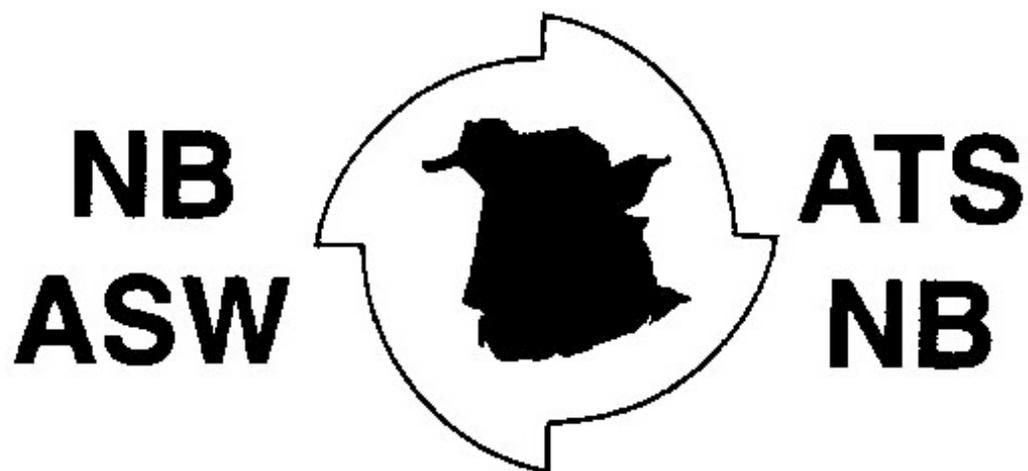


Brief on Fair Drug Prices in New Brunswick



New Brunswick Association of Social Workers

“Ensuring quality professional social work services to the population of New Brunswick”

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The issue of accessible, affordable health care for all New Brunswickers is a topic of great importance to the citizens of New Brunswick including social workers, who are committed to the wellbeing of all New Brunswickers. The New Brunswick Association of Social Workers (NBASW) commends the Government of New Brunswick for their leadership in addressing this very important issue and applauds the Department of Health for initiating this essential process of public consultation. It is the goal of the NBASW in submitting this brief to present recommendations for the implementation of a new drug pricing strategy that will allow New Brunswickers to receive the quality medical services they deserve at a cost that is sustainable for future generations.

As was highlighted in the *Fair Drug Prices for New Brunswickers* document released by the Government of New Brunswick, up to thirty percent of New Brunswickers have no drug coverage and must pay for their drugs out-of-pocket. As citizens of a country that prides itself on its universal health care system, this number is unacceptable. It is therefore imperative that government efforts to reduce the cost of generic drugs apply to all New Brunswickers, and not only those covered by the New Brunswick Prescription Drug Program (NBPDP). This would be a first step in truly making prescription drugs affordable for all New Brunswickers.

The NBPDP ensures that many New Brunswick citizens are able to access essential drugs at an affordable cost. The NBASW applauds the program on its decision in 2010-2011 not to increase premiums or copayments and would like to emphasize the importance of such costs not increasing in the future. With the ever-increasing costs of living, including the mounting prices of food, many New Brunswick citizens find themselves living below the poverty line and struggling to make ends meet. For those living on a limited budget such as low-income seniors, clients of social assistance or those with certain medical conditions, an increase in copayments or premiums could be devastating. It is therefore absolutely crucial that such fees remain fixed at their current levels to ensure that necessary medications remain accessible and affordable.

In order to implement a new drug program that will reduce the cost of generic drugs in New Brunswick it will be absolutely essential that the government of New Brunswick work closely with those who provide these essential medical services to citizens, primarily pharmacists and the staff who support them. Pharmacists are highly trained professionals and are capable of providing a wide range of services to clients. Those who depend on these services include many vulnerable people in our communities including those without access to a family doctor. By allowing pharmacists to use their full range of skills and knowledge, the Province can bring down overall health care costs and reduce wait times, however, this cannot happen without investing in our pharmacists. The proposed changes to drug pricing in New Brunswick has the potential to drastically change the way in which pharmacies conduct business. As was demonstrated with the implementation of the Nova Scotia *Fair Drug Pricing Act*, such drastic changes cannot be made without implementing measures to ensure the sustainability of the pharmacies that provide essential services in our communities. A smooth transition to a new drug pricing system that does not interrupt the services of those covered by the NBPDP is

essential as many public program beneficiaries (social assistance recipients, seniors) are on fixed incomes and cannot afford to absorb extra costs, even temporarily.

The government of New Brunswick has stated that its goals in this process are to lower generic drug prices as well as support pharmacy services. Two of the proposed options for lowering generic drug prices are to cap the price of generic drugs and address pharmacy rebates. While placing a cap on generic drugs in the province would reduce the cost that public programs would need to reimburse and the cost that uninsured New Brunswickers would pay for prescription medications, this is only a starting point. The existence of lower cost generic versions of brand medications does not guarantee that these alternatives will be used. Two factors that need to be considered are the prescribing habits of doctors and the substitution habits of pharmacists. Because doctors are not directly affected by the cost of the medications they prescribe they may not necessarily select a low cost alternative unless requested to do so by the patient. Pharmacists, on the other hand have historically had a reason to substitute generic bioequivalent drugs for brand drugs prescribed by doctors, as permitted through provincial legislation. Because of the rebates provided to pharmacies by generic drug manufacturers, pharmacies were able to make a greater profit by substituting a generic drug than by dispensing a brand drug. If a cap is introduced on generic drugs, manufacturers will no longer be able to provide such rebates to pharmacies, thereby reducing the profit pharmacies can make on generic drugs. With the elimination of this incentive to substitute generics, it is unlikely that such substitution will continue. In order to ensure that the lowest cost alternative of a bioequivalent drug is always dispensed it may be necessary for an interchangeability law be introduced such as the one in effect in Prince Edward Island, mandating that the lowest cost interchangeable product (either generic or brand) be dispensed unless special authorization has been provided by a physician to have a more expensive alternative covered for medical reasons¹.

Even with the introduction of an interchangeability law to ensure that low cost alternative products are used, many drugs still exist that do not have generic alternatives and are therefore costing public programs and private payers lots of money. The process to produce a generic version of a brand product is both long and costly for the generic drug companies. Generic companies must either wait for brand patents to expire or prove that the current patent is invalid or that their proposed generic version does not infringe on the current patent. In order to ensure low cost alternatives to expensive brand drugs become available we need generic companies to challenge patents. As an incentive to generic companies to develop generic alternatives, governments could provide some type of financial reward to the first generic company to successfully challenge a patent and create a low cost generic alternative as was recommended by pharmaceutical market expert Aidan Hollis². The NBASW supports the notion of such an incentive, as this would in the long run reduce drug costs and save money that can then be reallocated to other health needs.

¹ Prince Edward Island. (2009). *Pharmacy Act, Interchangeable Drug List Regulations*. Section 16(a).

² Hollis, Aidan. (2009). Generic drug pricing and procurement: A policy for Alberta. *The School of Policy Studies SPS Research Papers: The Health Series*, 2(1).

As mentioned above, placing a cap on the cost of generic drugs is likely to reduce or effectively eliminate rebates provided to pharmacies by generic drug manufacturers even without the government formally regulating or limiting these rebates. This financial loss will have a significant impact on the functioning of community pharmacies, especially independent pharmacies in rural areas. If the proposed drug price caps are put into place it will be necessary to take into consideration the effect this will have on the continued viability of pharmacies. Profits previously made through rebates that allowed pharmacies to provide free services to customers, such as consultation, will disappear. In order to compensate pharmacies for their loss in terms of rebates and ensure citizens continue receiving these necessary services, government could consider the implementation of new pharmacy services with financial compensation to those pharmacies that implement these expanded professional services. The NBASW supports the implementation of smoking cessation programs and believes this has the potential to be a significant motivator in assisting those wishing to quit. Such services are an investment in the overall health of our province and have the potential to save costs over time. This alternative of funding expanded pharmacy services would not only ensure that pharmacies are compensated directly for the services they provide but is also a more transparent method for compensation than rebates.

If the government of New Brunswick chooses to place a cap on the cost of generic drugs it will be very important that multiple bioequivalent generic and brand drugs remain available and covered by the New Brunswick Prescription Drug Program and that the government does not enter into a sole product tendering situation which will require generic companies to compete to provide the lowest price on a specific medication in exchange for exclusive listing on the province's public formulary. This process would greatly reduce the availability of interchangeable alternative drugs for patients who for medical reasons cannot use the drug listed on the public formulary. Having one generic drug manufacturer dominate the provincial market over a period of time may also be problematic because it may cause other manufacturers to leave the market, therefore reducing competition to keep prices low.

The NBASW is a strong supporter of a holistic approach to health care for the citizens of New Brunswick, which includes the use of prescription drugs when necessary. It is equally important, however, to note the many alternative therapies that when used on their own or in conjunction with medication can have significant impacts on the overall health and wellbeing of citizens. Social workers adopt a unique and holistic approach to health care, focusing on the interaction and relationships between people and their environments. With this more fully encompassing understanding of the person, social workers are able to assist in identifying issues and determining appropriate areas for prevention and intervention³. With the increased usage of pharmaceutical products health care costs continue to increase. Alternative therapies may in some circumstances be a valuable tool and should be considered. If employed, such alternative therapies could result in long-term cost savings by helping reduce the overall need for pharmaceutical use.

³ New Brunswick Association of Social Workers. (2011). *New Brunswick Association of Social Workers Social Work Scope of Practice*. Fredericton, NB: Author. <http://www.nbasw-atsnb.ca/en/publications>

The NBASW would also like to restate its recommendation and support for the implementation of a national Pharmacare plan. A national Pharmacare plan would not only help ensure greater fairness in accessing medications but could save Canada billions of dollars in total drug expenditures⁴. While such a plan would, in the opinion of the NBASW, be the best course of action, it is recognized that this may not become a reality at this time. While a federal strategy may not be feasible, a partnership between the Atlantic Provinces could offer certain benefits. By joining with other small provinces for bulk purchasing of certain medications, New Brunswick could increase their overall buying power, and use this to negotiate reduced drug prices. New Brunswick has the opportunity to take a leadership role by initiating discussions with the other Atlantic Provinces regarding the possibility of such a partnership.

Finally, with the funds accrued as a result of these cost saving measures, the government of New Brunswick can implement the promised catastrophic drug coverage plan for all New Brunswickers. As one of only two Canadian provinces without a catastrophic drug coverage plan, New Brunswick is long overdue to introduce such a program. Each year catastrophic drug costs financially devastate New Brunswick citizens, forcing them to choose between their health and their ability to provide for their families. This is unacceptable in a country that prides itself on its dedication to providing universal health care regardless of individual ability to pay. New Brunswick is a province of great opportunity, but in order to reach its full potential as a productive, innovative province it is essential that its citizens are healthy. The introduction of a comprehensive catastrophic drug coverage plan for New Brunswickers is an investment in the future of our province that can no longer be postponed.

⁴ Gagnon, H. & Hébert, G. (2010). *The economic case for universal healthcare*. Canadian Centre for Policy Alternatives, Institut de recherche et d'informations socio-économiques.