

HealthPRO response to Excessive Price Guidelines

Issue: Impact of Reporting Benefits

Whereas

- the Federal Court issued a decision which included a that the Patented Medicines Regulations (Regulations) made it explicit that the calculation of the Average Price or Net Revenue “shall” be net of all benefits, and that there was **no discretion on the Board to differentiate** as to whether free goods were of a compassionate nature.
- industry has been exercising considerable discretion to not report benefits they wished to have excluded
- forcing all benefits to be included in the Average Transaction Price (ATP) calculation would cause a significant price decrease with various negative consequences for the patentee
- a disincentive for patentees would be created such that they would no longer be prepared to offer benefits to customers.
- the calculation of the ATP net of all benefits associated with a sales transaction become mandatory for the January to June 2009 reporting period and beyond.

It is the position of HealthPRO, as a national Group Purchasing Organisation representing 485 constituent hospitals across Canada, that:

- The PMPRB Board should not only, as you state, want to avoid creating disincentives for industry to provide benefits to customers, it should be encouraging industry to provide them, particularly hospital customers.

To quote your 2007 Annual report: “ It is clear from Figure 7 that the slight decline in the overall PMPI was the result of falling prices paid by hospital customers: a PMPI covering only sales to pharmacies and wholesalers would have risen by approximately 0.3% between 2006 and 2007”

- Hospitals should not have equal weighting to the other classes of customers when their contribution to the ATP or the MNE is calculated or when “Any Market Price Review” is conducted. The impact of offering lower prices to hospitals should be diminished in overall calculations. As this is already tracked and reported separately, it should not add a burden to the current system.

Pharmacies and wholesalers are fairly compensated in their business models for the costs in their role of distributing pharmaceuticals to Canadian patients and have some discretion in the extent of their involvement. Hospitals are obligated to distribute pharmaceuticals to Canadian patients and are often the port of last resort. The acuity of patients requires the maintenance of on-hand inventories. The costs of maintaining the inventories and providing the distribution services are 100% funded by all taxpayers.

- HealthPRO supports and applauds the DIP proposal to de-link the ATP from the normal CPI methodology.

- The CAP methodology requires further investigation. Hospital services operate on fixed budgets (sometimes fixed over a three year period) and pharmacy budgets must compete with other hospital services for the same tax dollar. Increased drug costs are not passed on to the consumer but must be absorbed. It is therefore critical that large price increases be avoided wherever possible.
- The greatest concern for HealthPRO will be how the transition of ATP from today (July-December 2008) to the ATP net of all benefits (January- June 2009) will be handled. If the GAP and DIP is the only proposed way to manage the transition, it does not appear, from this report, to be enough. Perhaps there was more discussion in the working group that would have provided more information. It is our fear that hospitals will be hardest hit by marketplace reaction to these changes.

Has there been any research to quantify the total unreported value for discounts, rebates, refunds, free goods, free services, gifts or any other benefits of a like nature?

Has there been any research to identify which sectors are the greatest beneficiaries of these unreported benefits and would therefore suffer the greatest harm if and when these benefits are terminated?

Has there been any economic modeling to determine how best to “mitigate the negative impact”, as the report stated, to all constituents over a reasonable period of time? And have the PMPRB achieve its mandate?