

We are writing to you today concerning proposed changes that we anticipate to be made to the provinces generic drug pricing and how these changes could severely impact our ability to operate our pharmacy in McAdam. My wife and I moved to McAdam in 1989 and have owned and operated McAdam Pharmacy since that time. Eighteen months ago we decided after 22 years of hard work and 31 years in the profession by my spouse, that we would like to sell our business and enjoy the fruits of our labour, confident that we had built a profitable enterprise that would be attractive to a potential purchaser. Well all that hard work on our part and even the viability of a pharmacy remaining in McAdam are in severe jeopardy if your government eliminates Professional Allowances without adequately compensating pharmacies for the actual cost of dispensing medications and for the countless other interventions that my wife Valerie, the sole pharmacist in our operation, performs on a daily basis with our clients. This indeed would be a sad state of affairs as there has been a continuously operating pharmacy in our community since the 1920's.

I think you would agree that community pharmacies are a vital component of health care in our province. Pharmacists are skilled, knowledgeable and accessible to the public. Patients turn to pharmacists as the first point of contact within the health care system where they assess and advise patients which can ultimately lead to fewer physician visits and reduced ER usage. These services are provided at no charge to the patient or the Department of Health. Pharmacists provide a lot of services that they do not charge for including prescribing, providing liaison between patients and physicians, managing complex insurance issues on behalf of patients, counselling about medications, disease states and addictions, providing medication management systems, providing clinics, delivery service, patient call-backs and much more. All these interventions save the province money.

Rebates or volume discounts or whatever you may call them are a typical part of any retail business model. The NB Liquor Commission receives rebates on purchases from suppliers, so do car dealerships, department stores, grocery stores and countless other retailers. There is nothing inappropriate about such payments as they are a part of the retail business model. Regulating this part of our industry would be discriminatory unless all allowances paid in all industries were equally regulated. Professional Allowance enables our pharmacy to pay the costs for relief pharmacists (when available, not easy to find in a rural area) when my wife needs to go to a medical appointment or take a much needed vacation. Professional Allowances (PA's) enable us to pay staff, rent, and taxes, and in short to remain a profitable business. It is through no fault of ours that this compensation model arose in our industry, but successive governments have been unwilling to pay the real cost of dispensing. 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 and this figure does not include any profit; it simply represents the actual cost of delivering the service. The mark-up on the New Brunswick Prescription Drug Plan was eliminated more than 20 years ago, while it still remains in most other provincial plans, including Nova Scotia and Ontario. According to research done by the New Brunswick Pharmacists Association (NBPA) for a \$50 generic prescription in NB, pharmacies are reimbursed \$9.40 by the NBPDP. That same prescription is reimbursed at \$10.62 plus a 2% mark-up in Nova Scotia, for a total of \$11.62. That is \$2.22 more per prescription. For a small rural pharmacy like ours, doing approximately 21,000 prescriptions per year, you can easily see how just this scenario, based on a higher fee and mark-up could affect our viability.

In February the NBPA made a proposal to the NB Department of Health that fair compensation on the NBPDP should include compensation for dispensary inventory costs (currently that cost is ameliorated by PA's). Adequate compensation and PA's go hand in hand. One cannot be eliminated without addressing the other. I would also like to note that a change in drug pricing level in the public programs has an immediate impact on private plans also. However there would be no offset in revenues on private drug plans to compensate for lower generic pricing.

My wife and I couldn't have picked a worse time to sell our business. Shortly after our decision the province of Ontario eliminated PA's altogether and is reducing the cost of generics to 25% of the brand. Nova Scotia recently reduced their generic pricing to an eventual 35% of brand, but both provinces still retained a mark-up on their publically funded plans. Experts in the financial industry told us that the changes in Ontario effectively reduced the value of our business by 20%. If NB follows suit in the same vein as Ontario we doubt very much if we could sell our business and may be forced to close our doors when our lease expires. This is a very frustrating situation for my wife and I. The uncertainty of what the NB model will be remains to be seen. We do not have a pension plan, or a publically funded plan like many NB'ers. A large part of our nest egg was in the equity of our business, so to see this evaporate at the whim of government departments and bean counters is very exasperating to say the least.

As lifelong residents of this province we are keenly aware of the fiscal challenges we face in our home province; however as business owners, we realize that we at least have to break-even to remain a viable enterprise. Eliminating the existing business model for pharmacies in our province would be unwise and ultimately self-defeating for our province. We urge you to make our concerns known to government and the Department of Health and to speak out in support of rural pharmacy. Please listen and review the proposals put forth by the NB Pharmacists Association.

Yours truly,

Valerie & Keith Mac Pherson

McAdam Pharmacy

Keith Mac Pherson