



**CUPE
RESEARCH**



BARGAINING BENEFITS

WHY ARE DRUG COSTS ESCALATING?

Prescription drug costs jumped 62.3% between 1994 and 2004. (Source: *Canadian Institute for Health Information (2004)*. Drug Expenditure in Canada, 1985–2003, Table A.2). Bad government policies, the practices of greedy and unrestricted drug companies, and various usage issues are among the reasons.

1. Bad government policies:

- Drug patent legislation – Back in 1991, the federal government passed legislation that protects drug companies from competition for 20 years. Federal drug patent legislation has delivered what we knew it would - larger than ever increases in drug costs. New drugs have patent protection for 20 years, and with no competition from generic drugs, drug companies can charge what they want.
- Weak regulation of drug prices – There is legislation in Canada that prohibits public advertising by drug companies. However, Health Canada chooses not to enforce it. The government is neither enforcing its ban on public drug advertising nor regulating industry involvement in research, education, and physician outreach.
- Early Release From Hospitals – Governments try to cut costs by reducing hospital stays for patients undergoing surgical procedures. The result is that the cost of drugs that were once provided in hospital and paid for by taxpayers, are now shifted to the patient and their drug plan.

- Stressful Work Environments – Politicians' refusal to responsibly invest in public services and the resulting cutbacks in public sector jobs and services, have huge implications for the stress levels and prescription drug use for our members.
- Generic drugs – In the face of opposition from the big drug manufacturers, governments have been slow to embrace one of the most cost effective measures – generic drugs. The use of generic drugs saved Canada's health care system more than \$1 billion in 1999. (Source: *'Viewpoint' a publication of Canadian Drug Manufacturers Association, Winter 2000.*)

2. Drug company practices

"Me too" Drugs – The major cause of drug plan cost increases are "me too" drugs - newer, more expensive drugs that replace existing, less expensive products. The newer drugs, in the majority of cases, have no added benefit. Of the 117 new drugs patented in Canada between 1998 and 2002, only 15 provided a substantial improvement over existing drugs. The rest are "me-too" drugs that offer no improvement, but are responsible for 80 percent of the increased expenditure on drugs. (Source: *Stephen Morgan et al, "Breakthrough drugs and growth in expenditure on prescription drugs in Canada", British Medical Journal, 2 September 2005.*)

- Aggressive Marketing – Drug companies promote their drugs through aggressive marketing to doctors and consumers. You’ve seen the ads on TV. ...“ Ask your doctor if this drug is right for you!” Drug companies spend, on average \$20,000 per year – that’s more than the annual salary of an average hospital worker – for every doctor in the country on things like samples, trips, conferences, and giveaways. (Source: Arthur Schafer, “Medicine, Morals or Money: Dancing with porcupines and sleeping beside elephants”, Centre for Professional and Applied Ethics, University of Manitoba, 2002.)
 - Drug patent legislation – Drug companies push the legislation to the limits by applying for patent extensions. Now by applying for a court injunction, the current twenty-year patent protection can be extended by at least two years and probably more, depending on the length of the litigation. This dubious practice serves little other purpose than to protect drug company profits and market share.
 - Many critics try to blame increased usage for increases in drug plan costs. However, Green Shield Prepaid Services Inc. studied drug claim costs over the five-year period 1987-1993. The study found that the cost per claim for all prescriptions increased by 93% compared to an increase in the Consumer Price Index (CPI) of 23.1% (Source: *Analysis of Drug Claim Costs 1987-1993*, Green Shield Canada.)
- The increase was broken down as follows:
- New drugs 54.6%
 - Increase costs for existing drugs 33.9%
 - Increasing use of existing drugs 15.1%.
- There is a trend towards using drugs rather than other treatments such as surgery. As well, drugs have been developed to treat new diseases that have emerged. (Source: ‘Viewpoint’ a publication of Canadian Drug Manufacturers Association, Winter 2000.)
 - Patients demanding drugs they see on TV, and drug companies offering incentives to prescribe their products promote over-prescribing by physicians facing ever increasing patient loads.

3. Usage Issues

Increased usage can be attributed to:

- According to the Canadian Medical Association, aggressive marketing by drug companies drives consumption of expensive “me-too drugs”. (Source: Mintzes B., Barer M. L., Kravitz R. L., Bassett K., Lexchin J., Kazanjian A., Evans R. G., Pan R., & Marion, S.A. (2003). *How does direct-to-consumer advertising (DTCA) affect prescribing? A survey in primary care environments with and without legal DTCA*. *Canadian Medical Association Journal* 169(5): 405-412.
- Older workers account for the largest group of public sector workers (fewer younger workers are being employed due to hiring freezes and other restrictive hiring practices), and tend to use more benefits and must stay in the workforce longer, because early retirement options are also under attack.

Drug costs are the primary source of cost increases in workers' benefit plans. Employers are demanding savings, and CUPE locals are fighting back at the bargaining table to protect workers' benefits. In the meantime, at the national level, CUPE is promoting, along with the Canadian Health Coalition, a National Pharmacare program that will improve access, cost savings, improve drug safety and promote economic productivity for all Canadians.

While the Canada Health Act guarantees access to doctors and hospitals, Canadians do not have equal access to drug medications. Work based plans, usually negotiated by unions, cover 58 percent of

workers and their families. Almost one million Canadians (three percent) are uninsured, and have to pay sometimes more than 4.5 percent of their gross family income for drugs. (Source: *Applied Management in association with Fraser Group and Tristat Resources, "Canadians' Access to Insurance for Prescription Medicines", Volume 2, submitted to Health Canada, March 2000.*)

Consultations are underway headed by a federal Ministerial Task Force to develop and implement a national pharmaceuticals strategy and report on progress by June 30, 2006.

The Canadian Health Coalition is encouraging the Task Force to include the following principles in a national Pharmacare plan:

**Canadian Health Coalition:
10 Elements of a National Strategy for Pharmacare**

1. Universal public drug insurance
2. National formulary for essential drugs
3. Drug regulation that puts safety and efficacy first
4. Reform of the Patent Medicine Prices Review Board
5. Accountable and transparent decision-making
6. Patent reform
7. Regulation of drug promotion and marketing
8. National prescribing service
9. Establish a public drug information system
10. Regulation for ethical conduct in clinical trials and research

(Source: *"More for Less: A National Pharmacare Policy", Appendix "B" Canadian*

For more information on the Pharmacare fight, check out cupe.ca