



Interuniversity Services Inc.
84 Chain Lake Drive
Suite 402
Halifax, NS B3S 1A2

Tel: 902 453-2470
Fax: 902 453-2369

www.interuniversity.ns.ca

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The Honourable Madeleine Dube
Minister of Health, Government of New Brunswick
Department of Health
PO Box 5100
520 King Street, 6th Floor
Fredericton, New Brunswick
E3B 5G8

Dear Minister,

Re: Interuniversity Services Inc. submission to New Brunswick's Drug Pricing Strategy

Please find attached a submission from Interuniversity Services Inc. in response to the Province of New Brunswick's consultation related to Fair Drug Costs.

Thank you for considering our perspective on New Brunswick's Drug Pricing Strategy. ISI and its members in New Brunswick would welcome the opportunity to discuss this matter further and share our opinion in greater detail should the opportunity present itself.

Regards,

A handwritten signature in black ink, appearing to read 'Dave Davidson', with a long horizontal flourish extending to the right.

Dave Davidson
Chief Executive Office
Interuniversity Services Inc.

Interuniversity Services Inc. submission on New Brunswick Fair Drug Pricing Strategy

I would like to thank you for the opportunity to provide input on the proposed fair drug pricing strategy for New Brunswickers.

ISI and its New Brunswick members support the Province of New Brunswick's efforts to provide New Brunswickers with more affordable and accessible generic pharmaceuticals.

Who we are:

ISI is a not-for-profit company that provides selected central administrative services to nineteen member institutions in New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland, thus reducing their overall operating costs, improving services, and providing a framework for cooperation among the universities, while maintaining their independence. ISI provides services to all four publicly funded universities in New Brunswick.

A key component of ISI's value to its members is a collaborative, cost effective and comprehensive suite of employee benefits programs that leverage the collective buying power of a total employee population in excess of 17,000. ISI's total annual drug benefits costs exceed \$17.5 million.

In 2009, New Brunswick universities spent in excess of \$3.75 million on employee drug benefits, over \$1.0 million on generic drugs alone. A collective million dollar expense line growing above the level of revenue growth and above inflation is a challenge for New Brunswick universities.

Working collaboratively to lower costs:

ISI and its members have adopted a multi-faceted employee benefits cost management strategy, addressing employee wellness (cost avoidance), plan management (cost control), and cost reduction.

A detailed study of 2009 ISI claims data indicated that the generic penetration rate was above the national average, measured by dollars and by claims. Downward pressure on the cost of generic pharmaceuticals through New Brunswick Fair Drug Pricing Reform combined with continuing efforts to manage the generic drug penetration rate will have a meaningful impact on the cost of employee benefits for New Brunswick universities .

ISI's analysis of claims data indicates that even with the same plan provider program, drug costs vary from retail outlet to retail outlet. ISI and its members have recently completed a Request for Proposal to establish a Preferred Provider Network, identifying a retail pharmaceutical partner to allow for additional cost reductions for New Brunswick universities.

How we compare:

ISI's analysis of claims data has indicated that in the retail pharmaceutical market, costs are consistent within a particular province but vary significantly between provinces. This is not the case in the institutional market where hospitals pay a consistent price for pharmaceuticals nationally. The various players, retail pharmacies, distributors, wholesalers, manufacturers, and plan providers operate in a multi-province or national marketplace. The Province of New Brunswick should strive for generic pharmaceutical cost for all New Brunswickers that are equally affordable as other provinces in Canada.

Our analysis looked at the average mark-up placed on the manufacturers' list price of products in various provinces in Canada. This mark-up on generic drugs averaged 18% in New Brunswick compared to 12% in Nova Scotia, 9% in Ontario (prior to the recent Ontario legislation aimed at reducing the cost of generic drugs to private plan providers) and less than 1% in Manitoba and Alberta. These facts speak to higher generic drug costs in New Brunswick and higher employee benefit cost in New Brunswick universities compared to other areas of the country.

Why Include Private Plans:

Private plan providers represent both privately funded and publically funded organizations operating in New Brunswick, including the four publically funded universities. Some provinces (Nova Scotia) have chosen to focus legislative change solely on the publically funded plans and it is the opinion of ISI that this will place upward pressure on the drug benefit costs within Nova Scotia's community college and universities. Initial legislation in Ontario focused solely on public plans resulting in disproportionate drug cost increases within private plans and follow-up legislation was necessary to address this fact.

Legislated change in the larger markets in Canada has resulted in negative change in those markets where fair drug cost legislation has not yet been put in place. We see major national retail chains implementing policies and procedures that have resulted from changes in profitability in larger markets. Recent rationalization or shortages experienced with some generic drugs has been attributed, in part, to the implementation of legislation elsewhere. Smaller markets (all of Atlantic Canada) are experiencing the negative impact of legislation elsewhere. Fair drug costs' legislation in New Brunswick that is focused at private and public plans will be required to realize the positive effects of the changing market.

Additional Recommendations to Consider:

The cost of drugs is often clouded by the various components included within the final price, including the manufacturers' list price, mark-ups, rebates paid to retail, distribution fees and dispensing fees. A fair profit to the value-added players such as manufacturer, distributor, retail pharmacy and plan provider is valid. As a result of the lack of transparency into the total cost of drugs, ISI, the universities in New Brunswick and other private plans are challenged to effectively analyze and manage the costs of drugs. **Enhanced transparency into the various components of the total drug costs will**

allow for the private plans to improve their cost management efforts. Fair drug costs for New Brunswickers must ensure that the total cost paid by private and public plans is reduced.

ISI and its members in New Brunswick will continue to monitor the allocation (units and dollars) of the total drug benefit costs to generic products and **maximize the use of generic products** were possible.

The introduction of fair drug pricing legislation in other provinces has resulted in a decrease in the utilization of generic drugs. This has been attributed to the reduction in the profitability of generic drugs.

The loss of a product's patent protection has seen a reduction in the utilization of that product in favour of a more expensive and heavily marketed patent protected product. Manufacturers' marketing efforts are focused on non-generic products and these efforts do translate into increased utilization of patent protected products.

Conclusion:

ISI and its New Brunswick members support the Province of New Brunswick's efforts to provide New Brunswickers with more affordable and accessible generic pharmaceuticals.

New Brunswick currently experiences higher than necessary generic drug costs and private and public plans would benefit from new fair drug cost legislation, reducing the tax burden necessary to fund the public plan and decreasing the cost of offering private plans. Nationally competitive private plans will allow New Brunswick organizations to retain and enhance New Brunswick as a cost effective place to do business.

A fair drug cost strategy will need to focus on the total cost of drugs, recognizing that certain components of that cost may need upward adjustments but that the total costs of generic pharmaceuticals in New Brunswick must be reduced as they are some of the highest in the country.

If the opportunity presents itself, we would welcome the opportunity to work with the Province of New Brunswick on its objective to provide Fair Drug Prices for New Brunswickers.