Patented drugs: Is the price right?

Charlotte Gray

The smile the chairman flashed at the speaker was dangerously benevolent. "I would like to welcome you to these public policy hearings," he said. "We look forward to listening to your well-balanced presentation."

After saying that, Dr. Robert Elgie, chair of the Patented Medicine Prices Review Board (PMPRB), paused for a moment. "You do have a balanced view, don't you?"

Owen Lippert, a consultant with the arch-conservative Fraser Institute, grinned sheepishly. "I think it is balanced. But I will admit that I am the author of a paper entitled 'Drug pricing controls: the wrong answer to a nonexistent problem.' "

Lippert then proceeded to give a submission that he described as "a pretty standard undergraduate essay on how markets work." His fundamental point was that the PMPRB put arbitrary controls on the patented drug market by skewing incentives for producers. It was obvious that Elgie and his 2 colleagues, Réal Sureau and Dr. Judith Glennie, disagreed with him, and so did many of the more than 50 people attending the policy hearings in Ottawa in April. Many of these listeners represented seniors' groups or organizations like Aids Action Now!, and during the 2 days of hearings they argued that the PMPRB's mandate should be strengthened, with the Board exerting even more control over the marketplace.

But Lippert's panegyric to the free market did not fall entirely on deaf ears, for at least 2 dozen young men and women, carrying glossy briefcases and wearing dark suits, provided a sympathetic audience. "You can always rely on the industry to be well represented," Elgie observed wryly during a break.

The PMPRB hearings were the final instalment in a process begun in November 1997 to review the board's role, function and methods. A final report will appear in late summer, says Elgie, who trained in law and medicine — he specialized in neurosurgery — before becoming a cabinet minister in Bill Davis' long-running Tory dynasty in Ontario. He initiated the consultation process on the 10th anniversary of the board's establishment after a parliamentary committee recommended more public consultations. Since then, he and his colleagues have received 59 written submissions and heard from 300 Canadians at 13 public meetings.

Passions run high on the issue of drug pricing, and they've done so ever since the PMPRB was founded in 1987 in the midst of the political controversy generated by Ottawa's decision to extend patent protection for brand-name drugs. The board was created as an independent quasi-judicial agency and given the job of protecting consumers by ensuring that manufacturers did not overcharge for patented medicines. In the intervening years, claims Elgie, the PMPRB has had a significant impact on the market. When it was established, Canadian prices for patented drugs were 23% above the median of foreign prices; today, they are 10% lower than that median. Relative to foreign prices, there has been a 30% decline in Canadian prices for patented medicines since 1987.

However, the board's critics regard it as a toothless tiger that allows the industry to snow it with information and skewed statistics. Many organizations would like the board to consult regularly with consumers as well as drug makers. "We feel we have a role to play," argued Peter Harvey of the Canadian Diabetes Association. These groups echoed a recommendation from a parliamentary standing committee last year that the board's mandate should be strengthened to allow it to act as an advocate for consumers.

The suits-and-glossy-briefcase brigade did not like that suggestion, and neither did Owen Lippert. But as Elgie knows better than most of those who spoke at the hearings, his board must tread a fine line between encouraging the discovery of new drugs and keeping costs down.

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Charlotte Gray is a contributing editor at *CMAJ*.

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