



# SUBMISSION TO THE PATENTED MEDICINE PRICES REVIEW BOARD IN RELATION TO THE DELAY OF THE COMING-INTO-FORCE DATE OF THE REGULATIONS

August 31, 2021



Canadian Life & Health  
Insurance Association

Association canadienne des  
compagnies d'assurances  
de personnes

## OVERVIEW

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide its comments to the Patented Medicine Prices Review Board (PMPRB) in response to its consultation on three proposed changes to the new PMPRB Guidelines given the further delay of coming-into-force of the Patented Medicines Regulations to January 1, 2022. The CLHIA is a voluntary association with member companies which account for 99 per cent of Canada's life and health insurance business.

The life and health insurance industry works with over 130,000 large and small employers across all sectors of the economy to provide more than 26 million Canadians with access to a wide range of health supports through extended health care plans, including prescription drugs. In 2019, life and health insurers paid over \$38 billion in health benefit claims, including \$12.5 billion for prescription drugs.



### **\$8.3 billion in tax contributions**

- \$1.5 billion** in corporate income tax
- \$1.3 billion** in payroll and other taxes
- \$1.6 billion** in premium tax
- \$3.9 billion** in retail sales and payroll taxes collected



### **Investing in Canada**

- \$950 billion** in total invested assets
- 92%** held in long-term investments



### **Protecting 29 million Canadians**

- 26 million** with drug, dental and other health benefits
- 22 million** with life insurance averaging \$222,000 per insured
- 12 million** with disability income protection



### **\$103 billion in payments to Canadians**

- \$53 billion** in annuities
- \$38 billion** in health and disability claims
- \$12 billion** in life insurance policies

Prescription medicines continue to be a large and growing cost of employers' health benefit plans. While high-cost drugs account for only two per cent of claims, these drugs account for over 30 per cent of the cost to drug benefit plans. The cost of new specialized medicines in particular adds increasing pressure to these plans and Canadians now pay some of the highest patented drug costs in the world.

In our view, the proposed changes strike the right balance between reducing the high cost of prescription drugs in Canada, while also continuing to ensure Canadians have access to affordable and necessary medications. The reduction in prescription drug prices resulting from the PMPRB changes is expected to save Canadian employers hundreds of millions of dollars per year. We are supportive of the proposed PMPRB reforms and believe that it's critical that the implementation of these reforms come into force on January 1, 2022 with no further delays.

The following reflect the industry's feedback on the proposed amendments to the new PMPRB Guidelines related to the decision to delay the coming-into-force date of the Regulations Amending

the Patented Medicines Regulations (“Regulations”) a further six months, from July 1, 2021 to January 1, 2022:

### 1. DEFINITION OF GAP MEDICINES

The definition of Gap medicines under the new Guidelines applies to medicines for which a drug identification number (DIN) was assigned on or after August 21, 2019 and prior to July 1, 2021 and first sold in Canada prior to July 1, 2021. **The PMPRB is proposing to extend the date on which the DIN was assigned and the date of first sale to the new coming-into-force date of January 1, 2022.**

#### CLHIA Comments:

Our industry is supportive of this change in date to accommodate the most recent change in the implementation date of the reforms to January 1, 2022.

### 2. COMPARATOR COUNTRIES

The comparator countries used under the new Guidelines are currently referred to as the “PMPRB11”. **The PMPRB is proposing to refer to the comparator countries more by reference to the Schedule set out in the Regulations as the “Schedule Countries”.**

#### CLHIA Comments:

Life and health insurers are supportive of this proposed change. While the delays over the last year in implementing the reforms is understandable given the pandemic, these delays have meant that both public and private plans have continued to be under pressure given that Canadians pay some of the highest patented drug costs in the world. Our understanding of the proposed change is that it will facilitate the implementation of new Guidelines in a variety of scenarios. Reform to lower the high cost of medications in Canada is needed and we support strategies to prevent further delay.

### 3. INTERNATIONAL PRICE TESTS FOR GRANDFATHERED MEDICINES AND THEIR LINE EXTENSIONS

Under the new Guidelines, the maximum list price (“MLP”) for Grandfathered and Line extensions is set by the lower of (1) the highest international price (“HIP”) for the PMPRB11 countries for which the patentee has provided information; or (2) the medicine’s ceiling (e.g. the “NEAP”) under the Guidelines as they were prior to the issuance of these guidelines.

#### CLHIA Comments:

Our industry is supportive of this proposed change to the Guidelines. The anticipated reduction on Grandfathered medications (PMPRB estimate of 51 per cent of medications) within the first year of the Guidelines being implemented is an important change that will assist Canadians with continued access to affordable and needed medications and reduce pressure on both public and private plans.

### CONCLUSION

Thank you for the opportunity to comment on these proposed changes. The time and commitment by both the PMPRB and Health Canada over the last several years to engage with all stakeholders is appreciated. We also appreciate PMPRB’s efforts in developing supporting Frequently Asked Questions (<https://www.canada.ca/en/patented-medicine-prices-review/services/consultations/notice-comment-references-comparator-countries/frequently-asked-questions.html>) to provide further clarity on the proposed changes to the Guidelines. These reforms are critical to reduce the cost of prescription drugs for our members, employers and their employees, and for provinces and territories. We strongly suggest that no further changes to the Guidelines be contemplated and that the planned implementation of these changes not be extended again and come into force January 1, 2022.

We appreciate the PMPRB consulting stakeholders on these changes. Should you have any questions or wish to discuss further, please don't hesitate to contact Karen Voin, Vice-President, Group Benefits and Anti-Fraud at [kvoin@clhia.ca](mailto:kvoin@clhia.ca) or 416-359-2020.



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