

August 15, 2011

The Honourable Madeleine Dubé
Minister of Health, Government of New Brunswick
Department of Health
HSBC Place
PO Box 5100
Fredericton, New Brunswick
E3B 5G8

Madame Minister,

Medavie Blue Cross Submission on New Brunswick Fair Drug Pricing Strategy

Thank you for the opportunity to provide input on the New Brunswick fair drug pricing strategy. We were pleased to be part of your consultation process, through the meeting with private payers on July 6th, as well as through our work with the Canadian Life and Health Insurance Association (CLHIA). The discussions were productive and we are confident that they were beneficial in developing a successful strategy.

As the largest health insurance provider in the province, we are encouraged that your government is focused on this important matter. With the rising costs of drugs and with New Brunswickers paying some of the highest generic drug costs in the country, we agree that there is an urgency to act now. From your department's document *Fair Drug Prices for New Brunswickers*, there are many important themes to build upon in developing a comprehensive strategy. We would like to reaffirm the importance that generic drug pricing reforms apply to all New Brunswickers. From large employers to small businesses and government, from individuals to families and young adults to seniors – it is critical that everyone benefit from the savings on generic drugs.

Private Plans – Background:

From a private health plan perspective, reduced generic drug pricing would have important benefits for employers and their employees. Private plans are offered by employers on a voluntary basis, and with the rising drug costs, there is considerable pressure on the affordability and sustainability of private plans. Employers are looking for solutions. It is important to note that many private plans pay one-hundred per cent of the drug claims, with insurers receiving an administration fee for claims management and processing. It is unsustainable for employers to continue absorbing ever increasing drug costs. These increasing costs impact their financial results and hinder their competitiveness in national and international markets. The urgency for drug pricing reform is also very important for employees covered under employer-sponsored plans, as they generally pay a coinsurance with drug purchases, as well as contribute in the premium cost-sharing (often on a 50/50 basis).

Similarly, individuals who buy personal health insurance, often because they're self-employed or do not have access to a group plan, are very sensitive to cost increases of premiums. In fact, many people find it hard to afford the premiums they're paying today. And the sustainability of private insurance is not just a private sector concern. These plans ensure many New Brunswickers have access to the care they need without driving additional costs to government.

We firmly believe that any provincial drug pricing regime needs to be applied equally, whether the drugs are paid by government, an employer benefit plan, or out-of-pocket by the consumer. Based on experiences in other provinces like Ontario and Quebec, it has been shown that if there are two prices in the market, there is a significant cost-shifting from public to private plans.

Recommendations – Summary:

We have been working closely with the CLHIA and fully support the detailed strategy recommendations provided in their comprehensive submission. As the leading health insurance provider in New Brunswick, we also feel it is important to reaffirm our position by highlighting two areas that are of utmost importance:

1) Parity for Public and Private Payers: Generic pricing reforms need to apply to all New Brunswickers, including those covered by government and private programs. Experience from other provinces has shown that if this is not the case, there will be cost-shifting in the system and the costs to private plans will increase. This results in a two-tier system, where private plans are treated differently and absorb the burden of increased costs. Employers and residents of New Brunswick cannot afford further drug pricing increases.

2) Cap Generic Drug Prices: The drug pricing strategy should set a cap on the prices of generic drugs that is fair and equitable for all New Brunswick residents (for example - Ontario and Quebec have announced their intention to cap generic drug prices for all payers at an eventual 25% of brand prices). It is also important that the cap on generic drugs apply to all generic drugs approved for sale. If the cap is only on drugs covered through the provincial formulary, this would lead to cost-shifting to drugs not covered under the formulary, which would detrimentally impact private drug plans.

Conclusion:

Benefits costs are rising at unsustainable rates, with the rise in prescription drug costs accounting for the majority of the increase. We all have a role to play - government, pharmacies, benefits providers and even plan members to ensure the future sustainability of benefits in this province. There is an important need for drug pricing reform. The benefits of a strategy that caps generic drug costs for all New Brunswickers would be significant, with the opportunity for great savings for government, employers and all residents. These savings will help to protect the affordability and sustainability of public and private drug programs.

We look forward to continuing to work with the Government of New Brunswick and the CLHIA on this important strategy.

Sincerely,



Laurier Fecteau
Senior Vice-President, Private Business