

Toward competitive generic drug prices in Canada

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The commitment of Canadian premiers to lower generic drug prices is a major change in how the country prices generic drugs, and government should learn from past attempts, states an article published in *CMAJ* (*Canadian Medical Association Journal*).

[Generic drug](#) prices are higher in Canada than in other [industrialized countries](#). The authors argue that the premiers' call for a national bulk purchasing program, made earlier in 2012, is a positive step for Canadians.

"The joint commitment from Canada's premiers to use coordinated bulk purchasing to lower these prices is important, and, moving forward, governments should learn from past attempts at obtaining more competitive prices," writes Dr. Michael Law and Jillian Kratzer, Centre for [Health Services](#) and Policy Research, School of Population and Public Health, University of British Columbia. "It should be clear from the outset that the provinces intend this to be the future of generic pricing, and political support should be secured by offering [Canadians](#) universal public coverage for this first round of medications."

For two decades, Canadian provinces have set generic drug prices using percentages of the equivalent brand name. This has left a wide gap between what drug plans reimburse and the cost at which generic companies sell to pharmacies. The result is a system where generic companies pay confidential "rebates" to pharmacies that stock their products.

If Canadian prices were successfully lowered to levels seen in other countries, the potential savings would be hundreds of millions of dollars. This number is also poised to grow as a number of popular drugs come off patent in Canada, meaning generic [drug use](#) will increase significantly.

The authors outline several suggestions to help successfully lower costs through bulk purchasing, including:

- Involve as many provinces as possible in purchasing agreements to make bulk purchasing attractive to generic drug companies.
- Expand the number of commonly used drugs included in the competitive purchasing approach.
- Ensure transparency in competitive processes.
- Encourage brand name and generic manufacturers—both domestic and international—to participate.
- Learn from best practices in other countries that use contracting to predict and manage the potential risks, such as shortages.

"Our goal in pricing generic drugs should be to provide a reliable supply of high-quality medicines at the best possible cost," write the authors.

"By changing the way Canada procures medicines, this joint commitment is a true opportunity to both reduce drug expenditures and improve access to health care," conclude the authors.

More information: www.cmaj.ca/lookup/doi/10.1503/cmaj.121367

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