Canadian Life
and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes inc.

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Sylvie Dupont
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Dear Ms. Dupont,

On behalf of our members, the Canadian Life and Health Insurance Association (CLHIA) is pleased to have this opportunity to comment on the further draft revised Excessive Price Guidelines.

Established in 1894, CLHIA is a voluntary trade association that represents life and health insurance companies which together account for 99 per cent of the life and health insurance in force in Canada. Our member companies deliver the great majority of Canada's private drug insurance plans which provide drug coverage for close to 17.1 million Canadians and paid almost $6.5 billion in drug benefits in 2007. Given this significant role in the delivery of drug benefit programs, the CLHIA is pleased, on behalf of its members, to contribute to this review and consultation on Canada's mechanisms for pricing patented medicines.

Modification of Terminology Regarding the "Maximum Non-Excessive Price"

We regard the intent of this modification is to alter this to reflect the "average" views used. However, this term may provide more scope for variability around price than is desired. The PMPRB should consider a maximum "range of variability" to ensure that the price they expect is actually delivered in Canada.

Introductory Price Test

Reading through the Guideline, we interpret this to mean the cost for smaller doses of the same drug. It appears that the drug manufacturers are requesting that the smaller dose be priced at the same unit cost as the larger dose. However, the opposite is not true as a new larger dose will be priced at a ratio of strengths. This appears inconsistent and could result in manufacturers developing the largest dose first and then apply this highest price to all other dose levels. The PMPRB should consider mitigating controls to counter this incentive to over price lower dose medication.

Any Market Price Review

The industry welcomes the PMPRB's proposal to revise and clarify the Any Market Price Reviews and the creation of a new schedule that provides a clear explanation of the

methodology. We support the Board's intention to review the price in each province and territory, in addition to reviewing prices nationally for each class of customer.

As mentioned in our previous submission, the industry would like to see Average prices made available to the public to ensure a competitive market for patented medicines. Further, it would be very useful for the Board to develop transparent policies so that excessive prices in the various market segments/customer classes are identified so no market segment/customer class pays excessive prices. This could be achieved through the development of public reporting methodologies that indicate market pricing investigations.

Life and health insurers, in their delivery of prescription drug plans, share the same widely recognized concerns as others about substantial drug cost increases in recent years. While the industry fully supports cost saving mechanisms, such as volume discounts, in keeping with the industry's wish for greater transparency, the industry would like to see complete disclosure on volume discounts, price reductions and negotiations obtained by public payers. Knowing the actual price paid by public plans, rather than simply the formulary price would ensure private payers are not paying significantly more than public payers. And, it also ensures private payers will be aware if public sector savings are negatively impacting private payers by displacing costs to the private sector or the cash paying customer.

Re-Setting the Non-Excessive Average Price after Introduction

We back the review and realistic re-setting of the Maximum Non-Excessive (MNE) price. While we recognize that the price could be re-set higher in indications where the price does not cover the cost of manufacturing the drug, or the cost of making and marketing the product does not justify the drug price, we would also expect situations where the price would be re-set lower. To be fair to consumers, as well as to the drug manufacturers, there should be a review in either of these cases.

The cost of "marketing" must also be well defined. For example, if the benefits of free samples are not to be included in the calculation, then those same costs should not be considered as "marketing" costs, otherwise there is a double benefit to the distribution of free samples.

Offset of Excess Revenues

PMPRB should consider other means to return excess revenues to the payer of the drug price. This may be accomplished through the reduction in future prices which returns income to the buyers, although perhaps a different group of buyers, since the fall back is often to pay the government. There should be an option to return the excess to the original payers. The industry saw this happen with Remicade several years ago. While the government had made no payments whatsoever, they received the excess payment. Insurers, on behalf of the policyholders had paid significant amounts and never received a return of excess fees. This should be corrected.

The CLHIA thanks the PMPRB for inviting the industry's feedback on the draft revised Excessive Price Guidelines. The PMPRB plays an important role in keeping drug prices from being excessive for Canadians in order to protect their health and to contribute to Canadian health care.

We will be pleased to provide any further clarification or feedback that may be helpful as the PMPRB continues to examine possible changes to the Patented Medicine Regulations and Excessive Price Guidelines.

Yours sincerely,

Original Signed

Irene Klatt (Mrs.)
Vice President, Health Insurance