ESI CANADA®

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Brien G. Benoit
Patented Medicine Prices Review Board
Box L40
Standard life Centre
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Ottawa, Ontario
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Dear Dr. Benoit:

Thank you for the opportunity to provide feedback and consultation on the Board's current Guidelines regarding the introductory patented drug price review. ESI Canada, as a Health Benefit Manager represents the interest of private payers, including insurance carriers and third party administrators. As such, we are very interested in how prices are set and controlled in Canada for all medicines. Please find below commentary and answers to the questions that were posed in the *Discussion Guide*.

General Comments:
The rationale behind our overall responses is to strive towards increased consistency in formulary decision-making across Canada. Increased consistency should result in less patient confusion on their drug benefit.

Other items that we feel the PMPRB needs to address are:

1. Excessive price policy, with regards to penalties issued to manufacturers. Currently, manufacturers are required to pay a fine to the government in situations where their product is deemed to have been excessively priced. Our concern is that the overpayments made by the private sector are not currently a consideration in that the private sector does not receive any reimbursement in such a situation. We feel that the private sector should also be compensated.
2. Generic price monitoring: How does the PMPRB intend to monitor the price increases for generic products, and what is the intention (i.e., will there be guidelines for price increases, and consequences for non-compliance)? Will the true price of generics (e.g., net of rebates) be monitored in other countries?

ISSUE#1: Is the current approach to the categorization of new patent medicines appropriate?

Question #1:
Are the new patented drug categories and their definitions appropriate?
Suggest Category 2 to be sub-divided (i.e., instead of 3 Categories to have 4):
Breakthrough drug: first one to be sold in Canada that effectively treats a particular illness or effectively addresses a particular indication, *in which no existing therapies currently exist (i.e., current therapies may*

exist for symptomatic relief, but not actual treatment). First in its drug class that fulfills an unmet need and unable to identify any appropriate comparators

Substantial Improvement: relative to other drug products sold in Canada, provides substantial improvement in therapeutic effects (increased efficacy or major reductions in dangerous adverse reactions) or provides significant savings to the Canadian health care system *(i.e., compare to current existing therapies, including symptomatic relief). First in its drug class, but usually able to identify appropriate comparators*

Category 3: suggest clarification of this category as: "*a new drug that belongs to an existing drug class*"

Question #2:
Is it important to distinguish a medicine that offers "moderate therapeutic improvement" from a medicine that provides "little or no therapeutic improvement?" If yes, why is it important? If not, why not?
It is important to clarify "moderate therapeutic improvement", in the context of a new drug as this terminology can be gray and be part of a continuum from substantial improvement towards little or no therapeutic improvement. One situation where the issue arises is with drugs that offer improved compliance, (e.g., once daily dosing) – this may be considered a moderate therapeutic improvement to some or considered little or no therapeutic improvement to others, and may depend on disease state being treated.

It is challenging to provide specific definitions and this may not be as important as providing the rationale behind why a new drug was considered a "moderate therapeutic improvement", over one with "little or no therapeutic improvement", taking into context the disease state, endpoints studied, clinical outcomes, etc.

Question #3:
If the answer to question #2 above is yes, on what basis would a new medicine that offers "moderate therapeutic improvement" be distinguished from a new medicine that provides "little or no therapeutic improvement"?
Moderate therapeutic improvement: based on clinical studies that provide evidence of improved efficacy or safety over existing therapies, (ideally based on well designed, direct comparator studies versus observational, retrospective or placebo controlled studies).
Little or no therapeutic improvement: no clear clinical evidence of improved efficacy or safety over existing therapies, or where conflicting evidence exists. If there is only a claim of a *theoretical* improvement in efficacy or safety due to the mechanism of action or pharmacokinetics of the drug, then it should be considered in this category, until clinical studies show otherwise (ideally based on direct comparator studies).

Overall, it is important to assess the quality of the evidence provided (e.g. RCTs and meta-analyses vs. cohort and retrospective studies) and whether the primary endpoints studied are appropriate from a clinical standpoint as opposed to surrogate markers from which conclusions are hard to surmise (e.g., diabetes – HbA1c, hypoglycemic episodes, incidence of micro and macrovascular complications would be important endpoints to evaluate).

ISSUE#2: Is the current approach used to review the introductory prices of new patented medicines appropriate?

Question #1:
Are the price tests currently used to review the price of new medicines in the various categories appropriate for that category? Why? Why not?
In general, the price tests appear appropriate for the 3 categories. However, if Category 3 distinguishes "moderate vs. little or no therapeutic improvement", than an allowance may need to be made for those drugs that are considered "moderate therapeutic improvement" to moderately exceed the existing highest price of the therapeutically comparable drug in Canada.

Other considerations are: to perhaps use other tools in combination with the median price of the seven countries as the marker; or the International Price Comparison (IPC). Another suggestion would be to take the lower of the median or average calculated of the seven countries. A final consideration would be to expand the number of countries used in the comparison to include any country that markets the drug/comparator.

Question #2:
If you think that medicines that offer "moderate therapeutic improvement" should be distinguished from medicines that provide "little or no therapeutic improvement" what would the appropriate new price test be?
For drugs with *moderate therapeutic improvement*, allow up to a certain moderate percentage price increase compared to drugs that offer *little or no therapeutic improvement.*

Question #3:
For price review purposes, "comparable medicines" are medicines that are clinically equivalent. Do you have any suggestions as to principles or criteria that should be used in determining how to identify "comparable medicines" for the purpose of inclusion in the above price tests?
Based on therapy guidelines, identify drugs that are considered currently the most effective to treat the condition

Question #4:
Under the current Guidelines, Board Staff compares the Canadian average transaction price of the new medicine to the price of the same medicine sold in the seven countries listed in the Regulations. However, Section 85(1) of the Patent Act states that the Board should take into consideration "the prices of other comparable medicines in other countries". Should the Guidelines address this factor? If so, how could this factor be incorporated into the price tests for new medicines?
Yes, if comparator drugs exist in other countries and not marketed in Canada, than the prices of these comparators should be reviewed also. Again, a consideration is to take the lower of the median or average calculated of the seven countries, but not to use this methodology in isolation. Also, consider expanding the list of countries to include all countries which market the drug/comparator.

In addition to the above suggested price tests, the guidelines should also require the manufacturers to justify the price of the medicine (if not already doing so) in their submissions to PMPRB. The content should include, R&D spend for the new drug, manufacturing costs, marketing costs, etc. and an explanation of their strategy on recouping the money from the sale of the drug. There should be someone with expertise in this area at PMPRB that can review this submission and make an informed decision on whether the price of the new medicine is justified for Canada.

In summary, the guidelines should:

1. Use comparable drugs, in addition to the same medicine, as a comparison
2. Expand the list of countries to include all the markets that have the same medicine and/or the comparable drug
3. Consider other factors, such as having the manufacturers justify their price.

<u>ISSUE#3</u>: Should the Board's Guidelines address the direction in the Patent Act to consider "any market"?

Question #1:
Given the price variations by provinces/ territories and classes of customer illustrated in the previous figures, is it appropriate for the board to only consider an ATP calculated based on the total revenues from the sales for all provinces/ territories and all classes of customer? Why? Why not?
Currently, we find that this method is acceptable and addresses regional differences and customer based individual needs. However, this should not preclude unique situations which may have to be assessed on a case by case basis, e.g., in situations where there is wide variation in utilization and pricing of existing comparators.

Question #2:
If the current ATP calculation is not appropriate, should the Board review the prices to the different classes of customers and/or the different provinces and territories for all DINs? Or should this level of review be done on a case-by-case basis, where there is a significant variation in the price charged?
As per above response, if there is significant variation in price and/or utilization in different regions, these situations should be reviewed on a case by case basis.

Again, thank you for the opportunity to provide feedback on the current Guidelines. If you have any questions concerning our comments, please do not hesitate to contact me.

Sincerely,

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