Canadians need better drugs, not bigger bureaucracies

Changes to the way Canada sets its drug prices may not be of benefit at all, D. Wayne Taylor writes

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Health Canada, the federal agency that oversees the nation's public health programs, recently proposed an overhaul of its drug price regulations. The changes are supposed to save patients money on prescription drugs. But in reality, the reforms will compromise access to needed medicines.

Specifically, Health Canada wants to change how the Patented Medicine Prices Review Board determines the price of patented medicines. Established 30 years ago, the board's mandate is to ensure that the Canadian price is no higher than the median list price of a given medicine in seven specified countries.

One of the new proposed changes would drop the United States and Switzerland from this list of reference countries and replace them with nations that don't place as much value on medical innovation, such as Korea. This effort is supposed to "modernize" the review board. However, in reality, it will artificially devalue some of the world's most advanced medicines. In turn, patients' access to these new medicines will be reduced.

In December, Health Canada released a cost-benefit analysis to validate its proposals. The analysis isn't supported by sound methodology.

First, the report narrowly focuses on drug prices and ignores the other drivers of increased drug spending — a mistake the review board has made for years.

Growth in drug spending results from a combination of increased drug use, a growing and aging population, and increases in the price of generic drugs — as the Canadian Institute for Health Information has long maintained.

Consider Canada's aging population. The 2016 census found that for the first time ever, seniors now outnumber children 14 or younger.

Or consider the price of generic drugs. Generics cost more in Canada than they do in the board's comparator nations. Yet, the board does nothing to regulate these prices, as its sole purpose is to control patented drugs.

All of these factors lead to increased health care spending.

Health Canada's cost-benefit analysis also features a number of telling omissions. For instance, the study fails to consider the consequences of taking no action — that is, of enacting no new regulations on patented drug prices.

And while the report looked at the impact of the proposed regulation on the government (a larger staff, a bigger budget) and industry (reduced profits), it doesn't quantify how these rules will impact patients.

To do so, the report would have to acknowledge another flaw in its analysis — the assumption that cutting prices will somehow encourage drug companies to spend more on R&D in Canada.

It won't. If pharmaceutical companies can't make money in Canada because of price controls, they won't sell their products or invest in research here. Indeed, since the Patented Medicine Prices Review Board began controlling drug prices, R&D investment has declined, industry jobs have vanished, and newer, better drugs haven't been introduced to the Canadian market.

The review board is mandated to protect the consumer. But since the board's creation, there has been no improvement to drug access and coverage in Canada.

If a country arbitrarily forces a lower price for a patented drug, the supply will go down while the demand will go up. Dictating even lower prices will only exacerbate this unmet demand and exact enormous costs on the health of Canadians.

Health Canada calls this modernization a "risk-based" approach — but what about the risks faced by patients? Today, drugs are just as essential to health care as well-trained doctors and modern hospitals, yet patient access to life-saving drugs remain most at risk. Our citizens don't need more civil servants setting drug prices; they need better drug coverage.

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