Protecting the Health of New Brunswickers
Submission in Response to “Fair Drug Prices for New Brunswickers”
Prepared by the New Brunswick Pharmacists’ Association and
The Canadian Association of Chain Drug Stores (CACDS)

Introduction
The New Brunswick Pharmacists’ Association (NBPA) and the Canadian Association of Chain Drug Stores (CACDS) have prepared this joint submission to provide feedback on the elements of the Fair Drug Prices for New Brunswickers initiative.

This document should be regarded as a public submission, addressing only the issues raised by the Department of Health in its July, 2011 announcement. A more detailed financial proposal should be developed in the weeks ahead, which will address the myriad issues linked to drug pricing, including mechanisms to protect and enhance the provision of accessible, high quality care by community pharmacists to the citizens of New Brunswick. The deadline of August 15, 2011 for the receipt of submissions under the government’s consultation process is of course separate from the longer time needed to arrive at a new compensation model for New Brunswick pharmacies.

It is vital that the Department of Health and pharmacies arrive at a mutually acceptable long-term solution that will benefit all New Brunswickers while providing the savings on generic prices sought by the government. The opportunity for a comprehensive consultative process is vital because of the potential for unintended consequences for community-based health care in New Brunswick. As the key stakeholder in the delivery of pharmaceuticals and other pharmacy services, pharmacists bring a unique understanding of the challenges and potential solutions.

Our main concern is ensuring that pharmacy can continue to play its vital role in protecting the health of not just beneficiaries under the New Brunswick Prescription Drug Program but all residents of the province. We support the goal of reducing drug costs and want to work with the government – as we have in the past – to achieve it.

We look forward to working with the government over the next several months to develop a mutually beneficial means to strengthen health care and protect the vital role pharmacists play in our health care system.
Background

In July 2011, the Minister of Health announced that the Department was working on a plan to get fairer prices for prescription drugs for New Brunswick. The minister stated that New Brunswickers pay more for generic drugs than most developed countries and several provinces in Canada. We understand that the Department has two broad goals:

1. Lower generic drug prices
2. Support pharmacy services

While there is no doubt that the prices of generics drugs have been higher in Canada than in several other countries, it is important to bear in mind that generic drugs only account for 24% of total public expenditures on drugs and are only one contributor to rising health care costs. In fact, the introduction of new multisource drugs is a key factor in bending the drug cost growth curve as has been seen in recent years, and this trend is expected to continue over the next three years with the introduction of multisource versions of other “blockbuster” drugs.

There is also a misapprehension by some observers that the number of community pharmacies is increasing out of proportion to the number of prescriptions dispensed. This is unfounded. IMS Health data for 2009 indicate that Canadian pharmacies dispensed approximately 483 million prescriptions, an increase of 5.5% over 2008. Between 2005 and 2009, the annual compound growth rate of prescriptions dispensed was 6.4%, but that rate of growth in prescriptions has now slowed to 3.6%. Over the same 2005 – 2009 period, however, the growth in the number of retail pharmacies has been essentially the same, 6.6%. This means that, contrary to the perceptions of some, the net increase in the number of pharmacies is simply keeping pace with demographics, which is what is truly driving prescription and consequently, cost growth.

NBPA and CACDS submit that other contributors to rising health care costs such as increased drug utilization, inappropriate or over-prescribing of medications and public policies that slow the listing of generic molecules play a much a larger role than generic drug pricing in overall health care costs and must be considered in tandem with generic drug pricing policies.

Pharmacy has always shown a willingness to work with the government for the benefit of New Brunswickers, and remains committed to working toward a new long term agreement that will allow the government to achieve its two goals. But the two goals must be achieved in a commensurate manner; that is, the currently high levels of professional pharmacy services cannot be sacrificed on the altar of lower generic prices. We urge policy makers to work with pharmacy and to utilize pharmacist expertise to maximize its health care dollars and most importantly to protect and improve the health of New Brunswickers. Policy makers are planning to take away indirect funds from pharmacy. Other provinces such as Nova Scotia and Saskatchewan have reinvested 50% of the savings back into pharmacy services.

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Overview

A viable community pharmacy sector enables the delivery of all publicly and privately funded drug programs to patients across Canada, including the New Brunswick Prescription Drug Program (NBPDP). Indeed, it is no exaggeration to state that the community pharmacy sector represents the operational arm of the NBPDP, and that community pharmacies act as the agents of the program. This is an important element in the discussion. The media and public often wonder why government cannot get the benefit of lower prices as a result of “bulk buying”, and the answer is simply this: governments do not buy or manage the inventories. Pharmacists in fact manage those inventories and also deal with all the costs sustained through the supply chain for all New Brunswickers, not just for beneficiaries of the public program.

As a result, pharmacy revenues are significantly affected by their ability to negotiate commercial allowances with manufacturers. In other words, pharmacies cannot be expected to take on all responsibility for drug procurement, maintain supply chain integrity and assume all financial risk, while public policy unnecessarily restricts pharmacies’ leverage and control by interfering in its commercial terms with suppliers.

As the Department works towards achieving its two goals, there must be a clear recognition that New Brunswick pharmacists have increased their scopes of practice and want to work with government to further expand these scopes to improve health care delivery, but the economic impacts of any changes must be balanced with fair compensation for this work. There must be no uncertainty as to whether the economic impacts of these measures will severely impede pharmacists’ abilities to deliver these services.

NBPA and CACDS support the government’s goal of lower drug prices for New Brunswickers but any changes need to:

1. Be implemented over a reasonable period of time to adequately allow pharmacy to introduce and adapt to new business models
2. Be accompanied by professional pharmacy services that are supported by policy makers
3. Ensure that adequate funding for pharmacy services, including core dispensing services, is in place.

The implementation of any changes to drug pricing needs to recognize the professional expertise of pharmacists, along with the economic and business realities of owning and operating a pharmacy. Unintended consequences will occur in the supply chain as a result of sudden and drastic changes to pricing. Indeed, departmental staff have informed us that - in other provinces where generic drug pricing policies have been implemented - the expected price reductions are only between 70% and 75% of the expected savings. This appears to be due to unexpected exceptions related to manufacturer issues.
Pharmacists are integral to improving not only the quality of health care but also the access to it throughout the province. As New Brunswick undertakes a review of its drug pricing and reimbursement policies, it must also be committed to ensuring that the infrastructure and capabilities of community pharmacy and the unique expertise and front-line patient relationships are utilized to their maximum potential.

It is critical that commensurate with reforms to generic drug pricing, measures must be taken to ensure that the health care services provided by community pharmacists are fairly compensated and sustainable. A balance must be struck between the need to better manage costs and the need to provide adequate health care services to all New Brunswickers - urban and rural.

Comments on the two Goals

**Lower Generic Drug Prices**

We need to acknowledge that drug prices in Canada should be coming down. Between 2011 and 2015, it estimated that approximately $6.6 billion in sales of such large-volume brand-name pharmaceuticals as Crestor®, Atacand®, Plavix®, Advair®/Diskus, Cozaar®, Micardis® and others will become subject to generic competition. This means that the historical growth rate of expenditures on pharmaceuticals in Canada will inevitably decline, a trend that has already begun. For the 12 month period from July 2010 through June 2011, total drugstore and hospital purchases actually declined by 2.2%.

The Department has laid out two options for lower generic drug prices:

- Set generic prices by capping prices based on a percentage of the price of the equivalent brand name drug
- Address pharmacy rebates, by requiring generic manufacturers to report the rebates paid to pharmacy and/or limit the amount of those rebates, and also considering regulating the rebates paid

There has never been greater uncertainty in the pharmaceutical supply chain both across Canada and globally. With the rapid consolidation of both the brand and generic manufacturing sectors, Canada is at risk of becoming a marginal market for international organizations, particularly given the rising demand for pharmaceuticals in emerging markets. It should also be remembered that government is not in fact a purchaser of drugs, only a payer of claims on behalf of a beneficiary. It is community pharmacies that must decide on their suppliers, and they cannot become in effect the payers of first resort by absorbing any differences between the prices reimbursed by NBPDP and the invoiced price.

Any change to public policy that impacts the price paid for drugs will have an immediate impact on the price paid by private payers, whether or not government takes specific action in this regard. Most private payers contractually limit their reimbursement to that paid by government – unfortunately these same payers will not be forced to fund new pharmacy services. As the
The impact of pricing changes is substantial, it is critical that changes be implemented over a reasonable period of time to allow adequate time for pharmacies to change their business models and for sufficient utilization of new pharmacy services by the public to occur. Failure to do so may result in the closure of pharmacies that are unable to survive this period of transition. Nevertheless, NBPA and CACDS believe that the government can achieve its savings under a mutually agreeable percentage, provided that a meaningful portion of those savings are reinvested in pharmacy services, and provided that a sufficient amount of time is provided for the transition to a reformed pharmacy business and professional model.

On the issue of rebates, it is clear that government actions to lower generic prices will have a corresponding impact on the allowances, or rebates paid by generic manufacturers to pharmacy owners. Rebates are legal, contractual agreements that reflect commercial terms within the retail supply chain environment. NBPA and CACDS believe that it is neither necessary nor appropriate for the government to dictate the commercial terms between pharmacies and suppliers because manufacturers are already responding to government’s desire for lower prices, by changing their business models and lowering their prices. As a result, manufacturers have substantially decreased allowances or rebates paid to pharmacies, and this trend is expected to accelerate to the point at which they will constitute an inconsequential part of pharmacies’ revenues.

However, we believe that the government must acknowledge that the historical underfunding of pharmacies in terms of its basic dispensing fee and other compensation has compelled pharmacy to remain sustainable by seeking other revenue streams, including allowances/rebates. This underfunding has been confirmed by three independent studies in Ontario, Newfoundland and Labrador and British Columbia over the past 4 years. They have confirmed that the cost to provide a prescription to a patient is between $13.00 and $15.00, accounting for post – 2008 inflation. With a current basic, core dispensing fee of $9.40, it is reasonable to conclude that a funding gap of approximately $4.00 exists in New Brunswick. We understand that the NBPD has a different perspective based on the total dispensing fees paid, but under any utilization scenario it is undeniable that a funding gap exists. Moreover, that basic $9.40 fee came into effect in 2009, the first year since 2001 that the fee was increased. And unlike most other provinces, no markup is allowed under the New Brunswick Prescription Drug Payment Act. A combination of 0% mark-up with a low fee for dispensing, means reimbursement for pharmacy services in New Brunswick is near, or at the bottom in Canada. This deficiency must be rectified.

In addition, these allowances have been the primary mechanism by which pharmacies have assisted government by providing an array of incurred – cost services which to date are

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Generally provided at no charge, such as counselling regarding the management of chronic diseases and associated co-morbidities, advice regarding potential drug-drug and drug-food interactions, public health advice, information about health promotion and disease prevention, advice on self-medication, and information to deal with health concerns for those patients with no access to a family doctor. All these services have reduced the need for other health care system services, such as out-patient and emergency room consultations.

In fact, a recent study in Finland found that the value of these services exceeds the actual expenditures made for all publicly funded drugs. In this way, the public has been the beneficiary of services that are subsidized by manufacturer allowances. If the availability of rebates changes without government addressing the underfunding issue, many pharmacies, particularly those in rural areas, may have little alternative but to reduce services, reduce hours, lay off staff, or even close altogether.

In New Brunswick, rebate dollars from generic manufacturers are redirected to offset costs to nursing homes and therefore nursing homes are already seeing the benefits of lower prices and will need to have their models adjusted to reflect the significant reduction in rebates available.

Many rural pharmacies do not operate with the same economies of scale and cost efficiencies as urban pharmacies; the attrition of rebates will significantly affect their viability. In fact, data from the 2008 study in NL confirms that the average profitability in communities of fewer than 1,000 persons was only 0.1%. Currently, there are approximately forty communities in New Brunswick serviced by only one community pharmacy. Any initiative that threatens the viability of those pharmacies in particular and rural pharmacies in general will compromise the quality of health care to the residents of New Brunswick.

We understand that the Department has no intention of adopting any sort of tendering process in its reforms to generic pricing. NBPA and CACDS agree with that position, since the tendering of drugs, although promoted by some observers with less knowledge of the pharmaceutical supply chain, limits the range of therapeutic choices for patients and pharmacies, and could have a dramatically negative impact on the current supply environment, which is already showing an increasing inability to supply key molecules. In the last few years, Canada has experienced unprecedented shortages of many prescription drugs. There is a set of complex interdependencies in the supply chain, and tendering will:

- Distort the existing dynamics of the market and upset the commercial relationships between manufacturers and pharmacy retailers.
- Compel patients to change medications based on who has won the tender, increasing the risk of confusion, error and non-adherence.
- Lead some manufacturers who are continually unsuccessful to exit the New Brunswick market and ultimately the Canadian market, thus lessening the number of sources for the drug and making patients increasingly vulnerable to shortages – e.g. in the case of safety-related recalls or withdrawals, or subject to switches back to original patented brands, thereby increasing NBPDP costs.
• Create a disincentive for generic manufacturers to engage in lengthy and costly patent litigation, since the risk-reward ratio is minimal. If that happens, brand exclusivity would be potentially lengthened, clearly an unintended consequence. As well, brand manufacturers may re-enter markets in a strategy to squeeze out generic competitors in the short term, leading to reduced competition, monopolies and price increases in the long term.

**Support Pharmacy Services**

Under options for pharmacy services, the Department has committed to the implementation of the NB PharmaCheck™ medication review program, and to new pharmacy services. NBPA and CACDS agree that this support will more fully utilize pharmacists’ skills and expertise and assist New Brunswickers to better manage their medications. The 2010 PharmaCheck™ pilot program was a major success, with high rates of participation and patient satisfaction. We agree with the Department that the PharmaCheck™ medication management program should now move forward as a province-wide initiative, and that the range of services be more broadly defined, included in the model, and adequately funded. In particular, the CDA, NBPA and CACDS support the development of a dedicated medication review program within PharmaCheck™ for pre-diabetic and diabetic patients as a priority, and with pharmacies integrated into the comprehensive provincial diabetes strategy now underway.

As we have pointed out in previous submissions to the government, the engagement of pharmacists to practice to their fullest professional capability can reduce the rate of growth in health care spending by mitigating expenditures in other areas, particularly primary care. NBPA and CACDS have noted the recent findings of the New Brunswick Health Council (NBHC) primary health care survey, which found that only 22% of New Brunswickers reported that their family doctor has an after-hour arrangement when their office is closed, and that only 30% can get an appointment on the same day or the next day. The survey also revealed that 29% of New Brunswickers with three or more chronic health conditions “rarely or never” talk with a doctor, nurse or other health professional about the steps they could take to improve their health. The study also revealed that a high percentage of New Brunswickers report taking a medication to treat a chronic disease. Nearly half could not say why. As the CEO of the NBHC has pointed out, the continuity and coordination of care in chronic conditions such as diabetes, high blood pressure and heart disease is important. Pharmacists are the most accessible health professional, and they are asked daily to provide expanded services to New Brunswickers without access to a family doctor. Clearly, these findings strongly support the need for a province – wide PharmaCheck™ program.

Since 2008, pharmacists have had the ability to prescribe and perform prescription adaptations, but these unfunded services may have to be rationalized if the Department proceeds with reductions to generic prices without a reinvestment in these and other services. It is therefore essential that the Department and pharmacy arrive at a revamped, service – based compensation framework in which core dispensing fees paid are commensurate with the costs
to dispense, and the funding of new pharmacy services is both adequate and sustainable. We have provided the Department with recommendations on the range of new services that could be funded as well as potential costs, and look forward to working with the Department as quickly as possible to arrive at an agreement.

A few items of significance are not in the scope of this document:

- Investments in technology like a Drug information System are being developed by the Province, but our requests for funding to support connecting pharmacy vendors to the government network has been turned down.
- Investments in a Therapeutic Substitution program that would encourage pharmacists to make assessments and to substitute expensive brand products, with lower cost generic products should be considered and implemented.
- Investments in a 30 day trial prescription program for new medications should be implemented. This would reduce waste, and identify more appropriate therapies sooner. These items, and more should be considered when developing a broad prescription drug policy.

Conclusion

Pharmacists want to work with the Department of Health to achieve a framework for drug pricing that will serve the public interest and allow government to pay lower generic prices while not negatively impacting pharmacists’ ability to deliver essential health care products and services. As noted earlier in this submission, NBPDP programs may be funded publicly, however, they are delivered by professional pharmacists employed by private pharmacy owners whose ability to provide products and services is dependent on a viable and sustainable business model.

A robust and sustainable community pharmacy sector is essential to maintaining access to and the reliability of pharmacy health care services, including New Brunswick’s publicly funded programs. Although New Brunswick is the eighth province to be undertaking these types of reforms, it is only the second province of its size and socioeconomic status to consider this range of changes to its pricing and reimbursement policies. New Brunswick’s community pharmacies serve a population that is older and living with higher rates of chronic disease than in other provinces. We understand the Minister of Health recognizes that our province can not simply copy reforms undertaken in other larger provinces. We need a made-in-New Brunswick solution to ensure there are no unintended consequences from reforms under the Fair Drug Prices for New Brunswickers process.

Therefore, a comprehensive approach is essential; no reforms should be implemented until the elements of generic pricing, the integration of expanded services into provincial health care priorities, and a new pharmacy funding model are in place. NBPA and CACDS look forward to working intensively with the Department and the government to arrive at a more comprehensive and sustainable solution beyond the August 15, 2011 deadline of this consultation process that
will result in the best possible community pharmacy – delivered health care services for New Brunswick.