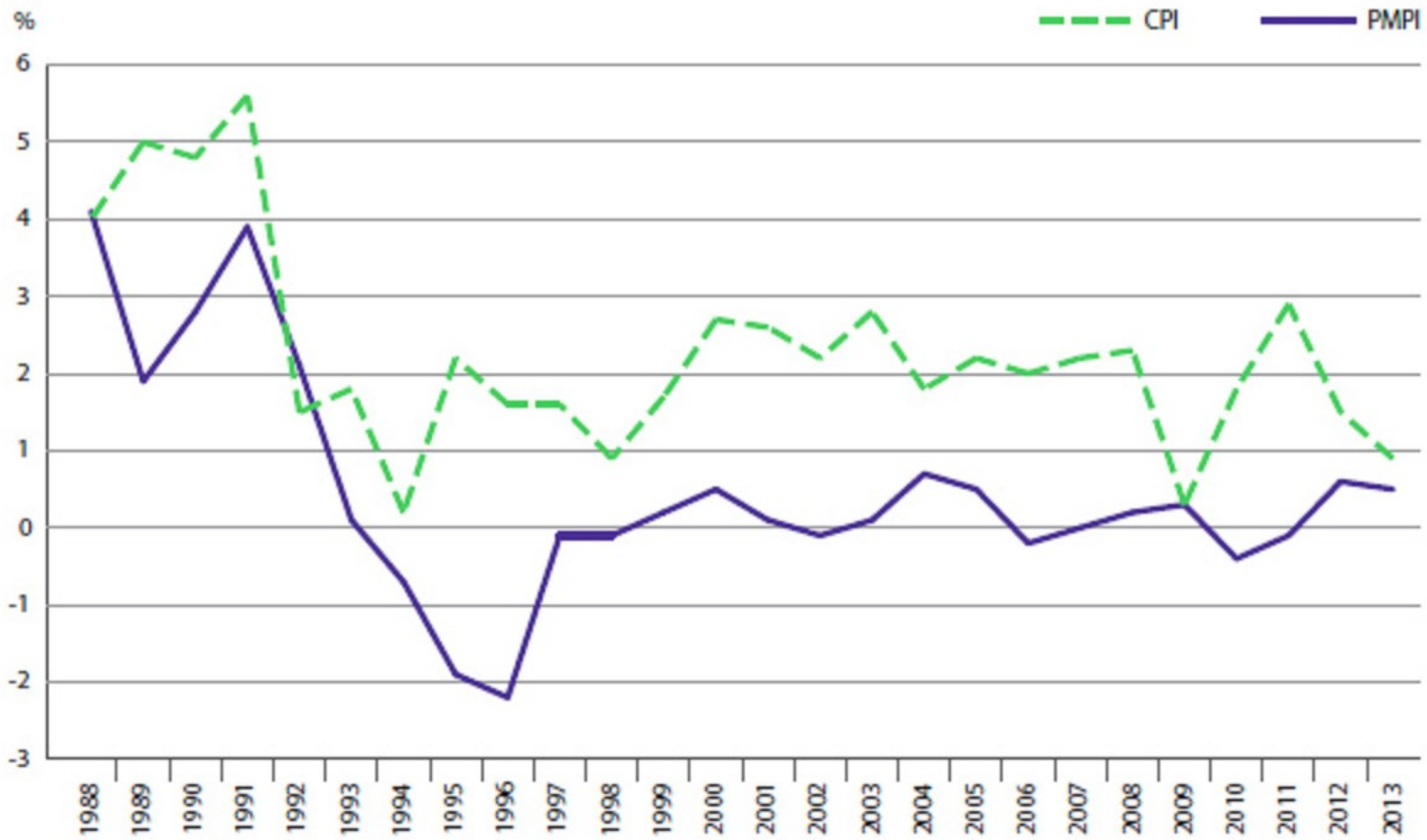
Source: OECD

**FIGURE 9 Average Foreign-to-Canadian Price Ratios: 2005, 2013**

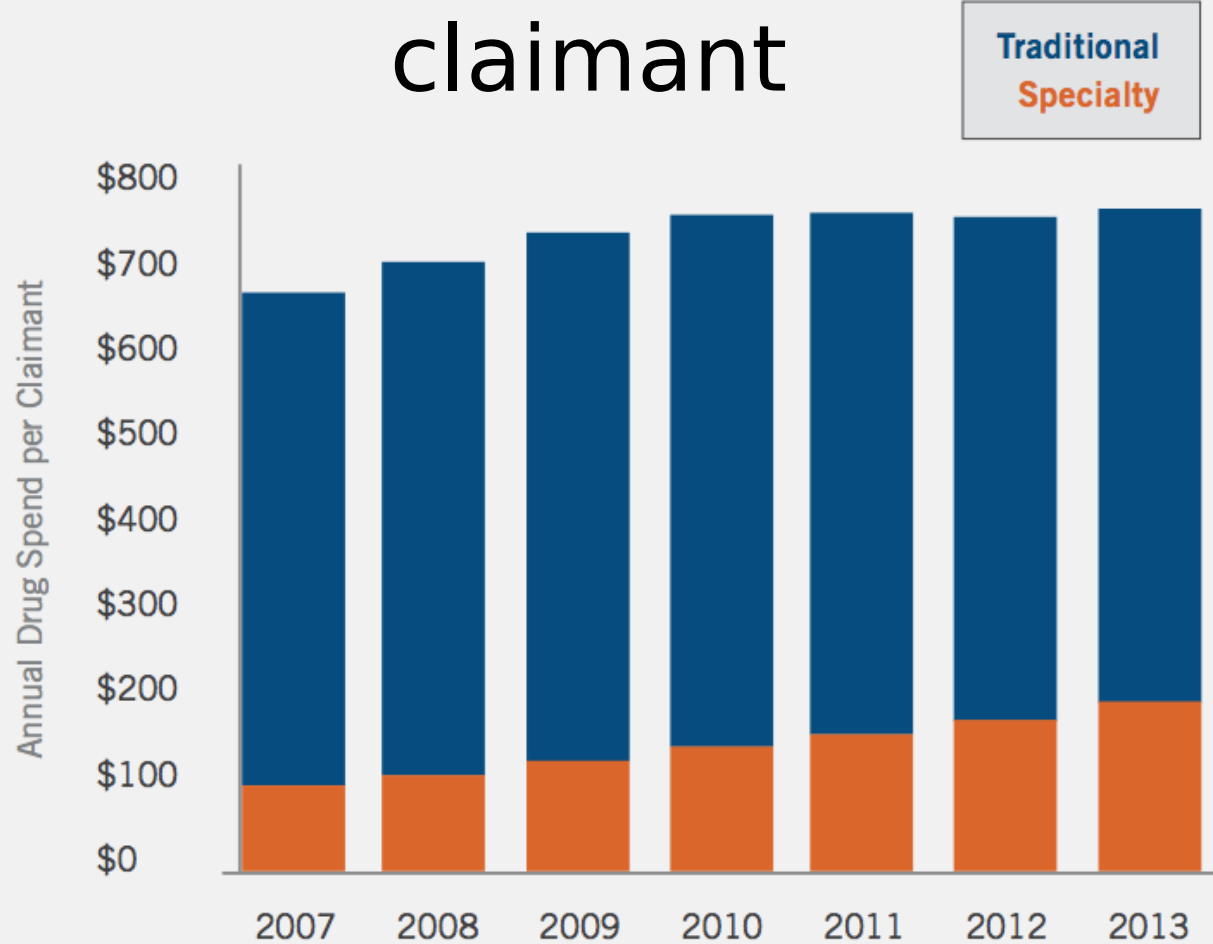


Source: PMPRB

# Growth in Patented Medicine Price Index and CPI, by year, 1988-2013



# Average drug cost per private plan claimant



Specialty Spend of Total (%)	2007	2008	2009	2010	2011	2012	2013
Specialty Spend of Total (%)	13.2%	14.7%	15.7%	17.5%	19.5%	22.0%	24.2%