

# Pharmaceutical Price Compression

## Neighbourhood Pharmacies' Position:

- Canadians deserve to pay a fair and reasonable price for their prescription drugs. However, reductions in drug prices have the unintended impact of reducing the funding pharmacies depend upon to provide their services and may therefore restrict access to those services. Systemic reductions in drug prices caused by government policy should always include consultation with pharmacy to avoid unintended impacts to patient care.
- Pharmacies serving complex patients with specialty medications are the most impacted by reductions in drug prices. Patients who need specialty medications rely on pharmacy services to reach the best possible health outcomes. The healthcare system also depends on the services pharmacies provide to achieve the best value for money spent on pharmaceuticals. Government policy leading to price reductions of specialty medications should always include an evaluation of the impact to patients and pharmacies.



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Drug pricing is a critical component of the pharmacy business model. Dispensing fees and markups are a significant source of funding for many community pharmacies. Because markups are assessed as a percentage of the drug cost, a reduction in drug prices reduces pharmacy funding.

Over the past twelve years, the pricing of generic drugs has decreased by approximately 28 per cent, from an average prescription price of \$26.38 in 2007 to \$19.09 in 2019.[1] Pharmacies are estimated to have lost almost \$1.1 billion in funding available through markup fees over that twelve-year period.[2] Likewise, the anticipated price decreases to patented drugs due to the revised PMPRB regulations and guidelines are estimated to be up to \$78 million in lost markup funding in 2022 alone.[3] Pharmacies have limited ability to offset these losses since public drug plans dictate markups.

Patients who need expensive specialty medicines to manage complex conditions require a greater level of care to achieve the best outcomes. A recent report by the Neighbourhood Pharmacy Association of Canada documents an extensive list of services provided by pharmacies which may be required, such as:

- Injection training
- Counseling for adherence
- Monitoring for side effects
- Education on disease progression
- Coordination of infusion care
- Coordination of laboratory work, and
- Pre- and post-care support and testing[4]

Furthermore, many specialty medications have strict storage and handling restrictions that make them much more expensive to dispense. They often require refrigeration or additional safety precautions, particularly for cytotoxic cancer drugs.

The patient support services and additional handling costs for specialty medicines are supported almost exclusively by the markups received on these medicines.[5] Therefore, the impact of price reductions is disproportionately felt by pharmacies serving the most complex patients who require additional care.



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Price compression affects the sustainability of the drug supply chain and timely access to drugs for patients. Distribution funding is directly impacted by changes in drug prices and price compression policies. While pharmacists are committed to providing the best care possible, these changes can trigger unintended consequences,[6] including a reduction in pharmacies' services and a decrease in access to care.

Price reductions also affect pharmacy inventory. This is especially problematic when pharmacies have purchased inventory at the old, higher price and are only reimbursed at the new, lower price. Provinces are encouraged to enact policies, such as washout periods, when implementing price reductions in their formulary listings.

The government's budgetary and health policy decisions impact over 35,000 pharmacy professionals (pharmacists and pharmacy technicians) who are frontline healthcare providers and 247,000 employees who work in jobs provided by the pharmacy sector. [7],[8]

For both payors and the healthcare system, achieving effective patient outcomes and protecting product integrity are critical to achieving the best value-for-money spent on pharmaceuticals. Any decisions on price compression should include consultations with the community pharmacy sector, whose services link directly to the economy and patient care.



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## References:

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- [2] Neighbourhood Pharmacy Association of Canada, data on file, November 2020.
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- [4] Neighbourhood Pharmacy Association of Canada. A Primer on the Value of Specialty Pharmacy Services for Patients and Healthcare Systems in Canada. <https://www.myneighbourhoodpharmacy.ca/?articleattachment=1042>.
- [5] Neighbourhood Pharmacy Association of Canada. Submission to the PMPRB Draft Guidelines Consultation. Aug 4, 2020. [https://www.canada.ca/content/dam/pmprb-cepmb/documents/consultations/draft-guidelines/submission-received/june2020/June%202020%20submission\\_The%20Neighbourhood%20Pharmacy%20Association%20of%20Canada\\_EN.pdf](https://www.canada.ca/content/dam/pmprb-cepmb/documents/consultations/draft-guidelines/submission-received/june2020/June%202020%20submission_The%20Neighbourhood%20Pharmacy%20Association%20of%20Canada_EN.pdf), p2.
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- [8] Canadian Pharmacists Association. CPhA Pre-Budget Consultation Brief 2019: Prescriptions for a healthy and productive Canada. [https://www.pharmacists.ca/cpha-ca/assets/File/cpha-on-the-issues/PreBudget\\_Submission\\_2019.PDF](https://www.pharmacists.ca/cpha-ca/assets/File/cpha-on-the-issues/PreBudget_Submission_2019.PDF).

