



2009 CPI Forecast v Actual

In the April 2008 NEWSletter, patentees were informed of the CPI-Adjustment Factors for 2009 based on forecast changes in CPI. At that time the latest inflation projections from the federal Department of Finance were 2.2% for 2008 and 2.0% for 2009. The table below is reproduced from the April 2008 NEWSletter.

	Benchmark Year		
	(1) 2006	(2) 2007	(3) 2008
Base-CPI	129.90	132.67	NA
2009 Forecast CPI	138.30	138.30	138.30
2009 CPI-Adjustment Factor	1.065	1.042	1.020

In the April 2009 NEWSletter, patentees were informed of the CPI-Adjustment Factors for 2010 based on forecast changes in CPI. At that time the latest inflation projections from the federal Department of Finance were 0.7% for 2009 and 1.9% for 2010.

Although the forecast CPI published in April 2008 was 2.0%, patentees were informed that by April 2009, the forecast had been reduced to 0.7%.

As of the end of October 2009, Statistics Canada reports annual CPI values of 135.80 for 2008 and 136.07 for 2009. Based on the actual CPI calculated to the end of October, the table below updates the 2009 CPI-Adjustment Factors.

	Benchmark Year		
	(1) 2006	(2) 2007	(3) 2008
Base-CPI	129.90	132.67	135.80
Actual CPI: end of October 2009	136.07	136.07	136.07
2009 CPI-Adjustment Factor	1.047	1.026	1.002

The Board's Excessive Price Guidelines contain a provision that recognizes that, in circumstances where a patentee bases a price increase solely on forecasted inflation, as published by the PMPRB, rather than on actual CPI, the use of such methodology will not automatically give rise to a price review. In the absence of any other evidence that might give rise to further review of the price of a particular patented drug product, the price will be considered within the Guidelines.

In the October 2005 NEWSletter, patentees were informed that although the Guidelines contain provision for this approach when the forecasted CPI exceeds the actual CPI, a patentee is expected to comply with the actual CPI in all subsequent reporting periods.

What this means for 2009 is that if a patentee took a price increase for a patented drug product based on the forecast inflation, that is based on the CPI-Adjustment Factors published in the April 2008 NEWSletter, the average transaction price (ATP) in 2009 will not trigger a price review, even though it is above the maximum non-excessive (MNE) price calculated based on the actual CPI for 2009.

What this means for 2010 is that the Non-Excessive Average Prices (NEAP) to be calculated for 2010 will be based on the maximum non-excessive (MNE) price calculated for 2009 based on actual CPI, and not the 2009 average transaction price (ATP).

As noted above, the April 2009 NEWSletter reported that the inflation projection from the federal Department of Finance for 2010 was 1.9%.

Patentees are expected to take appropriate measures in 2010 such that the average transaction price (ATP) in 2010 is within Guidelines.

It is likely that patentees that have taken a price increase in 2009 will face a problem in 2010. Given the unique situation for 2009, as long as a patentee takes no further increase in 2010 (i.e. the average transaction price (ATP) does not increase in 2010), no excess revenues would be calculated for 2010 should the 2010 ATP exceed the 2010 Non-Excessive Average Price (NEAP).