Patented Medicine Prices Review Board | Conseil d'examen du prix des médicaments brevetés

PPRI Pharmaceutical Pricing and Reimbursement Information

WHO Collaborating Centre for Pharmaceutical Pricing and Reimbursement Policies

CANADA

Pharmaceutical pricing and reimbursement policies / in- and out-patient sectors

Health Canada – Drug Approval

Grants the authority to market new drugs in Canada once they have met the regulatory requirements for **safety, efficacy and quality.**

PRICING factory gate level

The Patented Medicine Prices Review Board (PMPRB)

Regulates the price of all **patented** medicines sold in Canada to ensure that they are **not excessive.**

Reviews the prices charged to **wholesalers, hospitals and pharmacies.**

Drug prices are compared to prices of similar drugs in a therapeutic class and/or to prices in seven comparator countries: France, Germany, Italy, Sweden, Switzerland, the United Kingdom and the United States. Drug products are categorized by degree of innovation: breakthrough; substantial, moderate, or slight/no improvement. Yearly price increases are limited to changes in the Consumer Price Index.

IN-PATIENT

All drugs administered in hospitals are fully funded by the Medicare system at no cost to patients under the *Canada Health Act*.
Canadian hospitals operate under fixed budgets, and procure drugs typically through purchasing programs that establish group contracts for set prices. The hospital then buys directly from the manufacturer at the contract price.

OUT-PATIENT

Prescription drug costs in Canada are covered by a blend of public and private drug plans, as well as out-of-pocket payers.

PUBLIC (42.0%)*

Each of the 10 Canadian provinces and 3 territories provide public coverage with a focus on seniors, lower-income earners or those with high drug costs in relation to their income. Federal coverage is provided for veterans, First Nations and Inuits, Royal Canadian Mounted Police and the armed services.

PRIVATE (35.8%)*

Most employers provide private drug insurance for working-age beneficiaries and their dependants.

Out-of-pocket (22.2%)*

Individuals not covered by a public or private plan, or those with deductible or co-payment costs.

*Source: Canadian Institute for Health Information, 2014

PRICING

pan-Canadian Pharmaceutical Alliance (pCPA)

Since 2010, provincial and territorial governments have implemented individual policies aimed at reducing the price of generic drugs. More recently, through the pCPA initiative, they have been working together to achieve greater value for brand-name and generic drugs. Through these policies and the pCPA initiative, the prices of generic drugs have been reduced to levels as low as 18% of the reference brand-name prices.

Brand-name drugs

The pCPA conducts joint provincial/territorial negotiations and enters into confidential Product Listing Agreements (PLAs) for brand-name drugs for publicly funded drug plans. These negotiations are based on the health technology assessments conducted by the national review processes: Common Drug Review (CDR) or Pan-Canadian Oncology Drug Review (pCODR). As of June 30, 2015, 74 joint negotiations have been completed.

Generic drugs

The pCPA also conducts joint negotiations for top-selling generic drugs, benefiting all Canadians. As of April 2015, 14 commonly-used generic drugs have been reduced to 18% of their brand-name prices. Ongoing negotiations are focused on reducing the prices of an additional 4 drugs by April 2016.

Brand-name drugs

Private plans do not negotiate the prices of brand-name drugs collectively and do not benefit from the discounts/rebates available for public plans.

Generic drugs

The generic prices that are negotiated by the pCPA are available to both the private and out-of-pocket markets.

Wholesale and pharmacy markups

About half of the provinces/territories regulate wholesale margins, while others are unregulated. Most public and private drug plans reimburse a pharmacy markup. For public drug plans, the markup ranges from 4% to 8.5% of the drug ingredient cost.

Wholesale and pharmacy markups

No policies exist. These may be negotiated by individual insurers (e.g. Preferred Pharmacy Networks).

REIMBURSEMENT

The Common Drug Review (CDR) and pan-Canadian Oncology Drug Review (pCODR)

Through the pCODR and CDR processes, the Canadian Agency for Drugs and Technologies in Health (CADTH) evaluates the clinical, economic, and patient evidence for cancer drugs (pCODR) and other drugs (CDR). Based on these evaluations, CADTH provides reimbursement recommendations and advice to Canada's federal, provincial, and territorial public drug plans (with the exception of Quebec), as well as to the provincial cancer agencies. The recommendations are not binding but are considered by the public drug plans when making formulary listing decisions.

Therapeutic reference price systems (RPS) are not commonly used in Canada.

Patient eligibility and cost-sharing

These vary widely according to the plan design. Some public plans provide income-based coverage, while other focus on seniors and lower-income earners. Cost sharing structures also vary depending on the plan design, with a blend of deductibles, co-insurance and/or co-payments.

Private plans generally cover all prescription drugs, although private formulary plans do exist, in which case, private drug plans make their own listing decisions.

Cost-sharing

Cost-sharing structures take the form of co-insurance, co-payments, deductibles, and maximums. Recent concerns over the long-term sustainability of private plans in Canada have resulted in an increased use of cost management mechanisms, such as mandatory generic substitution, greater use of managed formularies, prior authorization and multi-tiering (promoting the use of more cost-effective medicines), preferred pharmacy networks, increased cost sharing, pooling of high-cost beneficiaries, and the elimination of retiree benefits, among others.