Municipal Pension Board of Trustees

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Health Canada
70 Columbine Driveway
Mail Stop 0910, Floor 10
Brooke Claxton Building
Ottawa, ON K1Z 0K9

Via email: PMR-Consultations-RMB@hc-sc.gc.ca

Dear Minister:

Subject: Patented Medicines Regulation Consultation

I am writing on behalf of the Municipal Pension Board of Trustees (the Board) in response to Health Canada's call for public comment on draft amendments to the Patented Medicines Regulation. We welcome the opportunity for public consultation.

Background

The Board administers the Municipal Pension Plan (the Plan). The plan is a multi-employer, defined benefit pension plan jointly governed by a board of trustees. It is the largest pension plan in British Columbia and the sixth largest pension plan in Canada with more than 300,000 members and more than 900 employers.

The plan provides access to extended health care (EHC) and dental benefits to almost 90,000 retired plan members and their families. In 2016 our administrative services only (ASO) EHC plan paid out $57 million in prescription drug benefits.

Our retired members receive modest pensions; the majority of our members are not affluent. As at December 31, 2015, the average annual pension in pay was $17,400, and the median annual pension in pay was $12,400, yet our members pay the majority of the costs associated with their EHC coverage. Our pension plan members are responsible retirement savers, decreasing their reliance on payments from federal social programs like GIS. But they struggle to pay for ever more costly prescription drugs.

Our analysis shows that EHC costs are rising significantly. There are a number of reasons for this, including an aging population, improved longevity, increased use of prescription drugs, more chronic conditions among the population, and increased prevalence of high cost specialty drugs, in addition to general inflation.

Since 2010, our EHC cost pressures have been offset by the growing use of and decreasing prices for generic drugs, and lower than expected inflation, but these offsetting pressures are not expected to continue. We are concerned that certain plan design features and external factors suppressing drug costs over the past five years may no longer be effective to control drug costs going forward. This projection appears to be true, as total drug claim dollars increased 24 per cent from 2013 to 2016.

Reg. T.M. Municipal Pension Board of Trustees

Prescription drug costs are the number one cost to the EHC program we administer, which is typical for an older population, and the single biggest driver of increasing EHC costs.

An independent drug plan management and health care analytics company conducted a thorough analysis of our members' prescription drug use over a three-year period, identifying some troubling trends:

- the growth rate of specialty drug claim spending was almost 45 per cent between 2011 and 2013, and
- the growth rate of non-BC PharmaCare drugs was almost 29 per cent over the same period.

After much analysis and consideration, the board concluded that fundamental changes to our group benefits program were required to contain costs within the available funding constraints.

At their meeting on March 31, 2016, the board approved changes to the group benefits program that will ensure the program continues to provide members with access to both extended health and dental coverage, and the best program value. More specifically, the board moved the Plan to a prescription drug formulary managed by Pacific Blue Cross (PBC) to increase affordability and to take advantage of lower cost and clinically effective medicines.

While the board wishes this was the end of these types of changes, as group benefits costs rise and the proportion of retired members grows faster than the active member population, maintaining subsidized group benefits premiums becomes more and more challenging. Even with the recent program changes, as costs for the benefits continue to rise and funding remains limited, the board expects there will be future group benefits plan design changes.

Proposed Amendments

We would like to congratulate the federal government on undertaking the regulatory review and taking steps to modernize patented drug pricing and achieve lower drug prices for all Canadians.

We support all five proposals, and see these amendments as a step in the right direction:

1. New economics-based price regulation factors that would help determine if a drug price is excessive
    - We believe that concepts such as value-for-money, affordability and sustainability and a focus on health outcomes should be incorporated into the system. The proposed factors would take into account the relative value of a drug to a patient (e.g., substantial clinical benefits vs marginal improvement in outcome) and the number of patients that would benefit from the drug (e.g., size of market). We believe these factors are important considerations and will help ensure drug prices reflect Canada's willingness and ability-to-pay for drugs that provide demonstrably better health outcomes.
2. An updated list of countries used for price comparison

- The proposed amendments will result in comparison countries that are more aligned with Canada economically and from a consumer protection standpoint. Including the United States in the list of countries used for international comparisons skews and inflates the results; removing the US from the list makes good sense. We'd expect the changes to lower Canadian drug price ceilings.

3. Formalize a move to a complaints-based system of oversight for patented generics products that are at lower risk of excessive pricing

    - We agree that it is prudent to focus scarce oversight resources on patented drugs that are at the greatest risk of excessive pricing, reducing the regulatory burden on patentees of generic drugs.

4. Modernize the reporting of pricing information, revenue and research costs required of patentees

    - This amendment is clearly required to enable the PMPRB to realize the benefits of the new pricing factors noted in recommendation 1.

5. Require patentees to provide the PMPRB with third party information related to rebates and discounts on domestic prices.

    - We believe that requiring patentees to report all indirect price reductions given as a promotion or in the form of rebates, discounts, refunds, free goods, free services, gifts or any other benefit is necessary to improve the playing field among providers. While we'd like this information to be used more broadly, we are supportive of the PMPRB having access to this information on a privileged basis in order to assess whether a drug cost is excessive.

We believe these changes are good public policy for a number of reasons:

- Canadians are now paying more for prescription drugs than almost every other country in the developed market.

- Canada has universal health care, but not universal drug coverage. BC Pharmacare is doing many things right, but still only covers about half the prescription drugs on the market.

- Private payers, such as EHC sponsors and individuals, are paying a significant portion of the costs of prescription medicines. Rising drug costs are threatening the sustainability of private EHC plans, like those offered by the Plan, and individual affordability which presumably has a negative impact on health outcomes and doubtless disproportionately so by income.

- An aging of the population will continue to put pressure on scarce resources. As that happens, private payers will increasingly be faced with making tough choices about extended health care plan design that balances older Canadians' access to coverage, quality and appropriateness of benefits, and cost of the same. Private payers will be challenged to innovate and find ways to maximize benefits within funding envelope.

- Provincial and federal drug programs have come together, through the pan-Canadian Pharmaceutical Alliance, to reach coordinated pricing agreements for selected brand-name and generic products. These agreements have achieved savings for public drug programs. But private payers are not parties to the agreement and have not seen the same savings. Further, private payers are facing new pressures from high cost specialty drugs that typically are not covered by the public program, such as biologics. Our experience suggests that biologics and other high cost specialty drugs are among the top contributors to the growth in drug spending.

- While Canadians age 65 and older account for about 16% of the Canadian population, they use almost 46% of all public-sector health care dollars spent by provinces and territories. With increased member longevity and an aging population, it is more important than ever that the limited funds the Plan has available to support group health benefits for retired members are spent well. Anything Health Canada can do to keep the costs of prescription drugs affordable for all Canadians would be much appreciated.

We encourage Health Canada to monitor and review the prescription drug pricing framework on an ongoing basis, and to maintain an open dialogue with key industry organizations who appreciate the complexity and implications of high cost drugs. However we also believe there is an ongoing role for private plan sponsors to play in the discussion.

Thank you again for the opportunity to provide comments on the draft amendments to the Patented Medicines Regulation.

Sincerely,

Gary Yee
Board Chair

pc: Hilary Brown, Board Vice Chair
Judy Payne, Executive Director
Irene Schamhart, Board Secretary