

Canada loses out on drug pricing, study says

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Health systems worldwide are increasingly negotiating secret price rebates from pharmaceutical companies and Canadians risk losing out on the deal.

"The pricing of medicines is now a game of negotiation, similar to buying a car at a dealership," says Steve Morgan, an expert in [health policy](#) at the University of British Columbia. "There's a list price equivalent to a manufacturer's suggested retail price; and then there's secret deals that everyone negotiates from there."

In a study published today in the April issue of the journal *Health Affairs*, researchers interviewed policymakers from nine [developed countries](#) and analyzed practices for securing confidential manufacturers' rebates.

They confirmed that almost all countries are now routinely negotiating rebates from drug companies as a condition of coverage under their health care systems. Manufacturers are promoting these rebates because the associated confidentiality clause ensures deals struck in one country don't set precedent in others.

Countries with multi-payer health care systems, including the U.S. and Canada, have less bargaining power in these negotiations. Meanwhile, despite its relatively small population, New Zealand leverages its universal public drug plan to negotiate rebates for all covered medicines.

After "Obama Care" expands [health insurance](#) to all Americans in 2014,

Canada may be the country least capable of effectively managing this new pricing regime, says Morgan, an associate professor in the School of Population and Public Health.

Canada is the only country in the world with universal coverage for medical and hospital care but not for [prescription drugs](#). Individual provinces and insurers negotiate drug prices independently – although some provinces are working cooperatively to lower prices.

"The Canadian system is fundamentally flawed," says Morgan.

"Ironically, the smaller provinces and uninsured [Canadians](#) will end up paying the highest out-of-pocket costs for their medicines."

BACKGROUND

About the study

Researchers conducted interviews with pharmaceutical [policy makers](#) from Australia, Austria, Canada, Germany, Italy, the Netherlands, New Zealand, the United Kingdom, and the United States. Among these countries, Canada has the second highest level of spending on medicines and the second highest prices for top-selling drugs, behind the United States.

The researchers then held a face-to-face meeting with policy makers from all the participating countries to discuss lessons learned and to refine recommendations regarding best practices. Based on these discussions, Morgan and his colleagues suggest that policy makers follow three principles in developing a new pricing strategy: pragmatism, discipline and transparency.

Pragmatism: Most countries that have tried performance-based rebate schemes found them difficult to enforce. Governments should strive to

keep pharmaceutical rebates relatively simple.

Discipline: Well-designed decision-making systems are required to ensure that drug plans don't lose control in negotiations with manufacturers.

Transparency: Process transparency is essential because the negotiated price will always remain secret under the new pricing paradigm. Currently, most provinces negotiate rebates from drug manufacturers but few disclose information about the existence, nature, or scale of those rebates.

Provided by University of British Columbia

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