

PATENTED MEDICINE
PRICES REVIEW BOARD

May 6, 2005

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CONSEIL DU PRIX DES 050461

Patented Medicine Prices
Review Board
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MERCK FROSST

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4626-5-4

SUBJECT: "Price increases for Patented Medicines – Discussion Paper"

The purpose of this letter is in response to the Board's request for comments on its discussion paper "Price increases for Patented Medicines". Stakeholders have been asked to consider three frameworks for different hypothetical regulatory systems.

Merck Frosst supports the position of Canada's Research – Based Pharmaceutical companies (Rx & D) as articulated in its submission to the Board dated May 9th, 2005. We would, however, like to raise the following points with the Board.

The enactment of Bills C22 and C91 has had the desired effect of improving the investment climate in Canada, which has seen the industry invest billions in research and development since 1987.

The establishment of the Board has resulted in prices that remained relatively stable at levels 5% to 12% below the median from 1994 to 2003. As stated in the PMPRB Notice & Comment (March 2005), "the average prices of patented medicines sold in Canada are now in line with other comparable countries". Therefore, we are concerned with the Board's comments that the recent price increases are bringing the past decade of price stability to an end. Price stability does not necessarily mean no price increases.

Merck Frosst's recent price increase (2004) represents only a small portion of the cumulative CPI (23% January 1995 to December 2005, forecasted).

In addition, the price increase is further diluted considering that it has not been applied to all our patented products and that we decreased the price of six DIN's. Further review of the price increase guidelines has the potential to upset the balance reached between government and industry incorporated in Bills C22 and C91, as the industry's investment commitments assume a stable pricing environment.

We look forward to further discussions with you on these issues.

Sincerely,

V.E. Perocevic
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