August 21, 2023

Board Secretariat
Patented Medicine Prices Review Board Box L40
Standard Life Centre
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RE: Notice and Comment - Amendment to the Interim Guidance re: New Medicines

Dear Board Secretariat,

On behalf of McKesson Canada Corporation ("McKesson Canada") and our thousands of employees across Canada, we would like to provide our input on the "Notice and Comment - Amendment to the Interim Guidance re: New Medicines" ("Interim Guidance") released on June 20.

McKesson Canada is one of the country's largest healthcare companies and the largest distributor of pharmaceutical products. Uniquely positioned within the Canadian healthcare system, our role as a pharmaceutical wholesale distributor, pharmacy banner operator, patient-care innovator, and specialty solutions provider makes us one of the few companies that operates in every aspect of the healthcare system. This provides us with a 360° view to help improve the cost and quality of healthcare delivery in almost every setting.

With respect to the proposed Patented Medicine Prices Review Board (PMPRB) Amendment to the Interim Guidelines, McKesson Canada would like to note that we are broadly supportive of the proposed approach, while **highlighting our concerns with respect to the guidance around "New Medicines" category potentially establishing a backdoor precedent regarding setting the median international price as a shorthand standard going forward.**

- For patented medicines with a Maximum Average Potential Price (MAPP) or projected Non-Excessive Average Price (NEAP) as of July 1, 2022 the Interim Guidelines to remain the same during the interim period
- For the patented medicines without a MAPP or projected NEAP as of July 1, 2022 ("New Medicines")
    - if their list price is below the median international price for the PMPRB11 countries, to be considered reviewed
    - if their list price is above the median international price for the PMPRB11 countries, to be considered "under review" until new guidelines are in place, with no potential excess revenues to be calculated by staff retrospectively for any New Medicines for sales made during the interim period.

We also feel that it is important for the PMPRB to use the interim period to conduct a more fulsome overview of the drug procurement and pricing situation in Canada, and to recognize that there remain challenges with the Guidelines that risk impeding access to prescription medications for Canadians, at a time when we are navigating a series of difficult drug shortages that highlight the fragility of Canada's medication supply.

McKesson Canada and the associations in which it participates (including the Canadian Association for Pharmacy Distribution Management, the Neighbourhood Pharmacy Association of Canada, the Canadian Pharmacists Association, and the Association québécoise des distributeurs en pharmacie), have repeatedly

pointed out that the Guidelines do not take into consideration the direct impact they will have on critical funding for pharmaceutical distribution and community pharmacy services in Canada.

McKesson Canada's internal analysis, as well as that conducted by the industry associations mentioned above, conclude that the impact of the previously proposed Guidelines would result in a reduction in funding for pharmaceutical distribution and community pharmacy services of between 5% and 6%. This impact on pharmaceutical distribution and community pharmacy funding does not appear to have been taken into consideration in previous PMPRB analyses and we encourage the PMPRB to develop the new Guidelines with more serious consideration given to the effects of its decisions on the full pharmaceutical sector – from manufacturers, to distributors, to pharmacists to patients. **Thus, with respect to the "New Medicines" category identified by the current Amendment, McKesson Canada would like to caution against the potential establishment of a backdoor precedent regarding setting the median international price as a shorthand standard going forward.**

Since the cost of shipping drugs in Canada bears no direct relationship to the price at which they are sold, pharmaceutical distributors like McKesson Canada cannot meaningfully reduce operating costs to offset the anticipated reduction in distribution funding. In fact, distributors have observed a significant increase in costs in recent years due to more stringent regulatory requirements (such as the obligation to invest in ambient transport capacity), a shift in the pharmaceutical product mix towards specialty medications that require more expensive storage, handling, and transport, and inflationary adjustments to pricing across the supply chain. The PMPRB's focus on price reductions – to the exclusion of system-level realities of what drug prices support – threaten the sustainability of our existing business model that ensures next day delivery to 98% of our pharmacies across Canada and a 48-hour delivery window for the remaining 2%.

The pharmaceutical distribution sector in Canada has seen considerable funding compression in recent years due to generic drug price compression. Further drug price reductions will only erode the sector's ability to maintain high service levels, particularly in rural and remote Canada, where distribution challenges and costs are highest. **McKesson Canada therefore urges the PMPRB to consider the full impact of the proposed changes such that distributors can continue to provide timely and appropriate levels of pharmaceutical services for all Canadians, regardless of geography.**

Similarly, community pharmacies rely on their economic viability to fund critical services that enable accessible healthcare. Pharmacies that will see their funding reduced because of the Guidelines will have no choice but to look to reduce expenditures in their stores potentially in the form of reduced healthcare services, hours of operation, and staffing.

In addition, the geographic realities and population density challenges of Canada and PMPRB11 comparator countries are vastly different from a drug distribution perspective. **Canada's distributors need to cover a geographic area of 9.98 million km² versus 11.03 million km² for *all other comparator countries combined.*[1]** Only Australia has population density and distribution challenges comparable to Canada, albeit with only 76% of the territory and none of the seasonal weather-related challenges Canadian distributors contend with every year. **In short, the PMPRB11 basket of comparator countries does not accurately reflect the actual costs for getting drugs into the hands of patients in a geographically and climatically diverse country like Canada, prompting a further need for a more complete analysis of the implications of the Guidelines.**

Finally, McKesson Canada would like to, once again, encourage the PMPRB to strike a working group consisting of Board members, provincial drug plan managers, manufacturers, distributors, and community pharmacists to develop a process for implementing new list prices (once the guidelines are

[1] Total combined area of all comparator countries excluding Australia: 3.41 million km², or 34% of Canada's area.

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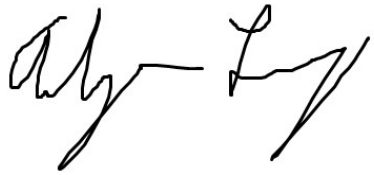
finalized), including a timeline for communication from manufacturers to the marketplace. We remain concerned that there is no clear, agreed-upon process for the actual implementation of the Guidelines. Without any kind of organized process, there is a strong likelihood that individual pharmacies will have to reduce their inventory lest they see the price of the product drop significantly between the time they acquire it and the time they sell it.

Thank you again for the opportunity to provide input on the proposed PMPRB Amendment to the Interim Guidance re: New Medicines. We urge the PMPRB to consider the full impact of the final Guidelines on the sustainability of Canada's drug supply system moving forward.

If in the interim you have any questions about McKesson Canada, our submission, or require any assistance on any other issue, please do not hesitate to contact me directly.

Sincerely,



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