NOTES

BY KATHIE LYNAS

Provinces and territories agree to work together to purchase generic drugs and to expand use of bulk purchasing for brand-name drugs

Canada's provincial and territorial premiers have announced plans for a national competitive bidding process to purchase generic drugs and to expand use of group pricing for brand-name drugs.

The announcement was made on July 26, 2012, during a meeting of the Council of the Federation in Halifax. Bulk purchasing for generics has become a necessity, according to a report from the Council's Working Group on Health Care Innovation.

"Canadian prices on 64 generic prescription drugs are 90% higher than American prices and that's the gap we're going to seek to close," Saskatchewan Premier Brad Wall said at a July 26 news conference; he co-wrote the report with Prince Edward Island Premier Robert Ghiz.

The provinces and territories — with the exception of Quebec — will begin by jointly purchasing 3 to 5 generic drugs, with prices established through competitive tendering. These pharmaceuticals are to be identified in the fall and the bulk purchasing is to begin in the spring of 2013.

Pharmacists support mea-

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asures to ensure the financial sustainability of health care but they have concerns about bulk purchasing, says Dr. Jeff Poston, executive director of the Canadian Pharmacists Association (CPhA).

"Our concern is the risks to the supply chain that get created through competitive tendering, where you can end up with a sole supplier and potential shortage issues, says Dr. Poston.

Noting that governments have already significantly

reduced generic drug costs through new pricing policies, he says the focus on further reductions is somewhat misplaced and short-sighted. "They need to focus more on patient care and outcomes from drug therapy. This preoccupation with price neglects the need for investment and for improving safety and quality — ultimately saving money in the broader health care system."

National bulk purchasing with a tendering process is

the best approach for generic drugs, according to Marc-André Gagnon, assistant professor at the School of Public Policy and Administration at Carleton University in Ottawa and an expert adviser with EvidenceNetwork.ca.

"Many countries are purchasing in this way and they manage to get amazing rebates," says Dr. Gagnon. "I am skeptical, however, about the premiers' plans to accelerate and expand bulk purchasing of brand-name drugs.

That's where the real money is — generic drugs are only about 25% of drug expenditures."

In September 2010, the provinces and territories announced a pan-Canadian purchasing alliance to purchase the most expensive brand-name drugs. Since that time, Dr. Gagnon points out, only 2 products have been purchased that way.

Achieving significant savings on brand-name drugs will be very challenging through joint purchasing alone, he says. For the past few years, the brand-name pharmaceutical companies have employed a global pricing strategy, in which they establish an "official price" for

prescription drugs and negotiate rebates for individual purchasers. They did this after the US government agreed that its Medicare plan would always pay the official price, so there is an incentive to keep that price artificially high, explains Dr. Gagnon.

"In Canada, most provinces have focused on stand-alone agreements for costly brand-name drugs, in which they list the official price on the formulary but secure confidential rebates for the public drug plan," he says. "As soon as it is listed in a formulary, it is listed in every private drug plan in the province — and they don't benefit from the rebates. And patients paying out of pocket also have to pay

the full official price."

Patients covered by the public plans also have co-payments and deductibles based on the official price.

"It also puts smaller provinces at a disadvantage because they don't have the populations to secure the same savings as the larger provinces," he adds. "There is a huge problem in terms of equity here between provinces."

It appears that the provinces and territories seek to negotiate on the official price of the drug, says Dr. Gagnon. "With the global pricing strategy, drug companies will be very reluctant to touch the official price. I don't think this is the best way to get high

rebates."

The only way to secure significant savings on brand-name drugs, he says, is to implement a national pharmacare program. He points to New Zealand, where the brand-name pharmaceuticals are 51% of the cost of those in Canada.

"In New Zealand, the reason it works properly is that they do have a national pharmacare program, so when they purchase drugs they do so for all New Zealanders. Under a national program, we can eliminate playing of one province against the others. And the drug cost savings would be enough to actually fund the national drug plan." ■