

CPI-Adjustment Factors for 2010

The *Patent Act* specifies the factors to be used by the PMPRB in determining whether the price of a patented drug product sold in Canada is excessive. One of these factors is the Consumer Price Index (CPI). The Excessive Price Guidelines limit price increases to changes in the CPI over a three-year period.

To allow patentees to set prices in advance, the Board's CPI-Adjustment Methodology provides for the calculation of the CPI-Adjustment factors based on forecast changes in the CPI. The Board informs patentees on an annual basis of the CPI-adjustment factors for future pricing period.

These factors (provided by Finance Canada) were based on annual forecast CPI-inflation rates of 0.7% and 1.9% for 2009 and 2010, respectively, as well as the actual 2008 CPI-inflation rate of 2.36%.

The CPI-adjustment factors for 2010 are as follows:

Table 1

Forecast 2010 Price-Adjustment Factors for Patented Drug Products

Benchmark Year	(1) 2007	(2) 2008	(3) 2009
Price-Adjustment Factor	1.050	1.026	1.019

These figures imply: (1) a maximum allowable cumulative price increase between 2007 and 2010 of 5.0% for patented drug products with Canadian sales in 2007 (that is, products whose "benchmark year" is 2007); (2) a maximum allowable cumulative price increase between 2008 and 2010 of 2.6% for products whose first Canadian sales occurred in 2008; and (3) a maximum allowable cumulative price increase between 2009 and 2010 of 1.9% for products whose first Canadian sales occurred in 2009.

In addition, the forecast inflation rate of 1.9% for 2010 implies a year-over-year price increase cap of 2.9% (= 1.5 x 1.9%) for 2010. ■