

PharmaChoice

August 5, 2011

The Honourable Madeline Dubé
Minister of Health,
New Brunswick Department of Health
520 King Street, 6th Floor
Fredericton, NB
E3B 5G8

Dear Minister:

Community pharmacies are a vital component of health care in New Brunswick. Pharmacists are knowledgeable, skilled and accessible to the public. Patients turn to pharmacists as the first point of contact within the health care system. Pharmacists assess and advise patients providing valuable triage services. This means fewer physician visits and reduced ER usage. These services are provided at no charge to the patient... or to the Health Department.

Pharmacists provide a lot of services for which they do not charge: prescribing, providing liaison between patients and physicians, managing complex insurance problems on behalf of patients, counseling about medications, disease states and addictions, providing medication management systems, providing clinics, delivery services, patient callbacks and others. There is a significant cost to providing these services and it is borne by the many community pharmacies throughout the province.

The true cost of dispensing a prescription is between \$13 and \$15. This figure has been corroborated in three studies conducted in Canada in the past four years. This cost does not include any profit; it represents the actual cost of delivering the service.

The dispensing fee paid by NBPDP is currently \$9.40 and has only recently risen to that level. Pharmacies cannot survive and maintain the current level of service if they are under funded. The gap in funding is currently bridged by payments from generic manufacturers to support the provision of a wide range of professional services. If this support from the generic industry is reduced by government policy, the gap will have to be made up elsewhere (extra-billing, fees for the numerous services currently provided for free) or the services will be reduced.

Of New Brunswick's 214 pharmacies, 41 are the only pharmacy in their community. The cost of providing services in rural and remote areas is higher than in urban areas. Look at any service provided by any government department and the same cost of delivery pattern will be evident.

If the New Brunswick government is serious in its stated goal to “support pharmacy services” it must be particularly sensitive to maintaining service in rural and remote areas. One way to support these single pharmacy communities is to ensure that higher fees are paid on a base number of prescriptions filled annually (the province of Quebec has used a base of 20,000 prescriptions). This makes sense since operational costs (per prescription) tend to diminish as business volumes increase.

Another way that pharmacy services can be supported is to establish a new payment system that rewards pharmacies for saving public money by reducing physician visits and ER visits.

The government intends to regulate the cost of generic drugs. That action must be taken in the full knowledge that there are two sides to the equation. The current price of generic drugs allows manufacturers to pay pharmacies professional development allowances that subsidize the cost of services. If the prices are pushed significantly downward, pharmacies will lose their operational subsidy and will require a new source of funding if services are to be maintained. Since the Department of Health is one of the primary recipients of the benefits from these services (lower physician costs, lower ER costs, reduced hospitalization etc), new funding will be required to make up the shortfall.

Pharmacies don't set drug prices. Pharmacies are businesses and need to provide a reasonable return on investment for their owners. Rebates or volume discounts or whatever you may call them are a typical part of any retail business model. The New Brunswick Liquor Commission receives rebates on purchases from suppliers, so do car dealerships, department stores, grocery stores etc. There is nothing inappropriate about such payments they are part of the structure of business.

There is no value to government involvement in the payment arrangements between generic drug suppliers and pharmacies. It is obvious that if prices are pushed downward, the available allowances will shrink. Regulating this part of the industry (the payment of allowances) would be discriminatory unless all allowances paid in all industries were equally regulated.

Private insurers are advocates of lower drug prices for their clients. As they benefit from reductions in prices, they too should share in the costs of maintaining pharmacy services. The private insurance industry should be required to pay for medication reviews, prescribing, prescription adaptation and the clerical work that has been offloaded from the insurer to pharmacies. Private insurers should also face increased regulation to protect the interests of the public. Insurers should not be permitted to exclude pre-existing medical conditions or to refuse insurance.

When the government of New Brunswick does create a new funding model, we ask that several key issues be given careful consideration.

- A price drop on generic drugs must be accompanied by an equitable new source of funding for pharmacy services.

- Any change in revenues should be made gradually over several years to allow businesses an opportunity to adapt.
- Particular consideration should be given to ensuring that rural communities continue to have financially viable pharmacy services.

Who is PharmaChoice?

PharmaChoice has over 330 independent stores across Canada and we represent 13 independent stores in New Brunswick that employ over 200 part time and full time employees. PharmaChoice is an Atlantic based company with our national head office based in Dartmouth. We provide resources to our member pharmacies to assist their marketing and buying programs. Our locations in New Brunswick range from Perth Andover to Rogersville with the majority of our locations in smaller, rural markets.

Our business mix is more of a traditional pharmacy operation with over 80% of our volume coming from the prescription category. Our member pharmacies pride themselves in knowing our customers on a first name basis, providing first rate pharmaceutical care and in many cases having served our patient's families for generations.

All of our pharmacy owners are leaders in their communities and support many local causes including charities, sitting on health boards, supporting local business in their communities, supporting youth through employment and educational funding and many other types of community involvement.

Sincerely,

Calvin LeRoux,
CEO

PharmaChoice NB Members

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