

# Drug Reform: The Next Chapter

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# The Canadian Pharmaceutical Industry

- Pharmaceuticals: \$25 billion annually in Canada
  - 1/2 paid by the private sector
- Generics: ~50% of claims, ~20% of cost
- Genericization of top products has resulted in slowing growth
- Massive and rapid changes underway

## Why change?

- Control excessive health expenditures by public plans
- Seek better health outcomes and access to drugs
- Improve the value for money

## Why generics?



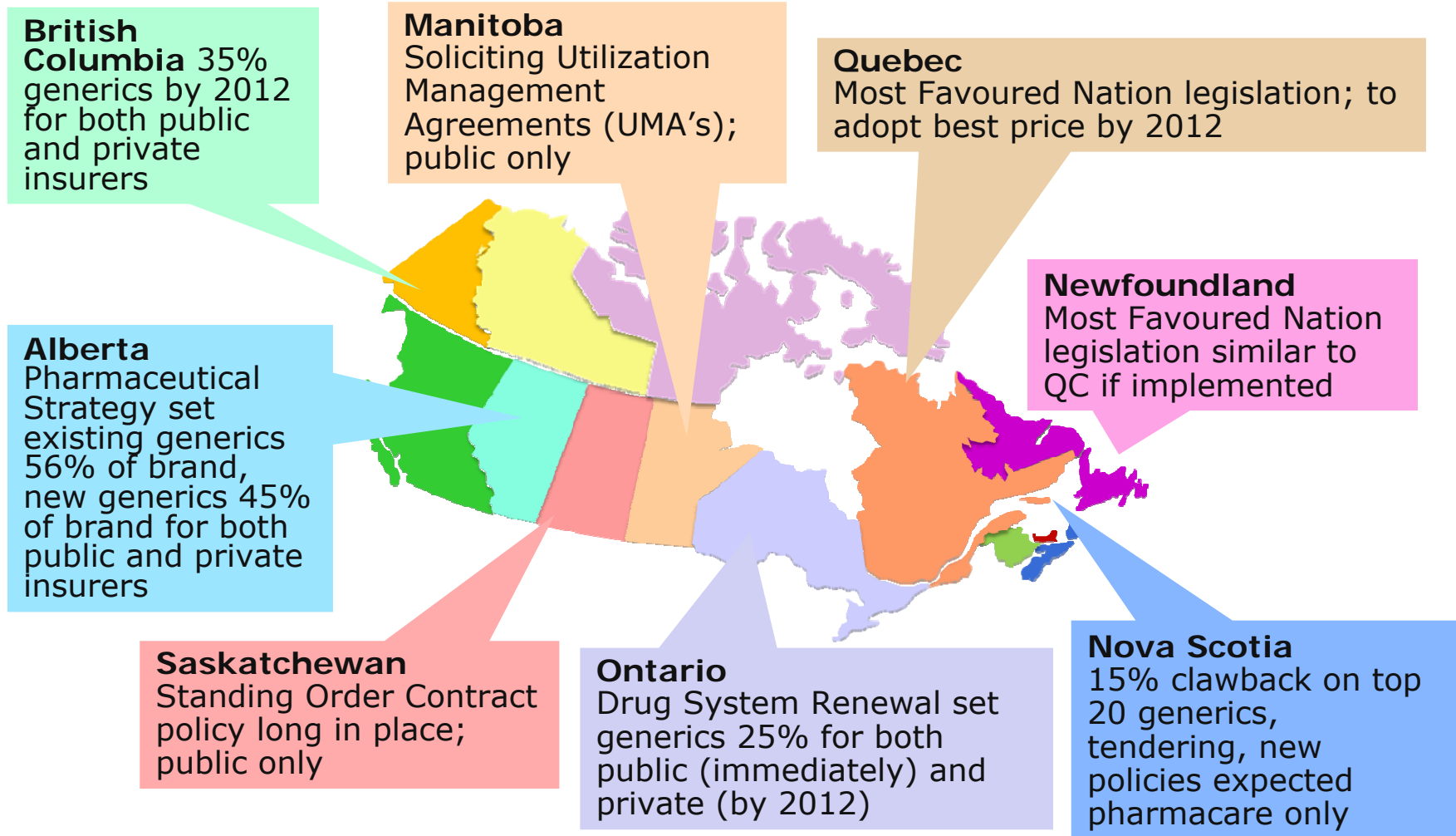
# Why Focus on Generics?

Generic Drug	Dose (MG)	Ontario	United States		New Zealand		France, Germany & UK	
		Price (\$)	Price (\$)	Ontario Pays...	Price (\$)	Ontario Pays...	Price (\$)	Ontario Pays...
ENALAPRIL (Blood Pressure)	5	0.4279	0.0987	4.3 times more	0.0194	22.1 times more	0.1416	3 times more
	10	0.5142	0.1015	5.1 times more	0.244	21.1 times more	0.1419	3.6 times more
GABAPENTIN (Epilepsy)	300	0.4865	0.1839	2.6 times more	0.3163	1.5 times more	0.4374	1.1 times more
METFORMIN (Diabetes)	500	0.0965	0.0689	1.4 times more	0.0155	6.2 times more	0.0574	1.7 times more
RANITIDINE (GI disorder)	150	0.4042	0.0718	5.6 times more	0.0254	15.9 times more	0.2866	1.4 times more

**Ontario pays up to 22 times more**

Source: Adapted from OPDP Media Briefing, April 7, 2010

# Current Generic Pricing Policies in Brief



# Impact of 2010 Drug System Renewal for the Ontario Public Drug Plan



Prices go to 25% of original brand name product starting July 1 for public and private insurers

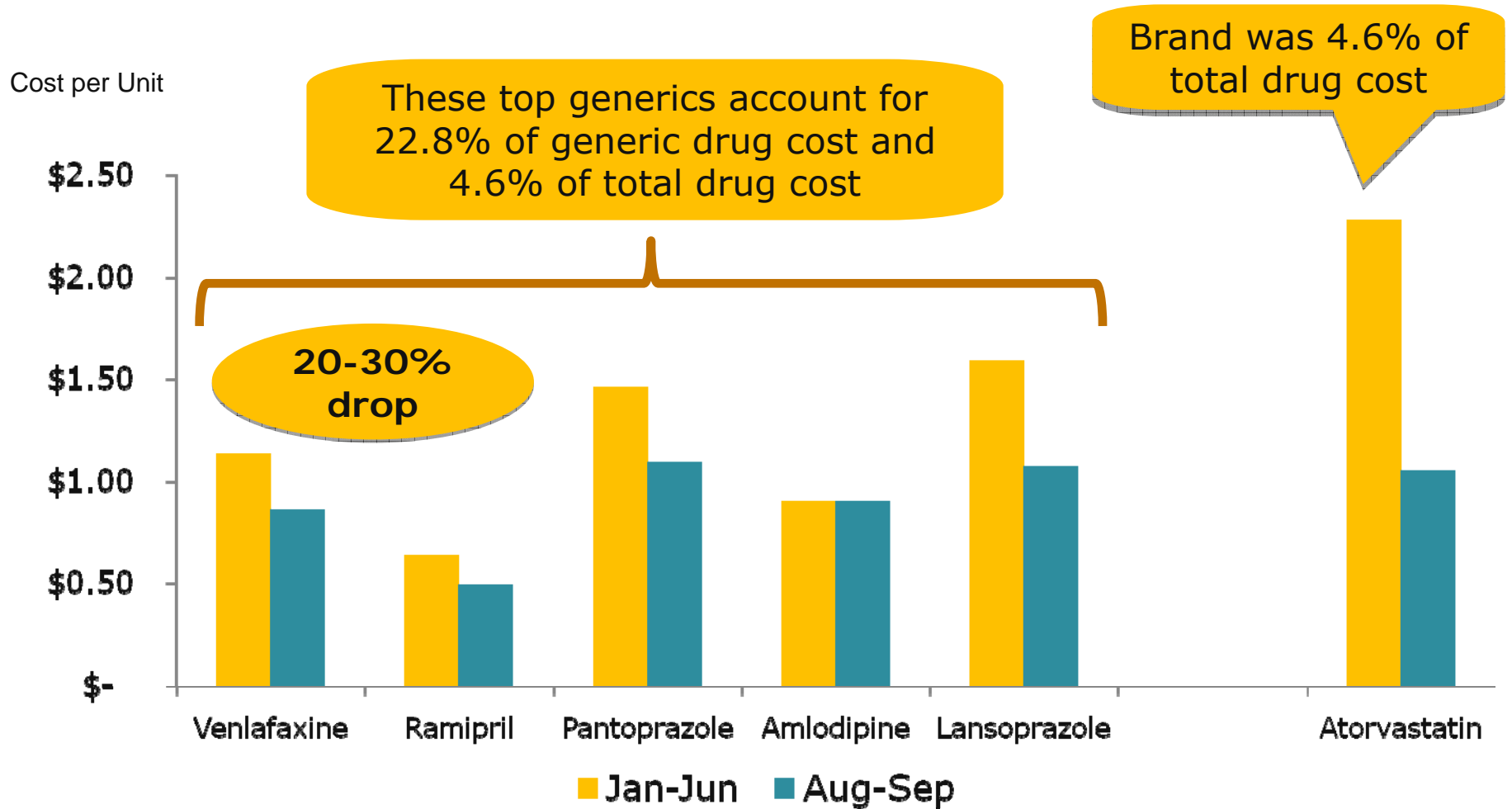
- Generic spending about 25% of total
- Expected savings approximately ~\$900m

Professional allowances reduced to 5% (from 20%) – estimated to save \$750 million (pharmacies report \$1.1 billion in rebate losses)

Higher dispensing fee payments of \$100 million

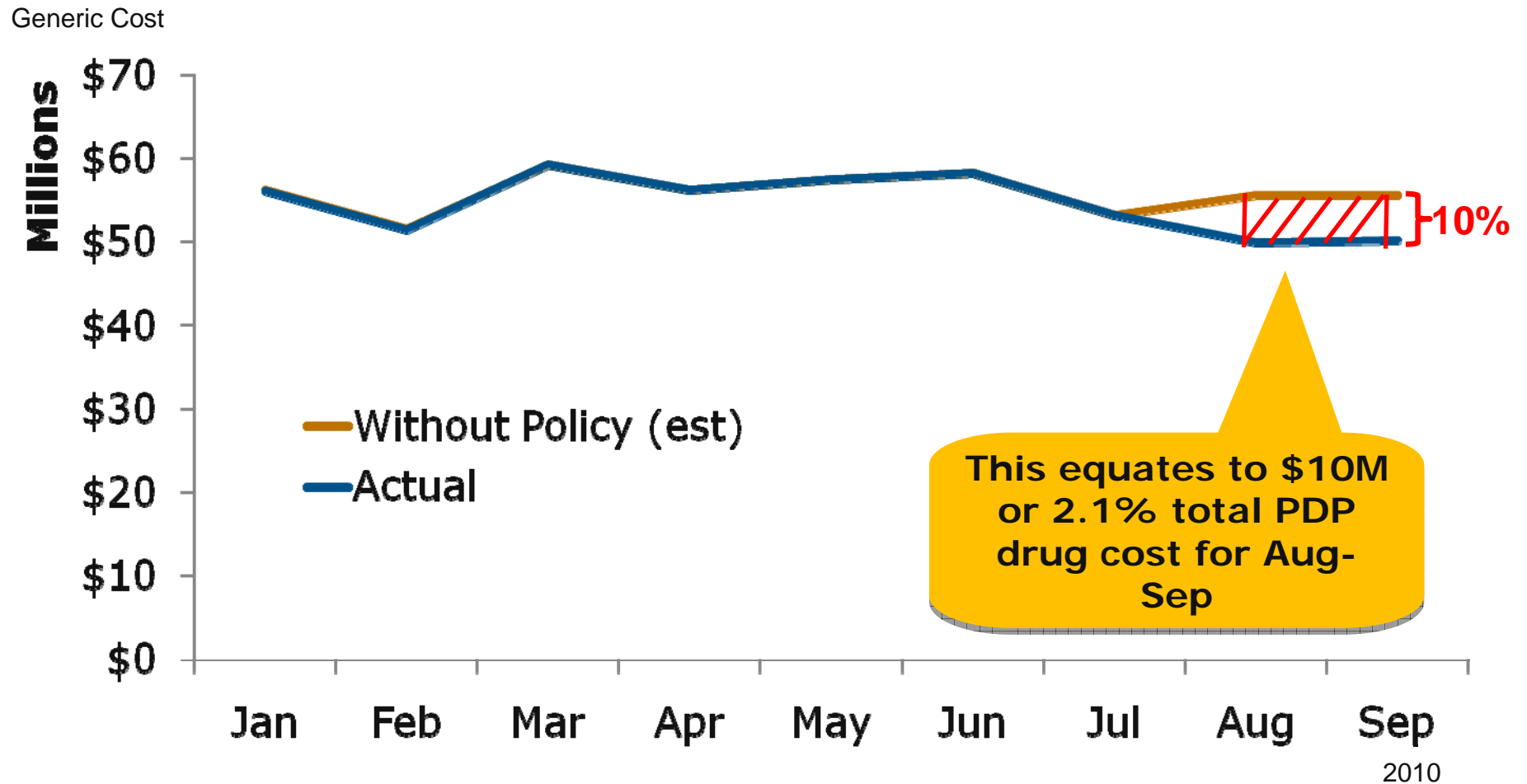
An additional \$100 million added to pharmacy services and a rural premium

# Example Cost\* per Unit Change, Top Generics, ON Private, 2010



\*ingredient plus mark-up

# Actual Impact on Generic Expenditure\*, ON PDP 2010



\*excludes atorvastatin

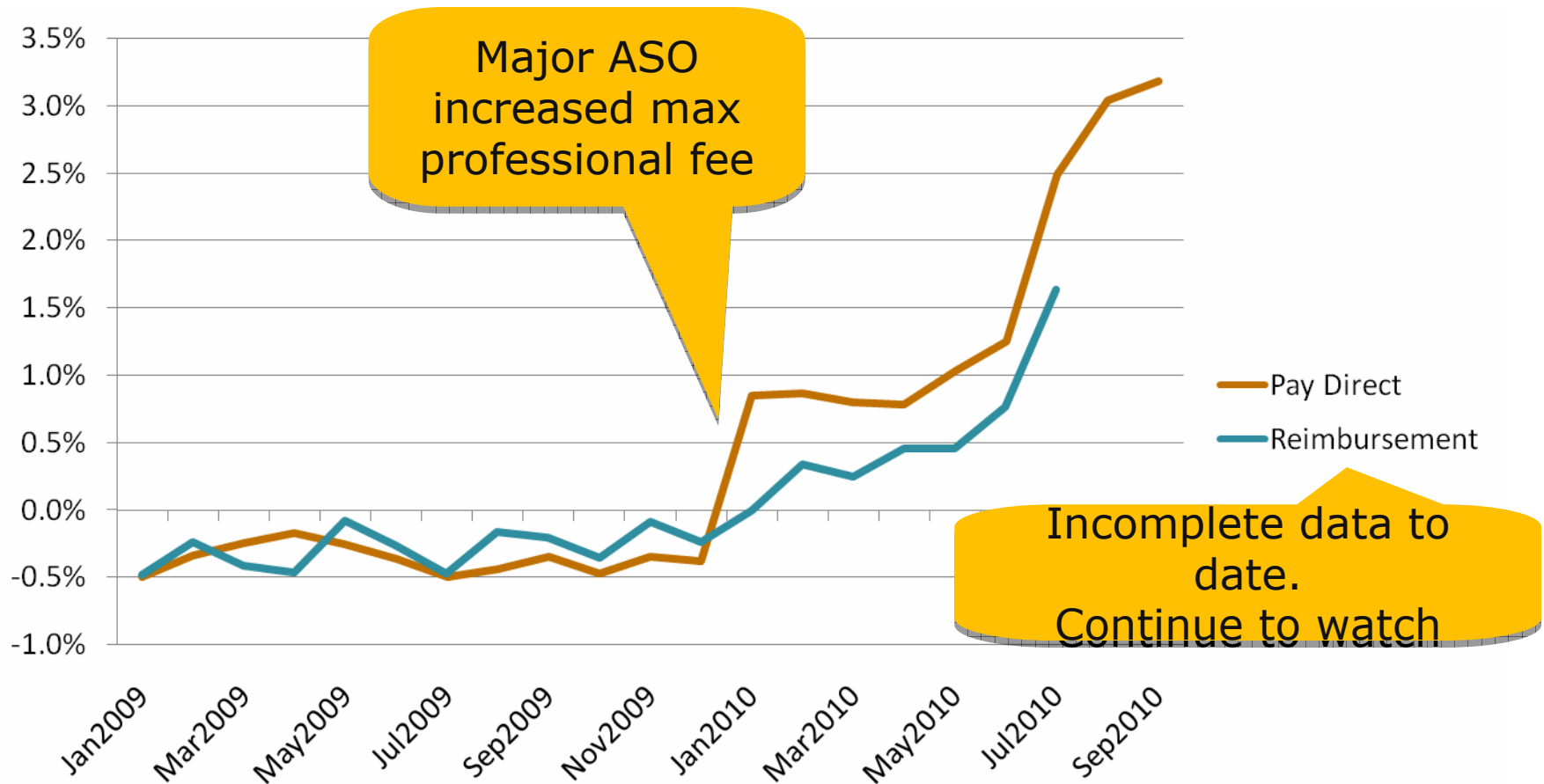
Results are based on actual utilization from pay direct private drug plans. Non-extrapolated, based on an 84% capture rate in Ontario.

# ON Private: Pricing Impact

<b>Original brand price</b>	\$2.00
<b>Days supplied</b>	90
<b>Total Drug Cost</b>	\$180.00

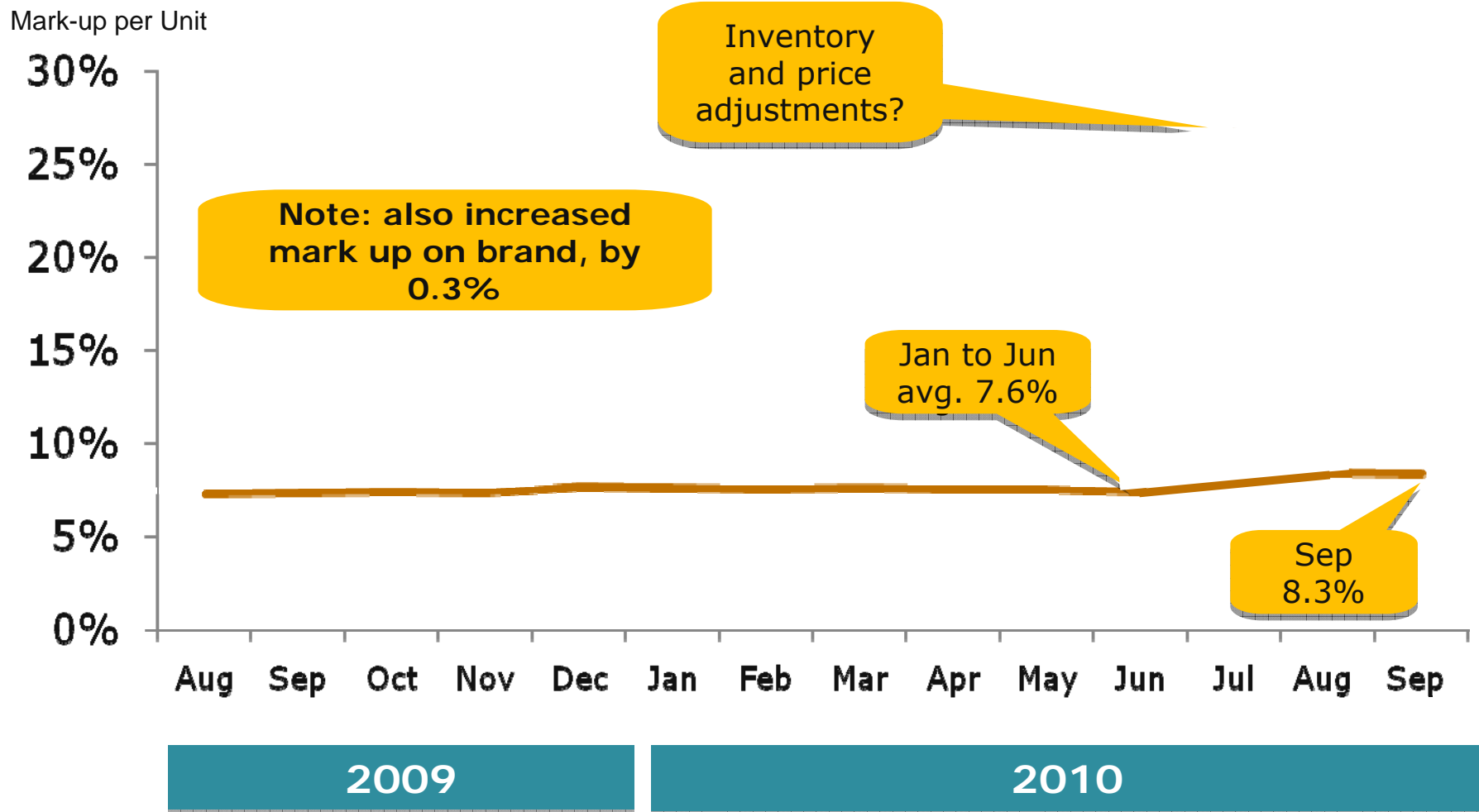


# Year over year increase in Professional Fee, by Month, Ontario, PDP



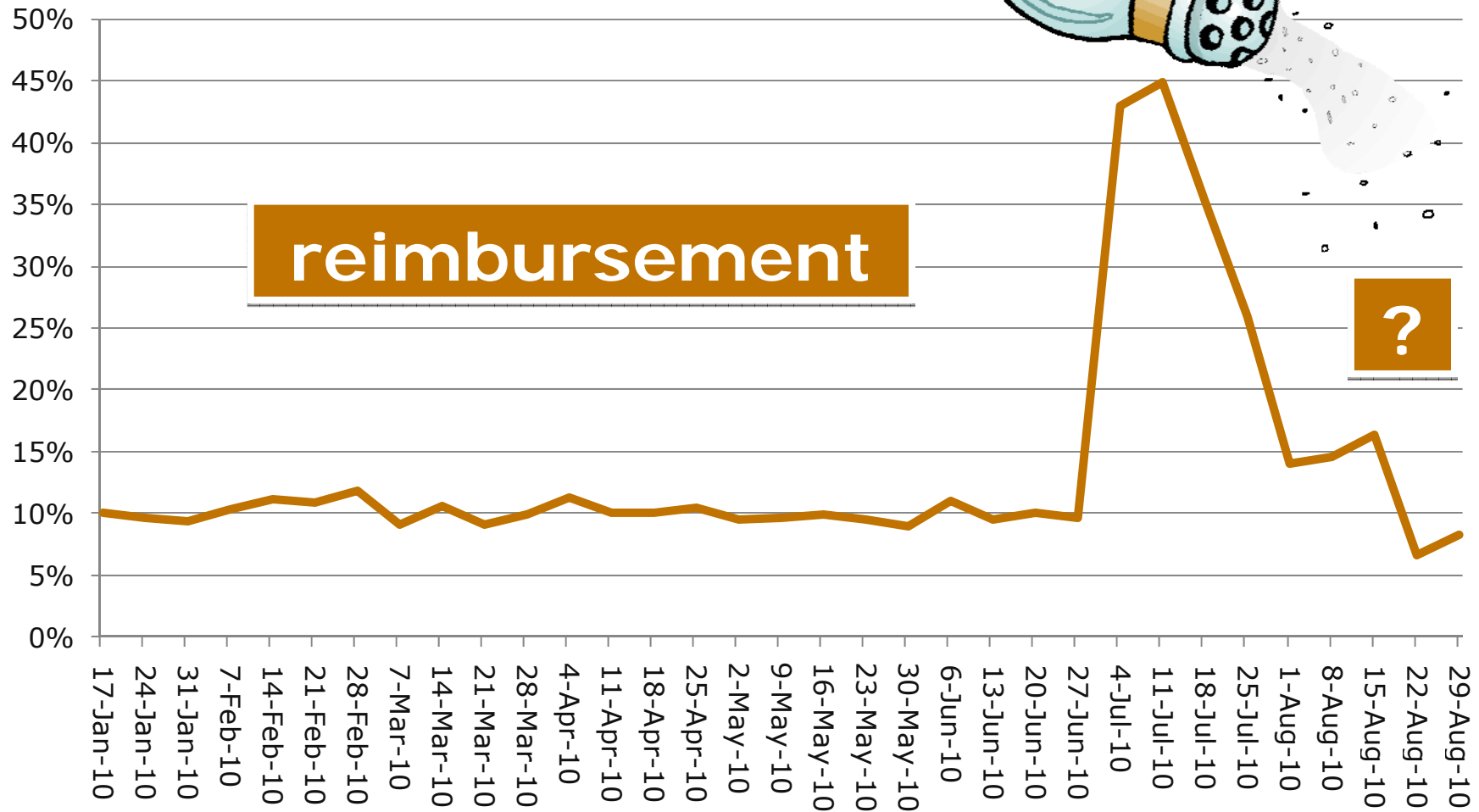
ASO: Administrative Services Only.

# Avg. Generic Mark-up, Top Oral Solids, Aug 2009 to Sep 2010, PDP

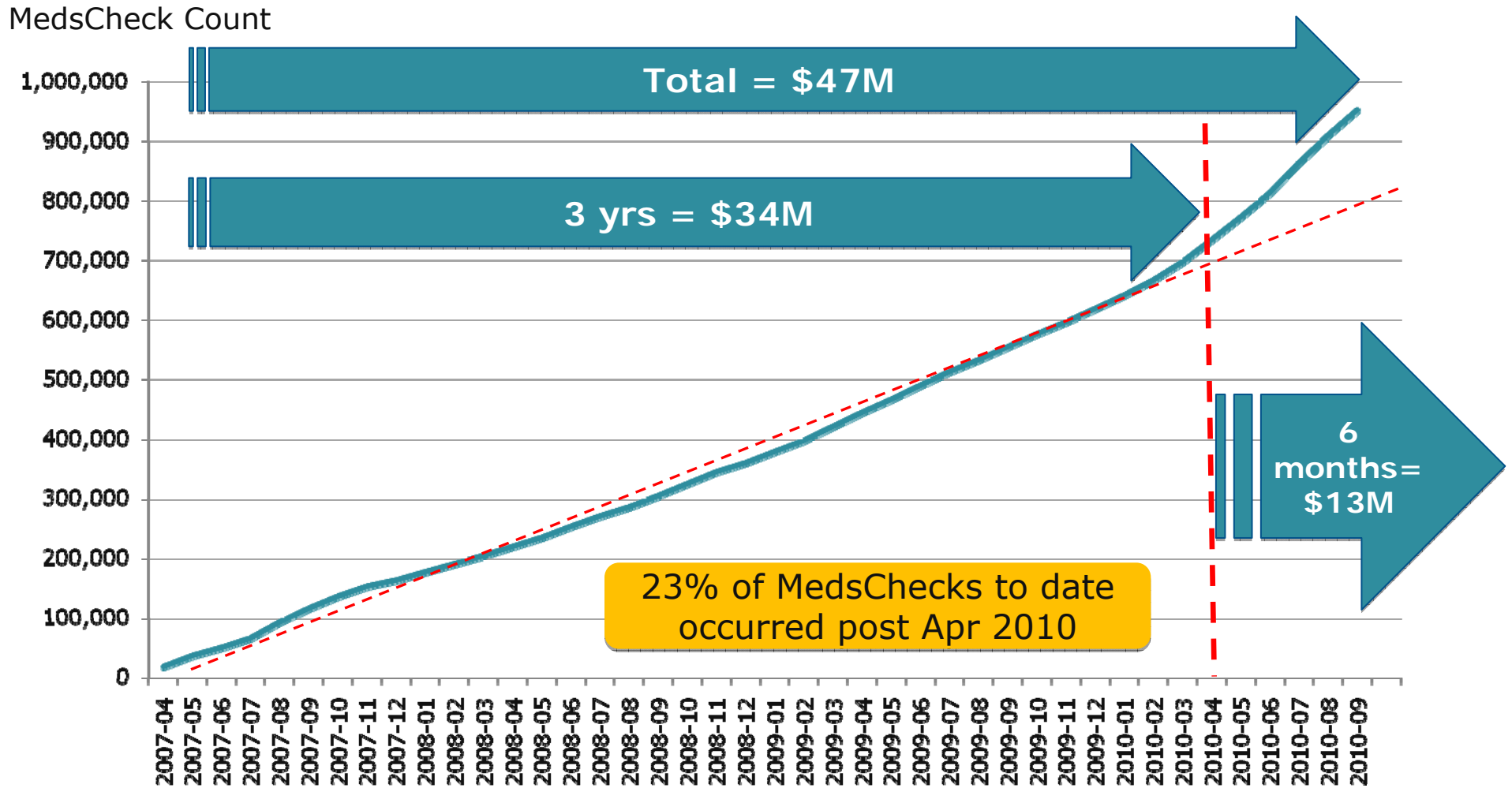


# Average Mark-up by Week, Top Generics\* in PDP, Ontario, 2010

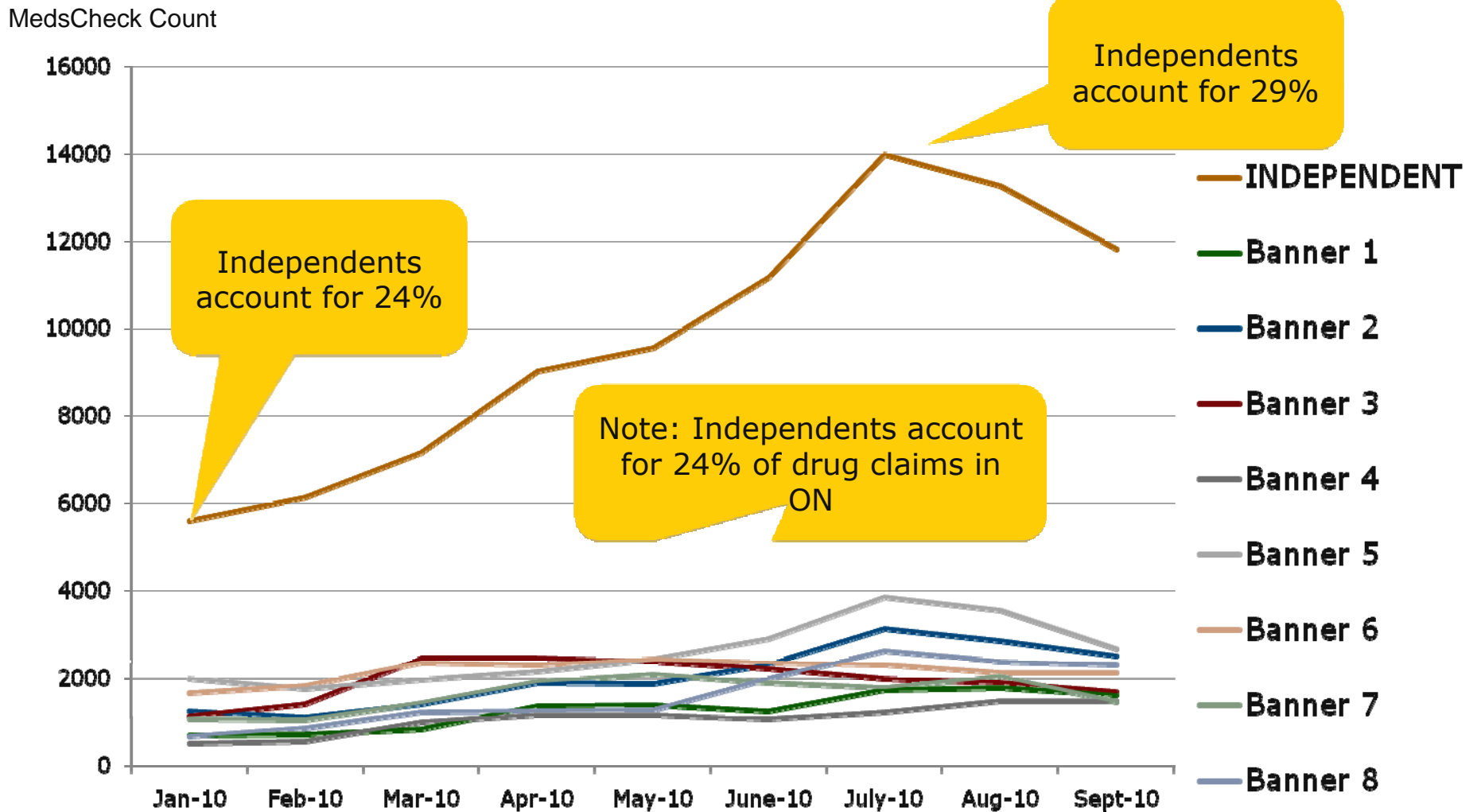
Mark-up per Unit



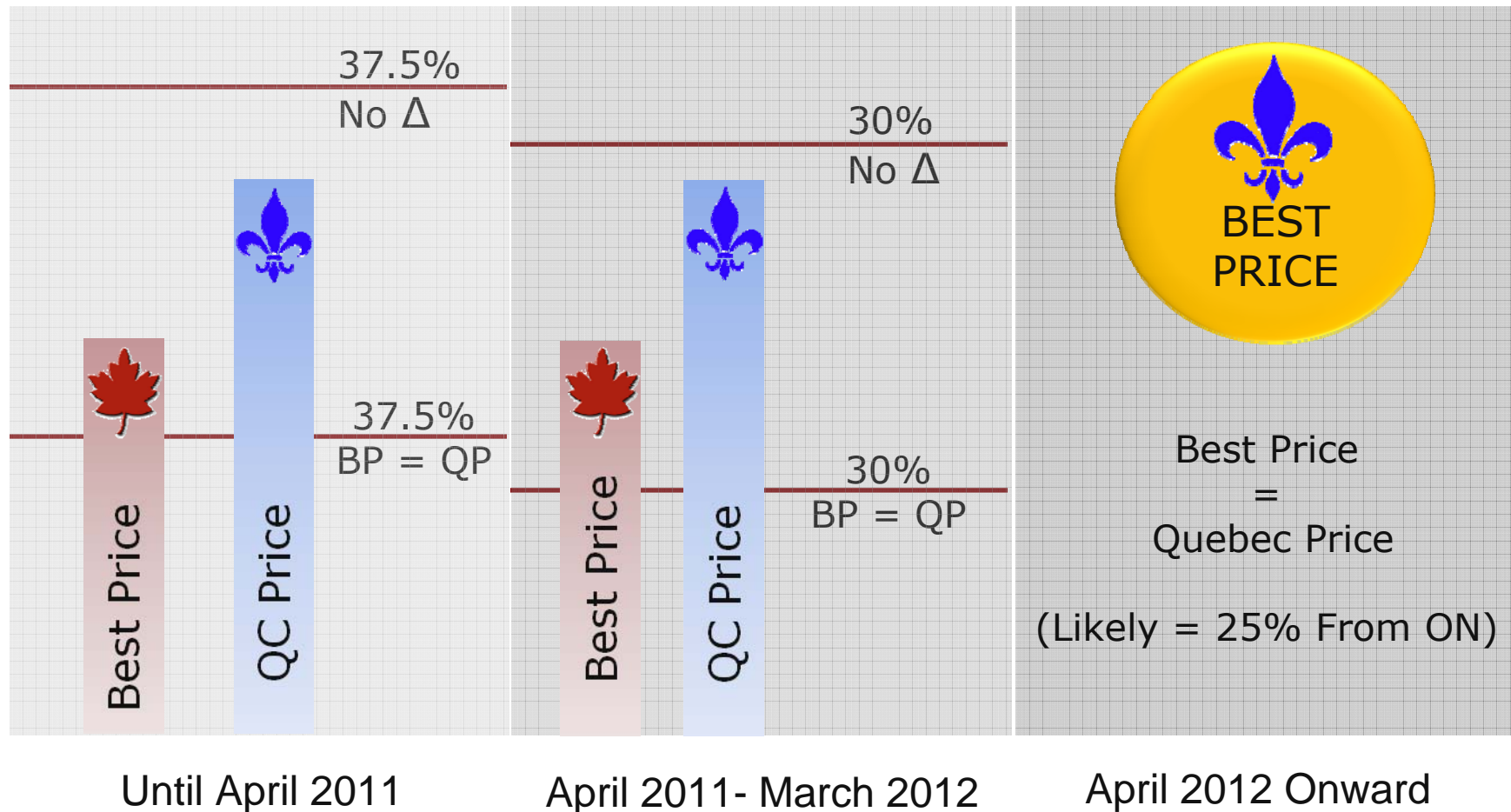
# Cumulative # of MedsChecks, Inception to Sep 2010



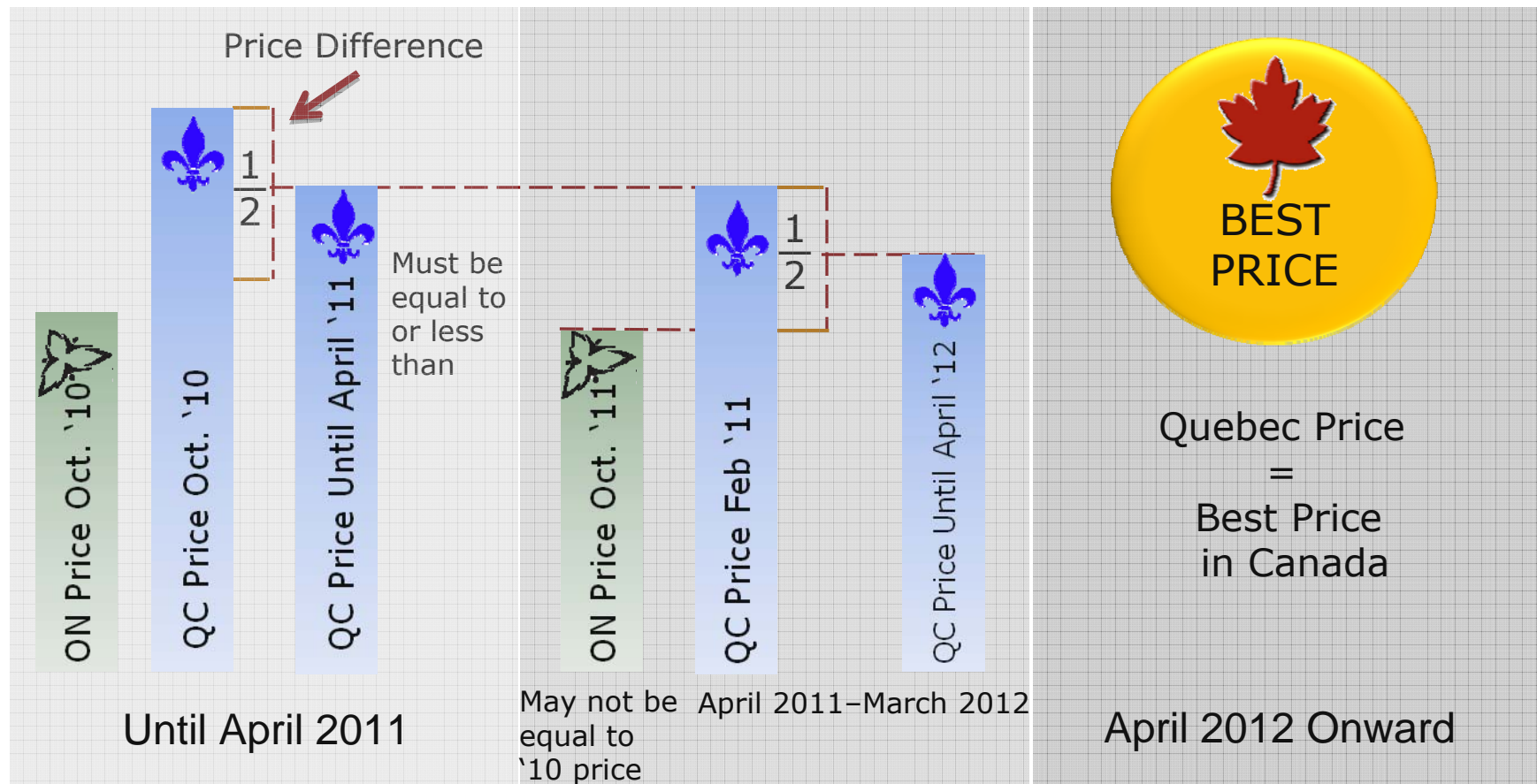
# Number of MedsChecks by Banner, 2010



# Quebec Generic Pricing Policy Listed Products



# Unlisted Products



Note 1: No justification for price increases

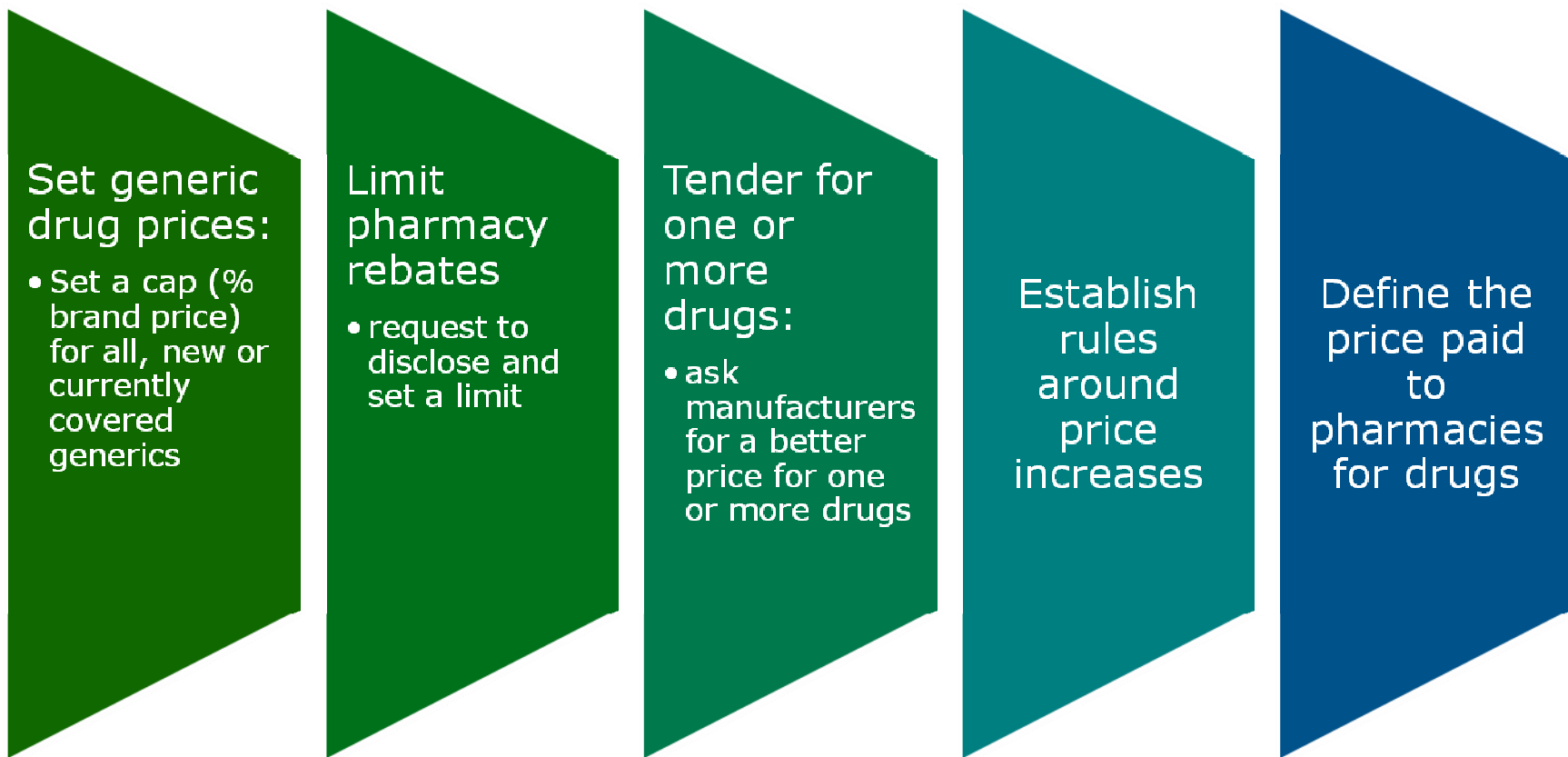
Note 2: 54%/60% scenarios still apply where:

- A. product not listed on Ontario formulary
- B. if ON authorizes a price higher than these thresholds.

# NS will take steps for fair drug prices

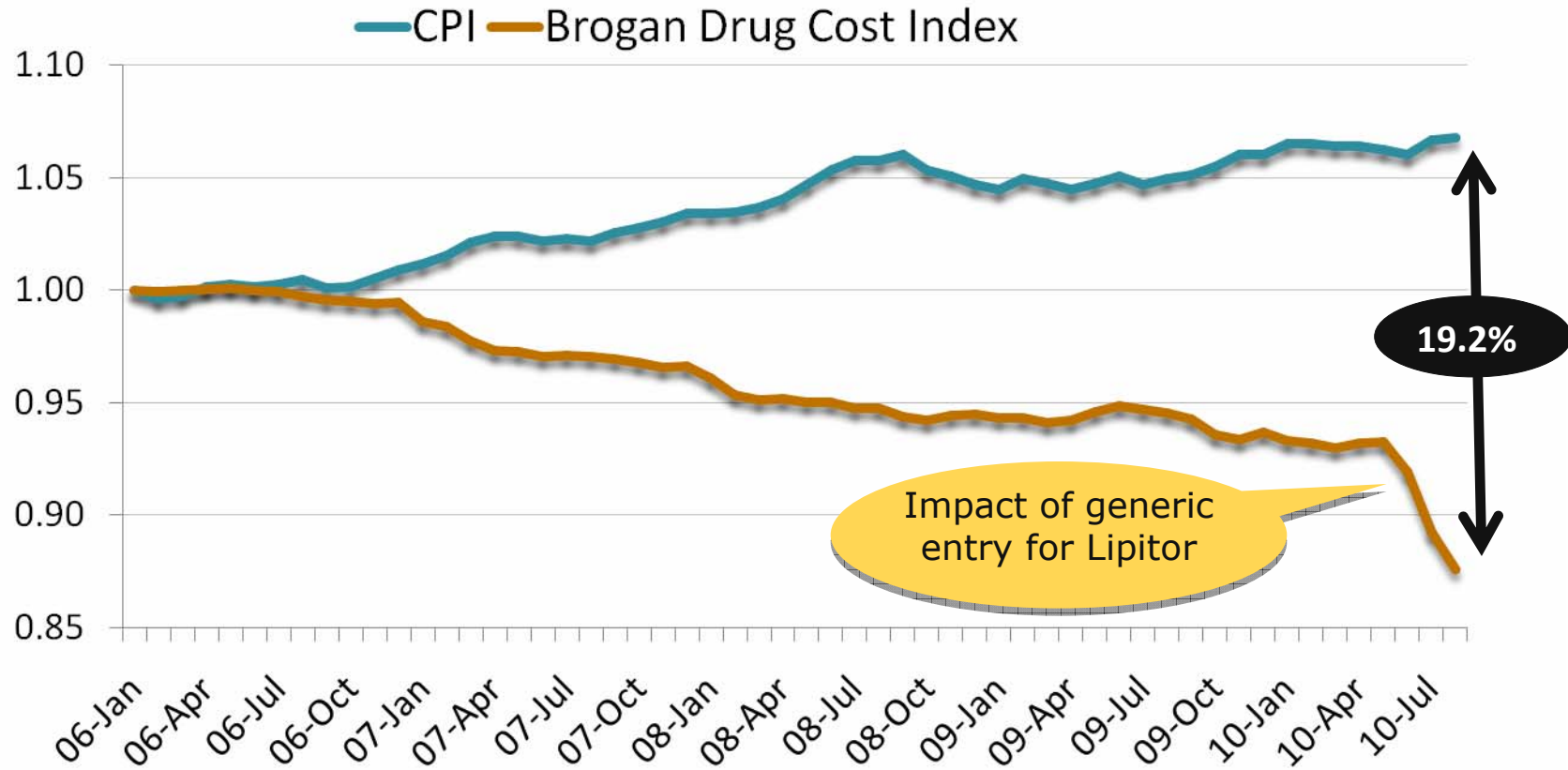


Options being considered for fair drug prices:



# Lipitor Generic Reaches Canada

## Weight Based on Share of Units



# Lipitor Generic Reaches Canada

## NS: Request for proposal for Atorvastatin (Lipitor)

- An interim measure while the province assesses generic pricing opportunities.
- October 6<sup>th</sup>: request for proposals closed. 8 companies submitted offers, including:
  - Apotex Inc
  - Cobalt Pharmaceuticals
  - **GenMed – A Division of Pfizer Canada**
  - Pharmascience Inc.
  - Ranbaxy Pharmaceuticals Canada Inc.
  - Sandoz Canada Inc
  - Sanis Health Inc
  - Teva

Only applies to the public plan

	Brand Drug Cost, 2009	Generic (50%)	Tender (35%)
Private	\$12.9M	\$6.5M	\$6.5M
Public	\$13.7M	\$6.9M (no clawback)	\$4.8M

Note: Private results have been extrapolated based on an 83% capture rate.

Tender: [https://www.gov.ns.ca/tenders/search/search\\_notice\\_new.asp?XX=10-11-084:36:05PM&mssl=2&mtender\\_id=60140595&mdata=1](https://www.gov.ns.ca/tenders/search/search_notice_new.asp?XX=10-11-084:36:05PM&mssl=2&mtender_id=60140595&mdata=1)

# Brand Negotiation with Public Plans Becoming Commonplace

- Typically after the Common Drug Review (CDR)
- CDR and/or provincial review agency needs to be convinced that efficacy, safety, and comparative effectiveness are not issues
- Price as a barrier
- Price reductions typically achieved by rebates (non-transparent)
- **Allows maintaining list price to other payers**



**Opportunity for the private sector?**

# What about Quebec?



QC government sent out letters requesting companies send in their Ontario PLAs

- Most Favoured Nation (MFN) legislation grants them equal to the lowest price in Canada
- Suspect that they are not getting this due to lack of transparency in negotiated prices
- Could ask for the price under the PLA in order to keep the brand listed
- The reduced price would be applicable to both public and private plans (transparency)
- Opportunity for brand manufacturers to negotiate similar confidential agreements with QC

**Ontario discloses the 36 drugs listed with a PLA, which represent:**

Province	Drug Plan	Drug Cost	Units	Share of total cost
Ontario	Public	\$298.4M	46.7M	7.6%
	Private	\$165.7M	62.0M	6.0%
Quebec	Public*	\$96.3M	20.2M	3.2%
	Private	\$103.9M	30.2M	6.3%

\* Data for Q4 2009-Q3 2010, Quebec public Q3 data extrapolated  
 Source: IMS Brogan's Public and Private Drug Plan Databases

# Stakeholder Implications

- Pharmacy...
- Brand Manufacturers...
- Public Insurers...
- Private Insurers...



# Questions



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