Policy Statement

BCMA
BRITISH COLUMBIA MEDICAL ASSOCIATION

PharmaCare Expenditures

Last Updated: April 2008

BCMA Position

- *PharmaCare should involve practising physicians in the decision-making process behind policies to control prescription drug expenditures.*
- *PharmaCare should negotiate directly with wholesalers and drug manufacturers to secure the best prices for PharmaCare-insured drugs.*
- *PharmaCare should not implement a strict budget cap on public drug expenditures.*
- *The BCMA supports the provision of educational materials on the efficacy and cost of prescription medications to BC physicians. This must be done on a regular basis through a continually funded, collaborative organization with representation from the BCMA, the Ministry of Health, and other relevant stakeholder organizations.*

Background

Prescription drugs are the fastest growing component of Canadian health care expenditures, including BC. In British Columbia, expenditure growth has increased faster than the national average, with average annual growth of 11.3% from 1986 – 2006 (versus 10.6% nationally). Most of the growth is not due to increases in manufacturers' prices or the aging of the population, but rather the volume and selection of drugs prescribed. Drugs classified by the Patented Medicine Prices Review Board (PMPRB) as "Category 3", i.e., a new drug or dosage form of an existing drug that provides moderate, little, or no improvement over existing drugs, are leading cost drivers. As drug costs escalate, questions have emerged about how to ensure the optimal use of medications, guarantee patient safety, and better manage public prescription drug benefits.

As total prescription drug expenditures rise, British Columbians are paying more out of pocket for their drugs. The proportion of prescription drug expenditure funded by the public sector[1] fell from 53% ($137.7 million) in 1988 to 42% ($1.024 billion) in 2006. Likewise, the proportion of spending by the private sector increased from 47% ($121.1 million) to 58% ($1.42 billion) in 2006 (Canadian Institute for Health Information 2006)

Research/Publications

Canada is not alone in its efforts to control prescription drug expenditures. Important lessons emerge from examining other countries' experiences in this policy area:

1. Attempts by governments to impose solutions without the support of the medical profession (e.g., physician drug budgets in Germany) are not successful.

2. In contrast to every other OECD country, New Zealand has reduced the growth of public prescription drug expenditures to less than 3.0% per year since 1993 while increasing the volume of prescribed drugs. This has been attributed to the use of strictly capped budgets, reference drug pricing, tendering, and cross-product negotiations (Pharmac 2003). As of 2005, these policies led to savings of NZ$894 million in the public drug budget (Pharmac 2005).

[1] "Public sector" includes funding from the provincial government, federal programs, and the Workers' Compensation Board.

3. Most OECD countries have adopted some form of physician education for prescribing such as prescription feedback/education and prescribing guidelines.

Assessment/Implications

- Rising prescription drug costs should be managed through clinically sensitive mechanisms to encourage cost-effective prescribing. Efforts to control drug spending should be managed collaboratively by physicians and the government.

- Elements of New Zealand's policies, including direct negotiations with manufacturers on drug prices, may be useful in BC. Caution should be taken, however, in following New Zealand's example of a capped budget for prescription drug expenditures. Even with a special authority mechanism in place, having a budget cap means that some special authorities are based purely on fiscal, not clinical, considerations.

- BC should adopt some form of physician education program on cost-effective prescribing. The BCMA believes that there may be opportunities for the programs like the Education for Quality Improvement in Patient Care (EQIP), which operate as partnerships of the Ministry of Health, the BCMA, and other relevant stakeholder organizations, to provide physicians with unbiased education on the efficacy, cost, and cost-effectiveness of prescription drugs.