

It Appears 102 Round 2 is On the Way!

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Minister Caplan and Deputy Minister Sapsford announced yesterday (Friday) their plans for an engagement and consultation on a renewal process for the drug system in ON. I've summarized the details on the discussion, below, but in short, over the period of the few months, the government will be consulting with all stakeholders involved in the drug system to get better value for the dollar while providing access and choice for patients.

Government Objectives

Key government objectives in embarking on this process are to maintain and further develop a system which is objective, efficient, sustainable, accessible and transparent. The 2 overarching principles Minister Caplan described were access, and, wait times.

Case for Change

Deputy Minister Sapsford provided a summary of how there is still room to improve on the changes done as a result of Bill 102 and presented information from some of the assessments they have conducted:

- Ontario spends more for generic drugs and supports more pharmacies per capita than other countries
- There are many major drugs coming off patent in the next 5 years (a timeline was presented with approximately 20-30 drugs and their patent dates)
- In a chart where it was demonstrated that Ontario spends more for generic drugs than most developed countries, it was further noted that markets with open competition or tendering had lower prices than countries that relied strictly on regulated generic prices

From their perspective, it makes sense to develop a system in advance, which ensures optimal management of the potential savings coming their way.

Additional points noted in the “Case for Change” include:

- All pharma (brand and generic) have high profit margins versus other manufacturing sectors and there are opportunities for increased savings
- The audits conducted earlier this year demonstrated that there is ‘drug recycling’ going on
- Professional Allowances are not always being used for activities that directly benefit patients

Areas for Consultation

The following is a summary list of the key areas of priority for consultation as identified by the government:

1. Professional Allowances
 - a. Reduce or eliminate them
 - b. Focus on OPDP spend, or extend regulations to include private business
2. Pharmacy Services
 - a. Consider range of services to be compensated
 - b. Apply an appropriate level of compensation and develop a formula
 - c. Consider an alternative distribution method
3. Distribution Channels
 - a. Pursue/promote alternative drug distribution channels
 - b. Consider exclusivity
 - c. Consider alternate pricing mechanisms (e.g., reference brand pricing, reference generic pricing, open competition)

4. Generic Pricing
 - a. Increase incentives to decrease pricing
 - b. Winner-take-all?
5. Brand Pricing
 - a. Winner-take-all?
 - b. Portfolio pricing
 - c. More aggressive volume discounts

Consultation Process

Over the course of the next few weeks the MHLTC will issue invites for 'discussion tables' which will be facilitated rather than open forum. Each one will have a clear focus on a particular aspect:

1. Pharmacy
2. Brand
3. Generic
4. Distribution/Wholesalers
5. Employers/Private Insurers
6. Patient-Focused Outcomes
7. Sustainability of all payers

The Discussion Tables will take place the week of July 27th or August 3rd and likely comprise associations versus individuals, however, the Minister stressed that they have an open-door policy on the consultation process. The week of August 10th, it is expected that there will be a follow-up discussion with full conclusions in mid- to late- September (1/2 day forum the week of September 21st) where they will outline their proposed solutions. The hope is to be able to implement some easier changes in the fall, with the realization that for those changes which require regulatory changes, it may take until next spring.



Potential Impact to the Pharma Industry

The general consensus was that the impact to brand pharma was less than for other stakeholders (e.g., pharmacy, private payers, generics). While there is clearly a call for lower generic prices, it may be that some balance is struck so that generics get a break through changes in the Professional Allowance framework. While the OPDP will continue to look for savings with more aggressive listing agreements, they also signaled that they may be open to 'portfolio pricing' or discounts based on a company's whole book of business. Given their interest in applying their jurisdiction to the private side of the business, it may change the way we conduct our business.