Comments on PMPRB Excessive Price Guidelines

August 24, 2006

Sylvie Dupont
Secretary of the Board
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Ottawa, Ontario
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Dear Ms. Dupont,

This letter is in response to the PMPRB Discussion Guide on the Board's Excessive Price Guidelines, released in May 2006, and of which a personal letter was sent to Fred Holmes.

Emergis is an IT leader in Canada that focuses on the health and financial services sectors. It develops and manages solutions that automate transactions and the exchange of information to increase the process efficiency and quality of service of its customers. Emergis has expertise in electronic health-related claims processing, health record systems, pharmacy management solutions, cash management and loan document processing and registration. In particular, our Pharmacy Benefit Management (PBM) division here at Emergis administers a drug card on behalf of its clients, managing roughly $ 2.5 billion in paid drug claims.

Due to the nature of Emergis' business, namely the supporting of electronic solutions to its diverse client base, Emergis cannot adopt public positions on policy considerations. Emergis' response today reflects the views of a senior practitioner in our PBM division whose years of experience are substantial, and who is most interested in the issues of PMPRB.

PMPRB Issue 1.

Is the current approach to the categorization of new patented medicines appropriate?

One of nine key elements of the National Pharmaceuticals Strategy (NPS) is providing options for catastrophic drug coverage. This is a pressing issue since undue financial hardship occurs when a Canadian family is forced to allocate an unreasonable portion of their family income to prescription medicine costs.

In light of this issue, we believe PMPRB has an important role in classifying patented medicines as either ***catastrophic*** drugs, or ***non-catastrophic*** drugs, for each of the current three categories (line extensions, breakthrough, "me too").

Given that by definition, catastrophic drugs are very costly, such classification would help provide additional focus for excessive price reviews for new patented medicines.

PMPRB Issue 2.

Is the current approach used to review the introductory prices of new patented medicines appropriate?

No comment.

PMPRB Issue 3.

Should the Board's Guidelines address the direction in the *Patent Act* to consider "any market"?

We can appreciate that the PMPRB is concerned about the emerging drug pricing environment in Canada. In November 2004, the Federal Auditor General raised the value-for-money approach when she audited the six federal drug programs. Subsequently, a number of provincial auditor generals submitted their reports on their own provincial drug plans between December 2004 and April 2006, and followed the Federal Auditor General's lead. The essence of the value-for-money approach is that volume purchasers of drugs should get preferential pricing.

Today, we live in a country where there is no such thing as one standardized, national price for any respective drug. This is contrary to what many Canadians have been led to believe. The economic reality is that there is discrepancy in pricing, depending on whether you are a wholesaler, hospital, or pharmacy. Besides different prices for different customers, there are also different prices depending on which province or territory you live in.

A major factor shaping this reality is the increased scope of health reforms. It has been the perspective of the PMPRB that Canada has a national drug price. Now at both the federal level (the Federal Auditor General) and at the provincial level (provincial auditor generals, and Ontario's Bill 102 or "Transparent Drug System for Patients Act"), the PMPRB finds that its national uniform maximum pricing model is under challenge. The very likelihood that employer drug plan sponsors will bear increasing costs to offset the volume discounts demanded by auditor generals and Bill 102, becomes of significant interest to a large drug plan manager such as ourselves. Particularly, we would be quite concerned if a public drug plan sought a lower ingredient price than what our clients are currently charged. It should be noted that our expected paid drug claims for 2006 are well above that of every public drug plan, with the possible exception of the Ontario Drug Benefit program. Furthermore, on a collective basis, employer drug plan sponsors currently pay over 50% of all non-hospital drug claims in Canada.

We therefore believe that for all Canadians, the PMPRB policy of a uniform maximum price is best. Otherwise, we would find ourselves following the U.S. model of volume rebating.

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Additional PMPRB Issue.
Regulating non-patented prescription drug prices

In November 2005, we understand PMPRB received direction from the federal Minister of Health to monitor and report on the prices of non-patented prescription drugs. We also understand that the PMPRB will publish quarterly reports on this topic, with the first report having been published in June 2006.

We applaud this step forward and find this new approach timely. However, going forward, we would also like to see PMPRB develop guidelines on excessive prices for non-patented drugs along with enforcement capabilities.

In closing, we welcome this invitation to provide feedback to the Board and hope that as a result, positive change will be effected for all Canadian health care consumers.

Yours truly,

Fred Holmes
Senior Director, Emergis Centre of Excellence