June 21, 2021

Patented Medicine Prices Review Board
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To Whom It May Concern,

On behalf of McKesson Canada Corporation ("McKesson Canada") and our 12,000+ employees across the country, we would like to provide our input on the Consultation on the Guideline Monitoring and Evaluation Plan issued by the Patented Medicine Prices Review Board ("PMPRB") in May 2021.

McKesson Canada is one of the country's largest health care companies & 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 and touches 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.

McKesson Canada at a Glance

Distribution

- ***The largest pharmaceutical distributor*** *in Canada, delivering over* ***1/3*** *of all medications across the country,* ***ensuring timely patient access to vital medication***

Community Pharmacy

- ***The largest supporter of Independent Pharmacy*** *with* ***6*** ***retail banners & franchises*** *supporting* ***2,300+ independent community pharmacies***
- ***Best-in-class pharmacy care*** *with* ***400+ Rexall*** *pharmacies across Canada*
- ***Well.ca is Canada's leading online destination*** *for health, wellness, beauty and baby products*

Specialty Health

- ***13 specialty pharmacies & Canada's only accredited network of 90 infusion clinics*** *form our* ***end-to-end solution for 18,000 patients on specialized therapies***

Technology

- ***A leading provider of technology solutions*** *that empower healthcare providers to* ***deliver better care at a lower cost***

McKesson Canada's Perspective on the Guideline Monitoring and Evaluation Plan

McKesson Canada is pleased to participate in the development of the PMPRB's Guideline Monitoring and Evaluation Plan ("GMEP"). While we appreciate that the PMPRB has acknowledged that the forthcoming Guidelines are likely to have a profound impact across the entire pharmaceutical sector in Canada, McKesson Canada sees a missed opportunity that the current GMEP plans exclude any meaningful evaluation on the pharmaceutical supply chain. **The decision to exclude active monitoring of the state of the pharmaceutical distribution system from the "Pharmaceutical Ecosystem" section of the GMEP plan implies, incorrectly, that the PMPRB does not anticipate any potential impact on the sector's ability to continue to meet the needs of Canadians across the country.**

McKesson Canada urges the PMPRB to rectify this oversight quickly. Given that the entire funding structure supporting the ability of pharmaceutical distributors to provide medicine delivery services across Canada is a function of the price of drugs sold, it is evident that one of the effects of the Guidelines will be a reduction in funding for pharmaceutical distribution. McKesson Canada and others, such as the Canadian Association for Pharmacy Distribution Management (CAPDM), have made this point throughout the Guidelines consultation process and we stand ready to meaningfully engage with the PMPRB on this.

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 compensate from the anticipated loss in distribution funding. In fact, distributors have observed a significant increase in costs in recent years due to both advanced 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 financing, storage, handling, and transport (such as "cold chain" distribution).

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 provide high service levels, particularly in rural and remote Canada, where distribution challenges and costs are highest.

While McKesson Canada is not specifically questioning the PMPRB's contention that drug prices in Canada are "too high," **we are concerned that throughout the entire consultation process, the PMPRB has not acknowledged that an undeniable unintended consequence of this reform will be significant funding reduction for pharmaceutical distribution**. We continue to encourage the PMPRB to work with stakeholders in the pharmaceutical distribution system, including CAPDM, as well as the National Prescription Drug Utilization Information System (NPDUIS) initiative, to develop an action plan to ensure that the drug supply system remains sustainable in the long term despite the impact of the Guidelines.

1. Suggested Metrics for Guideline Impact on the Pharmaceutical Distribution System

With regard to the "Pharmaceutical Ecosystem" section of the GMEP, McKesson Canada recommends the PMPRB adopt a set of metrics and indicators that measure the impact of the Guidelines on the pharmaceutical distribution system. These indicators may include:

- Average sale price per unit of medication sold for existing patented medicines, which can be used to calculate the reduction in distribution funding caused by the Guidelines
- Proportion of drug cost dollars spent on high-cost drugs, to determine whether the shift towards a mix of higher-cost-to-distribute drugs continues
- Number of drug shortages in Canada
- Duration of drug shortages in Canada
- Patented medicines discontinuation in Canada
- Proportion of specialty medications administered by hospitals/by pharmacies, to determine whether the Guidelines shift more patients onto the already taxed hospital system
- Number of days following FDA approval for new drugs to be launched in Canada, to determine whether patented medicine manufacturers de-prioritize the Canadian market for new launches
- Indicators related to patient adherence and compliance for specialty and complex therapies, to determine whether reduced manufacturer funding will lead to reduced effectiveness for patient support programs that are critical to successful patient outcomes
- Number of monthly distributions to pharmacies in rural and remote areas, to determine the impact of reduced distribution funding on service levels to the costliest parts of the country

Given the unprecedented impacts that COVID-19 has had on Canada's drug supply and pharmaceutical supply chain, we would recommend that the baseline for the above metrics be measured using 2019 calendar year data.

2. Suggested Metrics to Gauge Implementation Impact on Pharmaceutical Supply

We remained concerned that there is no clear, agreed-upon process for the actual implementation of the Guidelines ahead of the July 1, 2022, deadline, which could result in unintended supply disruptions. McKesson Canada would like to, once again, encourage the PMPRB to strike a working group consisting of Board members, manufacturers, distributors and retail pharmacists to develop a process for implementing new list prices, including a timeline for communication from manufacturers to the marketplace.

As described in our submission dated February 14, 2021, McKesson Canada encourages the PMPRB to actively engage with manufacturers, distributors, community pharmacy and drug plan managers to ensure a smooth transition to the new guidelines. For the moment, there is no agreed-upon process for manufacturers to communicate new prices to market in a timely and orderly fashion. There is no discussion about floor-stock protection at the distributor and retail pharmacy levels, which will be required to prevent supply interruptions and unnecessary shortages around the compliance date. There has been no engagement with provincial drug plans to consider whether 'washout' periods ought to be implemented to guard against deflation of products not sold prior to the deadline. **In the absence of such measures, supply chain players may be inclined to minimize purchasing activities and on-hand inventories for a few weeks before anticipated price reductions to minimize the financial impact, which may create transient supply disruptions and patient access issues.**

In addition to engaging on these files, we urge the PMPRB to consider their impact as part of the GMEP plan, by adopting indicators such as the following:

- Number of grandfathered and gap medicine price changes at the SKU level
- Average washout period adopted by provinces and major private insurers (with the ideal being at least one month)
- Number of days between the first price change and the last price change (with the ideal being zero days, which would reflect a coordinated industry approach to price changes that occurs on a single day)
- Proportion of price changes communicated to market more than 60 days before the July 1, 2022, deadline, which McKesson Canada considers adequate to ensure supply consistency

McKesson Canada is committed to working collaboratively with the PMPRB and any other entities, such as CAPDM, to develop a jointly develop a set of metrics to evaluate the impact of the Guidelines on the distribution sector, an integral part of the "pharmaceutical ecosystem" in Canada.

Closing Remarks

Thank you again for the opportunity to evaluate and consider our recommendations for the proposed GEMP, and we look forward to more opportunities to inform the Board's thinking in the coming months. We urge the PMPRB to consider the full impact of the Guidelines on the sustainability of Canada's drug supply system.

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,

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