B.C. Federation of Retired Union Members

200 - 5118 Joyce Street, Vancouver, B.C. V5R 4H1 • 604 688-4565 • 1-800-896-5678

Fax: 604 430-5917 • bcforum@bcfed.ca • www.bcforum.ca • facebook.com/BCRetiredUnionMembersForum

August 29, 2016

Honourable Jane Philpott
Minister of Health
6060 Main Street
Stouffville, Ontario
L4A 1B8
Jane.philpott@parl.gc.ca

To: Honourable Jane Philpott,

Our organization, the BC Federation of Retired Union Members (BC FORUM) represents seniors in the Province of British Columbia. We have been supporting a national pharmacare program for many years.

For many older adults in our province who are in need of medicines, some are having to make the choice of eating, paying rent or obtaining expensive drugs that may or may not be covered by our provincial medical plan(s). Drug dispensing fees are also not standard and start to make a difference in making choices.

Drug prices and dispensary fees should be negotiated at a national level, be more affordable and accountable to the government body.

BC FORUM therefore strongly supports the submission of CURC, (Congress of Union Retirees Canada) with their submission to the Advisory Panel on Health Innovation. A Universal plan for all Canadians that would not discriminate on economic bias and would in a longer term save our country some money.

Please consider their proposal when you are making recommendations.

Sincerely

Diane L. Wood
President
BC Federation of Retired Union Members
(BC FORUM)

CC: All British Columbia MP's by email

Time for a New Prescription:

Universal Public Pharmacare is Safe and Affordable

Submission to the Advisory Panel on Healthcare Innovation
December 2014

Prepared by Julie White

Summary

Canada's prescription drug policies are a national failure, "one of the worst performing pharmaceutical sectors in the world".[i] Many Canadians have limited drug coverage or none at all, and cannot afford the drugs prescribed for them. We lack adequate drug safety regulation, which leads to misuse and overuse of drugs and many unnecessary deaths. And for this broken, partial and ineffective situation, we pay more than almost every other developed country in the world. Indeed we pay so much that the rising cost of drugs is unsustainable, resulting in more reductions in access and service.

CURC's policy on prescription drugs follows a growing consensus that change is essential and long overdue. Three interrelated and necessary changes are required to achieve a fair, cost-efficient and safe approach to drugs.

1. A national public pharmacare plan to be established by the federal government for all Canadians, with funding to the provinces for a significant portion of the costs.

2. Cost controls on the price of drugs, including the bulk buying of drugs and price negotiation with pharmaceutical companies, which become possible with a national plan and a national formulary.

3. Drug safety requires an improved and independent drug approval process, access to all research carried out by drug companies, independent information about drugs to doctors and a national database to track drug reactions.

1. A NATIONAL PHARMACARE PLAN

With prescription drugs left out of our national public Medicare plan, we have instead a patchwork of different provincial plans that cover less than half of the population. In some provinces, only seniors, those on social assistance and certain illnesses are covered, while in others people pay for drugs based on an income assessment. Canada is unusual in not having a full public drug plan. Of 33 OECD countries, 20 provide a public drug plan to the entire population, while another 10 cover more than 80%. Only Mexico, Canada and the United States provide public plans to less than half of their citizens.[ii]

This means that more than half of Canadians are entirely outside of any public arrangement and most rely instead upon private insurance. This insurance is primarily provided through a wide-ranging assortment of work-based plans. Because these plans are attached to the work place, they are not reliable - if you change jobs, get laid off or retire your drug plan commonly disappears.

With no unified approach, access to prescription drugs varies. So, men are more often covered by private health insurance than women, unionized workers more often than non-unionized, residents of some provinces more than others, older workers more often than young people.[iii] It all depends on where you live and work and is therefore unrelated to medical need. Plus, many of us simply have no drug coverage, either public or private. So, in any one year 10% of Canadians are unable to obtain the drugs prescribed by their doctors because they cannot afford it, and this figure increases to 36% for those with no insurance and low incomes.[iv] Over a 5 year period, a recent poll found that 23% of Canadians were unable to afford a drug prescribed by their doctor, climbing to 49% for those with incomes of $20,000 or less.[v]

We need a unified public drug plan to provide proper access to care for all Canadians. We are far behind other industrialised countries, many of which introduced national drug plans in the 1940s as part of their national health plans. Indeed, every country that has a national public health plan includes drugs as part of that plan, except Canada.

2. COST CONTROL OF PRESCRIPTION DRUGS

This chaotic hodgepodge of public and private plans, with unsatisfactory health results and large contributions by individuals, is not cheaper than the public plans in other countries. It is in fact much, much more expensive. Thanks to groundbreaking work by Marc-André Gagnon, we now have a clear idea of just how much we would save by introducing a properly regulated national public pharmacare plan. The answer is a staggering 41% reduction in costs. In 2013, we paid $27.7 billion for prescription drugs and we could be paying just $16.3 billion for a universal public system with improved coverage for all Canadians.[vi]

Why are Canadians paying more for less? The most serious issues are inflated drug prices, the waste in private drug plans, and high dispensing fees.

Inflated Drug Prices:

The most serious waste of money is the lack of competitive pricing. Inflated prices for new brand name drugs are set by the federal Patented Medicine Prices Review Board (PMPRB), which averages the prices of drugs in other countries to set the price in Canada. But the countries chosen for comparison are those with among the highest prices in the world, so the price in Canada is unnecessarily high. This approach was developed as an industrial policy to attract investment and create jobs in the pharmaceutical sector, but Gagnon has shown it to be a complete failure. Indeed, the PMPRB itself has now admitted that this policy does not work.[vii]

These brand name drugs come to the end of their patent price protection after 20 years, when the drug can be produced by other drug manufacturers and sold at cheaper prices. These generic drugs account for more than 60% of all prescription drugs sold in Canada. But prices for

generic drugs are also extraordinarily high. In 2011 the price of 82 generic drugs was 54% higher in Canada than in the US, Germany, France, the UK, Sweden and Italy.[viii]

In other countries, national public drug plans negotiate prices with drug companies for both brand name and generic drugs, and they do this with the strength that comes from purchasing drugs for the whole population. They establish budgets, bargain bulk purchasing, require companies to present competitive bids, consider bundling of more than one drug and so on. The results are impressive. Countries with national public drug plans have much lower prices than Canada and are more successful in restraining price increases.[ix]

In Canada, however, only 42% of all expenditure on drugs is government funded, and that amount is divided between different provincial drug plans and hospital groups.[x] The majority of spending on drugs (58%) is by individuals and private insurance plans, which have no bargaining strength to negotiate lower prices. Private insurance plans also have no incentive to negotiate lower prices, since it is workers and employers that pay for the drugs and not the insurance companies.

Provincial public plans have made some attempts to control prices for themselves, by negotiating confidential rebates from drug companies and by joining together in the Pan-Canadian Pricing Alliance to bargain prices. The results have been limited because they apply only to part of the population, so bargaining strength is reduced. But worse, the result is often negative in that the drug companies compensate by charging higher prices to work based plans and individuals that are unable to press for lower prices. This cost-shifting only serves to increase the inequality of access to prescription drugs.[xi] The fragmented nature of drug plans in Canada works against negotiating reasonable prices with pharmaceutical companies.

Wasted Money in Private Plans:

The private insurance plans that cover the majority of Canadians waste a great deal of money. As already noted above, they do not negotiate cheaper drug prices and by their very existence undermine attempts to do so by our partial public plans. They are also rife with unnecessary costs compared to public plans.

Thousands of private plans cover millions of individuals in many different ways. Each plan has its own arrangements, restrictions and co-pays and every time an individual needs a prescription, it must be checked for coverage under that plan. Insurance companies must analyse the costs for each group of workers, make annual adjustments in the charges to employers and seek new customers. This vast amount of administration is expensive. And in addition to these costs, most insurance companies, unlike the public drug plans, are in business to make a profit.

A recent study by Michael Law shows that the administrative costs of for-profit health insurance plans, including profits, have rapidly increased in recent years and now stand at a remarkable 23% of total costs. [xii] This means that close to a quarter of the money paid to for-profit private insurance plans is spent, not on health care, but on administration and profits. Law points out that this would be illegal in the US, where such charges are constrained to a maximum of 20%. Some insurance companies are non-profit and when these are included with the for-profit companies, the combined administrative costs for all private health plans stands at 16%. By comparison, the cost of administration for public drug plans is just 1.8%.[xiii] We are therefore paying $1.3 billion for administration and profits that would be saved in a public plan.

High Dispensing Fees:

Pharmacies determine which generic drugs to stock and sell, so drug companies have provided rebates to pharmacies in return for stocking their products. In an attempt to undermine this practise of rebates, provinces have reduced the prices of generic drugs for public plans. Between 2010 and 2012, Ontario dropped generic prices for public drug plans from 50% to 25% of the brand name drug price. Other provinces followed suit and in Alberta and Quebec generic prices were dropped to 18% of the brand price. Given that 60% of prescriptions in Canada are for generic drugs, it would be reasonable to expect an impressive drop in the overall cost of prescription drugs. This has not happened and in some cases the average price of a prescription has actually increased. Why?

Pharmacies shifted the loss from the lower priced generics in public plans to increased dispensing fees for drugs covered by private insurance. In Quebec between 2010 and 2012, the cost for a public plan prescription decreased by 5.5%, but the cost for prescriptions covered by private plans increased by 6.4%. In the western provinces and territories, dispensing fees increased by 5.5% in one year. A survey of pharmacies in Quebec showed that for a sample of brand name and generic drugs, public plans paid an average dispensing fee of $8.44, while private plans paid $25.76, more than three times the cost.[xiv] In some cases the dispensing fee costs more than the drug. Again, private plans are an easy target with no controls over prices.

3. DRUG SAFETY

Health Canada's Therapeutics Product Directorate (TPD) reviews the safety of new drugs and approves their sale and use. This agency is not independent of the pharmaceutical companies. Starting in 1994, drug companies began paying fees for this approval process and now pay half the costs of the agency that approves their drugs.[xv] Clearly, this is not an independent process. The Canadian Medical Association Journal has stated that Health Canada is biased towards approving drugs too quickly and without adequate proof of safety.[xvi] As well, company financed research trials for new drugs have been found to be biased in favour of the product that the company makes.[xvii]

The threshold for drug approval is low. A drug does not have to be better than an existing drug to be approved, but only better than a placebo. Health Canada therefore approves new brand name drugs that are more expensive than existing drugs and provide no additional therapeutic value, or even less therapeutic value. At least 85% of the drugs approved by Health Canada are these me-too drugs, more expensive and of questionable therapeutic advantage.[xviii] As well, the drug approval process does not consider cost effectiveness. If a new drug provides treatment for the same condition as an existing drug, but is far more expensive, there is no consideration of preferring one drug over another on this basis.

Once on the market, drug companies sell drugs by influencing doctors to prescribe. It is estimated that drug companies spend $60,000 per doctor per year on drug promotion, meaning that sales representatives visit doctors' offices, providing wall charts, pens and free samples, plus paying for doctors to attend conferences and give papers. [xix] It also means drug advertising in medical journals and to the public at large. Nothing about this process is objective. Studies have found that sales reps fail to provide information to doctors about the negative side effects of drugs[xx] and that doctors are indeed influenced by sales reps in what they prescribe.[xxi]

We have every reason to be worried about the influence of drug companies. In 2012, GlaxoSmithKline paid $3 billion in the US following criminal and civil proceedings. The company pleaded guilty to promoting drugs for unapproved uses, failing to disclose safety issues and "providing doctors with European hunting trips, high-paid speaking tours and even tickets to a Madonna concert".[xxii] Glaxo is not alone. In the last 10 years, 13 other drug companies have been forced to pay settlements in the US because of violations of the law, including selling drugs for illnesses they are not approved for, fraud, failing to disclose safety data, paying kickbacks to doctors, and making false statements concerning drug safety.[xxiii]

We need an independent and transparent assessment of drugs and a national formulary that covers necessary and effective drugs at the best prices available. We need to provide independent information and education for doctors based on research rather than sales quotas. A national plan would also make possible a Canada-wide database on drugs and their effects, so that adverse effects could be tracked and reported to doctors.

CONCLUSION

Canadians recognise the need for change. A poll in 2013 found that 78% support a national public pharmacare plan covering drugs in the same way as hospitals and doctors. Support for bulk purchasing and negotiating drug prices with pharmaceutical companies was even higher at 86%.[xxiv] The Congress of Union Retirees of Canada adds its voice to those calling for real change - for a fair, safe and sustainable drug plan. This can only be national, universal and public pharmacare.

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