Merck Frosst Canada Ltd. Contribution to the BC Conversation on Health

Executive Summary:

The goal of the British Columbia Government in the area of healthcare is to provide the people of the province with a system that meets their health needs, and is sustainable. To meet this challenge, Premier Gordon Campbell is inviting all British Columbians to contribute their views through the "Conversation on Health" initiative.

Merck Frosst Canada Ltd. recognizes the challenges faced by all British Columbians in the area of healthcare and we applaud Premier Campbell and his government on its effort to meet these challenges. As a manufacturer of innovative drugs, we recognize the value of pharmaceuticals in treating disease and their impact on the healthcare budget. We would like to provide our expertise to finding solutions that will improve the health of all British Columbians.

Data from the latest Canadian Institute for Health Information report on Drug Expenditures in Canada (1) and the more recent BC PharmaCare 2005 Annual Performance report (2) clearly show that while the overall cost of pharmaceuticals is increasing, the cost of prescription drugs per se does not represent a major component of the healthcare budget. The average cost of a prescription in British Columbia has also decreased in the past five years.

Prescription drugs are in fact a very cost-effective tool to manage disease. When used effectively and appropriately they become key contributors to improved treatment of patients, improved health outcomes and the sustainability of the healthcare system. The British Columbia Government can optimize the value of prescription drugs by developing a patient-centred drug plan that would support improved patient access to as wide a range of innovative drugs as possible while at the same time ensuring their appropriate use through evidence-based drug utilization programs.

To ensure the success of changes in healthcare policy, a collaborative stewardship body can be formed to advise the government on ways to ensure the drug plan's effectiveness, transparency and accountability and to suggest innovative ways to integrate the government's health policy decision-making with its already successful innovation policy.

Merck Frosst Canada wishes the government of British Columbia continued success in their Conversation on Health initiative. We will continue to look for opportunities to work collaboratively in the future.

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Background:

Merck Frosst Canada Ltd. wishes to congratulate and commend Premier Gordon Campbell and the Government of British Columbia on developing and introducing the "Conversation on Health". This initiative provides a mechanism to engage all British Columbians in a collaborative effort to identify ways to improve healthcare and to recognize that choices and tradeoffs are required to ensure the program remains sustainable. As a partner in healthcare in Canada and in British Columbia, Merck Frosst Canada welcomes the opportunity to contribute to the "Conversation on Health" and would like to offer our input and suggestions on this important matter, especially in the area of pharmaceutical management.

The expressed goal of the British Columbia Government is to develop the best public health system in Canada. This system must meet the healthcare needs of the people of BC and, at the same time, remain responsible and sustainable. Sustainability has been identified as a key public policy priority. The British Columbia Government's message has been that recent increases in the health care budget are unsustainable and changes are needed. To support this position, the government has used BC PharmaCare costs, among others, as an example of major budget increases. Pharmacare cost growth "is due to expanded drug coverage, higher costs of drugs and greater demand."

Pharmaceuticals:

Merck Frosst Canada recognizes the challenges faced by BC and other jurisdictions. We recognize also that drugs are an important component of the healthcare budget and that pharmaceutical costs have been increasing. These increases are a result of a number of factors, including:

1. Demographic pressures
2. High public expectations
3. Effective chronic disease management
4. Focus on primary prevention
5. Shift to outpatient care
6. Increases in drug utilization
7. New therapies and emerging technologies
8. New diseases and areas of pharmacology
9. Increases in overall fiscal pressures
10. Increases in non-ingredient costs (professional fees, wholesale mark-ups, etc.)
Pharmaceutical Costs:

It is important to note that, while important, pharmaceuticals account for a small percentage of overall healthcare expenditures in Canada. According to the recent Canadian Institute for Health Information report on Drug Expenditures in Canada\(^{(1)}\), it was estimated that the BC Government will pay $886.8 Million for ingredient costs, professional fees and distribution costs for pharmaceuticals at the retail level in 2006. This represents 6.5% of the total BC Government's public expenditure on healthcare, (estimated at $13.5861 Billion in 2006). In addition, the most recent BC PharmaCare Annual Performance Report \(^{(2)}\), which tracks performance of the drug plan over the past five years, shows the overall cost of a prescription paid by the public drug plan decreasing, with ingredient costs showing a significant reduction and professional fees increasing. It is clear pharmaceuticals are not the major contributor to increasing healthcare costs. In fact, prescription drugs represent a very cost-effective tool to manage disease and support sustainability of the healthcare system.

Benefits of Pharmaceuticals:

New and better drugs and vaccines are a cost effective means to ensure the overall sustainability of the healthcare system. Thanks in part to new drugs, hospitalization rates have dropped dramatically. Between 1983 and 2001, hospital admission rates were reduced 75% for gastrointestinal ulcers, 71% for HIV/AIDS related illness, 44% for diabetes, 44% for respiratory disease and 31% for liver disease \(^{(3)}\). Indeed, intervening early with effective and appropriate patient care, including medications if required, can often avoid the significant and expensive downstream costs associated with many diseases and conditions.

Publicly Funded Drug Plan:

Merck Frosst Canada supports the position that pharmaceuticals and vaccines, when used effectively and appropriately, are not simply commodities to be positioned as cost drivers or barriers to a sustainable healthcare system. Rather, the public investment in this area is a key contributor to improved treatment of patients and improved health outcomes.

\(^{3}\) OECD Health Data
In order to maximize the return on the investment in pharmaceuticals and vaccines and to encourage their continued role as tools for improving patient care, BC PharmaCare policies should fully support the values of a publicly funded healthcare system. To ensure this, the future direction and potential changes to the BC PharmaCare program should be based on the following principles:

- A process that is patient-centred (access, outcomes, choice, involvement)
- A process that ensures optimal drug use
- A process that supports the value of innovation
- A systemic approach to budgeting to include other components of care health
- A transparent, accountable and fiscally responsible decision-making process
- A process with equitable patient contribution and appeal mechanisms
- A process which adopts a partnership approach to program planning

Comments:

As part of this on-going dialogue, we would make the following comments and suggestions:

Patient-Centred Drug Plan:

Timely access to innovative pharmaceuticals and vaccines are of paramount importance in creating a patient-centred, publicly funded and sustainable healthcare program where the incremental gains in health benefits afforded patients by new and better drugs are indeed recognized.

Such a patient-centred program would involve broadening patient access to as wide a range of new drugs as possible, while ensuring a patient's financial situation and personal health status do not become a barrier to access. In addition, greater prescriber autonomy in the selection of the optimal treatment for the individual patient would improve access and in the long-term, support improved patient health.

BC PharmaCare can meet the goals of providing all British Columbians with an effective and sustainable drug plan by incorporating the advice of stakeholders e.g. patients, providers, professional healthcare organizations and the pharmaceutical industry. The objectives on timely access can be met by: 1) streamlining the existing restrictions on drug approval, 2) assessing the cost-effectiveness of drugs under review based on their overall impact on the healthcare system, 3) ensuring a patient's financial situation is not a barrier to optimal drug use, 4) considering alternative funding scenarios for drugs under review, 5) working with the pharmaceutical industry to: better understand how new drugs can address future therapeutic challenges; help improve patient access to innovative drugs; ensure optimal utilization; and secure funding for new treatment options and 6) recognizing the intrinsic value of innovative medicines to society.
Optimal and Appropriate Drug Utilization

The optimal use of a drug is based on the principle that the right drug is prescribed to the right patient in the right amount at the right time. This goal is dependant on an evidence-based decision-making process that maintains, as its over-riding objective, the importance of meeting individual patient needs. This can be accomplished by working collaboratively with stakeholders e.g. patients, healthcare providers, professional healthcare organizations and the pharmaceutical industry to: 1) establish or support partnerships in disease management programs with a focus on chronic diseases, 2) enter into innovative agreements with manufacturers that expedite patient access to innovative drugs, reduce restrictions to patient access to drugs, monitor utilization and ensure the appropriate use of drugs, with a focus on patient safety i.e. patient education, disease management or medication management initiatives and 3) pursuing IT solutions such as an electronic health record that will enhance quality of care, patient safety and improved drug utilization. By adhering to these goals, the appropriate and optimal use of drugs can lead to improved health outcomes, reduced cost pressure on the drug budget and other parts of the healthcare system and most importantly support the long-term sustainability of the program.

Innovation:

The Government of British Columbia is to be congratulated on its many advancements in the areas of innovation e.g. Life Sciences, environmental protection, etc. To achieve similar innovative gains in healthcare and to maximize R&D investment potential, the Government of British Columbia would gain from integrating its health policy decision-making with its innovation policy. This horizontal policy-making process would require the BC Ministry of Health to work collaboratively with other ministries e.g. Economic Development and Advanced Education and aim for the introduction of innovative products at a price that is competitive internationally. It should also consider enhancing market conditions as a key factor in R&D investment decisions.

Transparency and Accountability

The government of British Columbia is engaging the public in a conversation on how best to improve their healthcare program. They are asking British Columbians to make their views known, suggest alternatives and recommend choices or trade-offs that will ensure the program not only improves, but remains sustainable over the long-term.

Whatever legislative or regulatory changes are made in healthcare policy as a result of this initiative, the policy will be more successful and welcomed by the people of British Columbia if systems are put in place to ensure transparency and accountability in all facets of the program. It would be useful to establish a collaborative stewardship body whose role would be to advise the government on performance measures, transparency checkpoints, cost-avoidance measures, process efficiencies, value-for-money opportunities and appeal mechanisms. This body can also advise the government on future program directions and policies as required.
Conclusion:

By adopting many of these recommendations, the Government of British Columbia would be: recognizing the valued role of the public in determining their own healthcare needs; achieving appropriate utilization of medicines; encouraging efficiencies in the delivery of drug programs and health care overall; and creating an environment that supports innovation which will result in increased R&D. Through continued positive dialogue and increased transparency and accountability, they will gain support of stakeholders and the public, for existing programs and for initiatives in the future that may be required to address potential pressures to continued sustainability of the healthcare system.

Merck Frosst Canada wishes the government of British Columbia continued success in their Conversation on Health initiative. We will continue to look for opportunities to work collaboratively in the future.