



**Merck Canada Inc. Submission to the
House of Commons Standing Committee on Finance
Pre-Budget Consultations for the 2020 Budget**

August 2, 2019

Summary of Recommendations

Recommendation #1

That the government promote health system investment by increasing the Canada Health Transfer by at least 5.2% annually to allow provinces/territories to meet increasing health needs resulting from the aging of the population and corresponding rising incidence of cancer, including providing timely access to cancer immunotherapies.

Recommendation #2

That the government commit \$100 million annually for a public vaccine funding mechanism to help provinces/territories invest in vaccine adoption – including vaccines for human papillomavirus (HPV) infection for both males and females – and vaccine education programs to protect the population, to limit future costs of cancer care related to HPV and ultimately to eliminate HPV.

Recommendation #3

That the government reconsider the proposed pharmaceutical pricing amendments to the *Patented Medicines Regulations*, which will have very detrimental effects on the future prosperity of Canada and health of Canadians.

Recommendation #4

That the government implement a legal framework to prevent the export of Canadian medicines to other countries to protect Canadian drug supplies and ensure Canadians have uninterrupted access to the medicines they need.

Recommendation #5

That the government develop a national pharmacare program that provides Canadians with universal, timely and high-quality access to medicines and maintains public and private drug insurance coverage.

Merck Canada Background

For over a century, Merck Canada (Merck) has been inventing for life, developing medicines and vaccines for many of the world's most challenging diseases. Merck is a global biopharmaceutical company with a diversified portfolio of prescription medicines, vaccines and biologic therapies, including biosimilars.

In Canada, Merck is a leader in many areas such as oncology, infectious diseases, diabetes and vaccines, and markets more than 250 pharmaceutical and animal health products. Merck employs nearly 800 people across the country.

Merck is also one of the top R&D investors in Canada, with investments totalling more than \$1 billion since 2000. Merck is committed to supporting Canada as a destination for research, investment and clinical trials – activities that promote Canada's economy and international competitiveness. Merck is currently investing in over 100 clinical trials involving over 400 research sites and over 2,000 patients across Canada.

Rationale for Recommendations

Recommendation #1

That the government promote health system investment by increasing the Canada Health Transfer by at least 5.2% annually to allow provinces/territories to meet increasing health needs resulting from the aging of the population and corresponding rising incidence of cancer, including providing timely access to cancer immunotherapies.

Provincial/territorial health systems across Canada face huge challenges to meet the increasing demands due to an aging population and the associated increasing cancer incidence, among other drivers.

There are currently more Canadians over the age of 65 than under 15, and in a decade, seniors will comprise a quarter of the Canadian population.¹ It is this fast-growing population that is most at risk of cancer, given that 90% of Canadians diagnosed with cancer are over the age of 50.² As a result of the growing and aging population, more people are being diagnosed with cancer and the need for cancer care, including new treatments, is increasing. According to the Canadian Cancer Society, one in two Canadians will be affected by cancer³ and that there will be a 40% increase in cancer incidence between 2015 and 2030.⁴

¹ Grant, T., *et al.*, The Globe and Mail, Census 2016: The growing age gap, gender ratios and other key takeaways, 2017: <https://www.theglobeandmail.com/news/national/census-2016-statscan/article34882462/>

² Canadian Cancer Society, Canadian Cancer Statistics, 2016:

<http://www.cancer.ca/~media/cancer.ca/CW/cancer%20information/cancer%20101/Canadian%20cancer%20statistics/Canadian-Cancer-Statistics-2016-EN.pdf?la=en>

³ Canadian Cancer Society, Canadian Cancer Statistics, 2018:

<https://www.cancer.ca/~media/cancer.ca/CW/cancer%20information/cancer%20101/Canadian%20cancer%20statistics/Canadian-Cancer-Statistics-2018-EN.pdf?la=en>

⁴ Canadian Cancer Society, Media Release: <http://www.cancer.ca/en/about-us/for-media/media-releases/national/2015/canadian-cancer-statistics-2015/?region=on>

Canadians are concerned about the ability of health systems to keep up with the demand. A 2018 poll conducted for the Canadian Medical Association (CMA) shows that just half of Canadians have confidence that the health system will be able to meet the growing needs of seniors.⁵ A 2019 member survey by the Canadian Association of Retired Persons (CARP) showed that more than 90% believe their provincial healthcare system should make new investments to be better prepared to treat cancer and that increasing cancer screening and providing timely treatment should be the healthcare system's top priority.⁶

Our health systems need to be prepared to meet these growing challenges. The Conference Board of Canada estimates that over the next decade an additional \$93 billion in healthcare spending will be needed and the healthcare inflation rate will be 5.2% annually.⁷

This is why Merck supports the call by the provinces/territories,⁸ the CMA,⁹ the Canadian Cancer Survivor Network (CCSN)¹⁰ and other stakeholders to address the coming challenges of health and cancer care by having the federal government increase the Canada Health Transfer (CHT).

In cancer, important new treatments include cancer immunotherapies, which harness the body's own immune system to fight and kill the cancer cells. Merck's new cancer immunotherapy and others have shown to be effective in several cancers and studies are under way in many other cancers. Cancer immunotherapies are fast becoming the fourth pillar of cancer care alongside surgery, radiotherapy and chemotherapy. As Canadians learn more about cancer immunotherapies, the demand for these medicines and other breakthrough cancer treatments will increase.

We recommend the federal government increase the CHT by at least 5.2% to ensure provinces can meet the growing health demands, including providing timely access to cancer immunotherapies.

⁵ Ipsos Canada, July 17, 2018, <https://www.ipsos.com/en-ca/news-polls/Canadian-Medical-Association-Seniors-July-17-2018>.

⁶ Canadian Cancer Survivor Network and CARP press release, Consider needs of one in two Canadians who will get cancer, survivors urge MPs and candidates headed to campaign trail this fall, June 11, 2019: <https://hriportal.ca/canadian-cancer-survivor-network-consider-needs-of-one-in-two-canadians-who-will-get-cancer-survivors-urge-mps-candidates-headed-to-campaign/>

⁷ Canadian Medical Association, CMA to premiers: Federal funding needed to meet seniors' care needs, July 2018, <https://www.cma.ca/En/Pages/CMA-to-premiers-Federal-funding-needed-to-meet-seniors%E2%80%99-care-needs.aspx>

⁸ Premiers' meeting, Saskatoon, July 9-11, 2019: http://www.canadapremiers.ca/wp-content/uploads/2019/07/Health_Sustainability_and_Mental_Health_July11_FINAL.pdf

⁹ CMA's website, Senior Care: <https://www.cma.ca/seniors-care>

¹⁰ CCSN and CARP's press release, June 2019: <https://hriportal.ca/canadian-cancer-survivor-network-consider-needs-of-one-in-two-canadians-who-will-get-cancer-survivors-urge-mps-candidates-headed-to-campaign/>

Recommendation #2

That the government commit \$100 million annually for a public vaccine funding mechanism to help provinces/territories invest in vaccine adoption – including vaccines for human papillomavirus (HPV) infection for both males and females – and vaccine education programs to protect the population, to limit future costs of cancer care related to HPV and ultimately to eliminate HPV.

Vaccines are important disease prevention tools. In 2007, the federal government invested \$300 million to support HPV immunization programs for over 1.7 million girls across Canada to prevent cervical and other cancers. As evidence emerged on the health benefits to males, the programs were extended to both genders. As a result, we have prevented a significant number of future HPV-related diseases and the costs associated with them. More recently, the government committed \$10 million in research to eliminate cervical cancer completely.¹¹

Despite recommendations from the Public Health Agency of Canada¹² that girls and boys between 9 and 26 be vaccinated, there remain wide variations across the country in the uptake of HPV vaccination. While Canada committed globally to achieving 90% uptake, the national rate currently is only 67%.¹³ According to the *2018 Cancer System Performance Report* of the Canadian Partnership Against Cancer, if HPV vaccine uptake increased from 67% to 90%, there would be a 23% reduction in cervical cancer cases and a 21% reduction in cervical cancer deaths.¹⁴

New funding would help provinces/territories continue to implement HPV and other immunization programs and help support education activities to increase vaccine knowledge and acceptance.

This would help the federal government meet its global commitment to achieve 90% of HPV immunization uptake by 2030.¹⁵

Additional funding in this area could have a significant impact in preventing the costs of future cancer treatments and care by preventing cancers. Existing programs should be expanded and better publicized to ensure maximum future savings and help keep more Canadians healthy, working and productive.

Recommendation #3

That the government reconsider the proposed pharmaceutical pricing amendments to the *Patented Medicines Regulations*, which will have very detrimental effects on the future prosperity of Canada and health of Canadians.

The proposed amendments would change the way in which the federal regulator – the Patented Medicine Prices Review Board (PMPRB) – assesses patented drug prices.

¹¹ Canadian Institutes for Health Research press release, June 4, 2019: <https://www.canada.ca/en/institutes-health-research/news/2019/06/government-of-canada-invests-10-million-in-research-to-eliminate-cervical-cancer.html>

¹² *Canadian Immunization Guide*: <https://www.canada.ca/en/public-health/services/canadian-immunization-guide.html>

¹³ CPAC, 2018 Cancer System Performance Report:

https://content.cancerview.ca/download/cv/quality_and_planning/system_performance/documents/2018_cancer_system_performance_report_enpdf?attachment=0&utm_source=Landing_Page&utm_medium=Full_Report&utm_campaign=Omnibus

¹⁴ *Ibid.*

¹⁵ Reducing the health impact of sexually transmitted and blood-borne infections in Canada by 2030: A pan-Canadian STBBI framework for action, July 2018:

<https://www.canada.ca/content/dam/phac-aspc/documents/services/infectious-diseases/sexual-health-sexually-transmitted-infections/reports-publications/sexually-transmitted-blood-borne-infections-action-framework/sexually-transmitted-blood-borne-infections-action-framework.pdf>

The proposed changes are untested and unprecedented in any jurisdiction and would lead to steep drug price reductions of 40-70% according to PMPRB case studies.¹⁶

This would negatively affect the ability for the life sciences industry to invest in health research and result in loss of quality jobs in this sector. The reform runs counter to Canada's Innovation and Skills Strategy and to creating a positive climate for international investment, which is crucial for Canada's economic competitiveness.

Most importantly, if these changes are implemented, Canada will also lose its current "Tier 1" status as an early market for new medicines and as a prime location for global clinical studies, which will have a detrimental effect on Canadians' health.

Merck strongly recommends the government postpone the implementation of these amendments in favour of a workable approach developed with the pharmaceutical industry and other stakeholders. There is a way of ensuring reasonable drug prices while maintaining a strong health research ecosystem and early access to innovative medicines in Canada.

Recommendation #4

That the government implement a legal framework to prevent the export of Canadian medicines to other countries to protect Canadian drug supplies and ensure Canadians have uninterrupted access to the medicines they need.

Several U.S. states have passed or proposed laws to allow the importation of medicines from Canada to make lower-priced medicines available to their American citizens. The federal administration recently announced an action plan to facilitate and approve drug importation from Canada.

The large-scale importation of Canada's drug supply by the U.S. would have devastating effects on Canada's health system. It would jeopardize Canadian drug supplies and cause major drug shortages, negatively impacting Canadians' health. Based a 2010 study, if just 10% of U.S. prescriptions were filled from Canadian sources, Canada's drug supply would be exhausted in less than eight months.¹⁷

The federal government needs to take immediate action and implement a legal framework to prevent the exportation of Canadian medicines to the U.S.

Recommendation #5

That the government develop a national pharmacare program that provides Canadians with universal, timely and high-quality access to medicines and maintains public and private drug insurance coverage.

Merck agrees with the need to address gaps in access to medicines but believes this should be achieved in a national pharmacare program that maintains public and private drug insurance coverage.

¹⁶ These case studies were shared with the Steering Committee on Guidelines Modernization in December 2018: <http://www.pmprb-cepmb.gc.ca/view.asp?ccid=1378&lang=en>

¹⁷ Shepherd M., The Effect of US Pharmaceutical Drug Importation on the Canadian Pharmaceutical Supply, 2010: <https://journals.sagepub.com/doi/abs/10.3821/1913-701X-143.5.226?journalCode=cphc>

Implemented properly, this program would benefit Canada's economic productivity and competitiveness, rather than requiring the significant outlay of public resources through a single public payer plan, as called for in the report of the federal Advisory Council on the Implementation of National Pharmacare.

The current public-private insurance mix of drug coverage works by providing Canadians the option to have the coverage they desire through private insurance plans while offering coverage for others through public plans. The presence of the large private component in drug coverage frees public money for improved public drug coverage and other important aspects of healthcare.

This is why Merck supports Recommendation #63 of the House of Commons Standing Committee on Finance in its report titled *Cultivating Competitiveness: Helping Canadians Succeed*:

*"Build on the existing drug coverage enjoyed by millions of Canadians and follow a close-the-gap approach to pharmacare to ensure that all Canadians have access to prescription drug coverage, in addition to examining ways to provide catastrophic drug coverage to Canadians."*¹⁸

¹⁸ House of Commons Standing Committee on Finance, Report 27, *Cultivating Competitiveness: Helping Canadians Succeed*, December 10, 2018: <http://www.ourcommons.ca/DocumentViewer/en/42-1/FINA/report-27/>