

Bill No. 17: Fair Drug Pricing Act

Standing Committee on Law Amendments

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ENFIELD
Rx PharmaChoice

*Advice
for Life*

I. Introduction

A. Introduction: David Caswell, Pharmacist / Owner of Enfield Pharmacy, the only Pharmacy in this community. I purchased this Pharmacy 3 years ago, so I would consider myself a new, small business owner. I currently have the responsibility of employing 11 people to service the various healthcare needs of my community. In both, traditional areas of Pharmacy practice and as a supplier of Diabetes Education, Dietitian service, Mastectomy Fittings and Compression Therapy.

B. As we are all aware, Canada's health care system is the subject of much political controversy and debate. Challenges exist in the areas of efficiency, outcomes, accessibility and timely delivery. One important area of healthcare in Nova Scotia, that has not been an area of concern, is Pharmacy. At least, it was not, until this government introduced Bill 17, the "Fair Drug Pricing Act".

C. My concern, is that this Bill will jeopardize Pharmacy services in Nova Scotia to the point that we will have a system that does not provide the proper balance of efficiency, outcome, accessibility and timely delivery that Nova Scotians not only expect, but more importantly, need as our population continues to have a greater reliance on our health care system.

Why does this government want to break something that works for the people of Nova Scotia?

D. Being the Pharmacist / Owner of a small community Pharmacy places me in a position of substantial responsibility.

- 1. To the customers, that I provide healthcare service to on a daily basis.***
- 2. To my employees, who count on me for their daily livelihood and ability to support their families.***

3. To my family, who expect that I will provide for them, as a father and husband should, both now and in the future.

E. The three main points I will discuss today are:

1. The dollar impact that this Bill will have on Nova Scotian Pharmacies.
2. The impact that this Bill will have on my business and my responsibilities.
3. The role that this government can play in ensuring a viable Pharmacy industry exists in our province to service the increasing needs of our population.

II. The dollar impact that this Bill will have on Nova Scotian Pharmacies:

A. The Minister of Finance stated in the recent budget that this Bill would save the government \$6 million. This number does not make sense.

1. The government estimates that drug costs are \$300 million for the Pharmacare program. At this point in time approximately 35% of those dollars are spent on generic drugs. This would be an amount of \$105 million dollars.

Currently, generic drugs covered by Pharmacare are at a level of approximately 57% of the equivalent brand drugs.

A reduction in the price of these drugs from 57% to 35% of brand price is a reduction of 38.6% from current levels.

This equates to an impact on the Pharmacare piece of business to Nova Scotian Pharmacies of \$40.5 million. And this is just the impact on the Pharmacare piece of the business model.

This number is not just a sales number but a profit impact since it will virtually eliminate the rebates from this category of our business that are used to fund the shortfall in the other categories. These shortfalls are a result of the current system that has evolved over time.

B. Evolution or Revolution?

1. Change in any industry or society occurs in either of these two fashions.

Revolutionary change is characterized with a lack of stability and equilibrium in the system.

Evolutionary change, using the current model as a basis for something new is much easier to embrace and leads to a more natural progression with time to course correct and avoidance of UNINTENDED consequences.

Why would this government choose a revolutionary change for pharmacy and risk an aspect of our health care system that works so well on so many different levels?

Any changes to a business model should be phased in over a much longer period of time than the 12 month window proposed by this legislation.

The risk of this type of revolutionary change to the Nova Scotian pharmacy business model, may very well result in, the cost of healthcare to all Nova Scotians increasing, as Pharmacy attempts to offset a change of this magnitude.

III. The impact that this Bill will have on my business and my responsibilities.

A. The impact on the Pharmacare portion of my business will be in the range of \$45,000.

B. Should this Bill result in consequences to the private pay side of my business the impact will increase to \$175,000 annually.

This will, quite literally, have a "Black to Red" impact to the bottom line of my business.

1. The impact of which, is decreased services and decreased services at “no charge” for my patients, decreased employment security for my staff and a decreased long term viability for my business.

C. Government has traditionally set the floor for the pricing of drugs in any market. Due to the large market share that the government has as a payor. This resulting monopsonist system levels a degree of responsibility on the government to ensure that it leads by example in setting a pricing level that ensures a fair market across the remainder of the insurance companies that my pharmacy does business with.

IV. The role that this government can play in ensuring a viable Pharmacy industry exists, in our province, to service the increasing needs of our population.

A. The current model of reimbursement for generic drugs may appear, in isolation, to be wrong. However, the Pharmacy business model as a whole is sustainable. The issue of generic drug pricing can only be dealt with in conjunction with a new “fair tariff agreement” that recognizes properly, fair reimbursement on brand drugs and fair reimbursement for the myriad of existing services that are currently available in my pharmacy.

B. The premier recently stated that it would not be fair to control the increases in electricity costs to Nova Scotians and Nova Scotian businesses since NSPI needs to make a profit in order to provide electricity services. The same can be said of my Pharmacy and the rest of the pharmacy industry in Nova Scotia and the delivery of critical health services to our community.

C. A further point of emphasis is the business benefits that the government receives from our current Pharmacy model. The Government has no concerns about capital expenditures, wage increases, labour shortages, inventory, pension and benefit costs, liability, training, financing costs, etc... All of these expenses and risks sit squarely on my shoulders as a small business owner.

V. In conclusion,

- 1. The dollar impact of Bill 17 to Nova Scotian Pharmacies is much larger than stated \$6 million. It is in the range of \$40 million dollars, that will not be available to pay for the many services and business expenses that are incurred by pharmacies.**
- 2. The impact to my small business will be \$175,000 when this Bill extends to my entire book of business. This is a “black to red” impact on my business with dire consequences to my customers, my employees and my family.**
- 3. The government must ensure a “fair tariff agreement” is negotiated with pharmacy and in place before enacting the price controls currently proposed in this Bill.**

B. Pharmacists are consistently ranked as one of the most trusted professions.

The Minister of Health has publicly stated that Pharmacists are an important group of healthcare providers. The Minister has also stated that the government has a desire for Pharmacy to take on an expanded role in our healthcare system.

I am before you today, to ask that you amend this Bill to state, that it will not take effect until a negotiated “Fair Tariff Agreement” is in place with Pharmacies in our province.