

## **Protecting the Health of New Brunswickers**

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Pharmasave Drugs Atlantic Ltd. is pleased to provide this submission as part of the consultation process for the New Brunswick government's "Fair Drug Prices for New Brunswickers".

The New Brunswick government should be commended for consulting with all stakeholders on this issue of critical importance to the health care system. We thank you for the opportunity to provide our thoughts regarding components of prescription drug pricing, pharmacy services, the business and practice of community pharmacy.

Pharmasave is one of the leading independent retail community pharmacy organizations in Canada with 74 locations in Atlantic Canada. As a co-operative of 14 independently owned and operated community pharmacies in New Brunswick working together under the banner of Pharmasave, our store owners and our pharmacists have a front line understanding of the needs of patients in the communities that we serve.

We invest time and resources in support of pharmacy organizations such as the New Brunswick Pharmacy Association (NBPA) and the Canadian Association of Chain Drug Stores (CACDS). We participate in the work undertaken by both NBPA and CACDS and generally support their messages and positions as reflective of our own. As an organization, Pharmasave brings the spirit and energy expected from entrepreneurial independent professionals as well as a slightly different perspective to this discussion. We believe this will add value to the consultation process.

Before addressing some key components, we want to emphasize that Pharmasave supports change in the community pharmacy sector. In addition, we support and are encouraged by the working relationship between the New Brunswick Pharmacy Association (NBPA), the Canadian Association of Chain Drug Stores (CACDS) and the New Brunswick Department of Health.

At Pharmasave, we believe that industry and stakeholder consultation is the best path to developing and implementing effective and meaningful change. Further, we are convinced that working together we can achieve fundamental and systemic change in all contexts in the sector which will help government:

- Provide better health outcomes to New Brunswickers,
- Stem the growth of health care costs.
- Increase New Brunswickers access to front line health services, and
- Reduce the cost of generic medications for all New Brunswickers.

With the recent drug reform policies implemented in other provinces, the expanded role of pharmacists and the fiscal reality in NB, Pharmasave understands that the government needs to develop policy around drug pricing, pharmacy reimbursement and new pharmacy services.

As pharmacies are the providers for the New Brunswick Prescription Drug Program (NBPDP), it is crucial that government have some understanding of the pharmacy business and practice models. In particular that this business model relies on revenue generated from professional allowances to fund gaps in dispensing fees, inventory management, drug plan administration, and health care services such as compliance packaging, clinics, community education, prescription adaptation and on demand counselling. We recognize that this business model must change but are concerned when the government is

looking only to discuss generic drug prices and pharmacy services as part of the “Fair Drug Prices for New Brunswickers” strategy. All components of pharmacy’s business and practice model must be considered. In addition, the successful implementation of new pharmacy services relies on a pharmacy that has sustainable core dispensing.

Government needs to ensure that sufficient time can be allocated to develop a “made in New Brunswick solution” for the future success of the drug program and pharmacy in the province. We believe the collaborative process in place should be broad enough to:

- Define care gaps that pharmacists can fill,
- Identify a menu of health care services beneficial to patients that can be effectively provided by pharmacists, and
- Build a modern and scalable model for pharmacy reimbursement that will appropriately fund both drug delivery and the provision of health care services.

Creating a stable funding model will provide surety and predictability for budgeting drug and pharmacy expenditures for government and potential savings for taxpayers. This will also enable the appropriate transformation of community pharmacies towards being more active front line health providers. At the same time, stable funding is required to maintain and improve an accessible, efficient and effective medication distribution system for the population of New Brunswick.

As the terms for reimbursement are being developed, it is imperative that a fair model of compensation address the needs of government, patients and pharmacy. Pharmasave supports government’s need to better manage costs and to derive greater value from the dollars invested in health care. A

modernized model of funding pharmacy should incorporate the following elements:

- Reductions in multisource drug pricing (generics).
- Reinvestment of savings in expanding drug benefit coverage as required.
- Expenditures to improve the delivery of front line health services through pharmacists.
- Adequate reimbursement for core dispensing services to maintain access.
- An appropriate transition period to ensure that government, medication suppliers, pharmacies and pharmacists all work together to implement changes in the manner most effective for patients and taxpayers.

We are committed to continuing our work with NBPA, CACDS and the Department of Health to identify the nature and extent of changes needed both in respect of and in addition to generic drug pricing and pharmacy services. Having said this, we cannot stress enough the importance of government researching and considering all elements of community pharmacy business and practice models. The components that must be considered include:

- Generic drug prices
- Impact on professional allowances/rebates
- Brand name drug prices
- Dispensing fees
- Inventory management fees (mark-up)
- Transition period
- Transition fees
- Tendering
- Pharmacy services fees (i.e. prescription adaptation, therapeutic substitution, ParmaCheck, injections, emergency prescribing, minor ailments)

- Written agreement with start and end dates
- Impact of government policy on the private sector

A drug policy that only deals with generic prices and reimbursement for pharmacy services is not appropriate to ensure the sustainability of pharmacy and the provision of quality pharmacy health care services. At this point in our submission, we would like to share our position on some of the key elements noted above.

### ***Setting Generic Drug Prices***

Before a discussion on setting generic drug prices, we would like to express the importance of improving the time to listing of generics on the formulary once they are on the market. This is one of the most effective policies to achieve cost savings. In addition, brand name drug prices and formulary policy around brand listings must be reviewed as these medications account for almost 75% of total drug costs.

Pharmasave supports reductions in multisource generic drug pricing through two steps:

1. Reductions in pricing on new molecules. This step will produce immediate substantive savings to government with less negative impact to pharmacy. Consequently we suggest that this be contemplated as a priority.
2. Reductions in pricing on existing molecules. This step will have an immediate negative impact on pharmacy revenue and consequently must be staged in a responsible manner such that continued access to pharmacy products and services is assured.

Our support for price reductions and specifically for the concept of “price caps” as contemplated is expressly conditional on the means through which such caps are implemented.

We have seen in other jurisdictions where sudden implementation of radical price caps without meaningful consultation with industry stakeholders has resulted in limitations on access to certain medications, pricing discrepancies which ultimately penalize either the patient or community pharmacist and confusion in the sector. This confusion results in government having to deploy a significantly higher number of personnel with additional corrective regulations to address the many unintended consequences of an implementation process that proved to be flawed.

Some specific issues that need to be addressed in developing and implementing a price cap model include:

- Ensuring that pharmacies can purchase multisource molecules at the reduced prices specified by government in the NBPDP formulary,
- Finalizing any pricing exceptions before the implementation of reduced rates to avoid penalizing patients or pharmacists,
- Adjusting allowable supply chain and pharmacy mark-ups to offset the impact of deflation and reductions in existing cross subsidization from multisource product rebates, and
- Working with the implementation schedule to include an inventory turn-around period to allow pharmacies to transition on-hand inventory to the reduced prices.

Finally, as you are aware, generic price reductions will significantly reduce the pool of indirect revenues that currently support pharmacy practice. We are encouraged that the New Brunswick government is considering funding new

pharmacy services such as PharmaCheck and prescription adaptations. Continued and accelerated investment in pharmacist services that provide improved patient outcomes while being fiscally responsible will be essential to help offset the staged reduction in indirect revenues as generic prices are reduced.

### ***Limiting Pharmacy Professional Allowances/Rebates***

Although the government is not looking at this option during this process, we would like to share our position.

Pharmasave does not recommend that government intervene in negotiated commercial terms with pharmacy pharmaceutical or wholesale suppliers through regulating rebates. As noted in the previous section, setting generic drug prices will provide significant savings to government. Through this mechanism alone the funds available for rebates will be materially reduced. In addition, the regulation or elimination of rebates will require a significant level of bureaucratic administration, the cost of which would be contrary to the New Brunswick government's stated desire to reduce the amount spent on health care administration. Finally, we respectfully submit that it is contrary to the interests of the government and the tax payers for government to regulate agreements and relationships negotiated in the private sector. The government's primary focus should be on the delivery of health care through pharmacy services and products in the most effective and efficient manner, and not on the regulation of private sector agreements.

### ***Pharmacy Services***

In 2008, pharmacists in New Brunswick received authorization to expand their scope of practice to include services such as:

- Prescription adaptation

- Therapeutic substitution
- Emergency prescribing
- Administration of injections (i.e. immunizations)
- PharmaCheck (medication reviews)

A commitment to reimbursing pharmacies for new pharmacy services will lead to improved access to quality health care, safety and outcomes for New Brunswickers. Further, by expanding the role of pharmacists in primary care, the increasing costs of the New Brunswick health care system may be slowed by reducing the need and demand for more costly health care interventions such as physicians' visits, emergency room visits, and hospital admissions.

Please note that these services are at risk of poor access if core dispensing is not sustainable to ensure adequate pharmacist staffing on the front lines.

### ***Tendering for Medications***

Although the government is not looking at this option during this process, we would like to share our position.

Pharmasave does not support tendering of multisource pharmaceuticals. In jurisdictions where this has been done, such as New Zealand, it has been demonstrated that there is an increased risk of drug shortages and a withdrawal of pharmaceutical manufacturers from the market.

A key issue in the future for small markets such as New Brunswick will be access to and security of supply, of multisource medicines. There is a world wide shortage of major API (active pharmaceutical ingredients). Demographics as



well as the demands of developing nations are putting intense pressure on the manufacture and supply of generic pharmaceuticals.

Manufacturers have demonstrated that they may not participate in tenders and may withdraw partially or all together in tender environments which restrict their ability to compete in a free market. This would not be a good outcome for government or for New Brunswickers. Further, if tendering were implemented, government would require an infrastructure and increased staffing to monitor and ensure on-going supply, thereby substantially increasing administrative costs.

Setting Generic Drug Pricing will provide material savings, if constructed appropriately while still allowing the benefits of a competitive market-driven environment.

### ***Defining the Price Paid to Pharmacies for Drugs***

Although the government is not looking at this option during this process, we would like to share our position.

Pharmasave would support the implementation of defined pricing paid to pharmacies for medications reimbursed under Pharmacare. This support is conditional on ensuring that pharmacies are able to purchase drug products in the province for the defined prices. We believe that through modification of existing regulation and policy, manufacturers should be required to sell product in New Brunswick at a price established by the drug program as a condition of listing on the provincial formulary.

In the case where there is a documented discrepancy between the defined price and the available purchase price, pharmacies will require a mechanism to

recoup the discrepancy either from the patient or from the drug program until such time as the discrepancy has been satisfactorily resolved. Pharmasave believes that a carefully constructed defined pricing system will produce the dual advantages of simplicity and transparency. This will ultimately benefit both government and pharmacy through reduced administrative burden.

In addition, and as part of a new “defined cost” model, pharmacies need to be compensated for the administrative and material costs associated with carrying the inventory (inventory management fee or mark-up). This is essential to the viability of community pharmacy.

Whatever reimbursement model is developed, it is crucial that the pharmacies in New Brunswick have a written agreement between them and the province that has definite start and end dates. This agreement will serve as the basis upon which both reimbursement terms and policies can be discussed, documented and agreed upon. Both pharmacy and government would benefit from this process which exists in many other provinces and serves to strengthen the collaborative working relationship.

### **Conclusion**

Pharmasave is willing to commit time and resources to ensure that pharmacy plays an enhanced role in protecting the health of New Brunswickers. We support the goal of reducing the cost of prescription medications and welcome the opportunity to work with you to achieve a long-term reimbursement agreement that delivers material savings to government, improves access to front line health care services provided by pharmacists, and improves the access and health outcomes of New Brunswickers. We are confident that these goals can be realized through a careful and constructive plan for change along with a well developed implementation strategy.

While we look forward to developing a close working partnership with you and other stakeholders, we encourage you to continue your dialogue with NBPA. We need to stay focused on producing a new agreement that could well set a new standard for progressive and innovative health care. We believe there is a way to balance cost savings, fair compensation for pharmacy, and an enhanced model of health care delivery that protects and improves the health of New Brunswickers.

Pharmasave is confident that through a collaborative process, New Brunswick can implement a modified funding program that will leverage pharmacists' professional expertise to improve access to care for New Brunswick, and reduce drug expenditures without any unintended consequences that negatively impact patient's access to medicines, overall health care costs or the health of the residents of New Brunswick.

***For further discussions, please contact:***

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