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Submitted via the PMPRB Consultation Submission Portal, and via email to PMPRB.Consultations.CEPMB@pmprb-cepmb.gc.ca

CAPDM Submission to the PMPRB's 2023 Interim Guidance Consultation

This submission is made on behalf of the Canadian Association for Pharmacy Distribution Management (CAPDM) in response to the 2023 Proposed *Amendment to the Interim Guidance re: New Medicines* (the Draft Guidance).

Representing pharmacy supply chain stakeholders, CAPDM is the national trade association for distributors that supply pharmacies and hospitals with over 95% of medicines consumed in Canada. Pharmaceutical distributors ensure the safe, secure, and timely access of prescription and over-the-counter medications to every corner of the nation, servicing over 12,500 pharmacies and hospitals. This efficient, accurate, and reliable supply chain ensures physical accessibility to medicines for all Canadians.

CAPDM is supportive of the Committee's decision to study the ongoing PMPRB reforms, including the specific aspects this consultation explores, and encourages holistic examination of drug pricing to ensure sustainable funding for Canada's medication supply system. Without consideration of the costs of physical storage and delivery in contemplating drug pricing approaches, the current and considered reforms will further destabilizing an already fragile drug supply system, making access to medications for Canadians, particularly those in rural and remote areas, more challenging.

Given the recent changes in the PMPRB's leadership, we believe now is an opportune time to revisit the intentions of the proposed PMPRB reforms and, rather than further examining detailed draft Guidelines, hold an open discussion among decision-makers and supply chain stakeholders on how the proposed approaches risk further weakening of the very infrastructure that enables national medication access.

Price Compression and Impacts on Pharmaceutical Distribution

CAPDM members strongly support medicine affordability, but not at the expense of accessibility. Pharmaceutical distribution is largely funded as a function of listed drug prices, thus the lower a drug price, the less funding that is available to get the medications to the patients who need them. Distributors operate in a controlled market where all partners want lower prices for medicines thus reducing distribution funding, while operating and regulatory costs increase with uncontrolled market forces, creating an unsustainable challenge.

The cumulative impact of existing price reductions and increased regulatory and operating costs are estimated to be over \$100 million annually, threatening the fiscal sustainability of Canada’s pharmaceutical distribution network.

The PMPRB’s proposed “Revised Guidelines” from December 2022 are estimated by expert observers to further reduce average prices of existing brand drugs by 5-7%, double-to-triple the PMPRB’s own estimates, which would result in the additional reduction of distribution funding by over \$20 million per year. This is on top of the 70% reduction in generic drug prices in Canada since 2007, which reduced distribution funding by an estimated \$50 million per year. (In parallel, the provincial governments are currently negotiating agreements for generic drug pricing, and almost all have implemented policies that will automatically substitute relatively lower-priced biosimilars for innovative biologic medications, which will further reduce drug supply funding.)

At the same time, distributor operating costs have increased at least 2.5 times faster than distribution volumes in the past five years, through inflation, fuel costs, and labour costs. Furthermore, distributors handle an average of over 100 drug shortages every week, an uncompensated activity that costs over \$3 million per year and highlights the fragility of Canada’s medication supply.

Further reductions in drug prices, or pricing new medicines without considering the full costs their physical delivery, put at risk the very infrastructure that ensures physical access of medications to Canadians leaving few, if any, options for distributors to absorb further funding erosion without impact to patients. Offsets to further price reductions and increased costs require significant service changes and are likely to:

- **Limit or eliminate delivery to regions that are financially unsustainable**, which would necessitate patients in rural and remote areas to travel further to access their medications.
- **Reduce delivery frequency, particularly to rural and remote communities**, and thus disproportionately to Indigenous populations, which would cause patients delays in starting new medications or accessing refills if they are out-of-stock or require special order.
- **Eliminate money-losing products (those of the lowest cost)** to create a more sustainable product mix, which would make access to certain drugs difficult for patients.
- **Reduce ‘safety stock’ inventory levels**, which would all but eliminate any meaningful ability to prevent or mitigate drug shortages.

We believe that Canadians should have affordable access to the medications they need, when and where they need them. We also believe that looking at the issue through the narrow lens of lowest cost contributes to an unintended and crippling impact across the supply chain and will lead to inequity in drug access for Canadians. The resulting changes from further drug price reductions are counter to two key principles of the *Canada Health Act*: universality and accessibility. The PMPRB’s “Revised Guidelines” fail to produce a mechanism to reduce drug prices without reducing physical access to medication.

We strongly urge the PMPRB to suspend its current process and engage in meaningful consultations with all supply chain stakeholders and patients. The PMPRB needs to not only look at monetary accessibility of medications, but also at physical accessibility through the distribution supply chain.

Repeatedly, CAPDM has urged the PMPRB to take an appropriate, broader view. Despite these efforts, the PMPRB has yet to meaningfully engage with our industry.

CAPDM understands from previous conversations with the PMPRB that pharmaceutical distribution is out of the PMPRB's scope. However, given the effects of PMPRB's decisions on the distribution sector and consequently on equitable access to medicines for Canadians, we urge the PMPRB to include language in the consultation report that recognizes and highlights the significant negative consequences on pharmaceutical distribution, and to alert government partners to the supply chain vulnerabilities the "Revised Guidelines" present and the need for compensatory measures.

We welcome opportunity to work with the PMPRB, the federal, provincial, and territorial governments to ensure the sustainability of medicine accessibility.

Recommendations

1. Suspend the current consultation process and undertake comprehensive consultation with all supply chain stakeholders, patients, and other players in the ecosystem and conduct impact assessments to inform affordability and accessibility.
2. Conduct an evidence-based impact assessment of the "Revised Guidelines" on the financial impact of policy changes on all aspects of the drug supply system, from drug development to dispensing, to the supporting infrastructures funded by drug prices.
3. Based on impact assessment outcomes, develop a comprehensive approach to medicine affordability and accessibility and make compensatory adjustments to the supply chain stakeholders for the changes imposed by the PMPRB that ensure accessibility and sustainability of the system.

Sincerely,
CANADIAN ASSOCIATION FOR PHARMACY DISTRIBUTION MANAGEMENT



Ms. Angelique Berg
President & CEO