

Submission from the Canadian Association for Pharmacy Distribution Management to the Senate Committee on Social Affairs, Science and Technology
RE: Study of Bill C-64, *An Act respecting pharmacare*

August 7, 2024

Introduction

The Canadian Association for Pharmacy Distribution Management (CAPDM) thanks Members of the SOCI – Standing Senate Committee for the opportunity to contribute to its study of Bill C-64, *An Act respecting pharmacare*.

As the trade association representing Canada’s healthcare supply chain, with complete end-to-end visibility of the pharmaceutical supply chain in Canada, our diverse members include distributors, drug manufacturers, and service providers. Together, our membership manages the complex infrastructure that supplies pharmacies and hospitals with more than 90 percent of all medicines consumed in Canada—delivered on a next-day basis to most communities. Our members work to ensure both urban and remote communities have safe, reliable, and timely physical access to the essential medications they need to survive and thrive. During the COVID-19 crisis, pharmaceutical distributors worked closely with the government to secure vaccines for Canadians and continue to work with provinces annually to distribute vaccines. The pandemic highlighted the vital role that CAPDM members play in times of crisis and the importance of Canada’s indispensable supply chain infrastructure.

Naturally, we support the aim of Bill C-64. We support both affordability and access to medications for all Canadians, in balance, and not at the expense of one or the other. We continue to seek greater clarity with respect to the proposed pharmacare system. Many aspects have not been articulated and will not be determined until after Bill C-64 receives Royal Assent, which presents a challenge to supply chain stakeholders whose *raison d’être* is ensuring the efficiency of the system.

This submission will outline the value of pharmacy distribution for Canadians, the vulnerability of access to medications due to a widening distribution funding gap, and our perspectives on aspects of Bill C-64 as it relates to bulk purchasing and a national formulary.

Pharmacy Distributors: Here Today and Everyday

Most people rarely think about how medicines get to us, so long as they do. The supply chain begins with manufacturers, who sell to distributors, who then sell to pharmacies and

hospitals, finally reaching patients. Purchases flow the opposite way: patients buy from pharmacies, who buy from distributors, who in turn buy from manufacturers. It is the most complex and technologically advanced supply chain that you never think about. Pharmaceutical distributors are an important pharmacare stakeholder, doing the critical work of:

- Supplying pharmacies and hospitals with over 90% of all medicines consumed in Canada.
- Acting as critical intermediaries, streamlining orders and deliveries for 15,000 product SKUs between hundreds of drug manufacturers and more than 12,000 dispensing points nationally.
- Delivering efficiencies of over \$1 billion annually by simplifying the relationship between supply chain stakeholders.
- Holding safety stock which provides a short-term buffer in the event of drug shortages.
- Partnering with governments, leveraging our distribution networks to hospital and community pharmacies to support public health initiatives, such as public flu vaccines and naloxone kits to counter the opioid crisis.

The sector has over 30 distribution centres, all of which comply with at least three overarching Acts, up to seven different Health Canada licenses, and come equipped with advanced technology to meet the conditions of these legal requirements. In addition, the sector employs approximately 20,000 experts skilled in inventory turnover and the secure, complex handling of all medications. They are the backbone of Canada's pharmacy supply chain.

Vulnerability of Access: The Distribution Funding Gap

Drug distribution is an expensive undertaking in our vast country. Our market is challenging not only due to this geography – it's a controlled market where funding is limited, yet operating and regulatory costs are uncontrolled. Distribution is largely funded as a factor of listed drug prices. The lower the price, the less available to get medications to Canadians. Distribution costs have increased at least 2.5 times faster than volumes with market forces and increasing regulation. The gap is estimated at over \$100 million annually, and distributors have absorbed that through eliminating expenses to stay in business and with only minimal impact to Canadians to date.

Assuming that the goal is to strive for lower drug prices, we see that Bill C-64 has the potential to erode physical access to medications and exacerbate drug shortages. The cumulative impact of price reductions and increased costs are threatening the fiscal

sustainability of Canada’s pharmaceutical supply chain. Medicines do not store or transport inexpensively. Distributors now have few, if any, options to compensate for the knock-on effects of drug price compression, high operating costs, and an increasing regulatory burden without Canadians really feeling the impact. Considering the current financial challenges and anticipated further reductions in funding, we believe that the following changes by distributors may be inevitable:

- Eliminate money-losing products, which would unfortunately create access and supply challenges for pharmacists, patients, and prescribers.
- Further reduce the expense of “safety stock,” significantly reducing the ability to prevent or mitigate drug shortages.
- Reduce overall service (frequency and speed), therefore increasing the need for pharmacies to take on inventory risks.

The above changes would first be felt in regions that are financially unsustainable to service (such as remote and rural communities), requiring that patients travel further to access their medications, which would cause delays in starting new therapy or accessing refills.

CAPDM continues to advocate for a stable, predictable, and transparent funding agreement to supplement the existing distribution model. This investment will support Canadians’ health and economic well-being for years to come while promoting the resiliency of the sector and the thousands of Canadians it employs across the country.

Bill C-64: Balance Affordability and Accessibility

Given the above funding challenges our industry is facing, CAPDM’s members are concerned about the unintended impacts of Bill C-64, generally with respect to reduced drug pricing and its impact on accessibility, and specifically with a restrictive national formulary and with bulk purchasing.

Evidence suggests that a restrictive formulary limits suppliers. When the government awards a contract to a single manufacturer, that firm becomes an effective monopoly. Competitors have little incentive to stay in the market. Concentrated market power increases the risk of drug shortages.

With respect to “bulk purchasing,” we have found a lack of consistency in the government’s perspective on what this term entails. Some may call the work pharmacy distributors do bulk purchasing. It is critical that the pharmacare regime respects and empowers the existing infrastructure to safeguard stability of the Canadian drug supply,

and to ensure Canadians continue to benefit from access to essential medications coast-to-coast.

We recommend policy changes of this magnitude be approached with caution, that further regulatory burden be avoided, and that time be taken for consultation with all supply chain actors to uncover unintended consequences so Bill C-64's aims can be successful. Lastly, a national pharmacare framework needs to ensure the sustainability of drug distribution to safeguard equity of access, and maintain quality, safety, and efficiency standards within a compliant supply chain from manufacturers through to pharmacies and patients.

As a partner to government, our goal is to build supply chain resilience, and to collectively ensure the health and well-being of Canadians through their safe, secure, and timely access to medicines. We recognize the enormous challenges that government faces – slowed economic growth, healthcare system insufficiency, and the growing percentage of the population over 65. We mention these to tell you that we're aware of the broader context, and we stand with you in navigating solutions where we can be of value.

On behalf of CAPDM's Board of Directors and our membership, we thank you for the opportunity to present our comments, and welcome further discussion.

Sincerely,



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