

Submission to the Federal Standing Committee on Health regarding the PMPRB guideline changes

November 6, 2020



Canadian Health Coalition

By Keith Newman, Board Member

The Canadian Health Coalition (CHC) is a non-profit organization that has been working for over forty years to protect, improve and expand public health care in Canada. We are made up of health care workers, unions, community organizations, faith-based organizations, seniors and academics, as well as affiliated coalitions in the provinces and one territory.

Neither the Canadian Health Coalition (CHC) nor any of its affiliated organizations receive financial or other support from companies that sell medication, provide insurance for medication or dispense medication. The opinions of the CHC are therefore independent of any influence due to financial self-interest.

The CHC would like to thank the House of Commons Standing Committee on Health for the opportunity to present our views about the new guidelines of the Patented Medicine Prices Review Board, scheduled to come into effect on January 1, 2021.

Main Points

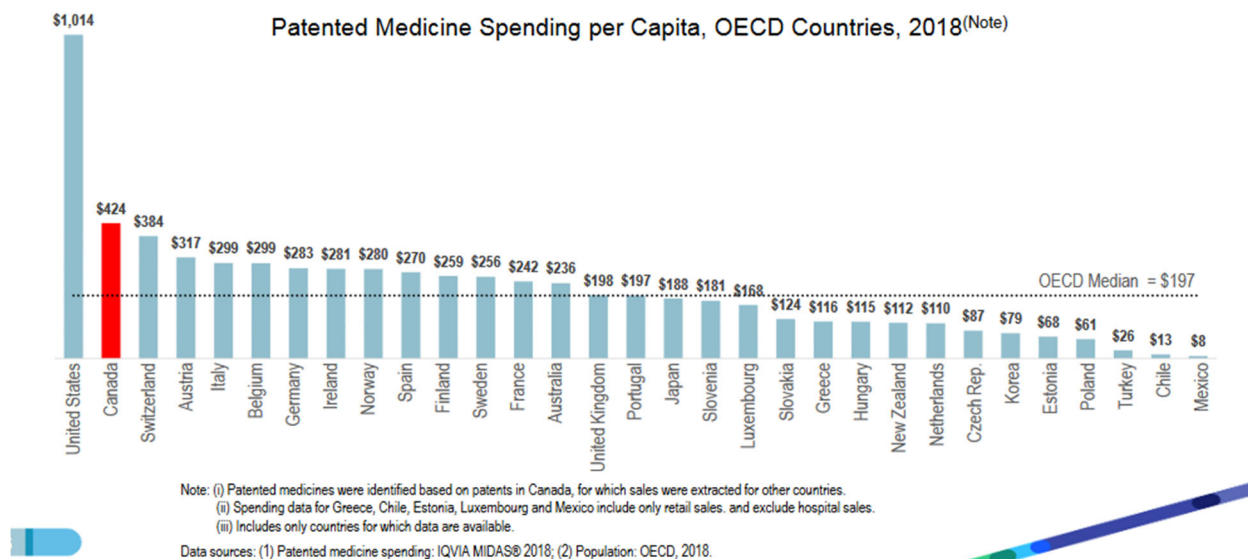
The CHC supports the new PMPRB guidelines scheduled to go into effect on January 1, 2021 because these new guidelines will help reduce the excessive cost of medicines in Canada and make drugs more affordable for millions of Canadians who struggle to pay for their medicines.

In addition, they will not prevent the introduction of new drugs, although we note that over the last nine years 95 percent of new drugs introduced in Canada provide little therapeutic benefit. The new guidelines will support the implementation of public universal Pharmacare by making drugs more affordable for public plans.

Finally the CHC cautions the Committee to be wary of the assertions by industry funded «patient groups». Research shows they are unduly influenced by the generous financial support provided by their industry backers.

The guidelines will help reduce bloated costs

Spending on patented medicines in Canada is the second highest per capita among 31 OECD countries.¹



In 2018 we spent about \$33 billion on prescription drugs, of which \$16.7 billion was for patented medicines. The PMPRB estimates that its new guidelines will result in an average saving of \$1.3 billion per year over the next 10 years. The new guidelines will be very helpful in reducing the excessive cost of medicines in Canada.

Lower costs will help millions of Canadians

We know that one in five Canadians struggle to pay for their prescription drugs. Three million don't fill their prescriptions because they can't afford to and one million cut spending on food and heat to be able to afford their medicine². The lower prices resulting from the new PMPRB guidelines will help millions of Canadians be able to afford the medicines they need.

¹ Drug Pricing and its impact on R&D investments, clinical trials and availability of medicines in Canada. PMPRB research webinar. July 6, 2020; p.6 <https://www.canada.ca/content/dam/pmprb-cepmb/documents/consultations/draft-guidelines/2020/PMPRB-Research-Webinar2-Clinical-Trials-July6-en.pdf>

² Government of Canada. A Prescription for Canada : Achieving Pharmacare for All. Final Report of the Advisory Council on the Implementation of National Pharmacare for All. June 2019. Page 7. <https://www.canada.ca/content/dam/hc-sc/images/corporate/about-health-canada/public-engagement/external-advisory-bodies/implementation-national-pharmacare/final-report/final-report.pdf>

The terrible cost of not implementing the new PMPRB guidelines: millions of Canadians will be unable to afford their medicines due to high prices and many will get very sick

The high cost for drugs prevents patients from taking their medicines. The impact of high drug costs for just three diseases-diabetes, cardiovascular disease and chronic respiratory conditions-result in 220,000 more emergency room visits and 90,000 more hospitalizations annually, costing \$1.2 billion a year to our health care system. ⁱ In the midst of the Covid pandemic and the burden it is already placing on our health system, we must do all we can to avoid this additional burden.

The Introduction of new medicines will not be affected

Some groups have asserted that fewer new medicines will be introduced in Canada if the PMPRB guidelines are put into effect due to the lower prices that will result. Lexchin and Moroz investigated this issue by comparing Canada to Australia where prices are 25 percent lower than in Canada. The authors concluded “there was no difference between the countries in the proportion of orphan drugs approved, the time drugs spent in the regulatory review process, and any delay in marketing the drugs in the respective countries compared to the United States. Both Canada and Australia approved virtually all of the drugs that offered a moderate to significant therapeutic improvement.” ⁱⁱ

There is no reason to believe that lower Canadian prices will mean that new drugs will not be introduced in Canada.

Therapeutic Benefit of New Drugs is the Exception

Despite much talk of innovation by pharmaceutical companies and the patient groups they fund, the reality is that very few new drugs introduced in any given year offer any significant therapeutic improvement. Over the nine year period between 2010 and 2018, 811 new drugs were introduced. Only 19, or 2 percent, provided a breakthrough in treatment. Twenty-two, or three percent, provided significant improvement. Ninety-eight, or 12 percent, provided moderate improvement. The largest category by far, 672 or 83 percent, offered only slight or no improvement. ⁱⁱⁱ So over the nine years, 95% of new medicines introduced offered either no improvements or only slight or moderate improvements in therapeutic benefit.

This is not surprising given that the pharmaceutical industry spends far more on sales and marketing, dividends, and share buy-backs than research into new therapies.

The response to the new PMPRB guidelines by the industry and the patient groups it funds is typical. When modest price reductions are proposed the industry response is invariably that price regulation will kill innovation. A recent study of the US pharmaceutical industry describes this reality:

The companies claim they need higher prices so that the extra profits can be used to augment R&D spending. The result, they contend, is more drug innovation... It is a compelling argument—until one looks at how major US pharmaceutical companies actually use the profits that high drug prices generate. ... companies allocate profits generated by high drug prices to massive ... buybacks of their own corporate stock for the sole purpose of giving manipulative boosts to their stock prices. Incentivizing these buybacks is stock-based compensation that rewards senior executives for increases in their companies' stock prices.^{iv}

Serious conflict of interest of pharmaceutical funded patient groups

CHC would like to draw the committee's attention to the serious problem of pharmaceutical funding of patient groups. Much of the opposition to the introduction of the new PMPRB guidelines has come from pharmaceutical funded patient groups. They claim that if pharmaceutical companies don't get the high prices they demand, the companies will withhold medicines to patients and cause them harm. The behaviour these "patient groups" ascribe to the pharmaceutical industry is known as extortion.

It is well established that pharmaceutical funded patient groups are unduly influenced by the views of their funders.^{3 4} If they don't lobby for what the funders want, their funding is withdrawn⁵

The Canadian Organization for Rare Disorders is one of the most shrill pharmaceutical funded patient groups opposing the changes to PMPRB guidelines. The members of this organization includes a list of “corporate leaders”.^v These leaders include pharmaceutical companies that have violated US laws a total of more than 80 times. Between 1991 and 2017 they paid over \$15US billion in settlements for overcharging government health programs, unlawful promotion, bribery, kick-backs, etc.^{vi}

An alternative model for patient groups

It is unfortunate that pharmaceutical funded groups blame the government and its agencies when they don't cave in to unreasonable demands by pharmaceutical companies. There is another way. In the UK an independent patient group, one not funded by the pharmaceutical industry, worked to get access to Trikafta, a new drug to treat Cystic Fibrosis. Instead of attacking the government, it conducted a public campaign calling on the company, Vertex, to do the right thing and make its medicine available at a reasonable cost, because the company's “current price expectations make these drugs unaffordable for health care systems”. The group also calls on the company to alleviate suffering by providing free treatment immediately to the sickest patients and to price the drug “at affordable levels proportionate to each country's situation”.^{vii} Vertex lowered its price in the UK (price undisclosed) as a result of the campaign.

We urge patient groups to adopt such a strategy, one that embraces the public interest and is critical of the unreasonable financial demands by patent holders. If this means their funding is withdrawn, so be it.

³Lexchin, Joel, Association between commercial funding of Canadian patient groups and their views about funding of medicines: an observational study. PLoS One 2019;14:e0212399)

⁴ Batt, Sharon, Will the government seek independent patient input on drug policy? The Hill Times, February 3, 2020

5

Grant, Kelly, How pharma companies try to use funding to sway patient advocate groups, Globe and Mail, October 21, 2018. <https://www.theglobeandmail.com/canada/article-how-pharma-companies-try-to-use-funding-to-sway-patient-advocate/>

CHC urges HESA to request full and detailed disclosure of patient group funding as well as a detailed accounting of the remuneration of the groups' officers and members of the Board of Directors before hearing their testimony.

CHC further urges HESA to initiate a study of pharmaceutical industry funded patient groups. The study should include the level of funding by the industry, the correlation between the lobbying positions of the groups and the drugs sold by their funders, and the remuneration of the officers and Board members of the patient group.

We need universal, public, single-payer Pharmacare

By reducing costs, the PMPRB guidelines will support a new universal public pharmacare program that will ensure all Canadians are able to get their medicines regardless of income, where they work, and their province of residence. It will be similar to coverage of doctors and hospitals. The patient will give their health card and doctor's prescription and receive their medicines.

The program will be financially helpful to all Canadians. The Advisory Council on the Implementation of National Pharmacare estimates that **every year** employers will save \$16.6 billion and households will save \$6.4 billion as a result.⁶

Polls show overwhelming support for single-payer pharmacare among the public in all provinces. Interestingly, support for a national pharmacare plan involving the federal government is greatest in Quebec at 87 percent.⁷ In that province a very expensive mixed system of private and public coverage is in effect. For employers the cost of reasonably good private coverage is very high and increasing unsustainable, while for workers it is unreliable and of variable quality. While public coverage is run very efficiently it involves high premiums and co-pays.

Recommendation

CHC recommends that HESA fully support the new PMPRB guidelines to be put into effect on January 1, 2021.

⁶ Government of Canada. A Prescription for Canada : Achieving Pharmacare for All. Final Report of the Advisory Council on the Implementation of National Pharmacare. Page 91. Figures for 2027, difference between Status quo and Pharmacare.

⁷ Angus Reid Institute, Access for All : Near universal support for a pharmacare plan covering Canadians' prescription drug costs. October 29, 2020; p.19. http://angusreid.org/wp-content/uploads/2020/10/2020.10.29_Pharmacare-2020.pdf

Endnotes

iTamblyn, R., Bartlett, S., Thavorn, K., Weir, D. & Habib, B. (2019). *Burden and Health Care System Costs Associated with Cost-Related Non-Adherence to Medications for Selected Chronic Conditions in Canada* (a report prepared for the Advisory Council on the Implementation of National Pharmacare). Available from Health Canada by request.

iiLexchin, Joel and Nicolas Moroz. Does an Orphan Drug Policy Make a Difference in Access? A Comparison of Canada and Australia. *International Journal of Health Services* 2019;50:166-172. <https://journals.sagepub.com/doi/full/10.1177/0020731419886526>

iii PMPRB Annual Report 2018, p. ;<https://www.canada.ca/content/dam/pmprb-cepmb/documents/reports-and-studies/annual-report/2018/PMPRB-annual-report-2018-en.pdf>

ivWilliam Lazonick, Matt Hopkins, Ken Jacobson, Mustafa Erdem SakinçandÖner Tulum, US Pharma's Financialized Business Model, Institute for new economic thinking, Working Paper No. 60July 13, 2017, p.1; https://www.ineteconomics.org/uploads/papers/WP_60-Lazonick-et-al-US-Pharma-Business-Model.pdf

v Canadian Organization of Rare Diseases, <https://www.raredisorders.ca/cord-membership/partners/>

viPublic Citizen, Twenty-Seven Years of Pharmaceutical Industry Criminal and Civil Penalties: 1991 Through 2017, March 2018, Table 4 Pharmaceutical Company Penalties: Worst Offenders 1991-2017, p.41. <https://www.citizen.org/wp-content/uploads/2408.pdf>; also Jocelyn Jaeger, Novartis' latest settlements: \$729M in kickback charges, Compliance Week July 2, 2020 and Novartis to pay \$347M to resolve FCPA investigations, Compliance Week June 25, 2020; Shire Pharmaceuticals to Pay \$56.5 Million for False Claims Act Charges, Compliance Week, September 24, 2014.

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<https://www.complianceweek.com/regulatory-enforcement/novartis-to-pay-347m-to-resolve-fcpa-investigations/29122.article>; <https://www.compliance-week.com/shire-pharmaceuticals-to-pay-565-million-for-false-claims-act-charges/13171.article>; all three accessed November 3, 2020.

Vii VertexSaveUs, <https://www.vertexsaveus.org/>. Accessed November 3, 2020.

Viii Government of Canada. A Prescription for Canada : Achieving Pharmacare for All. Final Report of the Advisory Council on the Implementation of National Pharmacare. June 2019. Page 91 Figures for 2027, difference between Status quo and Pharmacare.