

# Provincial Industry Payer Agreements in an Era of National Purchasing Strategies: Background Update

Eddy Nason, Senior Researcher



Institute on  
Governance

LEADING EXPERTISE

Institut sur  
la gouvernance

EXPERTISE DE POINTE

# Where we were in 2011...

- Outlined a taxonomy of agreement approaches (to aid discussions about when and where to use types of agreement).
- Identified international movements towards value-based pricing.
- Identified six themes about agreements from interviews:
  - They are costly to set up; in need of trusted processes and engagement; speak to some concept of “value”; sometimes seen as a “flavour of the week”; benefits can accrue to many stakeholders; and risks are as numerous and diffuse as benefits.
- Identified three thoughts to take forward:
  - Consider type of drugs to use agreements for to add value to the health system.
  - Identify where uncertainty lies around the new drug prior to setting agreements (and set up mechanisms to adjust reimbursement where evidence warrants).
  - Collaborate early in developing clear approaches.



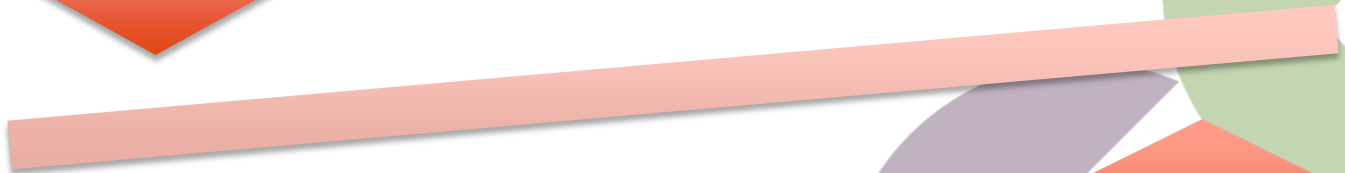
- Identified some key barriers and facilitators of PLA approaches.

### **Barriers**

Resource intensive agreements.

Lack of trust restricting collaboration and a shared perception of a true sharing of risk across agreements.

Ability to monitor approaches and collect data.



### **Facilitators**

Willingness of stakeholders to participate where agreements add value.

Ongoing development of frameworks to assess when to use “innovative” approaches.

The comparative-effectiveness research (CER) movement in the US and health technology assessment in other countries.

# Any new information?

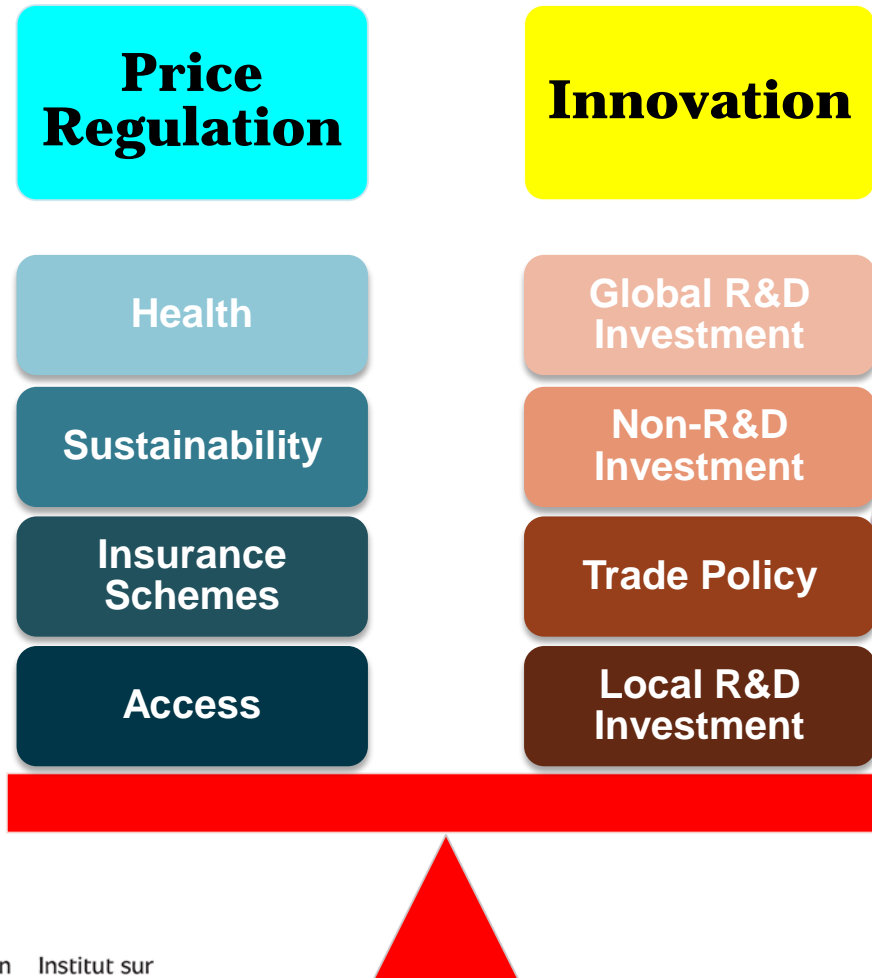
- The role of provincial PLAs seems uncertain given the move to a pan-Canadian pricing approach
- Stakeholders are gaining a greater understanding of their roles in PLAs
- No new mechanisms for PLAs being put in place in Canada or beyond (typology is consistent)
- Potential for new understandings from HTA, the UK situation, new modelling techniques



# Pricing Policies and Competing Policy Goals



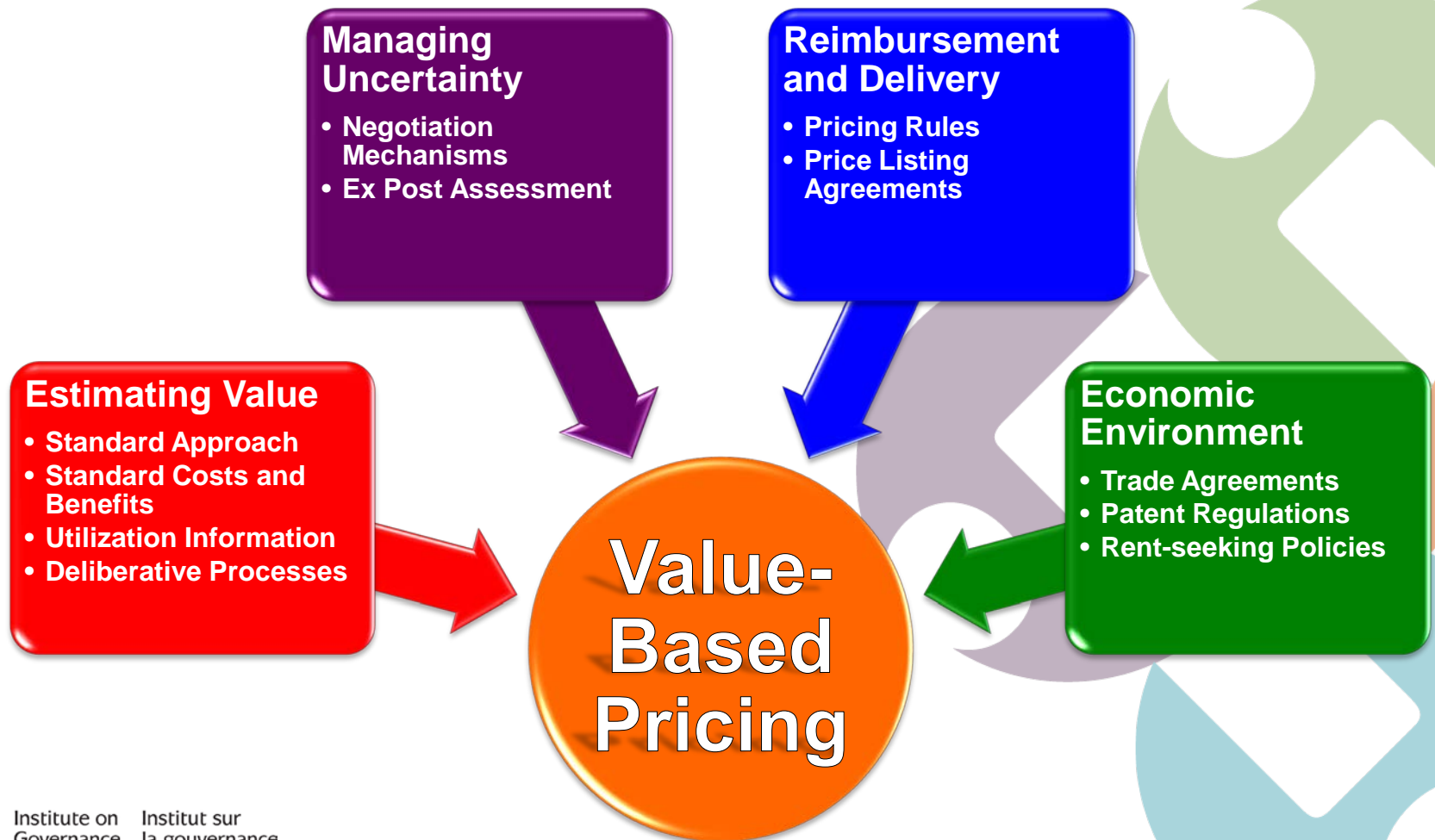
# Relationships to be Considered in Pricing Policy Intended to Foster Innovation



**How can we:**

1. Maximize health benefits for Canadians?
2. Assure health system sustainability?
3. Incent Innovation?

# Mechanisms Needed for Value-Based Pricing



# Canada in 2013

- Presence of the PCPA (8 negotiations done, 17 ongoing)
  - Generics vs. brand drugs
- Changing roles of provinces:
  - Existing PLA approaches differ across provinces, now trying to come into line
  - Existing PLAs in multiple provinces
  - Provincial negotiating power is changed by being in the PCPA
  - Role of Quebec
- Federal role in CDR, provincial role in pricing
- Industry role in PCPA, PLAs and other agreements...





# Proposed Canadian industry principles for the PCPA

- Innovation, patient access and patient outcomes
- Financially account for the process of innovation
- Should not focus solely on price and cost
- Should be built transparently in consultation with all stakeholders
- Agreement terms should be confidential, but performance public
- Healthcare professionals determine appropriate treatments
- Provincial payers should commit up-front to participate
- Should be automatically implemented in the participating jurisdictions.
- Provinces and industry should be able to act outside the framework
- Subject to a clear set of expectations and obligations

# The rest of the world in 2013

- UK move to Value-Based Pricing (VBP) by 2014
  - Challenges over definitions and details of how VBP will work
  - NICE role in making VBP a reality
- New Zealand approach to bulk pricing approaches
  - Significant cost-savings realized in NZ on the price of drugs; comparisons to Canada suggest common pricing approach would work in Canada
  - Unclear what the effect of bulk pricing is on other parts of the health system in NZ
- US with diverse pricing approaches:
  - Bulk pricing through states or insurers in response to “Obamacare”
  - Developing VBP approaches in line with drive for comparative effectiveness
  - What happens in the US is likely to affect Canada (and vice-versa, e.g. evidence in Canada can affect US prices)



# Some key issues

- Defining value collaboratively (what should value include?)
- Stakeholder roles in pricing and agreements
  - Rules of engagement
- Linking benefits to costs is difficult
- PCPA and the role of federal vs. provincial governments
- How does Canada and the PCPA fit in with global trends?

# What's next?

- Developing an evidence-informed concept of value across Canada.
- Determining if PCPA can become truly pan-Canadian.
- Pricing by drug class / drug groups.
- Pricing for diagnostics.
- Linking pricing to personalized medicine approaches.

# Questions to address today

- Should a pan-Canadian purchasing strategy for drugs apply to only specific products or be more broadly applied?
- How do current provincial product listing approaches fit into a larger pan-Canadian strategy?
- When we talk about focusing on ‘value’ and not just volume price discounts – what do we mean?
- What principles might be applied to the process for negotiation and discussion of changes amongst partners?

Thanks to John Sproule, Andy Chuck and Don Husereau for content and comments.

Eddy Nason

Senior Researcher, Institute on Governance

[enason@iog.ca](mailto:enason@iog.ca)

# PROVINCIAL INDUSTRY PAYER AGREEMENTS IN AN ERA OF NATIONAL PURCHASING STRATEGIES

