



Patented
Medicine Prices
Review Board

Conseil d'examen
du prix des médicaments
brevetés

Drug Prices in Canada and the US: *More Than Meets the Eye?*

National Academy of Social Insurance
Annual Conference

Wayne Critchley
Executive Director, PMPRB
January 27, 2005

Canada

Since **1987**
Depuis



Outline of Presentation

- **Pharma Market: Canada and the US**
- **Federal Price Controls in Canada**
- **Influence of Public Payers**
- **Sales and Price Trends in Canada**
- **Price Differences: Canada and the US**

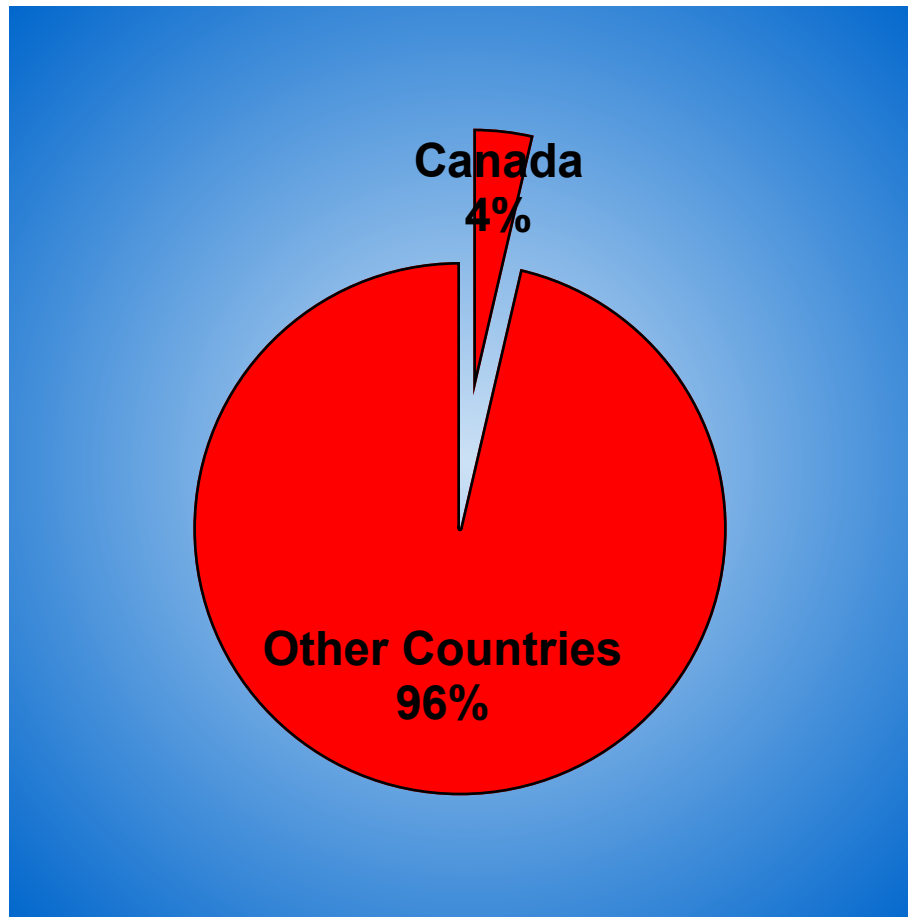


Canada & US Pharma Markets

- **Role of government in health care**
- **Regulatory environment**
- **Structure and conduct of the pharmaceutical industry**

Pharmaceutical Sales

Share of World Market, 2003



Source: IMS Health



Pharma Policy: A Balance

- Intellectual Property
- Investment in Research and Development
- International Relations
- Health Care
- Consumer Protection



Federal Price Controls

- Direct price controls introduced in 1987 to replace indirect controls through compulsory licensing
- Prices for patented drugs may not be excessive
- The PMPRB is a quasi-judicial tribunal
 - ◆ Sets price guidelines
 - ◆ Power to roll back excessive prices



Policy Objectives

- **Canadians should pay no more than their fair share of the international cost of researching and developing new medicines**
- **Prices for patented medicines, on average, should not exceed the median of prices in seven major industrialized countries**

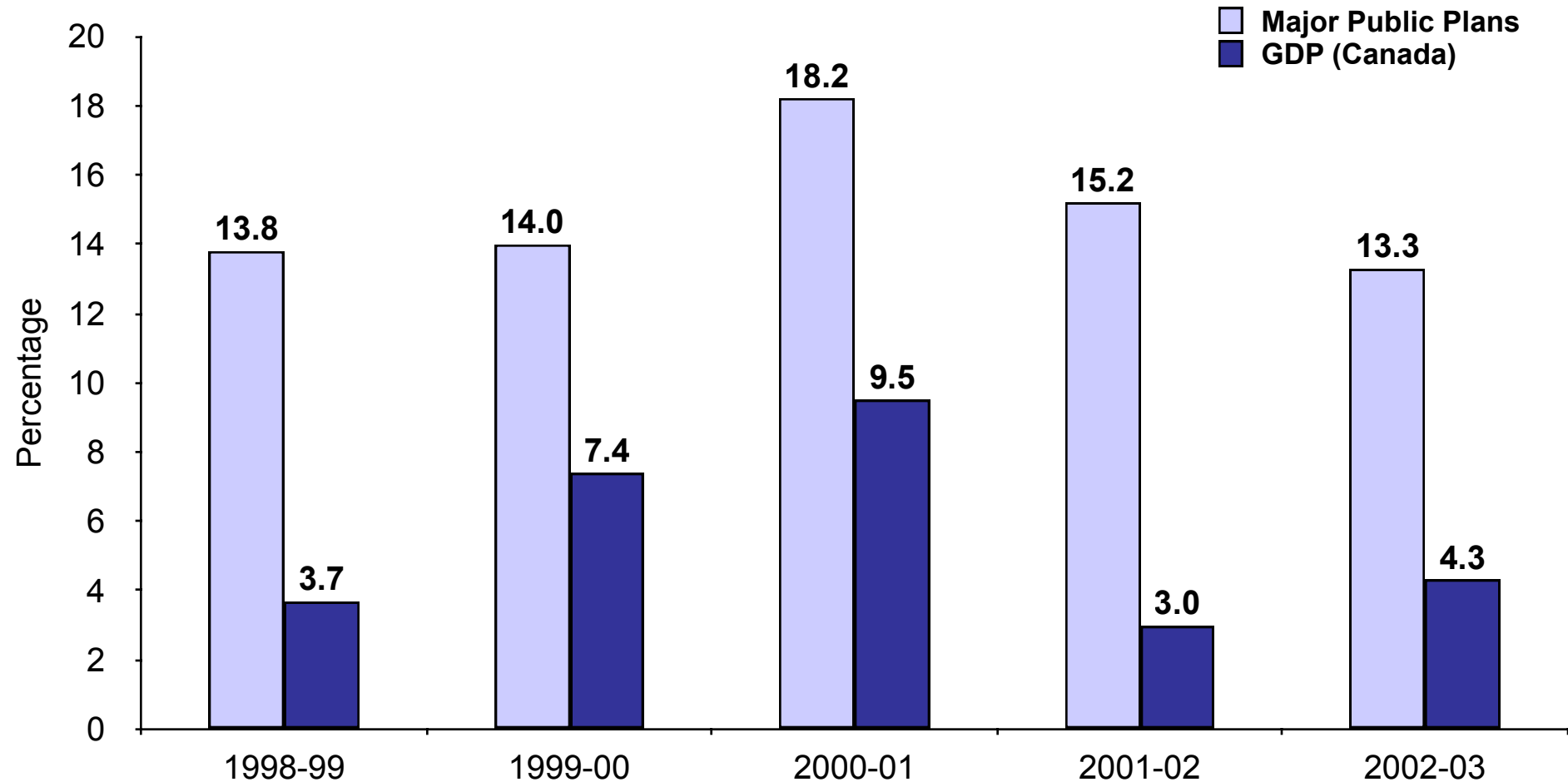


Role of Public Payers

- Provincial drug programs account for close to 50% of total spending on prescription drugs
- Costs for many plans have been increasing at rates three times the growth in the economy

Average Rates of Growth

Major Public Drug Plans & GDP, 1998 - 2003



Source: ODB, RAMQ, and Statistics Canada



Prices to Public Drug Plans

- **Like programs in other countries, public plans employ a wide range of cost-containment measures including:**
 - ◆ generic substitution
 - ◆ price freezes
 - ◆ restricted formularies
- **Prices to public and private plans tend to be uniform in Canada**



F/P/T Collaboration

- **National Pharmaceuticals Strategy: “*No Canadians should suffer undue financial hardship in accessing needed drug therapies*”**
- **Common Drug Review – moving to a national formulary?**
- **National Prescription Drug Utilization Information System (NPDUIS)**

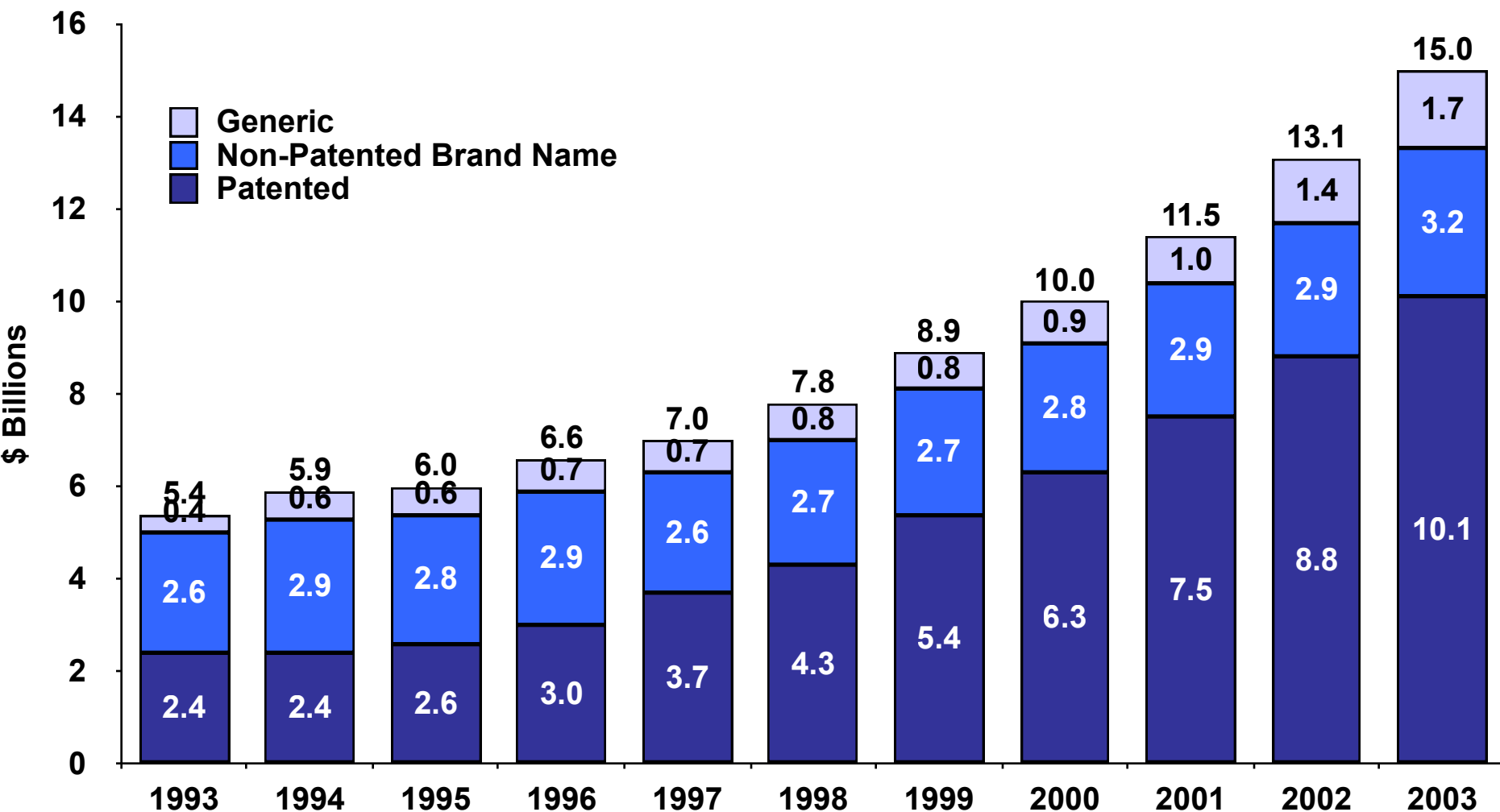


Pharma Sales Growth

- From 1993 to 2003, total manufacturers' sales in Canada increased almost 11% per year, from \$5.4 billion to \$15.0 billion
- Sales of patented drugs:
 - ◆ Increased more than 15% per year
 - ◆ From \$2.4 billion in 1993 to \$10.1 billion in 2003
 - ◆ From 44.4% of total sales to 67.4%

Manufacturers' Sales: Canada

Patented and Non-Patented Drugs, 1993-2003



Source: PMPRB and IMS Health

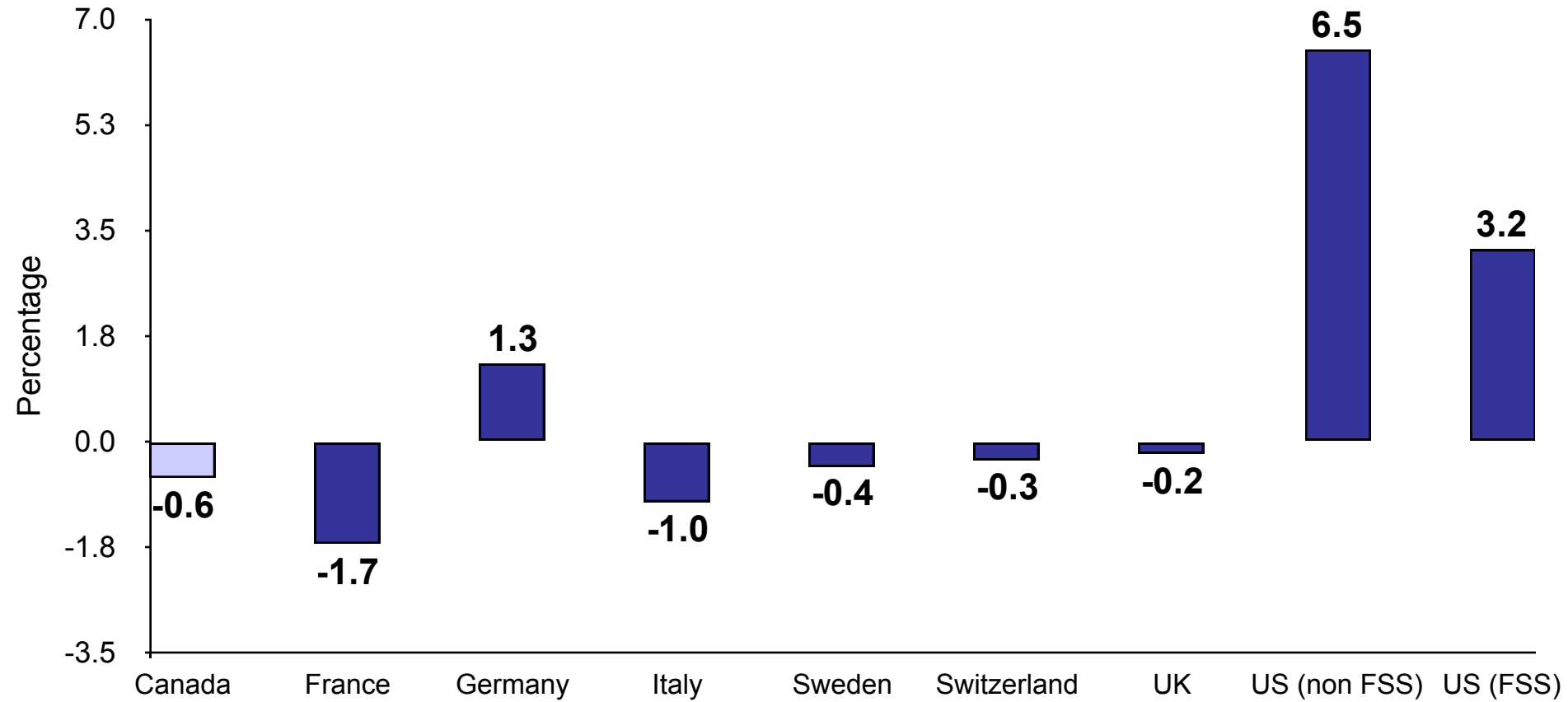


Pharma Price Trends

- **Price increases limited by PMPRB guidelines, based on CPI, for patented drugs and by provincial policies**
- **Since 1993, prices have been stable, in line with European trends**
- **Prices for patented drugs declined 1.1% in 2003**

Price Trends: Patented Drugs

Average Annual Rates of Change, 1998-2003



Source: PMPRB

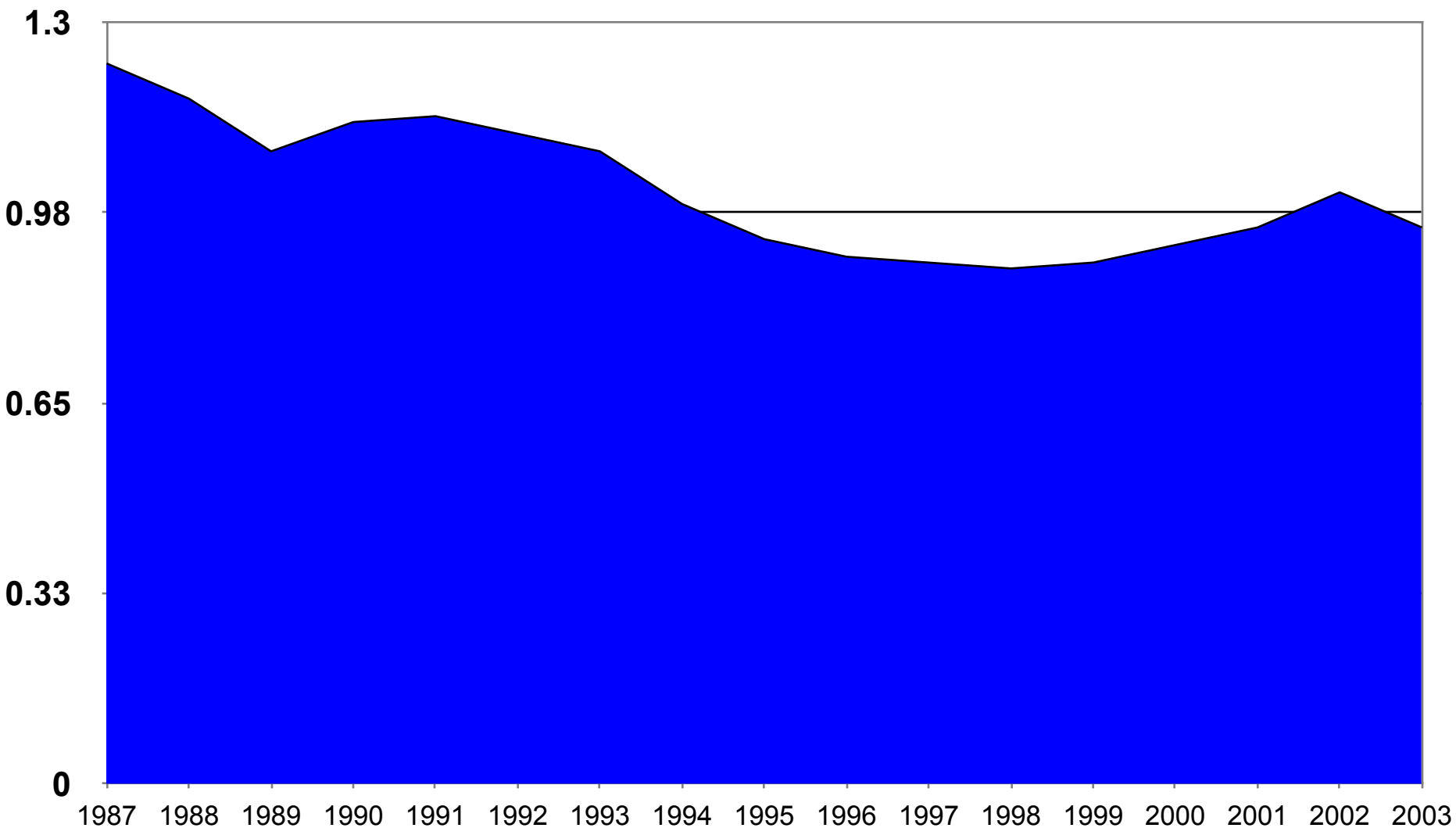


International Comparisons

- The PMPRB compares prices for patented drugs in Canada to seven industrialized countries with pharma industries
- Since 1993, Canadian prices, on average, have been just below the median of foreign prices
- Prices for generic drugs in Canada appear to be higher relative to foreign median

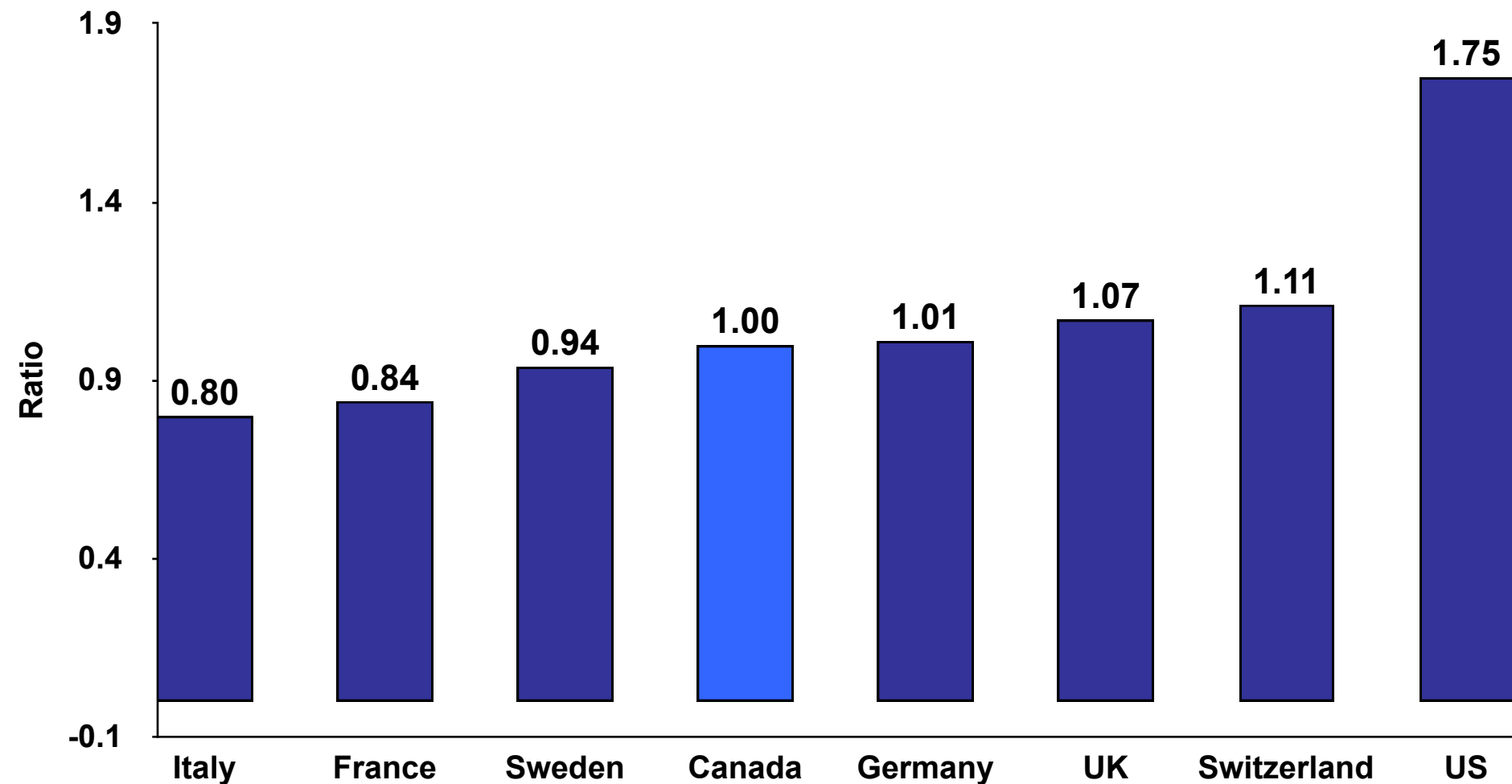
Ratio of Canada/Median Int'l Prices

Patented Drugs, 1987 - 2003



Foreign/Canada Price Ratios

Patented Drugs, 2003



Source: PMPRB

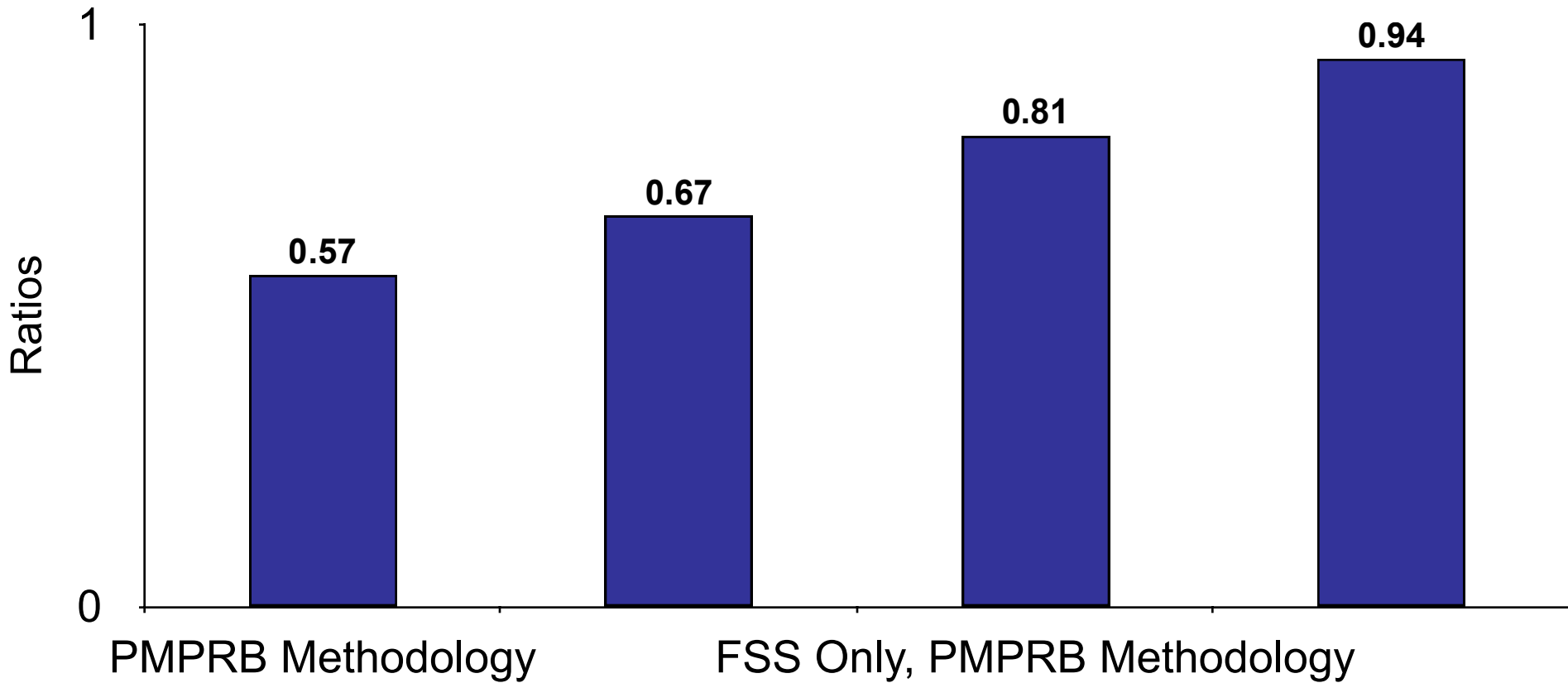


Comparisons with US

- **Complicated by methodological questions, including lack of a single price in US and lack of transparency on discounts**
- **BUT, consider impact of exchange rates**
- **AND prices paid by public programs**

Canada to US Price Ratios

Patented Drugs, 2003



Source: PMPRB



Conclusions

- Major differences in pharma markets
- Canadian price controls part of balanced policy
- Canadian prices in line with major markets; US is exception
- But, prices to large public purchasers in both countries are similar
- Price differences within US



Patented
Medicine Prices
Review Board

Conseil d'examen
du prix des médicaments
brevetés

Contact

wcritchley@pmprb-cepmb.gc.ca

www.pmprb-cepmb.gc.ca

A decorative graphic in the bottom right corner consisting of several concentric green circles and a green swoosh.