



**Neighbourhood
Pharmacy**
Association of Canada

Association canadienne
**des pharmacies
de quartier**

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Government of Canada

Submission Regarding

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Neighbourhood Pharmacy Association of Canada

Submitted to

Patented Prices Medicine Review Board (PMPRB)

The Neighbourhood Pharmacy Association of Canada (Neighbourhood Pharmacies) represents leading pharmacy organizations across the country, including chain, banner, grocery chains, specialty pharmacies, and mass merchandisers with pharmacies. We advance the delivery of care through over 12,000 pharmacies and their teams, that serve as integral community health hubs in urban, suburban, rural, remote and First Nations neighbourhoods.¹

Canada's pharmacies directly generate \$9.5 billion in Gross Domestic Product for the Canadian economy and employ almost 189,000 Canadians.² As the association representing pharmacy operators across the country, we act at a pan-Canadian level to support policy makers with the development of innovative solutions that allow pharmacies to support primary care while advocating for fair and sustainable funding for community pharmacies.

Neighbourhood Pharmacies appreciates the opportunity to provide feedback on behalf of our member pharmacies across the country to the Patented Medicines Prices Review Board (PMPRB) concerning their 2024 Discussion Guide. Specifically, we offer some commentary on two of the specific topics within the Discussion Guide that will have a direct impact on our member pharmacies. In addition, we have provided some context and insights questioning of the underlying assumptions and framing set out within the Discussion Guide.

Context

For the majority of Canadians, community pharmacies represent their single most important medication access point. The funding that underpins this access – the delivery of pharmacy services and pharmacy operations – is largely determined by a medication's list price. Canada's pharmacies depend almost entirely on the funding generated through dispensing fees and mark-ups tied to brand name and generic medication list prices to support the clinical and patient care services they provide. Changes at the federal level that affect a medication's list price have profound consequences on pharmacy's ability to sustain the delivery of medications, care, and services. For brand name drugs, PMPRB guideline implementation that could precipitate pricing decreases after drugs have launched will have a negative impact on the pharmacy sector.

We are in full support of the Board's mandate to protect Canadians from excessive medication pricing. We congratulate the Board for their decision not to move forward with the previous 2022 Guideline proposals. We further commend the thoughtful progression of the latest consultation process begun in 2023 which includes broader and more varied opportunities for stakeholder engagement.

Topic 1. The price level to be used for International Price Comparisons (IPC)

The criteria to be selected for International Price Comparisons (IPC) is of most significance to the pharmacy sector, as it will both determine the number of patented medications that may face a price decrease, as well as the extent of those decreases. The PMPRB is considering

¹ IQVIA Canada, Rx Premium: MAT /December 2023 (Retrieved February 2, 2024)

² Conference Board of Canada, The Pharmacist in Your Neighbourhood. Economic Footprint of Canada's Community Pharmacy Sector (2018) Adjusted for 2023

three different criteria options to identify instances of excessive pricing using ICP, including a) comparison against the Highest International Price (HIP), b) the Median International Price (MIP) and c) the mid-point between the HIP and the MIP.

The Discussion Document estimates that 32% of medications will exceed the HIP, 78% will exceed the MIP and 53% will exceed the mid-point between the HIP and MIP, and therefore be potentially subject to price reductions. While it is not possible to accurately quantify the exact financial impact of each of these options on the pharmacy sector, each will be in the hundreds of millions of dollars. Our rough internal projections based on the Discussion Document estimates suggest that the impact of applying either MIP or the midpoint as the criteria will generate pharmacy losses that are more than double those that will occur if the HIP method is adopted. **While the impact of HIP is still anticipated to be significant, we would encourage its use out of the three options under consideration, to support the pharmacy sector's ability to continue to provide Canadians with access to their medications.**

We further reiterate our previous recommendation that "in market medications" (existing or reviewed before the publication of the final Guidelines) should not be subject to reassessment once the Guidelines are implemented. The PMPRB had previously provided a transition measure whereby existing products would receive the HIP of the revised PMPRB11 basket. We encourage the PMPRB to uphold this previous commitment by instituting the HIP option as recommended above.

Topic 2. The time allowed for Manufacturers to price according to the new guidelines.

Predictability over time is one the most important issues in the current Guidelines discussion for all rights holders. The PMPRB is considering the length of time it will allow manufacturers to adjust their prices following the implementation of the guidelines; with periods from 1 to 3 years under discussion. As we have noted, the length of time of implementation will not affect the magnitude of financial impact on pharmacies; the degree of impact will be most largely influenced by the selected IPC criteria. However, as pharmacies do their fiscal planning based on expected inventory costs and sales a longer line of sight will provide pharmacies the opportunity to effectively predict, manage and mitigate the considerable loss of operating funding they will need to absorb, and more effectively plan for how to continue to provide Canadians with the care and medications they need. **We strongly encourage the PMPRB to provide manufacturers with the longest possible transition timeframe to ensure the pharmacy sector can also appropriately adjust its operations to minimize any foreseeable disruptions to patient care.**

Discussion Document Framing and Assumptions

We wish to clarify one of the underlying assumptions regarding the scope of influence of the PMPRB’s deliberations regarding Guideline development. Page 7 of the Discussion Guide contains the following:

Pharmacy, Pharmacy associations, and Distributors	Supply chain <ul style="list-style-type: none">• These stakeholders raised concerns about the downstream impact that list price reductions, and the timing of list price reductions, can have on inventory, patient access, and support programs, because pharmacy markups are typically set by provincial legislation as a percentage of the list price.• In response, the Board observes that list prices are set by Rights Holders and may be adjusted by them (up or down) periodically, in their discretion (subject to excessiveness). The Board has little direct impact on the timing of list price changes. Only in the rare case of a tribunal decision can the Board order a list price reduction, and the timing of its implementation. It is believed that such rare tribunal decisions do not have a significant overall impact on supply chain issues.
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We are concerned that the PMPRB has not recognized the fundamental nature of the pharmacy sector’s perspective regarding the forthcoming guidelines. We wish to clarify that our sector is not fundamentally concerned with periodic price decreases on **individual** drugs, and we recognize such reductions are within the Board’s mandate or control. We are, however, vastly concerned with how the **Guidelines are implemented**, which is within the purview of the PMPRB. **Implementation that could trigger massive, simultaneous price decreases after medications have launched will significantly reduce the funding margins that the pharmacy sector depends on to sustain its operations and provide medications and care to Canadians**

Finally, we understand the PMPRB’s stated position that *there is no provision in section 85(1) of the Patent Act by which other government policies impacting pharmaceutical pricing can be legally factored into the Guidelines*. However, we continue to believe it is critical that the Board be aware of the impacts that interconnected healthcare policies can have on all the stakeholders within the pharmaceutical supply chain and medication access pathway. We continue to advocate for a whole-of-government approach and would welcome the opportunity to further engage with the Board on this topic.

Conclusion

Community pharmacies have the distinction of being both the final drug distribution access point in the entire medication supply chain, as well as a sector whose ability to operate and provide medication-related clinical services is critically dependent on medication prices. We are pleased to have an opportunity to reiterate some of our key concerns and recommendations regarding ongoing Guideline development. Our comments are intended to help the PMPRB minimize the negative downstream impacts that patented medicine pricing policy changes will have on Canadians’ access to medications and care through their community pharmacies. We are in full support of the Board’s mandate to protect Canadians from excessive medication pricing, and we welcome the opportunity to work with the PMPRB, the Federal Government, and all the stakeholders with our shared goal in meeting the medication needs of Canadians.