



6200 Dixie Road, Suite 210  
Mississauga ON L5T 2E1  
877-685-2515

25 Irvin Street  
Kitchener ON N2H 3A1  
866-536-0389

[gmsinsurance.com](http://gmsinsurance.com)

# Benefits *Bulletin*

*Benefit News to Keep You in the Know and the Now*

## **New Pricing Regulations for Drugs in Canada**

Canadians pay more in prescription drug costs than almost any other country in the world. The Federal government is working towards a National Pharmacare plan in an effort to reduce those costs. On August 9<sup>th</sup>, the Government announced an overhaul to the Patented Medicines Regulations which is a step towards that goal.

The Patented Medicines Pricing Review Board (PMPRB) is tasked with ensuring patented medicines in Canada are not excessive. It reviews various aspects of drug pricing and sets the maximum allowable sale price in Canada. The announced changes will give the PMPRB the tools it needs to better carry out its mandate.

### **Three Major Amendments**

**A revision to the list of comparable countries.** Drug prices in countries with comparable populations, economies, and approaches to health care will be taken into consideration. The US and Switzerland – the two most expensive countries – will be removed from the list and seven lower-cost countries will be added.

**Disclosure.** Manufacturers will be required to provide the PMPRB with actual market costs versus list prices which are often inflated costs. This will allow the PMPRB to conduct a more accurate analysis when determining ceiling price.

**Value.** The PMPRB will review the value of drugs to the patient and set pricing accordingly. For example a drug may have a higher ceiling if it delivers significant advances in patient treatment and required a lot of R&D funding to develop.

The changes are expected to come into effect July 1, 2020 and will apply to new drugs approved by Health Canada from August 2019 onward. The government anticipates these changes will yield savings of \$13.2 billion over the next decade.

As the PMPRB sets pricing across Canada, both public (government-sponsored) and private (ex. employer-sponsored) plans will reap the rewards of this initiative. The caveat, however, is that the amendments apply only to drugs not yet on the market. Current costs would not be impacted.

While no party wants to see Canadians struggling to make ends meet because of high drug costs, the plan is not without its critics.

Both the pharmaceutical industry and patient-advocacy groups are lobbying the government to reconsider these changes and their arguments are very closely aligned: A reduction in economic incentive could lead to reduced R&D jobs, new drug launches, and patient trials leaving Canadians without access to the best available treatment.

Pharmaceutical companies set prices globally. Canada represents only 2% of that market. If price ceilings in Canada are set too low, our market is no longer financially viable for these companies and they may delay a Canadian launch or skip the Canadian market altogether.

Drug shortages are also a concern for patient-advocacy groups. American's are already coming to the Canadian market for lower-cost drugs. If the price discrepancy becomes even greater, there is a concern that increased demand will result in a drug shortage in Canada.

The government refutes many of these claims citing the reality in other lower-cost countries and reasserts that Canadian interests are their priority. Striking a balance between the needs of Canadians seeking treatment and the interests of the pharmaceutical industry is the challenge the government faces.

Stakeholders on all sides of the issue will continue to voice their concerns to the government during a consultation period leading up to the final regulations that are expected to be published in the fall.

As a National Pharmacare strategy is expected to be a key issue in the upcoming Federal election, you can be sure that the dialogue surrounding this issue is far from over.