

On the State of the Art in Costing Methods – Pharmaceuticals

Michele Evans, Executive Director
Pharmaceuticals & Supplementary Health Benefits
Alberta Health

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Objectives

- Context on Costs and Pharmaceuticals
- Drug Distribution and Alberta's Drug Programs
- Pharmacy Fees
- Determining Drug Product Costs
- Pan Canadian Pharmaceutical Alliance (PCPA)

Some Context

- **Growing demand**
 - Population growth
 - Increasing complexity of care
 - Drug therapy as primary treatment approach
- **Fiscal Pressures**
 - Volatility in revenues (Alberta's resource sector)
 - Downward pressure on costs
 - New devices and technologies
- **Other Professions / Complex Systems**
 - Workforce shortages & blurring roles
 - Expressed concerns with quality and value
 - Lack of integration

Some Context

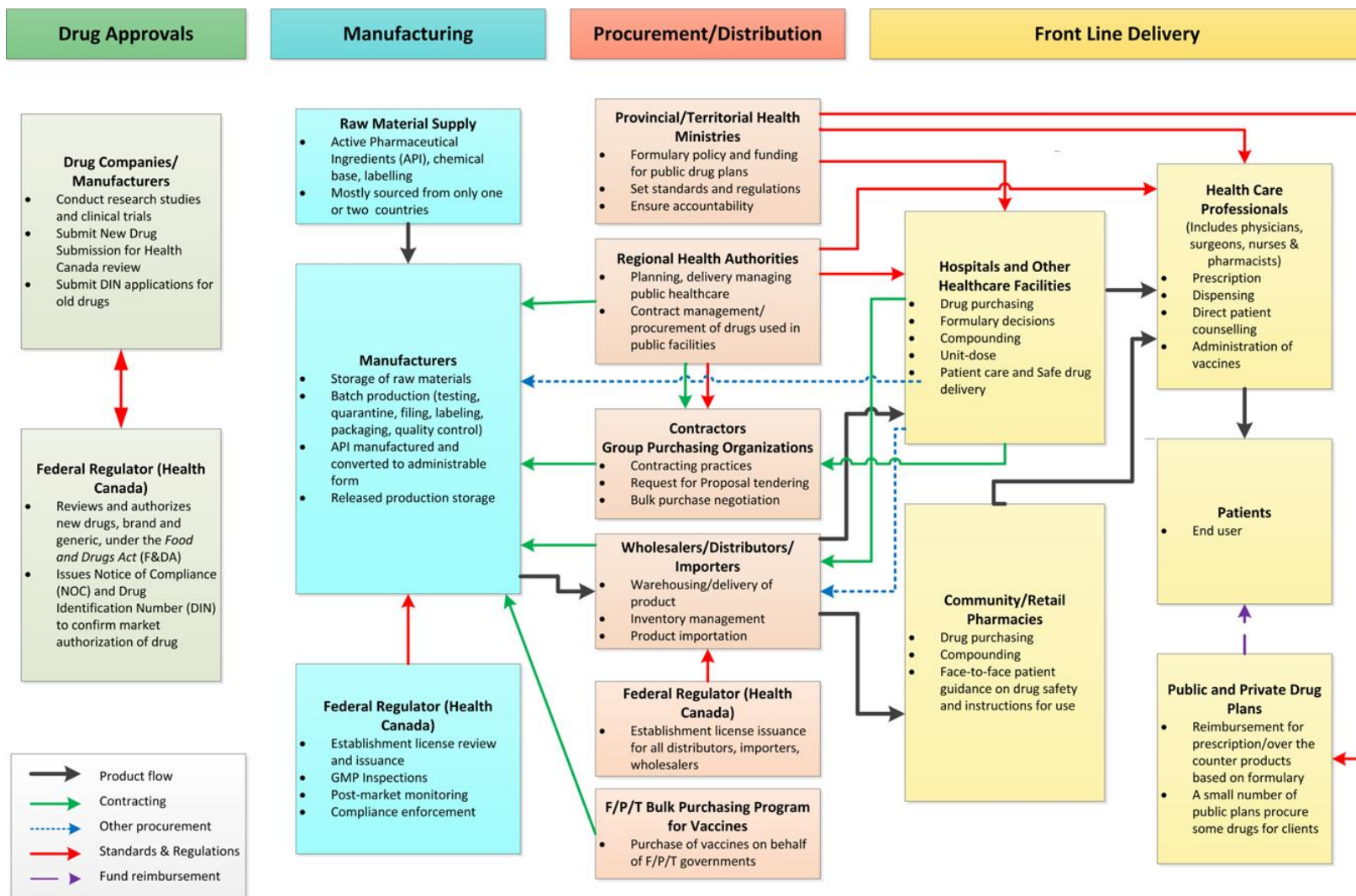
- **Program budget: \$1.5 billion (14/15)**
 - Over 18 programs providing community-based drug and supplementary health benefits
 - Administered by Alberta Blue Cross, Alberta Dental Services Corporation, and Alberta Health Services

Alberta Health AHCIP Statistical Supplement (2013/14)

- **Number of prescriptions: 15.7 million (13/14)**
- **Pharmacy Fees: \$179.9 million (13/14)**
- **Albertans Covered: 607,823 [↑3%]**

<http://www.health.alberta.ca/newsroom/pub-annual-reports.html>

Drug Distribution



Alberta's Drug Programs

<http://www.health.alberta.ca/services/benefits-supplementary.html>

- **Alberta Blue Cross Coverage for Seniors**
- **Alberta Blue Cross Non Group (Group 1)**
- **Palliative Coverage Program**
- **Alberta Adult/Child Health Benefit**
- **Assured Income for the Severely Handicapped (AISH)**
- **Income Supports**
- **Outpatient Cancer Drug Benefit Program**
- **Specialized High Cost Drug Program**
- **Rare Disease Drug Program**
- **Short Term Exceptional Drug Therapy Program**

Alberta's Drug Programs

- **Eligible benefits defined by drug benefit lists**
- **Various approaches to cost sharing for eligible drug products**
 - No cost to clients (income supports programs; cancer; specialized high cost drugs)
 - Co-pay only (seniors)
[30% per prescription to a maximum of \$25]
 - Premiums and Co-pay (non group)
[Family premium \$115/month or \$82.60/month subsidized
Single premium \$63.50/month or \$44.45/month subsidized
30% per prescription to a maximum of \$25]

Pharmacy Fees:

Pharmacists & Pharmacies

- 4,550 clinical pharmacists
- 1,075 community pharmacies
- 435 pharmacists with additional prescribing authority (↑ 98% from 2012)
- 2,842 pharmacists with authority to inject (↑ 39% from 2012)

Pharmacy Fees:

New Agreements April 1, 2014

- 1. Memorandum of Understanding Between RxA and Alberta Health**
 - Establishes a formal relationship and voice for pharmacy
- 2. Ministerial Order (MO) for Compensation Plan for Pharmacy Services**
 - Establishes the rules, rates and procedures for patient-focused services
- 3. Alberta Blue Cross Pharmaceutical Services Provider Agreement**
 - Establishes the rules, rates and procedures for product-focused services

New Pharmacy Fees

- Consolidated pharmacy fee structure
- Move from invoice pricing (AAC) to published MLP

Effective	April 1, 2014	April 1, 2015	April 1, 2016	April 1, 2017
Drug Pricing	Manufacturer list price as published in Alberta Drug Benefit List			
Allowable Upcharge #1 (brand and generic)	3%	3%	3%	3%
Allowable Upcharge #2 (brand and generic) [calculated on drug price plus allowable upcharge #1]	5.5% to a maximum of \$100	6% to a maximum of \$100	6.5% to a maximum of \$100	7% to a maximum of \$100
Dispensing Fee	\$12.30	\$12.30	\$12.30	\$12.30

Determining Drug Product Costs

- **Drug product prices are set by manufacturers within federal and provincial rules**
- **Patented Medicines Prices Review Board**
 - Establishes the non-excessive price for patented products
- **Provincial Legislation & Policy**
 - Provincial governments have varying rules related to drug pricing

Determining Drug Product Costs

- **Alberta Price Policy**

- Establishes the rules and procedures for determining the Manufacturer List Price (MLP)
- Publicly available:

<https://www.ab.bluecross.ca/dbl/publications.html>

- **Drug Benefit List Process**

- Methodology for conducting budget impact analyses
- Introduced to improve quality of costing approaches

<https://www.ab.bluecross.ca/dbl/manufacturers.html>

Pan Canadian Pharmaceutical Alliance

- Conducts joint negotiations for brand name drugs for products considered through CDR and pCODR.
- Price reductions (18% of brand) on selected generics and advancing a tiered methodology for pricing other generic drugs.
- As of July 31, 2014:
 - 43 completed joint brand negotiations
 - Price reductions on 10 generic drugs
 - Combined annual savings: \$260 million

<http://www.canadaspremiers.ca/en/initiatives/358-pan-canadian-pharmaceutical-alliance>



Questions