

EU trade deal could send drug prices soaring, provinces warn Harper

BY PETER O'NEIL, POSTMEDIA NEWS MAY 3, 2012

OTTAWA — Provincial governments are expressing concern about the prospect of sharply higher prescription drug prices for Canadians if the Harper government accepts European Union demands for expanded drug patent protection laws.

The British Columbia, Ontario and Manitoba governments have all recently made their views public, and a source said other provinces share those concerns about the EU's demand for measures that would benefit brand-name makers to the detriment of companies producing cheaper generic knock-offs.

"We would strongly urge Ottawa to ensure there are no incremental costs to British Columbia as a result of" the three-year-old trade negotiations that are expected to conclude by the end of this year, Pat Bell, B.C.'s minister of jobs, tourism and innovation, said in an interview Thursday.

One academic study frequently cited in provincial circles concluded last year that prescription drug payers — consumers, companies, unions and government insurers — would pay an extra \$2.8 billion annually if Europe's demands are met.

Ontario, which like all provinces is struggling with aging populations and soaring health-care costs, would experience the biggest cost rise at \$1.2 billion.

Quebec was next at \$773 million, followed by B.C. (\$249 million) and Alberta (\$212 million), according to the study by two academics that was funded by the Canadian Generic Pharmaceutical Association.

B.C. has taken "a very strong position" on the issue, Bell told the B.C. legislature Monday in response to aggressive questioning from provincial New Democratic Party leader Adrian Dix.

"Our position clearly is that we don't want to see any increased costs that would come as a result of an agreement of this nature."

The B.C. government issued a news release Thursday boasting that the province has the lowest per-capita spending in Canada on prescription drugs, citing new figures from the Canadian Institute for Health Information.

It also noted that B.C. drug spending represents about 13 per cent of total health spending in the province, compared to the Canadian average of 16 per cent.

The CIHI report noted that drug pricing increases have slowed due to agreements struck by provinces like Ontario and B.C. on the bulk purchase of generic drugs. British Columbia recently signalled its intent to bring forward legislation to ensure the province will pay no more than 25 per cent of the price of brand-name drugs.

Despite those efforts the PharmaCare program is one of the fastest-growing parts of the health budget, soaring from \$654 million in 2001 to \$1.1 billion in 2011-12.

In Toronto on Tuesday, provincial Liberal Finance Minister Dwight Duncan was also pressed by the NDP about economist Don Drummond's recent report on Ontario's dire financial situation.

Drummond, who relied on figures from a 2011 academic study by University of Toronto professor Paul Grootendorst and University of Calgary economist Aidan Hollis, warned that EU-level protection for brand-name drugs could "cost Ontario dearly" and "more than wipe out" the savings from the government's recent reforms on drug purchases.

Duncan's reply this week focused on concern about the health of the generic drug industry in relation to Canada-EU talks.

"Ontario is one of the leading producers of generic drugs in the world," he told the Ontario legislature.

"We export a good portion of those. They create good-paying jobs right here in Ontario. I would not want to jeopardize those jobs."

Manitoba's NDP government, meanwhile, sent a letter to the Council of Canadians last month saying it has made clear to the Harper government that the EU's demands are of "vital concern" to the province.

Dix, the B.C. NDP leader, said Thursday Ottawa would be effectively downloading costs to provinces if it accepts Europe's demands, and that the provincial government has to take a tougher stand on the matter.

The federal government, which last week launched a public relations offensive in favour of the proposed Canada-EU trade and investment agreement, would provide only a broad comment in reaction to the allegations.

"Our government always protects and advances Canada's interests during international negotiations and will only enter into an agreement that is balanced and in Canada's best interests," said Rudy Husny, press secretary for Trade Minister Ed Fast.

Husny pointed to a government website which described the allegation that the deal will increase drug and health-care costs as a "myth."

Canada has a huge trade deficit in pharmaceutical products, importing \$62 billion since 2007, according to Statistics Canada figures.

The biggest exporting countries to Canada are the U.S. and a number of European countries such as the United Kingdom, Ireland, France, Germany and Switzerland.

Canada exported just over \$32 billion over the same period.

Jason Langrish, executive director of the Canada-Europe Roundtable for Business, said it's possible Canada will go part-way towards appeasing Brussels.

"The EU position as conveyed to us is 'no deal without substantial movement on these issues,' so I'd suspect they will get something. It's hard to say if it will be everything that they are asking for," Langrish said.

Veteran Canadian trade lawyer Milos Barutciski, who represents a company in the generic industry, questioned whether the Harper government would sign a deal on drug patents that would upset provincial governments and raise drug prices for seniors.

"Why would the federal government want to alienate seniors, who are otherwise generally supportive of its platform?" he said.

"The provinces have every reason to be concerned that a radical increase in intellectual property protections for pharma will greatly increase their health costs and those of consumers at a time when budgets are under increasing pressure."

He said Ottawa should be able to satisfy Europe in other intellectual property areas, by beefing up copyright laws and giving ground on so-called "geographic indicators" — that is, protecting the right of European companies to have exclusive use of certain popular brand names that reflect particular regions, like cured ham from Parma, Italy.

"The federal government has plenty of room to manoeuvre on this issue and does not have to give in to the European pharmaceuticals wish list," he said.