

December 5, 2022

Doug Clark, Executive Director
Patented Medicine Prices Review Board Box L40
Standard Life Centre
333 Laurier Avenue West, Suite 1400 Ottawa, ON, K1P 1C1
PMPRB.Consultations.CEPMB@pmprb-cepmb.gc.ca

Dear Mr. Clark,

On behalf of McKesson Canada Corporation (“McKesson Canada”) and our thousands of employees across Canada, we would like to provide our input on the “2022 Proposed updates to the PMPRB Guidelines” (“Guidelines”) released on November 9, 2022.

McKesson Canada is one of the country’s largest healthcare companies and the largest distributor of pharmaceutical products. Uniquely positioned within the Canadian healthcare system, our role as a pharmaceutical wholesale distributor, pharmacy banner operator, patient-care innovator, and specialty solutions provider makes us one of the few companies that operates in every aspect of the healthcare system. This provides us with a 360° view to help improve the cost and quality of healthcare delivery in almost every setting.

With respect to the proposed updates to the Guidelines, McKesson Canada is pleased to note the following:

- The PMPRB has clarified and simplified the treatment of medications already available in Canada, by folding the ‘grandfathered’ and ‘gap’ categories into a more straightforward ‘existing’ medications category
- The Guidelines continue to measure Canadian prices against the highest international reference price, as opposed to the median international price
- The Guidelines commit to a 12-month transition period for manufacturer compliance

That said, there remain challenges with the Guidelines that risk impeding access to prescription medications for Canadians, at a time when we are navigating a series of difficult drug shortages that highlight the fragility of Canada’s medication supply.

McKesson Canada and the associations in which it participates (including the Canadian Association for Pharmacy Distribution Management, the Neighbourhood Pharmacy Association of Canada, the Canadian Pharmacists Association, and the Association québécoise des distributeurs en pharmacie), have repeatedly pointed out that the Guidelines do not take into consideration the direct impact they will have on critical funding for pharmaceutical distribution and community pharmacy services in Canada.

McKesson Canada’s internal analysis, as well as that conducted by the industry associations mentioned above, conclude that the impact of the proposed Guidelines will result in a reduction in funding for pharmaceutical distribution and community pharmacy services of between 5% and 6%. This impact on pharmaceutical distribution and community pharmacy funding does not appear to have been taken into consideration in the PMPRB’s analysis and we encourage the PMPRB to share the details of its evaluation for further discussion.

Since the cost of shipping drugs in Canada bears no direct relationship to the price at which they are sold, pharmaceutical distributors like McKesson Canada cannot meaningfully reduce operating costs to offset the anticipated reduction in distribution funding. In fact, distributors have observed a significant increase in costs in recent years due to more stringent regulatory requirements (such as the obligation to invest in ambient transport capacity) and a shift in the pharmaceutical product mix towards specialty medications that require more expensive storage, handling, and transport.

The proposed price reductions threaten the sustainability of our existing business model that ensures next day delivery to 98% of our pharmacies across Canada and a 48-hour delivery window for the remaining 2%.

The pharmaceutical distribution sector in Canada has seen considerable funding compression in recent years due to generic drug price compression. Further drug price reductions will only erode the sector's ability to maintain high service levels, particularly in rural and remote Canada, where distribution challenges and costs are highest. **McKesson Canada therefore urges the PMPRB to consider the full impact of the proposed changes so that distributors can continue to provide timely and appropriate levels of pharmaceutical services for all Canadians, regardless of geography.**

Similarly, community pharmacies rely on their economic viability to fund critical services that enable accessible healthcare. Pharmacies that will see their funding reduced because of the Guidelines will have no choice but to look to reduce expenditures in their stores potentially in the form of reduced healthcare services, hours of operation, and staffing.

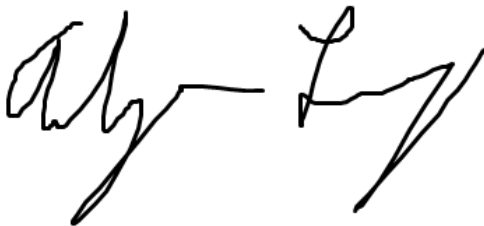
In addition, the geographic realities and population density challenges of Canada and PMPRB comparator countries are vastly different from a drug distribution perspective. **Canada's distributors need to cover a geographic area of 9.98 million km² versus 11.03 million km² for all other comparator countries combined.**¹ Only Australia has population density and distribution challenges comparable to Canada, albeit with only 76% of the territory and none of the seasonal weather-related challenges Canadian distributors contend with every year. **In short, the new basket of countries used by PMPRB for drug pricing comparisons does not accurately reflect the actual costs for getting drugs into the hands of patients in a geographically diverse country like Canada, prompting a further need for a more complete analysis of the implications of the Guidelines.**

Finally, McKesson Canada would like to, once again, encourage the PMPRB to strike a working group consisting of Board members, provincial drug plan managers, manufacturers, distributors, and community pharmacists to develop a process for implementing new list prices, including a timeline for communication from manufacturers to the marketplace. **We remain concerned that there is no clear, agreed-upon process for the actual implementation of the Guidelines ahead of the compliance deadline.** Without any kind of organized process, there is a strong likelihood that individual pharmacies will have to reduce their inventory lest they see the price of the product drop significantly between the time they acquire it and the time they sell it.

Thank you again for the opportunity to provide input on the proposed PMPRB Guideline updates. We urge the PMPRB to consider the full impact of the Guidelines on the sustainability of Canada's drug supply system moving forward.

If in the interim you have any questions about McKesson Canada, our submission, or require any assistance on any other issue, please do not hesitate to contact me directly.

Sincerely,



Anthony Leong, MBA, B.Sc.Pharm, R.Ph
Vice President, Public Policy & Government Affairs
anthony.leong@mckesson.ca

¹ Total combined area of all comparator countries excluding Australia: 3.41 million km², or 34% of Canada's area.