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August 3, 2011

The Honourable Madeleine Dubé
Minister of Health, Government of New Brunswick
Department of Health
PO Box 5100
520 King Street, 6th Floor
Fredericton, New Brunswick
E3B 5G8

Dear Minister,

Re: Sun Life's Perspective on New Brunswick's Drug Pricing Strategy

Sun Life Financial applauds the Ministry of Health for initiating public consultations for the purpose of getting better drug prices for New Brunswickers. Our common objective is to ensure that New Brunswick residents benefit from better access to drugs while ensuring significant savings are reinvested into the system.

Rising Drug Costs

Spending on prescription drugs has recently grown faster than any other category of healthcare expenditures. Drug costs have grown at a rate far above economic growth. In fact, they have more than doubled over the past decade.

The cost of generic drugs is a significant contributor to this problem. Generic drug prices in Canada are amongst the highest in the world.

High drug costs have serious implications not only for government, but for the private sector and individual New Brunswickers. It is important to note that in many cases, even with a supplemental drug plan, employees often pay coinsurance and often share in the premium costs as well. Therefore, lower prices for generic drugs would translate directly and immediately into lower costs to the employer and the employees that share the benefits of the plan, thus contributing to the improved sustainability of private health plans.

As prescription drug costs continue to increase, there is growing pressure on employers who offer supplemental drug coverage. Sometimes this results in a reduction in coverage, or asking some of their employees to cover some costs out of their own pockets.

Well thought out and equitably applied reforms to drug pricing will result in important benefits for New Brunswickers. However, as experience elsewhere in Canada has shown, poorly designed reforms not only do not achieve the goal of constraining price increases, but also introduce inequities within the populous.

As a leading provider of group benefit products and services in Canada to over 10,000 plan sponsors (employers) serving over three million Canadians for their health and drug benefits,

Sun Life has a strong interest in ensuring that Canada's universal health care system, including equitable and affordable access to drugs, is sustainable. As such, I am writing to share my perspectives on this important public policy issue.

1. Apply new rules consistently for all New Brunswickers

With over half of the country's drug expenditures privately funded either through private insurance or out-of-pocket payment, insurance carriers and employers play an essential and complementary role in ensuring that Canadians have universal and comprehensive health and drug coverage.

While Sun Life is supportive of the current model of public-private partnership in health care delivery and financing, which is beneficial to Canadians, New Brunswick's public drug plan is clearly unsustainable. In sharing this responsibility, and significantly alleviating some of the province's health care costs, the private market is finding it increasingly difficult to ask employers (private insurance) and New Brunswickers (out-of-pocket) to shoulder additional drug-related expenses.

It is important that any provincial drug pricing regime be applied equally to all, regardless of whether the drugs are paid by the provincial Prescription Drug Program, an employer benefit plan or out of the pocket of a consumer. Experience in the other provinces has clearly shown that if this is not done, there is a significant cost-shifting in the system which limits the effectiveness of efforts to constrain drug price increases.

2. Cap Generic Drug Prices

We support implementing a cap on the prices of generic drugs that is fair and equitable for all New Brunswickers. For example – Ontario, has put legislation in place to cap generic drug prices at 25% of brand prices. We believe that these changes should apply to all generics on the market, and not just to those listed in the New Brunswick drug formulary. Such a cap will be increasingly important in the coming years as a number of significant blockbuster medications will be coming off patent protection and lower generic equivalents will become available for these products. It is important that all New Brunswickers share in the cost benefits of this shift.

3. Limit Pharmacy Rebates

In 2006-2007 the Competition Bureau initiated a study into the competitive framework for generic drugs in Canada. The study found that many generic drugs are subject to a high level of competition in Canada with the end of patent protection often leading to the entry of multiple generic competitors within a short period. However, in Canada the focus of this competition is on pharmacies, with generic manufacturers providing them off-list price rebates and allowances to have them stock their interchangeable products. The prices charged by pharmacies to the public did not take into account these rebates and allowances. As a result, competitive generic prices have not been passed on to the public plans or private payers. The rebates paid to pharmacies have accounted for 40% or more of generic drug expenditures.¹ This is why Ontario, has implemented measures to limit pharmacy rebates, but allow for benefits provided in accordance with ordinary commercial terms, such as monetary incentives from manufacturers by satisfying some of the following:

¹ "Benefiting from Generic Drug Competition in Canada: the Way Forward", Competition Bureau of Canada, November 2008

in accordance with ordinary commercial terms, such as monetary incentives from manufacturers by satisfying some of the following:

- Prompt Payment Discount
- Volume Discount
- Distribution Fees

As part of your Drug Pricing Strategy, we recommend that you define “ordinary commercial terms” for a rebate. The terms can be subject to reviews and audits, which will help ensure transparency for consumers. When implementing this policy, it is important to define what an actual “rebate” is and establish terms for adherence, which should support the guiding principle of universality.

4. Tender for one or more drugs

Drug Tendering can be an effective means of reducing drug costs. However, we believe that such agreements should benefit all New Brunswickers. For this reason, we recommend that you establish a clear and transparent method of tendering drug prices. The incentives created through these auction-style contracts for sole source supply, can result in substantially lower drug prices, often to commodity pricing levels.²

5. Establish rules around generic drug price increases and ensure transparency in pricing

To help address rapidly growing drug prices, we believe that there should be a limit on the amount of price increase allowed for existing generic drugs. One model to consider is the pricing model used for brand drugs by the Patented Medicine Prices Review Board (PMPRB). For example, under the PMPRB rules, existing patented drug prices cannot increase by more than the Consumer Price Index (CPI).

We believe it is also important for pharmacy markups on generic drugs to be applied to the manufacturers’ price and not the cost which already includes a distributor’s mark-up.

Regardless of the pricing model adopted, it is critical that there be transparent as possible so all parties involved in the purchase of medications are aware of the actual drug costs.

² Tendering Sole-Supply, p.6 “Influencing Drug Prices through Formulary Based Policies: Lessons from New Zealand”, Healthcare Policy Vol. 3, No. 1, 2007; Dr. Steven Morgan, Gillian Hanley, Meghan McMahon, Dr. Morris Barer

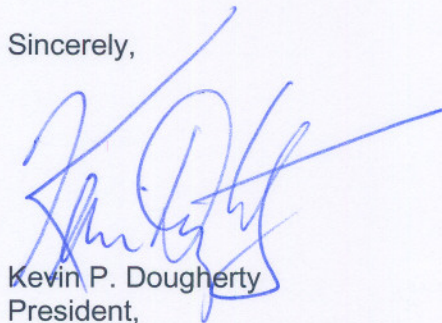
Conclusion

Sun Life is committed to finding an equitable and workable solution that calls for stronger collaboration between the public and private sectors, and balances competing interests so that no one group is significantly disadvantaged. Moreover, Sun Life believes that governments must find innovative and value-driven solutions that are consistent with the principles of the *Canada Health Act*.

Thank you for considering our perspective on New Brunswick's Drug Pricing Strategy. We look forward to ongoing discussion with you on this important public policy matter.

Please contact me or Stu Monteith directly if we can provide further assistance. Stu's email is Stuart.Monteith@sunlife.com and telephone number is 416-408-7445.

Sincerely,



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C.C.:

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