



Statement from the Canadian Generic Pharmaceutical Association Regarding Changes to Ontario's Drug Systems

Toronto, April 8, 2010 – *The following is a statement by Jim Keon, President of the Canadian Generic Pharmaceutical Association (CGPA), regarding yesterday's announcement by the Honourable Deb Matthews, Minister of Health and Long-Term Care, regarding changes to Ontario's Drug Systems:*

"The Canadian Generic Pharmaceutical Association is concerned that the deep price cuts announced yesterday by the Government of Ontario could undermine the future and current availability of low-cost generic prescription medicines, and the economic contribution of Ontario's generic pharmaceutical industry.

Throughout discussions regarding changes to Ontario's drug systems, CGPA provided recommendations to the Ontario government, including price reductions, which would save the health-care system hundreds of millions of dollars annually. However, the deep price reductions announced yesterday by the Government of Ontario could undermine generic manufacturers' ability to produce and supply generic medicines currently on the market, and their ability to develop and bring to market new cost-saving generic drugs.

Substantial investments are required to develop new generic medicines, obtain regulatory approval and challenge invalid or non-infringed patents in order to bring savings to Ontarians as early as possible. Without these investments, the Ontario government and everyone who pays for prescription drugs will be left paying monopoly prices charged by brand-name drug companies.

Generic pharmaceuticals provide excellent value for money. Currently, generic drugs are dispensed to fill fully 63 percent of all prescriptions paid for by the Government of Ontario yet account for only 26 percent of \$4-billion the Ontario government spends annually on prescription medicines.

Approximately 75 cents of every dollar spent by the Ontario government on prescription drugs is spent on brand-name drugs. Clearly, reducing generic drug prices does not address the primary cost driver for the government's drug plan. In addition, generic drug prices were reduced by more than 20 percent in the 2006 changes to Ontario's drug systems.

The generic pharmaceutical industry employs approximately 9,000 Ontarians, primarily in R&D, scientific and highly skilled manufacturing jobs. Member companies of CGPA have 12 facilities in Ontario, eight of which are used for production and seven of which are focused on R&D. Generic pharmaceutical exports from Ontario are valued at more than \$1-billion annually. In seeking significantly lower prices for medicines that already provide excellent value, the Government of Ontario must not jeopardize the jobs and economic activity it aspires to promote.

Using more generic drugs is the most effective way to reduce prescription drug costs. For example, in the United States generic drugs are dispensed to fill 75 percent of all prescriptions. If the use of generic drugs in Ontario increased to levels in the United States, it would save all Ontarians who pay for prescription drugs an additional \$640-million in the first year alone."

Please see attached background document regarding Ontario's generic pharmaceutical industry

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The Contribution of Canada's Generic Pharmaceutical Industry to Ontario's Health-Care System and Economy

Safe, Effective, Proven Medicines

- Approved by Health Canada, generic drugs are as safe and effective as their brand-name counterparts.
- Generic drugs are identical or "bioequivalent" to a brand-name drug in safety, strength, route of administration, quality, performance characteristics and intended use.
- CGPA member companies also conduct extensive post-market surveillance activities that meet the most stringent pharmacovigilance standards to ensure ongoing patient safety.

Health-Care Savings

- According to IMS Health Canada, the world leader in prescription drug sales information, generic drugs are dispensed to fill 55.4 percent (84 million) of all prescriptions in Ontario yet account for only 24.6 percent (\$2.1-billion) of the \$8.5-billion Ontarians spend annually on prescription medicines.
- Based on data from IMS Health Canada, CGPA estimates that the use of generic prescription drugs saves Ontario's health-care system approximately **\$1.6-billion annually**.
- Data from Brogan Inc. shows that generic prescription medicines were dispensed for 62.9 percent of claims (66 million) paid for by Ontario Public Drug Programs (OPDP) yet account for only 26.2 percent (\$1.01-billion) of OPDP's \$3.9 billion annual expenditure on prescription medicines.
- According to data from IMS Health, in the United States, generic drugs are dispensed to fill 75 percent of all prescriptions. If the use of generic drugs in Ontario increased to levels in the United States, it would save Ontario's health-care system an additional **\$640-billion** in the first year alone.

Good for Your Health and the Ontario Economy

- Ontario and the Greater Toronto Area in particular has one of the most concentrated generic pharmaceutical industry clusters in the world
- Approximately 75 percent of the total number of employees in the Canadian generic pharmaceutical industry are employed in Ontario.
- The generic pharmaceutical industry employs approximately 11,000 Canadians – primarily in R&D, scientific, and highly-skilled manufacturing positions. Approximately 9,000 of these jobs are in the Province of Ontario.
- Generics companies have sophisticated R&D and manufacturing facilities in Canada. Generic companies reinvest 15 percent of domestic sales in Canadian R&D activities each year.
- According to the Patented Medicines Prices Review Board (PMPRB) Brand-name companies invest just 8.1 percent of domestic sales in R&D.
- CGPA members account for more than 90 percent of the total Ontario revenue in the industry. Members have 12 provincial facilities, eight of which are used for production purposes and seven of which are focused on R&D.
- According to CGPA members, 82 percent of their production workers, 86 percent of administrative staff, and 75 percent of R&D personnel are located in Ontario.
- Most of the generic drugs sold in Canada are manufactured in Canada, primarily in Ontario. Most of the brand-name drugs sold in Canada are imported from other countries. Even setting aside the significant savings that generic pharmaceuticals bring to Canada's health-care system from purely an employment and investment perspective, it is an indisputable fact that a dollar spent on a generic drug results in more jobs, more investment in R&D, and more investment in pharmaceutical manufacturing capacity in Ontario and Canada than a dollar spent on a brand-name drug.
- The Canadian generic industry generates 40 percent of its sales volume from exporting high quality, made-in-Canada generics to more than 115 countries around the globe. Generic pharmaceutical companies export more than \$1 billion annually from Ontario. At its Toronto R&D and production facilities, Apotex developed a triple-combination HIV/AIDS drug and was the first company in the world to export life-saving medicines under the WTO Decision on Access to Medicines
- Having domestic pharmaceutical manufacturing capacity in Canada is also important in times of health crisis, such as a possible flu pandemic, in order to ensure that Canadians have access to needed medications.