

**THE PATENTED MEDICINE  
PRICES REVIEW BOARD**

**2023-24**

**Quarterly Financial Report for the Quarter Ended  
December 31, 2023**

# PATENTED MEDICINE PRICES REVIEW BOARD

Quarterly Financial Report

For the Quarter Ended December 31, 2023 (unaudited)

## Management Statement for the Quarter Ended December 31, 2023

### 1. Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board Accounting Standard (TBAS) 1.3. This quarterly report should be read in conjunction with the [Main Estimates](#) and [Supplementary Estimates](#).

#### 1.1 Authority, Mandate and Program Activities

The Patented Medicine Prices Review Board (PMPRB) is an independent, quasi-judicial body created by Parliament as a result of amendments to the *Patent Act* (Act) in 1987 (Bill C-22) and its remedial powers were supplemented by further amendments in 1993 (Bill C-91). The amendments were intended to balance stronger patent protection for pharmaceutical patentees with the need to protect consumers from excessively priced patented medicines.

The PMPRB is composed of “Staff”, who are public servants responsible for carrying out the organization’s day to day work, and Board Members, Governor-in-Council appointees who serve as hearing panel members in the event of a dispute between Staff and a patentee over the price of a patented medicine.

If the price of a patented medicine appears to be excessive, Staff will first try to reach a consensual resolution with the patentee. Failing this, the Chairperson<sup>1</sup> can decide that the matter should proceed to a hearing. The Chairperson decides the composition of a panel. Provincial and territorial ministers of health have a statutory right to appear before the panel as parties, and other interested parties or groups may seek leave to participate as interveners.

At the hearing, a panel composed of Board Members acts as a neutral arbiter between Staff and the patentee. If a panel finds that the price of a patented medicine is excessive, it can order a reduction of the price to a non-excessive level. It can also order a patentee to make a monetary payment to the Government of Canada in the amount of the excess revenues earned and, in cases where the panel determines there has been a policy of excessive pricing, it can double the amount of the monetary payment.

The PMPRB has a dual role:

**Regulatory:** To ensure that prices charged by patentees for patented medicines sold in Canada are not excessive.

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<sup>1</sup> In accordance with subsection 93(3) of the *Patent Act*, if the Chairperson is absent or incapacitated or if the office of the Chairperson is vacant, the Vice-Chairperson has all the powers and functions of the Chairperson during the absence, incapacity or vacancy.

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**Reporting:** To report on pharmaceutical trends of all medicines, and on research and development (R&D) spending by pharmaceutical patentees.

Further details on the PMPRB's authority, mandate and program activities may be found in the [Departmental Plan](#) and the [Main Estimates](#).

## 1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the PMPRB's spending authorities granted by Parliament and those used by the organization, consistent with the *Main Estimates* and *Supplementary Estimates* for the 2023-24 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund (CRF). A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

As part of the departmental performance reporting process, the PMPRB prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian Generally Accepted Accounting Principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

The quarterly report has not been subject to an external audit or review.

## 2. Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) Results

This quarterly financial report reflects the results of the current fiscal period in relation to the Main Estimates. The PMPRB's YTD spending increased by 18% to \$9.8 million and Q3 spending increased by 16% to \$3.6 million from 2022-23 to 2023-24.

The money reported in the PMPRB's Annual Financial Statements as non-responsible revenue is a result of payments to the Government of Canada made by patentees through

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Voluntary Compliance Undertakings (VCUs)<sup>2</sup> or Board Orders to offset excess revenues. The Minister of Health may enter into agreements with any province respecting the distribution to that province of amounts received by the Receiver General, less any costs incurred in relation to the collection and distribution of those amounts. In 2023-24, the PMPRB received \$0.7 million YTD and none in Q3 for repayments of excess revenues, as compared to \$31.1 million and \$22.4 million YTD and Q3 respectively in 2022-23.

Revenues that are non-respendable are not available to discharge the PMPRB's liabilities. While the Chairperson is expected to maintain accounting control, they have no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are not therefore presented as a reduction to the entity's total gross budgetary expenditures.

### **2.1 Significant Changes to Authority**

As shown in the Statement of Authorities of this document, total authorities available for 2023-24 have increased by \$0.5 million (2.8%) since 2022-23, from \$17.8 million to \$18.3 million.

The increase is attributable to funding for compensation adjustments resulting from collective agreements.

### **2.2 Significant Changes to Budgetary Expenditures by Standard Object**

This section elaborates on variances in expenditures, Statutory items and Vote 1 (Program expenditures) by standard object to explain changes in spending trends from the same quarter of the previous year.

Overall, YTD and Q3 spending increased by \$1,482 thousand (18%) and \$494 thousand (16%) respectively in 2023-24.

For "Personnel", YTD and Q3 spending increased by \$973 thousand and \$543 thousand respectively in 2023-24. The increases are mainly due to the PMPRB being fully staffed for most of the year compared to the previous year and compensation adjustments resulting from collective agreements signed in 2023-24.

For "Transportation", YTD and Q3 spending increased by \$31 thousand and \$13 thousand respectively due to increased travel following the lifting of COVID restrictions.

For "Information", YTD and Q3 spending increased by \$100 thousand and \$31 thousand respectively in 2023-24 mainly due to increased purchases of patented medicine related information upon which our reports are partly based.

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<sup>2</sup> VCUs are approved by the Chairperson or, if the VCU is submitted after the issuance of a Notice of Hearing, the Board Hearing Panel.

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For “Professional and special services”, YTD and Q3 spending decreased by \$108 thousand and \$198 thousand respectively. This is due to the fact that the cost of litigation-related services varies from year to year depending on what legal matters are before the Board and the courts and to a timing variance in financial system hosting costs paid to Health Canada. These were paid in the second quarter of 2023-24 and paid in the third quarter of 2022-23.

For “Rentals”, YTD and Q3 spending increased by \$24 thousand and by \$11 thousand. This is due to timing differences in software license purchases.

For “Acquisition of machinery and equipment”, YTD and Q3 spending increased by \$34 thousand and by \$51 thousand respectively. The variance is due to the acquisition of IT tablets in Q3 in 2023-24, which occurred by Q2 in 2022-23.

For “Other subsidies and payments”, YTD and Q3 spending increased by \$429 thousand and by \$46 thousand respectively due to the payment of a court award in 2023-24.

There were no significant variances to report in the other standard objects.

### **3. Risks and Uncertainties**

The PMPRB is funded through annual appropriations. As a result, its operations are impacted by any changes in funding approved through Parliament. The PMPRB has no authority to spend revenues received during the year as a result of payments made by patentees to the Government of Canada through VCU’s or Board Orders to offset excess revenues.

The PMPRB’s funding includes a Special Purpose Allotment (SPA) to conduct Public Hearings, in Vote 1 of \$4.5 million. The SPA can only be used to cover the costs of public hearings, such as external legal counsel and expert witnesses, etc. Any unspent amount is returned to the CRF. The PMPRB’s expenditures are influenced by the number and complexity of investigations into the prices of patented medicines, the number of investigations that result in hearings and the number of hearing decisions that form the basis of judicial review applications, all of which are inherently unpredictable.

The PMPRB’s most significant expenditure is “Personnel”, representing 60% of its annual planned expenditures. Given the highly specialized nature of its consumer protection mandate, the PMPRB must continue to attract and retain subject matter experts. Given the organization’s small size, the departure or hiring of a handful of employees in one quarter can have a significant impact on the quarter’s expenditures.

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### **4. Significant changes in relation to operations, personnel and programs**

#### **Changes to Key Senior Personnel**

On October 12, 2023, Peter Moreland-Giraldeau was appointed to the Board of the PMPRB for a term of five years.

On October 25, 2023, Emily Reynen was appointed to the Board of the PMPRB for a term of five years.

#### **Changes to Programs**

There have been no significant changes in relation to programs over the last year.

#### **Approval by Senior Officials**

Approved by:

Original signed by \_\_\_\_\_  
Thomas J. Digby,  
Chairperson

Original signed by \_\_\_\_\_  
Devon Menard,  
Chief Financial Officer

Ottawa, Canada  
February 13, 2024

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## STATEMENT OF AUTHORITIES (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2023-24			Fiscal year 2022-23		
	Total available for use for year ending March 31, 2024 <sup>1</sup>	Used during the quarter ended December 31, 2023	Year to date used at quarter-end	Total available for use for year ending March 31, 2023 <sup>1</sup>	Used during the quarter ended December 31, 2022	Year to date used at quarter-end
Vote 1 – Program expenditures	16,961	3,269	8,798	16,487	2,782	7,337
(S) Contributions to employee benefit plans	1,353	338	1,015	1,326	331	994
(S) Spending of proceeds from the disposal of surplus Crown assets	0	0	0	0	0	0
<b>Total authorities</b>	<b>18,314</b>	<b>3,607</b>	<b>9,813</b>	<b>17,813</b>	<b>3,113</b>	<b>8,331</b>

<sup>1</sup> Includes only Authorities available for use and granted by Parliament at quarter end  
(S) Statutory vote

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**TABLE 1: Departmental budgetary expenditures by Standard Object**

	Fiscal year 2023-24			Fiscal year 2022-23		
	Planned expenditures for the year ending March 31, 2024 <sup>1</sup>	Expended during the quarter ended December 31, 2023	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2023 <sup>1</sup>	Expended during the quarter ended December 31, 2022	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures:</b>						
Personnel	10,918	2,888	7,629	10,425	2,345	6,656
Transportation and communications	247	35	94	247	22	63
Information	1,293	320	704	1,411	289	604
Professional and special services	4,904	225	666	5,198	423	774
Rentals	125	51	131	125	40	107
Repair and maintenance	63	1	5	63	7	8
Utilities, materials and supplies	10	4	5	10	1	3
Acquisition of lands, buildings and works	0	0	0	0	0	0
Acquisition of machinery and equipment	287	66	102	287	15	68
Transfer payments	0	0	0	0	0	0
Other subsidies and payments	467	17	477	47	(29)	48
<b>Total gross budgetary expenditures</b>	<b>18,314</b>	<b>3,607</b>	<b>9,813</b>	<b>17,813</b>	<b>3,113</b>	<b>8,331</b>

<sup>1</sup> Includes only Authorities available for use and granted by Parliament at quarter end