

May 9, 2011

Law Amendments Committee

My name is Calvin LeRoux and I am CEO of PharmaChoice. Joining me today is Tim Van Zoost, Chairman of the PharmaChoice board and owner of Chisholm's PharmaChoice in Aylesford, Nova Scotia and David Caswell, Board Director and owner of Enfield Pharmachoice. PharmaChoice has over 300 independent stores across Canada and we represent 28 independent stores in Nova Scotia that employ over 500 part time and full time employees. PharmaChoice is a Nova Scotia company with our national head office based in Dartmouth. We provide resources to our member pharmacies across Canada to assist their marketing, merchandising and buying programs. Our locations in Nova Scotia range from Glace Bay to Yarmouth with the majority of our locations in smaller, rural markets.

Our business mix is more of a traditional pharmacy operation with over 80% of our volume coming from the prescription category. Our member pharmacies pride themselves in knowing our customers on a first name basis, providing first rate pharmaceutical care and in many cases having served our patient's families for generations.

All of our pharmacy owners are leaders in their communities and support many local causes including charities, sitting on health boards, supporting local business in their communities, supporting youth through employment and educational funding and many other types of community involvement. I am sure you have had numerous examples quoted to you already.

Our slogan is "**Advice for Life**" and we provide a lot of it and always at no cost to the patient. We provide a wide range of free services to our patients that are meaningful to each patient such measurement testing for blood pressure and cholesterol. We also deliver value to the government in deferring costs out of the system such as triaging patients to keep them from visiting emergency rooms. We see ourselves as the "Legs of the Department of Health" and provide an essential health service; more or less a partner of department of health. Our pharmacists are the most accessible health professional and usually the first point of contact for many patients especially outside of normal business hours – you don't need an appointment to see us.

It is important for you to understand the economics of how a pharmacy works. Our cost of core dispensing has been underfunded for many years and this funding gap has been supported through

our commercial relationships with generic manufacturers. This funding from generic manufacturers has been a benefit to the government and all Nova Scotians by deferring the need to increase our fees. Our dispensing fee has only increased a little over \$2 per prescription over the past 20 years which is not even close to the annual Consumer Price Index increases over that time. But our expenses have increased considerably in that same period.

Three independent studies in the past 2-4 years have proved that the cost to dispense a prescription without a profit is between \$13-15. Since these studies were completed, our costs have increased not unlike any other business or for that matter government. Currently, our fee for dispensing prescriptions is \$10.62 with a small mark up (2% that is capped at \$50 per prescription). This means that our current funding gap is approximately \$3-4 and increasing as our expenses grow.

We understand the government would like to provide “**Fair Drug Prices for Nova Scotians**” and control the health care budget as it represents such a large part of the overall budget. The phrase **Fair Drug Prices for Nova Scotians** also characterizes us as being unfair. We want to do our part and we have. Over the past 3.5 years, Nova Scotia pharmacies have provided a discount to government for generic drugs. Through our last tariff agreement, we provided a 15% discount on our top 20 generic drugs. Our top 20 drugs represent over 50% of our total generic volume. The Nova Scotia government did receive Fair Drug Prices for Nova Scotians in the past 3.5 years; this discount has saved the government millions of dollars. Bill 17, if passed as is and without significant improvements in our tariff agreement will put tremendous pressure on all pharmacies in particular small, independent pharmacies.

The impact of Bill 17 will result in a loss of over \$200,000 per location on average without additional funding through a new tariff agreement. This new pricing will impact our entire book of business not just government. This will make some PharmaChoice owners consider leaving the business and selling out, or reducing hours resulting in less access for their patients and reducing services or extra billing for these services. It will also make a very difficult situation for owners that purchased their stores in last 2-3 years. I am sure their bank managers will want a meeting to discuss how they will manage this change and still meet their financial commitments. We need fairness and predictability in our business.

We feel it is unfair that Bill 17 be enacted before we have negotiated a new tariff agreement. We hope that the Nova Scotia government is as committed to providing “**Fair Reimbursement to Nova Scotia Pharmacies**” as you are committed to providing “**Fair Drug Prices to all Nova Scotians**”. Generic pricing and prescription reimbursement are intricately connected. We would prefer that the cost of the drug be neutral to us; that the cost of the drug be irrelevant. For that to happen, it means we need fair reimbursement for pharmacy. Could the government afford to pay

us a fair reimbursement in such as short time? Will you increase our base dispensing fee to \$15 with a reasonable mark up within next 12 months? Could the government afford and manage this? Obviously, you expect that we can adjust to this loss in 12 months; we were anticipating that we would have a 3 year phase-in approach like Ontario and Alberta and have a new negotiated tariff agreement to help offset our losses before the price drop.

Other health disciplines are seeing small increases for their services but we have to absorb a huge decrease. How would department officials feel if their compensation was reduced by 25-50%? I suspect you would not be very pleased and it would create a lot of havoc in your life. This is what we are dealing with.

As pharmacy owners, we want to do more. As the scope of practice changes, we are very interested in this change and are more than willing to embrace it. But this change will take time and it will have costs associated with it. It is not as simple as turning on a switch.

You probably sense my frustration but it is real. I deal with pharmacy owners everyday and they are very frustrated with this situation. PharmaChoice owners are very concerned that Bill 17 will be too much to bear far too quickly. All owners have taken on huge commitments to meet our patient's needs and these needs are increasing. Again, we need fairness on the compensation side.

Our "ask" is simple. Delay implementation of Bill 17 until a new **Fair Tariff Agreement** has been negotiated. The current agreement expires on June 30th. This is not too much to ask. If this does not happen, it is like you have hired us to do a job but you will tell us later how much you will pay us. That is unfair. Reasonable people would not accept this and more importantly partners in delivering first rate pharmaceutical care should not ask us to do this.

We appreciate your consideration on this issue and thank you for your time.

Sincerely Yours,

Calvin LeRoux

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