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Remarks from the Honourable Jane Philpott, Minister of Health, to the Economic Club of Canada – May 16, 2017

Speech

From [Health Canada](#)

Affordability, accessibility & appropriate use of prescription drugs

I stand before you today as an unapologetic fan of Canadian healthcare.

For Canadians, our healthcare system is a source of great pride.

I say this as Canada's Minister of Health, but also as a clinician, educator, patient, and family member.

I am proud of a healthcare system based on need and not on ability to pay.

We don't get asked to show a credit card at the hospital, only a health card.

Canadians expect high quality care from highly skilled professionals.

Since coming into government, we have made it a priority to work hard with PT colleagues to make improvements outside hospitals & doctor's offices.

Because Health is so much more than doctors and hospitals.

That is why I was pleased to enter into health agreements with almost all of the provinces and territories, which will result in better care for Canadian families.

The agreements include \$11B in new federal spending over the next decade:

- 6B to support home and palliative care – which is so important to those who have elderly parents, like my own
- 5B to improve mental health – which is the foundation of a healthy population

In addition, we will provide PTs with approximately \$200B over the next five years through the Canada Health Transfer, and will continue to grow.

We also know that healthcare is an increasingly important part of our economy, and that's why we have identified health and life sciences as one the 6 sectors we are betting on for future growth, and investing in as part of the superclusters competition.

Canadians who interact with our healthcare system generally report good experiences. Yet I still hear anxiety about whether the system will be there for them when they need it.

A good deal of that discussion revolves around prescription drugs.

From the discovery of insulin in 1921 to the development of vaccines and drugs for the treatment of mental illness, major discoveries have had significant impacts on the lives of Canadians.

As a result, drug spending has grown faster than other area of health spending. We spend more on drugs than we do on doctors' services.

When Parliament passed the Canada Health Act in 1984, prescription drug spending was just 10% of total healthcare spending. Today, it's 14% – that's an increase of close to 50%.

Perhaps most concerning is the emergence of very expensive drugs designed to treat small numbers of people, often with very hefty price tags.

Number of drugs that cost >\$10,000 per patient/year has **doubled** in 5 years.

Number of drugs that cost >\$50,000 per patient per year has grown by 50%.

Some of these drugs can change the lives of patients. Others offer more modest benefits.

Canadians are prepared to pay for value, which in this context means drugs that produce better health outcomes than therapies already on the market.

But then we hear stories about people like Martin Shkreli – remember him? The guy who became the most hated man in America for hiking the price of an old drug by 56 times?

Canadians want to know that can't happen here.

We don't have situations like that in Canada, because of some of the protections I'll discuss today.

But that doesn't mean we can hold our heads high.

According to a 2015 study, Canada has the **3rd highest drug prices** & the **2nd highest per capita** pharmaceutical spending in the OECD.

What is driving these surges in spending?

It's a complicated story involving...

- expensive drugs I just mentioned, such as those for Hepatitis C,
- as well as greater **usage** of drugs.

We need to deal with both.

On usage, I recall being a family physician. It was a challenge to stay on top of advances in medicine including 200 new drugs approved in Canada each year

These include drugs to lower cholesterol and blood pressure, to treat peptic ulcers and acid reflux. More Canadians are taking antidepressants as well.

According to StatsCan, 40 % of Canadians take a prescription drug regularly – and that's the case for more than 80 % of us who are over age 65.

Most health professionals can tell you the same story – about patients – especially seniors – who come in with a bags full of pill bottles

That can also be a major healthcare issue.

1 in 3 older Canadians is taking at least 5 drugs every day.

When we look at seniors in long-term care facilities, it's 2 out of every 3 patients who are heavy users of prescription drugs.

Many of them have a prescription that is potentially harmful or ineffective. That costs the system an estimated at \$400M/year & far more when added healthcare costs are factored in.

On this point, thank the leaders behind Choosing Wisely, a campaign to help clinicians & patients talk about unnecessary tests, treatments & procedures.

To understand the impact of unnecessary healthcare, and why we need to improve prescribing behaviour, we need look no further than the current epidemic of opioid overdoses.

One way in which we are responding to this crisis is through investments in a national e-prescribing system. Budget 2016 allocated \$40M to Canada Health Infoway so they can work with the provinces and territories to develop an e-prescribing system that enters prescription data electronically.

Paper prescription pads are outdated technology in today's healthcare system. E-prescribing reduces prescription errors, alerts pharmacists to potentially harmful interactions, builds a patient database.

We will also be working with the Canadian Agency for Drugs and Technologies in Health to support clinicians in better prescribing.

But let me return to the issue of high prices – a major issue facing Canadians, and one we are talking action on today.

Price

Put yourself in the shoes of a provincial drug plan manager who is trying to respond to the double challenge of a growing and ageing population, and higher and higher drug prices.

As Minister of Health, I am a public drug plan administrator for one of the largest drug plans in Canada – the Non-Insured Health Benefits Program, with more than 800,000 First Nation and Inuit clients.

Like provincial health places, we saw a 9% increase in drug spending last year – to more than \$460M.

Last year, just one class of drugs – biologic anti-inflammatory drugs to treat certain autoimmune diseases such as rheumatoid arthritis accounted for 10% of the pharmaceutical market & reached >\$2B in sales in Canada in 2015.

That's a lot of money. But is it money well spent?

Before you answer that question, consider the fact that we're paying about 25% more to treat arthritis than countries with a similar market to ours.

In Ontario, a top selling arthritis drug costs almost \$30,000/year. In France, that same drug costs about \$22,000/year.

If we paid France's price for that drug, we would have saved \$220M last year on just that one drug.

Any failure to get the best price for a drug is a lost opportunity to do more for Canadians.

We can do better. Indeed, the work has already begun.

In 2010, the PTs banded together to create the pan-Canadian Pharmaceutical Alliance. The PCPA negotiates prices for drugs on behalf of public drug plans.

By using governments' collective buying power to negotiate better prices, the PCPA is saving taxpayers >\$700M/year. The savings continue to grow as more drugs are added.

Up until last year, this was done in the absence of federal leadership; on a shoestring budget; with a small office staff to support its important work.

After only a few months on the job as Health Minister, I was pleased to announce that the federal government would join the PCPA.

Since joining, we have signed on to 43 more agreements – in less than a year.

One example involves those Hepatitis C treatments I mentioned earlier.

HepC can be a debilitating and fatal condition. Left untreated, it can lead to liver failure and cancer. New HepC treatments are effective for many patients, but they range from \$45,000-\$100,000/patient.

This February, pCPA successfully negotiated lower prices on Hepatitis C medications for public drug plans. These lower prices mean we can treat more patients, earlier and better.

I am pleased to tell you that we are currently working with PT colleagues on a plan to enhance the capacity of the PCPA, and we should be in a position to make an important announcement on this in the coming weeks.

Bulk purchasing power is only part of the solution for lowering drug prices. Budget 2017 allows us to put a plan into effect with an investment of \$140M

Our plan includes reform of the Patented Medicine Prices Review Board.

The Board was created in 1987 to protect consumers, to make sure companies don't use their monopolies to charge excessive prices.

Yet PMPRB limited in its ability to protect consumers from high drug prices.

We are going to address those limitations.

For example, to set a price ceiling, the PMPRB benchmarks Canadian prices against prices in seven other countries.

The problem is, the countries used in the comparisons have some of the highest prices in the world – including the United States, where patented drugs cost **twice as much** as they do in Canada.

I understand the rationale of the government of the day when they set up the system. They believed there would be a cause & effect relationship between drug prices & pharmaceutical R&D.

So the decision to benchmark Canadian drug prices to those of countries with intensive R&D was an aspirational choice.

Unfortunately, the choice did not work out well for Canadians.

Since 2000, Canadian drug spending has increased by 184% as a share of GDP – faster than in **all** the comparison countries.

At the same time, R&D investment has fallen even further behind. In 1998, R&D was 11.5 % of sales. By 2015, it was **only 4.4 %** of sales – nowhere close to the average of 22.8 % in the comparator countries.

Today I'm pleased to announce the launch of consultations on a suite of proposed regulatory changes related to the work of the PMPRB.

1st time in >20 years that these regulations have been substantially updated.

These consultations will help better equip the Board to protect Canadians from excessive drug prices.

This includes a proposal to update the list of comparator countries, to a list of those that are better aligned with Canada economically and ones that have effective cost containment measures to protect consumers.

In addition, we will pursue other changes to bring fairness to drug prices.

We know, for example, that not all drug discoveries are alike. Some drugs represent breakthroughs to extend the lives of Canadians. Others fall into the “me too” category.

If a new drug does not offer real health improvements, or is only slightly more effective than an existing treatment, **is it fair for that drug to cost two or three times as much?**

While many factors go into determining a fair drug price, **value for money** should be one of them. We must see evidence that a drug is likely to prolong life and/or improve the quality of life.

Additionally, we will support greater accuracy in drug prices.

Drug patent holders regularly offer confidential price reductions, which are not factored in when setting price ceilings.

We're proposing a requirement to report rebates, discount & refunds to payers, which could help set a fairer price ceiling.

This consultation runs today until June 28. I encourage all stakeholders to provide views. Regulatory proposals will be developed based on the input we receive and posted in Canada Gazette, Part I, in the fall for further feedback.

I want new regulations in place no later than the end of 2018, so the Board has the tools it needs to take stronger action on excessive drug prices.

Improvements for industry

Recognizing the role of the pharmaceutical industry to produce advances in healthcare, I have directed Health Canada to look at ways to reduce unnecessary burdens on companies looking to

bring products to market

I know that bringing a product to market can be a time- and resource-intensive process, especially for smaller companies.

Need to reward innovators, make review processes as efficient as possible

Right now, Health Canada approves a drug after it reviews its safety, quality and efficacy. Does the evidence show that it does what the manufacturer claims? Is it safe? And does the manufacturing meet quality standards?

Currently, companies begin the process of getting listed on provincial formularies, by submitting info to the Canadian Agency for Drugs & Technology in Health, only **AFTER** Health Canada approval.

That means a delay of 6 months or more, as CADTH works up a recommendation to public drug plans about whether a drug should be covered, in part on the basis of its cost-effectiveness.

These 2 processes should be aligned. If possible, they should be run concurrently, so Canadians can get faster access to new worthwhile treatment. We are currently pilot-testing this combined process with CADTH.

Additionally, we will provide guidance for drug sponsors early in the process to help them meet the information needs of both Health Canada and CADTH when submitting applications.

Health Canada will also expand its priority review policy. While the current policy grants a shorter review period to drugs for diseases for which there is currently no treatment, it will be broadened to apply to other new drugs which may meet special needs of the healthcare system and patients.

Both Health Canada & CADTH will also increase the gathering and use of real world data throughout drug's market lifespan. This will ensure it is as safe & effective as originally thought. If data shows otherwise, we will take action.

National Formulary

Improving timely access is an important part of our plan, but so is equitable access to prescription drugs for all Canadians.

Canada has numerous public & private drug plans with separate lists of drugs they cover. These formularies vary in the drugs that are reimbursed.

The development of a common formulary is a critical building block to improve equitable access, and would also improve our ability to negotiate better prices for Canadians.

I have raised this idea with my PT colleagues, to positive reviews, and I intend to continue those discussions at an upcoming Health Ministers' Meeting.

There are options. We could start with a smaller list of essential medicines that make up the majority of those in common use. Or we could focus on joint decisions to list new drugs as they enter the market.

Developing an integrated Canadian drug information system

Finally, a note on the importance of data.

Data are the foundation of evidence-based policy and program decisions. Without data, we risk not being able to effectively identify inappropriate prescription practices, analyze the use of drugs, or offer support through monitoring after drugs enter the market.

We will be asking the Canadian Institute for Health Information to strengthen the database by collecting data regarding public and private drug plans.

Infoway's e-prescribing system that I mentioned earlier will also play a critical role in expanding the data available.

Once complete, the drug information system will be a comprehensive system, helping to improve the safe use of prescription drugs for Canadians.

Conclusion

This is the most significant suite of changes proposed in over two decades. Without question, it will have a significant impact on the lives of Canadians: it will lower unacceptably high drug costs; it will help stop excessive pricing practices; and it will make it simpler and faster to make new and highly needed medications available to Canadians.

We will achieve these goals by ensuring we bring together our federal agencies, and work with our provincial and territorial partners.

We will create the building blocks for improved access through:

- Lower drug prices;
- Faster access to drugs whose safety, therapeutic benefit and value for money have been proven;
- Better prescribing, reduced overuse of drugs, particularly for seniors;
- A common drug formulary.

We understand the importance of ensuring that Canadians get the prescription medicines they need. Ensuring access to effective pharmaceutical products is essential to promote wellness, to prevent illness, to reducing suffering and to cure disease.

What's more – getting the right medication at the right time means huge benefits in reducing downstream healthcare costs, allowing us to be better stewards of our limited resources. I believe these steps will dramatically improve the accessibility and affordability of prescription medications.

Our government aims to deliver on what we promised to Canadians – that prescription medicines would be more affordable, accessible and appropriately prescribed.

It's my honour to advance this process – taking another step in the direction of health for all.

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