

**Delivering world class value for money in provincial
drug system**

Consultation with Pharmacy Sector

28 July 2009

Pharmacy Discussion Table Agenda

Introductions

Process for consultations

Delivering world-class value in Ontario drug system

Discussion topics

- Pharmacy economics
- Industry structure
- Service offerings/Value to patients

Next steps

- Meeting August 12th, 2009

Closing remarks

Process

Drug System
Renewal Forum

Series of Facilitated Discussion Tables



Final Forum

July 10

July 28, 29, 30

Aug. 5, 6

Aug. 11, 12, 13

Mid- late Sept.

Initial discussion
tables with:

Discussion tables
on:

2nd discussion tables
with:

Pharmacy
Brand name
Generics
Wholesalers
Private payors

Patient-focused
Outcomes
Sustainability

Pharmacy
Brand name
Generics
Wholesalers
Private payors

E-mail comments or submissions to: PublicDrugPrgrms.moh@ontario.ca

A way to go in achieving world-class value for money

- 1 We need to continue to provide funding for the increasing demand for drugs
We need to continue to make investments in new drugs
- 2 We pay more for generic drugs, and spending on generic drugs is forecasted to increase rapidly over the next five years

We support more pharmacies per capita than many other developed countries
- 3 There are unacceptable practices within the existing system
- 4 Despite increased spending, patients are not receiving a higher level of service in the current system
- 5 Other jurisdictions have taken substantive steps across the value chain to reduce prices – it makes sense for Ontario to pursue this now

Ontario pharmacies, generic manufacturers, and brand manufacturers all make high margins

- Ontario pharmacies have high margins relative to the broader retailing sector, on average
- Generic manufacturers are estimated to make high margins on ODB drug manufacturing, even net of rebates to pharmacies. This margin level is high compared to other manufacturing sectors in Canada
- Brand manufacturers are estimated to make high margins on patented drugs; Ontario prices tend to be lower than US prices, but so are costs
- Opportunity for greater productivity – such as improving labour productivity – in generic manufacturing, brand manufacturing, and pharmacy operations
- Unlike other industries, pharmacy and drug manufacturing provide stable and predictable revenue as compared to most other industries
- Wholesaler service fees ???

Range of options being considered (levers for change)

Professional allowances

- Reduce limit or eliminate professional allowances?
- ODB spend only, or for the entire market (public and private)?

Pharmacy services

- Range of services to be compensated?
- Appropriate level of compensation and mechanism/formula?

Distribution channels

- Pursue/promote alternative drug distribution channels?

Generic pricing

- Pricing mechanism (e.g., referenced to brand price, referenced to generic pricing in other markets, open competition)?
- Increase incentives for competitive pricing (e.g., period of exclusivity, guaranteed volumes or terms, etc.)?
- Make easier/more attractive for new entrants to participate?
- “Winner-take-all” competitive agreement model

Brand pricing

- Pursue more aggressive volume discounts
- Consider portfolio pricing?
- “Winner-take-all” competitive agreement model?

Questions for discussion today

- Are there other topics that you feel we need to cover?
- What do you think is working well in the system today? What things in the current system should we preserve?
- What kind of information will you be able to share on these topics when we get back together? What information would you like to see us share in these same areas?
- What do you see as the best opportunities to increase value for money in the sector? What role do you see pharmacies playing in significantly increasing value for money for patients/taxpayers?