Standing Committee on Health Review of the Revised PMPRB Guidelines
Takeda Canada Submission
November 6, 2020

Takeda Canada Inc. welcomes the opportunity to provide a submission to the Standing Committee on Health as the committee reviews the revised PMPRB Guidelines.

Takeda is one of the world's oldest and fastest growing pharmaceutical companies. Founded in Japan in 1781, the company now operates in more than 80 countries around the world, including Canada. Takeda made the strategic decision to become a specialty biologics company and today, has a deep and sustained commitment to developing Drugs for Rare Diseases (DRDs). Forty percent of our marketed products are drugs for rare diseases and more than 50% of our pipeline products have an orphan drug designation.

As a company that has invested more than $4.5 billion per year on R&D investments and partnerships, including $1 billion dollars in innovation partnerships in Canada in recent years, Takeda understands that one of the things that makes the country an attractive place to invest is the reputation, the quality and the openness of its world-class research centres and the researchers they support.

Takeda's commitment to supporting patients living with rare diseases is emphasized by its role as co-chair of the *Global Commission to End the Diagnostic Odyssey for Children with a Rare Disease*, alongside EURORDIS and Microsoft. The Global Commission is a unique international alliance of clinicians-scientists, patient groups and industry leaders committed to making a difference in the lives of millions of children and their families by implementing an actionable roadmap to shorten the multi-year journey of obtaining accurate diagnosis to unlock a potential treatment path.

Takeda Canada has provided multiple submissions through PMPRB's formal consultation processes, as well as raised with the government at any opportunity that the revised regulations as written may impact the launch of new and innovative medicines in Canada. To date, the government nor PMPRB has acted on these submissions and recommendations to protect Canadians with access to DRDs. While we are pleased to provide a submission on the revised PMPRB guidelines to this committee, it is worth noting that the revised guidelines themselves are based on a flawed foundation of regulations that the government has decided to implement on January 1, 2021. As a first step, we would recommend the committee expand the scope of this study to encompass the regulations in their entirety.

It is important to note that protecting Canadian's access to medically necessary pharmaceutical drugs is incredibly important, and any changes that the government wishes to make should be done with a specific lens of the unique nature of DRDs. Takeda believes that the revised PMPRB guidelines will have a negative impact on DRDs because:

- Applying new pricing guidelines to DRDs is premature and should wait until after the federal government and the provinces have aligned on a rare disease strategy for Canada;

- Canada already trails behind other markets in patient access to DRDs and the guidelines will only worsen this situation; and
- The Therapeutic Criteria Levels (TCL) and pharmacoeconomic value calculations do not consider the unique challenges that impact DRD evidence generation thus disproportionately impacting DRDs

Takeda Canada believes that the guidelines will severely damage an already-fragile Canadian market for DRDs, and this view is shared with clinicians-scientists and patient groups.

We believe that the reforms will confuse and complicate government efforts already underway to fight rare diseases.

These efforts include the Government of Canada's commitment to developing a national strategy for DRDs – anchored by $1B in new funding over two years starting in 2022-23 and continuing with up to $500M per year, multiple pan-Canadian and provincial efforts, including the Care4Rare project that leverages research organizations across Quebec, Ontario, Alberta and British Columbia, as well as federal organizations such as the Canadian Institute for Health Research and Genome Canada.

Given the variety of existing initiatives, projects and proposals focused on improving the treatment of patients with rare diseases, it is critical that reform efforts do not undermine or disrupt emerging efforts. For this reason, Takeda believes it is premature to apply new pricing guidelines to DRDs before the federal government and the provinces have aligned on a rare disease strategy for Canada.

We believe that the reforms will make Canada even more of an outlier in the treatment of DRDs compared to its global peers.

Based on recent research from the Office of Health Economics (OHE), Canada sits well behind its global peers in the number of DRDs that receive public listing and the length of time it takes for these DRDs to get listed. Of the 16 countries assessed, Canada sits 11th with a rate of reimbursement of DRDs and Orphan Medicinal Products of just 36.2%. This places Canada in front of three eastern European and two Nordic countries but well behind the leading nations of Germany, the Netherlands and France as well as other G7 markets such as the United Kingdom and Italy.

At a time when improving access to DRDs needs to be made a priority, we fear that the revised guidelines will only delay broad and timely access to DRDs in Canada. This would be especially unfortunate given recent moves by the Canadian Agency for Drugs and Technologies in Health (CADTH) to consider different willingness-to-pay thresholds for both DRDs and many cancer therapies.

Finally, despite some recent revisions to the regulatory reforms, we believe that the technical modifications are insufficient to address a set of fundamental flaws that will disproportionately impact DRDs.

Takeda strongly believes that the introduction of a newly proposed scientific review process that identifies Therapeutic Criteria Levels (TLC) creates clinical evidence threshold requirements that are biased against DRDs. Clinical trials for DRDs are generally comprised of smaller patient populations and for ethical reasons generally do not include a Phase 3 or a head-to-head study. A review of rare disease pipeline products on clinicaltrials.gov makes us believe that based on

trial design, patient numbers, and data gaps, the vast majority of new DRDs may never be designated above Level 4 under the revised guidelines. According to the revised Guidelines, Level 4 category drugs are automatically subject to a 50% price reduction. This would create a large disincentive for companies to introduce any DRDs in Canada.

Furthermore, we believe pharmacoeconomic (PE) value calculations can be unreliable instruments as they depend heavily on assumptions, which can result in significant variability. PE calculations are typically used as a data point for reimbursement negotiations and should not be used by the PMPRB as a tool to establish manufacturer net prices. Using pharmacoeconomic factor to create a net price ceiling will create significant uncertainty in product launch calculations, especially since including market size and a cumulative factor in future pharmacoeconomic evaluation could lead to PMPRB-mandated list price reductions of 67.5% for DRDs. We challenge the Standing Committee to consider the rationale for net price regulation. We are not aware of any other industry that mandates net prices to customers by way of regulation.

The PMPRB reforms bring an overall uncertainty to the pharmaceutical market in Canada and without this confidence, Takeda, along with a wide range of stakeholders that rely on the use of these important medicines are concerns about the Guidelines' impact on the launch of new and innovative medicines in Canada.

Beyond our Core Concerns, Takeda is Urging a Revitalized Approach to Industry Engagement

The current pricing reforms and associated PMPRB Guidelines represent the most relevant "disincentive package for pharmaceutical innovation investment" introduced by a Canadian government in recent times. As a party to the legal action launched by IMC and several of its member companies in 2019, Takeda welcomed the June 29, 2020 finding by Justice Manson of the Federal Court of Canada that the new price calculations in the newly amended *Patented Medicines Regulations* were invalid, void, and of no force and effect.

We believe that DRDs represent the most fragile aspect of the Canadian pharmaceutical market, and we remain willing to not only clarify and elaborate on the challenges around the corner, but also lend our knowledge of global best practices to design a set of innovative and inclusive solutions.

By recommending that the government address the concerns outlined above before January 1, 2021, the Standing Committee can ensure that Canada remains an attractive market to invest in promising basic and applied research, commercialize promising new technologies and bring innovative medicines to patients.