

## Health Council of Canada Releases Public Discussion Paper on Generic Drug Prices and Access

*An Examination of Issues at Play Related to Prescription Drugs*

**TORONTO, ON - June 18, 2010** - More public and private dollars are being spent to purchase pharmaceuticals for Canadians each and every year. At a time when flattening the healthcare cost curve is at the top of many government agendas, the Health Council of Canada is pleased to see the recent attention paid to controlling drug costs and particularly the costs of generic drugs. Today, encouraged by recent calls for greater coordination of drug policies, The Health Council of Canada released a commissioned discussion paper written by SECOR Consulting, *Generic Drug Pricing and Access in Canada: What are the Implications?* This independent paper is designed to move the discussion of possible reforms forward on an important part of the drug file – the pricing and distribution of generic drugs - and bring transparency to this important area of public health policy.

A year ago, the Health Council of Canada published a report on the progress of a National Pharmaceutical Strategy (NPS). At the time, we asked governments to rededicate themselves to this important element of health policy nationwide. Drug pricing was a challenge identified in the *2003 First Ministers' Accord on Health Care Renewal*. In the follow-up *2004 10-year Plan to Strengthen Health Care*, First Ministers said they wanted to “accelerate access to non-patented [generic] drugs and achieve international parity on prices.” The Health Council of Canada is encouraged by some recent provincial initiatives to tackle generic prices, which some estimate could save the taxpayers, consumers and businesses as much as \$800 million a year.\*

“Canadians pay some of the highest prices in the world for generic drugs,” said John G. Abbott, CEO, Health Council of Canada. “The paper we are releasing today should help policy makers and people across the country move forward to curtail the cost of generic drugs for both public and private plans while maintaining access and quality of service.”

Governments, through their own health plans, have traditionally set the price for generic drugs - the safe, effective and cheaper “copies” of brand name drugs that come to market after the patent exclusivity of the brand name drug has expired. This discussion paper explains how government pricing policies consciously and otherwise have produced a system that does not get the best price for the taxpayer or for private sector employers. The current way governments and others set generic prices leaves “too much money” with manufacturers, distributors and retailers that otherwise could create savings for the taxpayer or be used in other areas of healthcare.

“Our goal in publishing this discussion paper is to shed light on generic drug pricing issues in order to help Canadians understand what is at stake and to encourage broad public discussion,” said Dr. Jeanne Besner, Chair, Health Council of Canada. “Knowing we have options for real reform should be helpful to governments in the current fiscal environment.”

“This discussion paper highlights the complex reasons as to why generic drug prices are so high and the longstanding lack of transparency about how prices are set. It suggests options available to governments in order to institute reforms, reduce costs, and increase the transparency of generic drug transactions,” stated Abbott.

The paper offers six basic suggestions:

- Drug insurance plans could revisit their maximum reimbursement prices since a body of evidence suggests that Canadian prices are too high;
- Reimbursement prices could be set at the pharmacy level;
- The use of alternative and competing distribution channels could be encouraged;
- Using the pharmacist to provide additional paid services would moderate the impact of reducing generic-drug prices and benefit the healthcare system;
- Drug plans, including employer-sponsored plans, could use tiered formularies to encourage their beneficiaries to use low-cost drugs; and
- Provincial and territorial drug plans could ensure that newly approved drugs are listed on their formularies in a timely manner.

Since generic drug prescriptions represent more than half of all prescriptions written in our health systems, it is important that Canadians have better information about generic drug pricing. The Health Council of Canada encourages Canadians to join in a broader public discussion on this critical health care issue and become better informed.

### **Background**

The Health Council of Canada, created by the 2003 *First Ministers' Accord on Health Care Renewal* is mandated to monitor and report on the progress of health care renewal in Canada. Councillors were appointed by the participating provinces, territories and the Government of Canada. To download the discussion paper or view past reports, visit [www.healthcouncilcanada.ca](http://www.healthcouncilcanada.ca).

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**Note to Editors:** \*Competition Bureau (2008). *Benefiting from Generic Drug Competition in Canada: The Way Forward*. P.5

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