




*The Impact
Of Price Controls
On Patient Access
To Medicines --
The Canadian
Experience.*

Executive Summary

A Program Hosted by the
New York Health Products Council

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On January 17, 2001, the New York Health Products Council hosted, “The Impact of Price Controls on Patient Access to Medicines— The Canadian Experience.” This presentation was the seventh in a series of healthcare forums designed to provide information to those involved in the development of New York State’s healthcare delivery system. The forum featured two distinguished speakers, Durhane Wong-Rieger, Ph.D. and J. Anthony G. Lordon, M.D.

Dr. Wong-Rieger is a past recipient of the Quebec Legislative Assembly Medal of Honour, and a recognized authority on the Canadian healthcare system. She is President of the Consumer Advocare Network, an Executive Member of the National Blood Safety Council, and Vice President of the Canadian Alliance for Children’s Healthcare.

Dr. Lordon serves on the staff of Saint John Regional Hospital in New Brunswick in the Department of Family Medicine. He is the Executive Director of the Atlantic Provinces Medical Peer Review, an Executive Committee Member for the Saint John Medical Society, as well as a member of the New Brunswick Medical Society, the College of Family Physicians of Canada, and the Canadian Medical Association.

The following is a summary of Dr. Wong-Rieger’s and Dr. Lordon’s presentations.

Even though many comparisons have recently come under critical scrutiny, it is commonly accepted that pharmaceutical prices are lower in Canada. Aside from this, Americans know little about the Canadian healthcare system. They are unaware that Canadians sometimes wait months for services and have restricted access to the newest and best medicines.

In the US, people take for granted their access to pharmaceuticals. When Medicare was passed in the mid 1960s, there were about 400 prescription medicines on the market. Today there are approximately 8,000. As pharmaceutical companies have put medicines on the market and offered more in terms of a better life for people, the expectations of society have risen. Today, there is a sense that access to pharmaceuticals is a matter of right, or an essential part of society, and therefore, cost has become a subject of public concern.

Some have suggested the use of price controls similar to those that are in place in Canada as an option to contain the cost of prescription medications in the US. From the perspectives of the forum’s speakers— one as a patient advocate and the other as a physician, price controls on pharmaceuticals have had a direct negative impact on patient care and have ultimately increased the overall cost of healthcare.


Getting the Most Out of Healthcare and Maximizing the Benefits of Pharmaceuticals.

The most important advances in treatments, breakthroughs and cures are coming from innovative new medicines. Biotechnology and the resulting biopharmaceuticals are transforming the practice of medicine. Pharmaceuticals prevent disease, slow down the progression of disease, improve the quality of life, and ultimately prevent deaths. The problem becomes, how to get new medicines to people and how to make them in some respect affordable.

The United States and Canada have two of the finest healthcare systems in the world. However, each system does have its shortcomings and both are faced with rising costs. Canada has adopted price controls in its effort to contain pharmaceutical expenditures. And while prices for medicines in Canada are among the lowest in the world, there is a price to pay for government-induced price controls.

The proliferation of new pharmaceuticals and the increasing number of people taking pharmaceuticals are the primary reasons the cost of pharmaceuticals is rising.

The overall increase in prescription pharmaceutical costs is due to three factors. First, there are more new medicines available for more diseases. Second, because of this availability there are more people taking medicines. Additionally, the US and Canada have aging populations. There are more people moving into age brackets where they are going to get diseases. As people live longer they are going to be more reliant on pharmaceuticals. Studies suggest that two thirds of the increase in the cost of pharmaceuticals has to do with the number of new treatments available and number of people using those treatments. Only one third of overall cost increases have to do with higher costs of specific medications. So while the cost of pharmaceuticals is increasing, it's primarily due to the fact that there are better pharmaceuticals available and more people taking those pharmaceuticals.



There are more and better pharmaceuticals available and more people taking pharmaceuticals. Those two factors are the primary reasons why expenditures on pharmaceuticals are increasing.



The Canadian Government Sets Prices and Thereby Controls Access to Medications.

Since the late 1980s the Patent Medicine Prices Review Board has been responsible for setting the entry-level price of pharmaceuticals in Canada. The government sets the price based on the comparison price of existing medications. Pharmaceutical companies then have the choice to enter the market. In some cases, a company may decide not to distribute medications because there is no way to earn an adequate return. For the pharmaceuticals that are sold in the country, the public benefits from the marginal costs of production. The process keeps Canadian prices artificially low.

In some cases a pharmaceutical company may decide not to market pharmaceuticals in Canada because there is no way to earn an adequate return. By having the government establish the cost of medicines, prices are kept artificially low.

Drug plan administrators are concerned with controlling costs and refuse to increase budgets— even when it's been shown that improving access to pharmaceuticals will reduce hospital and physician costs.

In Ontario, the drug plan provides only 1/10th of the new medicines that were approved by the federal government over the last two years.

Provincial boards control formularies.

Once prices are established by the federal government, it is up to individual provincial boards to add medications to formularies. There are ten provinces and three territories; each has a separate plan. Bureaucrats run the boards that create provincial formularies. There's very little opportunity for physicians and consumer groups, except from a lobbying point of view, to have any kind of an input into the process.

Administrators of drug plans are primarily concerned with controlling costs and refuse to increase budgets— even when it's been shown that improving access to pharmaceuticals will reduce hospital and physician costs. Administrators of one part of the healthcare system have little or no concern about the other parts of the system. There are drug plans, hospital plans, physicians budgets, community care budgets, home care budgets, etc. with no centralized authority, making it difficult to manage the overall healthcare system.

Provincial formularies deny patients access to the latest and best pharmaceuticals.

Provinces severely restrict coverage in an effort to contain costs. In Ontario, the drug plan provides only 1/10th of the new medicines that were approved by the federal government over the last two years. Out of 134 pharmaceuticals that were licensed and approved by the federal government as being beneficial, patients will only have access to 12 of those new medications. The issue is not the price of medications, but the increasing expenditure on the total healthcare system.

The problem with Canada's government-funded drug plan is that it does not provide patients with access to the newest medicines. And while patients have access to some medicines, they are not always the appropriate drugs or the ones that provide the greatest benefit.

Coverage is provided for the most vulnerable.

The Canadian health system has a basic drug plan for the most vulnerable people. For seniors, for those with disabilities, and for those with low incomes, there is a universal drug plan for each province. Although formularies are severely restrictive, some access to pharmaceuticals is better than no access.

The general population is covered by private insurance, that for the most part mirrors provincial plans. Because the government sets the standards and purchases in such high volumes, it essentially dictates what goes into private plans. If a pharmaceutical is on the public formulary, it is nearly certain to be placed on private formularies. If a pharmaceutical is not on the public formulary, it is virtually impossible to access the medication. Canadians on private drug plans have poorer access to pharmaceuticals than most people do in the US.

Money spent on pharmaceuticals saves money in other parts of the healthcare system.

While it makes good public health policy to provide drug coverage to everyone, the system could be improved by providing a comprehensive drug plan because it will save money in the long run. A study from Columbia University found that for every dollar spent on pharmaceuticals that were produced between 1970 - 1991, the healthcare system is going to save \$3.67 in other medical services. When re-created with newer pharmaceuticals, those brought on to the market from 1992 - 1996, the research indicates that for every dollar spent on the newer medications, the system saves \$4 in other medical costs. Failure to provide access to new medications has been shown to actually drive up overall healthcare costs.

A special authorization process designed to reduce overprescribing ends up hurting patients.

In New Brunswick, and in other provinces, patients are placed on older medications even when those medications have been shown to be less effective and pose a greater risk for side effects, before newer or more expensive treatments can be tried. To prescribe newer medications, doctors must write a detailed letter justifying exactly why a patient needs the medication.

This special authorization process was created in the early 1990s to reduce costs and to prevent doctors from overprescribing. It passed without opposition, and at the time seemed like a good policy. But with implementation, patients can't get the medications they need in a timely manner. It generally takes two to three weeks for authorizations to be processed, which in turn drives up costs with return visits to family doctors and increased hospitalizations, and lowers the standard of care for patients. The special authorization process limits access to medications that can make a significant difference to a patient.



Because the government sets the standards and purchases in such high volumes, it essentially dictates what goes into private insurance plans.

Failure to provide access to new medications has been shown to actually drive up overall healthcare costs.

The special authorization process limits access to more advanced medications that make a significant difference to a patient. Further, the process delays treatment by up to three weeks.

The government controls practically all aspects of healthcare.

In Canada, a family doctor gets paid on a fee-per-service basis— \$22.05 to see a patient. That's approximately \$14.33 in US dollars.

Canada, North Korea and Cuba are the only countries in the world where patients cannot buy the services of a doctor within the public system to receive care, or to get a second opinion.

Because they have to wait at least six months, many Canadians go to the US for MRIs.

The Canadian government paid \$1.2 billion in compensation to patients who were inadvertently infected with Hepatitis C through tainted blood. Tragedies like this can be avoided with the use of new pharmaceutical therapies.

In Canada the government controls virtually every aspect of healthcare— which doctors patients see, which specialists they see, where lab tests and X-rays are performed, and the accessibility of prescription medicines. A family doctor gets paid on a fee-per-service basis— \$22.05 to see a patient. That's approximately \$14.33 in US dollars. Canada is one of only three countries in the world where people cannot buy the services of a physician within the public system to get a second opinion, regardless of income, status, or position. The other two countries in the world with similar systems are North Korea and Cuba. It's not that there is an absence of private physicians in Canada, it's that it's strictly regulated and extremely difficult for them to work outside the public system.

New Brunswick has an estimated population of 700,000 people. Of those, 36,000 people do not have a family doctor due to a shortage of physicians. The local medical society estimates the need for 200 more doctors (a 20% increase) to raise the level of care in the province to minimum standards. People without a family doctor are forced to seek services in emergency rooms and cannot see specialists on their own accord. On average, it takes an hour to be registered and three to five hours to see a physician in an emergency room. Outside of visiting an emergency room, patients can only see their assigned family doctor. Other doctors can't and won't take them. By US standards this would be unacceptable.

Canada's "One-Size-Fits-All" Healthcare System Does Not Pay for Timely Access or for Quality Care.

In Canada's public system, patients wait between six and nine months for MRIs. Many Canadians go to the US because they can get MRIs in two weeks and have the results within 48 hours. In Canada unless a patient is critical, the wait is at least six months and it may take two weeks to get results. Canadians accept the system because they don't have any choice and they sense that the system is "free."

Although access to MRIs is limited, the government doesn't ask MRI manufacturers to, "lower the price of the machines and so we can buy more." There are plenty of MRI machines in Canada. The problem is they generally operate only eight hours a day and the government limits the income of providers through capitation. Some radiologists in Ontario only work six months of the year. They are not allowed to earn more money in their home province, and either go to another province or to the US to work the rest of the year.

Approximately 20,000 patients who were infected with Hepatitis C from tainted blood were awarded \$1.2 billion in compensation from the Canadian government. When a new treatment came out for those afflicted with hemophilia that was not made from blood, and that was totally free of viruses, the government resisted because the new treatment was more expensive than the existing one. Considering the settlement, the number of people that had become infected or died, patient advocates expected the government to quickly approve the new medication. Instead, it took a very public campaign and a battle to get the medication approved.

In Canada the survival rate for breast cancer is equivalent to the two poorest states in the US because the waiting times for radiation and chemotherapy. More than 1,400 people with breast or prostate cancer are on waiting lists in Ontario. For breast cancer patients, many of them have to wait as long as 19 weeks to receive treatment.

About 60% of cancer patients become anemic as a result of their radiation and chemotherapy. In the US erythropoietin is the standard of care. Patients have access to the drug. If used early on, it can help people avoid blood transfusions by keeping their own red blood cell counts up. In Canada, only about 2% of the cancer population has access to it because the government doesn't want to pay for it. In the Canadian system, blood is considered a "free commodity." Erythropoietin costs money. This is the type of shortsightedness that can be found in the Canadian system.

The Canadian system places its highest priority on cost savings.

In Ontario, a policy was put into effect in 1999 that forced people onto the lowest priced medicines, before they could move to newer medicines. The policy was put into place without a grandfather clause. For patients that were taking a medication that was now considered to be a third-line medication they had to start over again. There was a well-publicized case involving a senior who was taken off her current heart medication and put on an older medication despite the objections and protests of her doctor. But the guidelines said, "Patients have to fail at the older medications before they can get the newer medications." The woman ended up in the hospital for several days and was subjected to a great deal of trauma. The difference in price was .05 a day. This is the kind of mentality that's created in a system where the concern for controlling costs is put ahead of patient needs.

Canadians Travel to the US For Needed Treatments.

From a Canadian perspective, the American system is not perfect. But Americans have access to the latest technologies; access to physicians; access to specialists; and access to the latest technologies. They have choice and access to the latest medicines. Overall, the US offers higher standards of care.

Last year the Canadian government spent millions of dollars to send patients to the US. About 600 people were sent from Ontario to receive treatment for various types of cancer in Buffalo, Cleveland, or Detroit.

Also because pharmaceuticals license quicker in the US, many patients go south to get medications they see advertised or hear about from their doctors that are not available in Canada and that may never be available in Canada.

Too much government control in Canada has negatively affected the delivery of medicine and has adversely affected patient care. Because 90% of Canadians live within an hour of the US, people can drive or fly to the States and get the medical care they can't get in Canada. Without the US system as a safety valve, Canadian officials would have been forced to radically overhaul their healthcare system a long time ago.

The survival rate for breast cancer in Canada is equivalent to the two poorest states in the US.

In 1999 a woman from Ontario was hospitalized when she was forced onto a heart medication that had been already tried and shown to be ineffective. The difference in price was only .05 per day.

Because 90% of Canadians live within an hour of the US, people can drive or fly to the States and get the medical care they can't get in Canada.

Canadian Pharmaceutical Prices Are Lower, But So Is the Cost of Living.

A study conducted by the Fraser Institute concluded that pharmaceuticals are cheaper in Canada because of the government-controlled pricing policy and the Canadian standard of living is lower.

At the end of last year, the Fraser Institute issued a report with a detailed comparison of pharmaceutical costs between Canada and the US. The report concluded that the cost of prescription medicines is generally lower in Canada and that the cost of over-the-counter medicines is also generally lower. The Canadian dollar is worth .65 of the US dollar. Therefore, on a cost-of-living basis, a Canadian's cost-of-living is much lower than that of an American's. Everything in Canada, if looking at equivalents, is in fact priced lower. While Canadians wouldn't necessarily want to compare themselves with Mexicans, but one might use that gross comparison and conclude that medicines are going to be cheaper in Mexico because the standard of living is lower. The Fraser Study concluded that the lower price of medicines is due to the lower cost-of-living and the Patent Medicine Prices Review Board.

As a percentage of the healthcare budget, Canadians actually spend more than Americans.

Even with its lower prices, the expenditure on prescription medicines, as a percentage of the healthcare budget, is actually higher in Canada than it is in the US. Almost 14% of Canada's total healthcare costs go to medicines. In the US it's 10%. One argument that has been made by economists is that for every dollar spent on medicines in Canada, patients are getting less value back. A plausible explanation for the lack of value could be that Canadians have such limited access to advanced pharmaceutical treatments.

Price controls in Canada have limited R&D.

Canada, with about 1/10th of the population of the US, invests 1/40th as much in medical research which has a negative impact on Canada's patients and research scientists. Canada's best researchers and best professors go the US. And it's not just the salary differentials— it is the research opportunities and the laboratories. Canada simply doesn't have comparable facilities to those in the US, and part of reason research is so limited in Canada has been the implementation of price controls.

Conclusion

In the US, there is a misunderstanding of the Canadian healthcare system. Other than the fact that the price for pharmaceuticals is generally lower in Canada, Americans know very little about the Canadian healthcare system. In Canada's last federal election, healthcare was a subject of heated debate and Canadians are becoming increasingly vocal about their dissatisfaction with the healthcare they receive.

If price were the determining factor for access to pharmaceuticals, one would expect Canadians to have the greatest access in the world. But in fact the opposite is true— Canadians have extremely limited access to the newest and best medicines. In any healthcare system, whether it's public or private, if the fundamental goal is to control costs, it will never truly serve patients.

The issue of making the most advanced and effective medications available to the public in a way that is affordable, is a critical and complicated question that needs to be addressed. From the perspective of the forum's speakers, it's shortsighted to say that the only way to do it, and the best way to do it is with price controls.

The opinions of the presenters are not necessarily the opinions of the members of the New York Health Products Council.



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The background of the entire page is a collage of images related to healthcare and medicine, all rendered in a light red color. It includes the United States and Canadian flags, a collection of various pills and capsules, a hand holding a small pill bottle, a hand holding a large quantity of pills, and a doctor in a white coat interacting with a patient in a wheelchair.

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The New York Health Products Council is a non-profit organization whose main concern is to provide the public with information about research-oriented pharmaceutical companies doing business in New York State. The companies' dedication to long-range, extremely costly drug research contributes to the health of millions of people in this state... and to the economy as well.