



Merck Canada Inc.

**Submission to the
House of Commons Standing Committee on Finance (FINA)**

Priorities for the 2021 Federal Budget

August 7, 2020

Summary of Recommendations

Recommendation #1

That the government increase the Canada Health Transfer by at least 5.2% annually to allow provinces/territories to meet the urgent health needs resulting from the COVID-19 pandemic backlog and 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 – and vaccine education programs to protect the population, limit cancer care costs related to HPV and eliminate HPV.

Recommendation #3

That the government revisit the pharmaceutical pricing amendments to the *Patented Medicines Regulations*, which will have detrimental effects on the health of Canadians and the future prosperity of 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, which is necessary to promote a healthy workforce.

Recommendation #5

That the government promote economic growth by developing 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 approximately 680 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 500 research sites and over 3,000 patients across Canada.

In response to the COVID-19 pandemic, Merck Canada committed \$500,000 to its COVID-19 Community Support Plan to help Canadians affected by the pandemic. This includes supporting the purchase of personal protective equipment for front-line healthcare workers, services for vulnerable populations and supporting patient needs through patient associations. Merck is also working actively on two COVID-19 vaccine development efforts and an antiviral treatment candidate for COVID-19.

Rationale for Recommendations

Recommendation #1

That the government increase the Canada Health Transfer by at least 5.2% annually to allow provinces/territories to meet the urgent health needs resulting from the COVID-19 pandemic backlog and the aging of the population and corresponding rising incidence of cancer, including providing timely access to cancer immunotherapies.

While fighting the COVID-19 pandemic is critically important, we cannot afford to ignore other healthcare needs, in particular cancer. Despite better screening and advances of new medicines, cancer claims about the same number of Canadian lives *every month* as were lost in the first three months of the COVID-19 pandemic.^{1,2}

A national survey released by the Canadian Cancer Survivor Network (CCSN) revealed that 54% of Canadian cancer patients have had appointments, tests and treatment postponed and cancelled,

¹ Canadian Cancer Society, Canadian cancer statistics at a glance – Incidence and mortality, 83,300 total deaths from cancer expected in 2020 divided by 12 = 6,942/month: <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=qc>

² Global News, Canada surpasses 7,000 coronavirus deaths, new cases continue downward trend, May 30, 2020: <https://globalnews.ca/news/6998575/canada-coronavirus-7000-deaths/>

causing heightened fears and anxiety.³ Urgent resources are therefore needed to help clear the cancer care backlog as quickly as possible. We suggest that the federal government is ideally positioned to demonstrate positive leadership in this area by calling out the need to prioritize cancer care and treatment as part of our country's ongoing response to Covid.

In addition, the experience with the COVID-19 pandemic demonstrates how important it is for health systems to be prepared for major demands for services. We therefore recommend new investments now to meet very predictable future needs in cancer care. Health systems across Canada will face challenges in meeting the increasing demands due to the aging population and the associated increasing incidence of cancer. In fact, the proportion of people aged 65 years and over is expected to reach 20% by 2025.⁴ This fast-growing population is most at risk of cancer, given that 90% of Canadians diagnosed with cancer are over the age of 50.⁵

Our health systems need help to meet these challenges. This is why Merck supports the call by the provinces/territories,⁶ the CMA,⁷ the CCSN⁸ and other stakeholders for the federal government to increase the Canada Health Transfer (CHT).

In cancer, important new treatments include immunotherapies, which harness the body's own immune system to fight and kill the cancer cells. Immunotherapies are fast becoming the fourth pillar of cancer care alongside surgery, radiotherapy and chemotherapy and demand for them 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 treatments, such as 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 – and vaccine education programs to protect the population, limit cancer care costs related to HPV and eliminate HPV.

³ Canadian Cancer Survivor Network, New survey reveals cancer care disruption in Canada has triggered another public health crisis, press release, July 14, 2020: <https://survivornet.ca/news/cancer-patients-face-double-jeopardy-with-covid-19/>

⁴ Statistics Canada, Annual Demographic Estimates: Canada, Provinces and Territories 2019: <https://www150.statcan.gc.ca/n1/en/pub/91-215-x/91-215-x2019001-eng.pdf?st=62rLzkbK> 11 Statistics Canada, Population estimates on July 1st, by age and sex, Ontario, 2019 data: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501&pickMembers%5B0%5D=1.7&pickMembers%5B1%5D=2.1>

⁵ Canadian Cancer Society, Canadian Cancer Statistics, 2019: <http://www.cancer.ca/~media/cancer.ca/CW/publications/Canadian%20Cancer%20Statistics/Canadian-Cancer-Statistics-2019-EN.pdf>

⁶ Premiers' meeting, Ontario, December 2, 2019: https://www.canadaspremiers.ca/wp-content/uploads/2019/12/COF_Communique-Dec2.pdf

⁷ CMA's website, Senior Care: <https://www.cma.ca/seniors-care>

⁸ 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/>

Canada, and the world, is waiting for a COVID-19 vaccine as our way out of the pandemic. Vaccines are vital disease prevention tools for many serious conditions, including cancer.

In 2007, the federal government invested \$300 million to support HPV immunization programs that have prevented a significant number of HPV-related diseases and associated costs. The government also committed \$10 million in research to eliminate cervical cancer completely.⁹

Despite recommendations from the Public Health Agency of Canada that Canadians between 9 and 26 be vaccinated¹⁰ and Canada committing globally to achieving 90% uptake, the national rate is only 67%.¹¹ According to the Canadian Partnership Against Cancer, if HPV vaccine uptake increased to 90%, there would be a 23% and 21% reduction in cervical cancer cases and deaths, respectively.¹²

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.

Recommendation #3

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

The life sciences sector of the Canadian economy is crucial not just for its contributions to economic activity in Canada – though these are substantial – but also in helping protect Canadians from serious health challenges such as COVID-19 as well as other diseases and conditions.

The amendments to the federal *Patented Medicines Regulations* published in August 2019 will change how the Patented Medicine Prices Review Board (PMPRB) regulates the prices of patented medicines. These price controls are untested and unprecedented in any jurisdiction and will introduce a complex and bureaucratic regime in January 2021.

If implemented, Canada will lose its status as an early market for new medicines and as a prime location for global clinical studies, which will undermine the federal government's goal of enhancing access to medicines. At a time when new vaccines and medicines are needed to help combat COVID-19, we cannot afford to implement uncertain price controls that could compromise Canadians' health.

In fact, decision-makers at Canadian and global pharmaceutical companies have warned that these changes will negatively impact launches of new medicines (94%), clinical research (91%) and employment (97%).¹³

⁹ 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>

¹⁰ Canadian Immunization Guide: <https://www.canada.ca/en/public-health/services/canadian-immunization-guide.html>

¹¹ CPAC, 2018 Cancer System Performance Report: <https://s22457.pcdn.co/wp-content/uploads/2019/01/2018-Cancer-System-Performance-Report-EN.pdf>

¹² *Ibid.*

¹³ Survey conducted by the research firm Research Etc. for Life Sciences Ontario, February 2020: <https://lifesciencesontario.ca/news/new-federal-drug-pricing-rules-are-already-delaying-medicine-launches-and-costing-jobs-in-canada-survey-reveals/>

These impacts are already being seen. Research conducted by IQVIA, a global leader in health data and analytics, showed that there was a significant 40% drop in the number of new drugs launched in Canada in 2019 despite the overall number of global launches rising during the year.¹⁴ In addition, according to another recent study, the number of clinical trials registered by Health Canada between November 2019 and mid-March 2020 fell by 52% compared to the average number registered during the same period in the previous six years.¹⁵

Further, the changes will have a profound negative impact on the important research and life sciences industry in Canada and its quality jobs, running counter to the government's objective of restarting the Canadian economy as it recovers from the COVID-19 pandemic and making it impossible for the federal government to meet its goal of doubling the size of the health and biosciences sector by 2025.¹⁶ The regulatory changes also go against the Cabinet Directive on Regulations and the Treasury Board Secretariat's modernization initiative to reduce regulatory burden.¹⁷

Merck recommends that the government **revise the *Patented Medicines Regulations* and, in particular, remove the new uncertain economic factors that are the most problematic aspect of the reform.**

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, which is necessary to promote a healthy workforce.

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 citizens. The federal administration recently announced an action plan to facilitate and approve drug importation from Canada and the President has signed an Executive Order to that effect.¹⁸

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 on a 2010 study, if just 10% of U.S.

¹⁴ Life Sciences Ontario, Canada may be losing its status as a top global destination for new medicine launches, press release, June 25, 2020: <https://lifesciencesontario.ca/news/canada-may-be-losing-its-status-as-a-top-global-destination-for-new-medicine-launches/>

¹⁵ Nigel SB Rawson, PhD, *Canadian Health Policy*, April 2020, p. 4: https://www.canadianhealthpolicy.com/products/clinical-trials-in-canada-decrease--a-sign-of-uncertainty-regarding-changes-to-the-pmprb-.html?buy_type=

¹⁶ Report from Canada's Economic Strategy Tables: Health and Biosciences, September 2018: <https://www.ic.gc.ca/eic/site/098.nsf/eng/00007.html>

¹⁷ See <https://www.canada.ca/en/treasury-board-secretariat/services/federal-regulatory-management/guidelines-tools/cabinet-directive-regulation.html>; and <https://www.canada.ca/en/treasury-board-secretariat/services/federal-regulatory-management.html>

¹⁸ The White House, Executive Order on Increasing Drug Importation to Lower Prices for American Patients, July 24, 2020: <https://www.whitehouse.gov/presidential-actions/executive-order-increasing-drug-importation-lower-prices-american-patients/>

prescriptions were filled from Canadian sources, Canada's drug supply would be exhausted in less than eight months.¹⁹

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

Recommendation #5

That the government promote economic growth by developing 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 help economic activity and growth in Canada by addressing gaps in access to medicines, but believes this should be achieved in a national pharmacare program that maintains public and private drug insurance coverage.

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. Currently, Canadians have the option to have desired coverage through private insurance plans while offering coverage for others through public plans. The large private component frees public money for improved public drug coverage and other important aspects of healthcare, something even more vital as Canada seeks to restart the Canadian economy as it recovers from the COVID-19 pandemic.

¹⁹ 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>