August 31, 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 Notice and Comment issued by the Patented Medicine Prices Review Board ("PMPRB") on July 15th.

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's Perspective on the Proposed Amendments

On June 29, 2021, McKesson Canada (via its membership in industry associations) received word that the coming-into-force of the regulations amending the Patented Medicine Prices Review Board had been delayed six months to provide "industry with additional time to prepare for and comply with the changes introduced in the amendments." We were thus surprised to learn in mid-July that the PMPRB would be using this delay period to consult on further updates to the interpretation of the new guidelines that are likely to have a substantial impact on the Canadian life sciences sector.

With regard to the specific amendments, McKesson Canada understands the rationale behind the first two, notably the evolution of the definition of "gap medicines" to reflect the revised coming-into-force timeline, as well as the updated shorthand term for the comparator countries.

However, McKesson Canada is deeply concerned with the likely impact of the third proposed amendment, which would fundamentally change the way in which the maximum list price (MLP) is calculated. Specifically, the proposal to set the MLP as the lower of either the median international price (MIP) or the existing ceiling (NEAP), instead of the lower of the highest international price (HIP) or the NEAP **amounts to an arbitrary decision to reduce prices to a level far beyond what has already been accepted by all actors in the sector, including governments, industry and patients. In fact, we expect this amendment to double the impact of the guidelines on sector funding, which will have a correspondingly large reduction in funding for Canada's pharmaceutical distribution system.**

Unlike the other proposed amendments, which amount to housekeeping edits to the guidelines, the proposed method for calculating MLPs is substantially different from the guidelines that were agreed upon prior to the previous implementation date. Moreover, it is apparent that this proposed amendment will have a larger material impact than any of the previous PMPRB proposals.

While the notice and comment, as well as the "Frequently Asked Questions" document provides some insight into the PMPRB's proposal, there is little explanation on the rationale for this proposal beyond the PMPRB's assertion that the proposals "are believed to be an appropriate response to the most recent six-month extension in the coming-into-force date of the Regulations." **McKesson Canada would appreciate some further explanation as to how fundamentally changing the way the prices of grandfathered medicines are calculated represents an "appropriate response" to a delay that was implemented to provide "industry with additional time to prepare for and comply with the changes introduced in the amendments."**

A detailed analysis of the proposed amendments conducted by PDCI Market Access reveals that the impact will be substantially higher than previous iterations of the guidelines. Specifically, the existing guidelines were expected to result in an average price reduction of 23% for approximately 30% of all grandfathered and gap medicines. While the proposed amendment would see the average impact increase to only 24%, it would affect approximately 59% of all existing medications, meaning the total impact to the sector would be effectively double what has already been anticipated – an average annual impact of $2.4 billion.

As a result, this proposed amendment amounts will lead to an unprecedented, immediate reduction in annual funding for the pharmaceutical supply system in Canada in the neighbourhood of $40 to $60 million.

While it has been clear throughout the entire process that the eventual impact of the revised guidelines would be a reduction in funding for the pharmaceutical supply system, the impact of the most recent proposed amendments would have a significant impact on McKesson Canada's ability to maintain high service levels and planned investments that would maintain Canada's critical drug supply infrastructure. Further, the proposed amendment would further reduce funding for pharmacy services, putting patient care at risk across the country.

McKesson Canada proposes that the third amendment be dropped altogether.

In addition, McKesson Canada is deeply concerned that the proposed amendments would effectively reduce the effective implementation from two compliance periods to one. Just four months ago, the PMRPB issued a decision confirming the two-compliance-period transition window, recognizing the significant challenge all actors in the pharmaceutical sector (including the PMPRB, manufacturers, distributors and community pharmacies) would have to undertake to accurately implement hundreds of price changes.

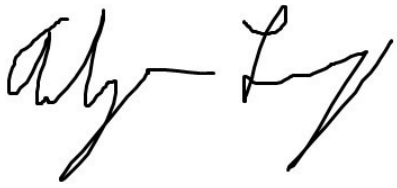
McKesson Canada therefore proposes a return to a minimum twelve-month transition period, and once again requests the PMRPB strike a working group with manufacturers, distributors and pharmacies to develop a workplan for implementing price changes that will not lead to unnecessary drug shortages due to concerns about floor-stock price protection.

Closing Remarks

Thank you again for the opportunity to provide input on the proposed amendments. 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,



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