

May 30, 2006

## Pharmacies and Lobby Information

Dear members:

Can you take a few moments to intervene on Bill 102? Please send a note to your local MPP supporting the government's initiative to control the cost of drugs (contact list is below). The key provisions in the bill that we support are:

1) Widening the generic substitution of more expensive brand name drugs -- our message is that all the credible studies and our medical experts agree that this will cost less and not harm patients.

2) Stopping pay-offs to the drug store companies by generic companies -- called rebates. These "rebates" are given to the pharmacies by the drug companies as a pay off for stocking drugs, product placement etc. The government pays the drug stores the full cost of the drugs and the drug stores pocket the difference between the amount they charge the government and the amount they pay for the drugs. So the Ontario Drug Program is subsidizing for-profit pharmacies esp. the big chains. The government's intent is to use its bulk buying power to get the lower costs from the drug companies for the people of Ontario and eliminate these so-called "rebates". The chain drugs stores have created a coalition to oppose this, holding a rally and lobbying intensively. Scroll down for more facts and figures on the drug stores.

3) Controls on pricing and mark ups for drugs.

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**Below are: 1) facts and figures on pharmacy profits in Ontario; 2) facts and figures on the pharmaceutical industry and 3) list of MPPs.**

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### 1. PHARMACIES:

The pharmacies are opposing the ban on rebates and the reduction of their mark ups. However, these two initiatives that they oppose will save money for the Ontario Drug Program and we are supporting them. The pharmacies most affected are the big chains that use their buying power to get rebates from the drug companies in return for stocking their products. Some facts:

a) The Ontario government is paying more for the drugs than are the pharmacies due to this "rebate" system used by the drug companies and the pharmacies. Despite rhetoric about protecting access to small rural pharmacies, the big chain pharmacies are the ones that benefit the most from this scheme -- about 75% of the rebates go to the chains.

b) Big chain stores are likely the biggest threat to small and independent pharmacies.

Generally, in countries where pharmacy licenses are more tightly regulated, the number of pharmacies has been rising, but in the US there has been a decline in numbers of pharmacies primarily due to the expansion of the big chain stores and mail order pharmacies. (source: *The control of entry regulations and retail pharmacy services in the UK, January 2003, Office of Fair Trading*)

c) Pharmacies in Ontario and Canada are doing quite well. Stats Can reports their Gross Margin (total operating revenues minus cost of goods) to be a healthy 31.4%. (source: *CANSIM table 080-0011, 2006-04-13*)

d) Recently in the news: Shoppers Drug Mart is reporting robust profits -- Earnings have been reported up by 20 - 21%, sales up by 9%, profits up. (sources: *Shoppers profit up 20%, Globe and Mail, May 5, 2005; 945 store Shoppers Drugs optimizes its net income, Toronto Star, November 11, 2004. For a number of additional reports see archives at Globe and Mail and CBC.*)

## **2) DRUG COMPANIES:**

Brand name drug companies argue that generic substitution will threaten R&D jobs and will harm patients. Neither is true. There have been several peer-reviewed studies done of British Columbia's reference-based pricing system (involving much wider generic substitution than that proposed by Ontario) which have found that patients are not harmed by the substitution. Despite R&D claims of the drug companies, the evidence is that the non-profit sector and government spend and perform more R&D than the extremely wealthy drug companies. Moreover, the vast majority of the new drugs pushed onto the formulary by the drug companies offer few therapeutic advances and suck up many health resources.

### **Innovation or Marketing?**

**FACT:** The top US drug makers spend 2.5 times as much on marketing and administration as they do on research.

(source: *Dr. Marcia Angell, "The Truth About Drug Companies: How They Deceive Us and What to Do About It" Dr. Angell is a doctor and lecturer at Harvard Medical School and the former editor of the New England Journal of Medicine.*)

**FACT:** At least 1/3 of drugs marketed by the industry leaders were discovered by universities or small biotech firms rather than the big drug companies. (source: *ibid.*)

**QUOTE:** Dr. Angell calls the drug industry a "vast marketing machine" that thrives on monopoly rights and public-sponsored research.

**STATISTICS CANADA** reports that universities and teaching hospitals are by far the largest performer (ie. where R&D is done) in health Research & Development at \$3.7 billion in 2005 compared to the business sector (which includes the pharmaceutical industry) at \$2 billion. When combined, the public sector and universities/teaching hospitals fund health R&D more than the industry also. The higher education sector and

the federal government sector combined funded health R&D expenditures by \$2.7 billion in 2005 compared to \$1.8 billion by the business enterprise sector (*source: Statistics Canada, "Estimates of total spending on research and development in the health field in Canada, 1988 to 2005, Minister of Industry, May 2006"*)

**FACT:** Of the 117 drugs with new ingredients introduced in Canada between 1998 and 2002, only 15 provided substantial improvement over existing drugs. The rest are "me too" drugs with few therapeutic advances, but are responsible for 80% of drug expenditure. (*Source: Morgan, S.G. et al. "Breakthrough drugs and growth in expenditure on prescription drugs in Canada", British Medical Journal, Vol. 331. October 2005*)

**FACT:** Drug companies spend more than \$20,000 per year for every doctor in Canada on drug samples, sales rep contact, conferences, trips and giveaways. The Canadian Health Coalition reports that this figure can be as high as \$37,000. (*source: Schafer, A. Medicine, Morals or Money: Dancing with porcupines and sleeping beside elephants. Manitoba, University of Manitoba Centre for Professional and Applied Ethics.*)

### **Making a Killing**

**FACT:** The top 10 pharmaceutical companies make more in profits than the rest of the Fortune 500 combined. (*source: Mother Jones magazine*)

**FACT:** The 2006 Fortune 500 ranks pharmaceuticals as the 5th most profitable industry just behind crude oil and banks. Fortune puts pharma profits at 15.7% of revenues. (*Source: [http://money.cnn.com/fortune/fortune500/performers/industries/return\\_on\\_revenues/index.html](http://money.cnn.com/fortune/fortune500/performers/industries/return_on_revenues/index.html)*)

**FACT:** Costs for Canadian prescription drugs rose 62.3% from 1994-2004.

**FACT:** Drugs now rank second after hospitals as a share of total health care spending, having overtaken physicians in 1997.

### **Others Do It Better**

**FACT:** Using OECD data, out of 29 countries Canada is 4th from the bottom in terms of the percent of pharmaceutical spending that is paid for publicly (below Canada are Mexico, United States and Korea).

**FACT:** Australian government drug managers negotiate an acceptable price with manufacturers and pay about 10% less than Canadian prices. New Zealand achieved 50% savings using coordinated bargaining methods. (*source: Lexchin, Joel. Intellectual Property Rights and the Canadian Pharmaceutical Marketplace: Where do we go from here? Ottawa: Canadian Centre for Policy Alternatives.*)

### **3) CONTACT YOUR MPP:**

Please click [here](#) to get a list of MPPs with addresses and email. Please send a quick

note supporting the key elements of Bill 102 listed at the top of the page.  
[http://www.web.net/ohc/Prov\\_elect-03.htm](http://www.web.net/ohc/Prov_elect-03.htm)

If this link doesn't work on your computer: go to [www.ontariohealthcoalition.ca](http://www.ontariohealthcoalition.ca), click on the "Queen's Park Watch" box in the right hand column and - when the page comes up - click on the first item -- the list of MPPs.

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