

# POTENTIAL IMPACT OF CHANGES TO BASKET OF COMPARATOR COUNTRIES FROM PMPRB7 TO PMPRB12 HAS ON CANADIAN PRODUCT LIST PRICES

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van Doorn-Drennan, J.<sup>1</sup>, Minhas, J.<sup>1</sup>, Millson, B.<sup>1</sup>, McCormick, J.<sup>1</sup>

<sup>1</sup>IQVIA, Kanata, ON, Canada

## BACKGROUND

- In December 2016, proposed changes to PMPRB's guidelines were published for consultation
- One of the proposed changes involves updating the schedule of comparator countries (currently the PMPRB7) to include countries which have 'similar consumer protection priorities, economic wealth, and marketed medicines in Canada'
- The criteria for the selection of the revised basket of countries include countries having similar consumer protection mandates, economic wealth as measured by GDP per capita, medicine market size, consumption, revenues and market entry of new products as Canada
- The proposed PMPRB12 include Australia, Belgium, France, Germany, Italy, Japan, the Netherlands, Norway, South Korea, Spain, Sweden and the United Kingdom. The US and Switzerland are not longer included

Figure 1: PMPRB7 and PMPRB12 Basket of Countries



- The rationale for increasing the basket of countries from 7 to 12 is to potentially make price tests less sensitive to countries that are high or low and reduce the impact of instances where price and sales information is unavailable
- Implementation is targeted for January 1, 2019 and all new drug list prices will be compared to the new basket median price according to the PMPRB Guidelines Scoping Paper

## OBJECTIVES

- To estimate the potential impact on maximum prices for patented medicines in Canada after PMPRB comparator countries from PMPRB7 to PMPRB12, are implemented

## METHODS

- The sample consisted of 16% of patented drug products reported to the PMPRB in 2016
- For each product, the most common Canadian list price across provinces (in most cases the highest Canadian list price), not the average transaction price, was compared to international prices in the PMPRB7<sup>3-9</sup> and PMPRB12<sup>10-12</sup>
- The following tests were conducted to determine the proportion of the study DINs that were higher than the international comparator:
  - Highest International Price Comparison (HIPC)
  - Median International Price Comparison (MIPC)
- The maximum/minimum price reductions (MxPR/MnPR) were calculated to provide a range of the price reductions required to match the new price ceilings as a result of the PMPRB12 basket

### Model Inputs

- The Canadian list price of over 200 patented drug products in Canada were compared against their list price in the PMPRB12 countries

Table 1: Number of DINs sampled in Canada and Match Rate in PMPRB12

Country	% Match of DINs
Canada	100%
France	57%
Germany	71%
Italy	64%
Sweden	65%
UK	72%
Belgium	46%
Netherlands	47%
Spain	49%
Australia	60%
Norway	48%
Japan	27%
South Korea	47%

- PMPRB has not provided any direction in terms of appropriate sources for the new countries
- For the countries in the current basket the prices align to standard PMPRB sources
- For 6 of the new countries, IQVIA Pricing Insights was used as the data source. For Australia, the Australian Government Pharmaceutical Benefits Scheme formula was used

## REFERENCES

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## RESULTS

### 1) Canadian List Price > HIPC

- In the sample of DINs evaluated, the Canadian list prices of 42% of drugs were found to be higher than the HIPC using the PMPRB12
- 1% of DINs had a higher list price when compared to the PMPRB7

Table 2: Canadian List Prices > HIPC

	PMPRB7	PMPRB12
% of DINs > HIPC	1%	42%

- The analysis of required price reductions to be compliant with PMPRB12 demonstrated that most therapies would require price reductions of > 10% (Table 3)

Table 3: Proportion of Drugs requiring price reductions to comply with HIPC

Price Reduction	PMPRB7	PMPRB12
DINs requiring > 0 - < 5% price reduction	0%	7%
DINs requiring 5-10% price reduction	0%	4%
DINs requiring > 10% price reduction	1%	31%
DINs not requiring a price reduction	99%	58%
MnPR	-11%	-0.2%
MxPR	-25%	-96%

### 2) Canadian List Price > MIPC

- 70% of the sample was higher for PMPRB12 compared to 49% for PMPRB7 (Table 4)

Table 4: Canadian List Prices > MIPC

	PMPRB7	PMPRB12
% of DINs > MIPC	49%	70%

- 59% of DINs vs 36% DINs required price reductions > 10% to remain compliant with PMPRB12 and PMPRB7 respectively (Table 5)

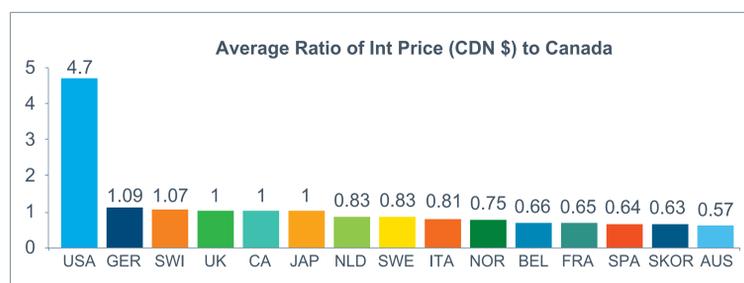
Table 5: Proportion of Drugs requiring price reductions to comply with MIPC

Price Reduction	PMPRB7	PMPRB12
DINs requiring > 0 - < 5% price reduction	7%	6%
DINs requiring 5-10% price reduction	7%	5%
DINs requiring > 10% price reduction	36%	59%
DINs not requiring a price reduction	50%	30%
MnPR	-1%	-1%
MxPR	-76%	-76%

### 3) Average Ratio of International Price (CAD) compared to Canadian drug prices

- The average ratio of the international price to the Canadian drug price was estimated to understand how varied international and Canadian drug prices are (Figure 2)

Figure 2: PMPRB7 and PMPRB12 Basket of Countries



- Figure 2 provides the Canadian price ratio of both PMPRB7 and PMPRB12 countries consolidated
- Canadian drug prices are most similar to those in the UK, Japan and marginally lower than Germany and Switzerland
- Drug prices in Australia and South Korea are lowest compared to Canada

### 4) Impact on Revenue

- There is likely to be an anticipated decline in revenue as a result of the change in the basket of countries
- The PMPRB reports that the impact of the change of the basket of countries will be \$2.8 billion over the 10 years after implementation<sup>2</sup>

## CONCLUSION

- For most drugs, the Canadian list price is higher than all the prices in the PMPRB12 basket. This suggests that even if the only change implemented is the new basket with no other guideline changes, a significant proportion of drugs will require a list price reduction
- If a median international price ceiling is applied to existing drugs, the impact can be expected to affect 70% of drugs with list price reductions of over 10% to the majority of those affected
- Health Canada has estimated an impact of \$2.8 billion as a result of the change in the basket of countries<sup>2</sup>
- The publication of draft PMPRB Guidelines for consultation will provide further clarity on the potential impact of the new framework on Canadian pricing