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STRATEGY AND ACTIVITY DISCUSSION
RETAIL PRICE DISCLOSURE
OF
PRESCRIPTION DRUGS



BUREAU OF CONSUMER AFFAIRS

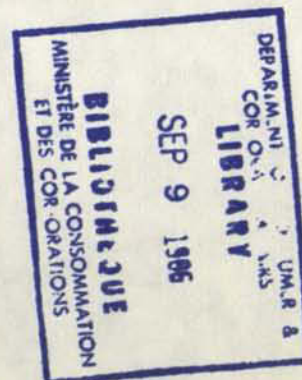
STRATEGY AND ACTIVITY DISCUSSION

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1.0 INTRODUCTION

Adequate price disclosure, a major ingredient found in all other consumer purchasing decisions, is practically non-existent in the dispensing of prescription drugs and appears to severely restrict consumer choice and free market competition. In May, 1977, Mediaspec Inc. submitted "A Report on Prescription Drug Price Disclosure" commissioned by the Bureau of Consumer Affairs exploring this issue, and Consumer Services Branch, in collaboration with Consumer Research Branch, was asked to evaluate the findings and conceive a complete strategy for Bureau action. Based on our evaluation and investigation, and with the concurrence of Consumer Research Branch, this paper proposes what we believe to be the most desirable course of action for the Bureau.

2.0 BACKGROUND

Detailed study of the Mediaspec report and our own further investigations clearly indicate that:

- Legislative authority concerning the manufacture and sale of prescription drugs lies with both Federal (Health and Welfare Canada) and Provincial governments, and with provincial medical and pharmaceutical bodies.
- Legislative authority concerning advertising and retail price disclosure for prescription drugs lies mainly within Provincial jurisdiction.
- Except for limited in-store price posting and telephone price disclosure, consumers have no access to open retail price information on prescription drugs (refer Appendix A).
- Legislative action at the federal level, to remove barriers to advertising and disclosure of prescription drug price information, is not to be recommended (in the opinion of Legal Branch).
- Provincial pharmaceutical associations are opposed to further price disclosure (findings of Mediaspec - confirmed by Branch interviews of association officials).

- Health and Welfare Canada may be unwilling to support any new initiatives aimed at retail price disclosure beyond existing levels (according to a senior Health and Welfare Canada official in a telephone interview).
- The approximate annual value of prescription drug sales in Canada is \$550 million.
- Only about 40% of prescriptions filled in Canada are paid directly by consumers. The remaining 60% are paid either by government (36%) or private (24%) drug benefit/insurance plans.
- Three provinces now have Universal Pharmacare Programs (British Columbia, Saskatchewan, Manitoba).
- There is a continuing and significant growth in provincially sponsored extended drug benefits (refer Appendix B).
- Introduction and growth of third party payment for prescription drugs appears to have lessened consumers' concern about the retail cost of prescription drugs (Mediaspec conclusion).
- The Ontario government's Parcost prescription drug plan has become ineffective because of apathetic consumer attitude and behaviour on this issue (recent media reports).
- U.S. state laws restricting or prohibiting the advertising of prescription drugs have been largely invalidated by a recent Supreme Court decision.
- Prescription drug prices are significantly higher in states prohibiting advertising than in states allowing advertising (Restricted Advertising and Competition study of the American Enterprise Institute for Public Policy Research).
- The Consumers Association of Canada has recently re-identified this issue as a priority item, and they are willing to cooperate with the department in a program promoting prescription drug retail price disclosure.

- The main opportunities for departmental involvement appear to rest on our legislative mandate to promote the interests of consumers by:
 - 1) The expression of a strong consumer viewpoint on this issue; and
 - 2) Through limited activities complementary to and in cooperation with provincial governments and agencies thereof.

3.0 ISSUE DEFINITION

Many Canadians have limited and difficult access to prescription drug retail price information.

The opportunity for consumers to make an informed choice when purchasing prescription drugs would be facilitated by the full and open disclosure of prescription drug price information. It can also be assumed that price competition among retailers would thus be stimulated.

4.0 OBJECTIVES

- 4.1 To remove existing restrictions and prohibitions presently limiting or obstructing retail price disclosure of prescription drugs.
- 4.2 To promote the free market operation of desirable, retail price competition of prescription drugs.
- 4.3 To encourage adequate (open) retail drug price disclosures for price comparison in consumer purchasing decisions.

5.0 TARGET GROUPS

5.1 Prime

- Provincial governments
- Provincial pharmaceutical bodies

5.2 Secondary

- Prescription drug retailers
- Third party carriers of prescription drug insurance plans
- Consumers of prescription drugs and, in particular, those consumers who pay directly for these drugs
- Medical profession
- Health and Welfare Canada

6.0 STRATEGY OPTIONS

6.1 The department could prevail upon the various provincial regulatory bodies:

- i. to remove existing legislative barriers to retail price disclosure
- ii. to encourage a climate of open price disclosure at the retail level

Advantages

- focuses on the root of the issue

Disadvantages

- limited federal jurisdiction and therefore minimal departmental leverage
- expressed opposition of provincial pharmaceutical bodies making it unlikely that our point of view would be considered by provincial officials without strong evidence of potential consumer benefits.

- 6.2 The department could develop consumer-directed marketing/communications activities to stimulate public demand for prescription drug price information.

Advantages

- within our capabilities
- potential image builder
- cost effective in focusing public attention on the issue

Disadvantages

- potentially expensive as a means of meeting overall objectives
- questionable effectiveness in terms of meeting objectives
- premature because of non-uniformity of existing provincial regulations
- could stimulate counter-action of and confrontation with opponents
reducing prospects for co-operation/compròmise
- could be neutralized by consumer apathy

- 6.3 The department could fund CAC to address the issue of prescription drug price disclosure on behalf of consumers.

Advantages

- vocality and aggressiveness of CAC could stimulate vigorous public reaction to the issue
- the character of CAC permits spontaneous, uninhibited action and reaction
- avoids direct departmental confrontation with potential opponents
- creates a mediation role for the department
- minimizes strain on departmental resources

Disadvantages

- suggests a lack of departmental concern and responsibility

- 6.4 The department could, prior to commencing any other activity, carry out consumer attitudinal and behavioral research as to prescription drug pricing and purchasing - as recommended by Mediaspec Inc.

Advantages

- clarifies the priorities and directions of further departmental activities/ action
- provides evidence to support departmental activities/action as defense against potential critics
- within our capabilities
- quick to implement
- non-controversial

Disadvantages

- results could be inconclusive
- passive in nature - could be perceived as a hedge on the issue

7.0 RATIONALE

Given the jurisdiction, activities and stated positions of the various provincial pharmaceutical bodies and Health and Welfare Canada, as well as existing variations in the area of retail price disclosure among provinces, the department would be advised to proceed only with firm evidence supporting our views, refuting existing arguments and showing public concern with and potential support for this issue. Also because available information indicates the probability of strong opposition, any action on this issue would be facilitated by close cooperation between DCCA and a voluntary consumer organization.

8.0 ACTION PROPOSALS

8.1 Recommendations

The following actions are recommended to address the issue of prescription drug price disclosure in 1977-78:

a) A Prescription Drug Price Study Group

- consisting of:
- A group leader from Consumer Research Branch
 - A representative from Consumer Services Branch
 - A representative from Legal Branch
 - Dr. Murray Katz, Chairman of the C.A.C. Committee on Health Affairs
 - Possibly a person on contract with the Bureau (to be determined by Consumer Research Branch).

The function of the study group will be to coordinate department investigative efforts and bring about the preparation of a sophisticated, well documented paper analysing the case of unrestricted access to retail price information for prescription drugs. Key within the role will be:

- i. Determining precisely the arguments against open disclosure of all opponents and conclusively refuting each one where justified.
- ii. Establishing definitively the jurisdictions of the federal and provincial governments
- iii. Studying in depth United States Federal Trade Commission experience with this issue.

Upon completion, the paper will be distributed to provincial officials participating in the Federal-Provincial Task Force on Legislative Programs, and in due course to consumer organizations and the media.

b) A Market Research Survey

Simultaneously, through a professional market research house, the Bureau will undertake an attitudinal and behavioural study to identify consumers' propensity to shop for prescription drugs on the basis of price (to determine the value of permissive price disclosure). The results will be input into the analysis paper.

8.2 Alternative

If neither of the recommended strategies is acceptable (or if only A is rejected), then D.C.C.A. could undertake, in cooperation with the C.A.C., the marketing/communications strategy.

This effort would be directed at consumers of prescription drugs, to create public pressure for open price disclosure, and might include activities such as:

- Promotion and development, for publication and sale, of a "Consumers' and Physicians' Guide to Prescription Prices", a complete listing of the most commonly prescribed products by generic and brand name together with the high and low median prices charged consumers.
- Development and implementation of institutional type advertising explaining price posting to consumers.
- Development and implementation of an advertising campaign utilizing clip-out petition forms for the petitioning of provincial regulatory bodies for open prescription drug price disclosure by individual consumers and consumer groups.
- Preparation and issuance to the mass media of comparative-type listings for the most commonly prescribed products (prescription drug basket) and their prices at area pharmacies.

9.0 TIMING

Assuming approval of these recommendations by October 3, the study group should be formed by the beginning of November and complete its work by mid-May, 1978.

Likewise, the market research should be completed about 2 months after the next wave of CROP, probably in April, 1978.

10.0 BUDGET

Estimated cost of implementing the recommendations is in the neighbourhood of \$30,000-\$34,000 including:

- approximately \$12,000 for consultant contracts and study group travel and operating costs
- approximately \$10,000-\$12,000 for a cooperative, CROP type market survey
- about \$8,000-\$10,000 for production of the report for distribution to interested parties.

11.0 MEASUREMENT (Evaluation)

Evaluation of the approved strategy and activities will be carried out jointly by Consumer Services and Consumer Research Branches, and may include awareness polls, economic cost-benefit analysis or other measurements designed to indicate to the Bureau whether or not this issue should be pursued and how vigourously.

PRESCRIPTION DRUGS
RETAIL PRICE DISCLOSURE

Province	1. Price Posting (in-store)	2. Take-Away Price Lists	3. Telephone Price Disclosure	4. Media Advertising of #1, 2, 3	5. Media Advertising of Prescription Drug Prices	6. Authority for #1-5	7. Generic Substitution (by virtue of Prov. Legislation)	% age of Prescrip- tions <u>Not</u> Paid Direct ly by Con- sumers
British Columbia*	Yes permissive	No	Yes permissive - up to indi- vidual pharmacist	#1 Yes	No (except for general statements as to low prices)	Professional by-laws by virtue of prov. legisla- tion	Yes - permissive	-100% (Pharmacare plan is \$100 deduct. for some consumers)
Alberta	No	No	Yes permissive - discouraged by profes- sional assn.	No	No	Professional by-laws - provincial legislation	Yes - permissive	+ -70%
Saskatchewan*	Yes permissive - dispensing fee only	No	Yes permissive - dispensing fee only	No	No	Professional by-laws - prov. legisla- tion	Yes - permissive	-100% (some con- sumers pay all or part of dispen- sing fee under Phar- macare pro- gram
Manitoba*	No	No	Yes permissive - up to indi- vidual phar- macist	No	No	Professional by-laws - prov. legisla- tion	Yes - mandatory	-100% (Pharmacare plan is \$ 50.00 de- duct. for some con- sumers)

Province	1. Price Posting	2. Take-Away Price Lists	3. Telephone Price Disclosure	4. Media Advertising of #1, 2, 3	5. Media Advertising of Prescription Drug Prices	6. Authority for #1-5	7. Generic Substitution (by virtue of Prov. Legislation)	% age of Prescriptions Not Paid Directly by Consumers
Ontario	Yes permissive	No	Yes permissive - up to individual pharmacist	#1 Yes	No	Professional by-laws - prov. legislation	Yes permissive	40%
Quebec	Yes mandatory not enforced	No	Yes permissive - only posted Prices	No	No	Professional by-laws - prov. legislation	Yes permissive	30%
New Brunswick	No	No	Yes permissive - up to individual pharmacist	No	No	Professional guidelines only - non-legislative	Yes permissive	+90%
Nova Scotia	Yes permissive - in fact no longer existent	No	Yes permissive - up to individual pharmacist	No	No	Professional guidelines only - non-legislative	No-professional association supports substitution	
P.E.I.	No	No	Yes permissive - up to individual pharmacist	No	No	Code of ethics only - non-legislative	Yes permissive	+65%
Newfoundland	Yes - but does not exist	No	Yes "	No	No	None	Yes - but not legislated	66%
N.W.T.	No	No	Yes up to individual pharmacist	No	No	Code of ethics only - non-legislative	Yes - but not legislated	
Yukon								

*Universal Pharmacare Program

APPENDIX B

Payments for Prescription Services by Provincial Governments:

1960-61	\$ 187,000.
1965-66	462,000.
1966-67	600,000.
1967-68	689,000.
1968-69	959,000.
1969-70	1,340,000.
1970-71	1,682,000.
1971-72	1,633,000.
1972-73	13,839,000.
1973-74	28,365,000.
1974-75	58,865,000.
1975-76	118,620,000.

ANNUAL VALUE OF PRESCRIPTION DRUG SALES

\$550 million

WHO PAYS?

Consumer Pays

40%

Drug Benefit
Plans/Insurance Pay

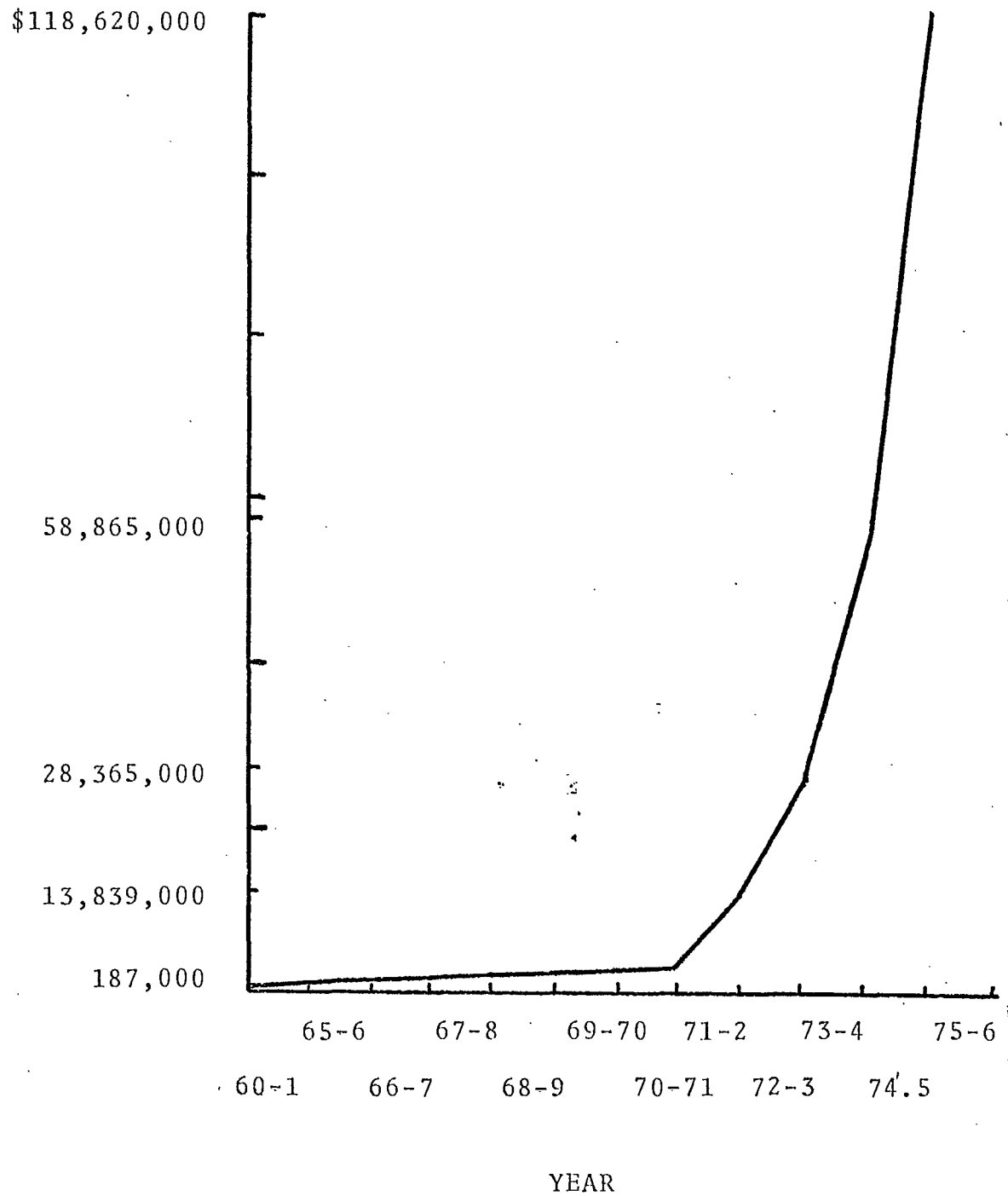
60%

Provincial

Private

No. of Prescriptions filled

GROWTH OF
PROVINCIAL DRUG BENEFIT PLANS

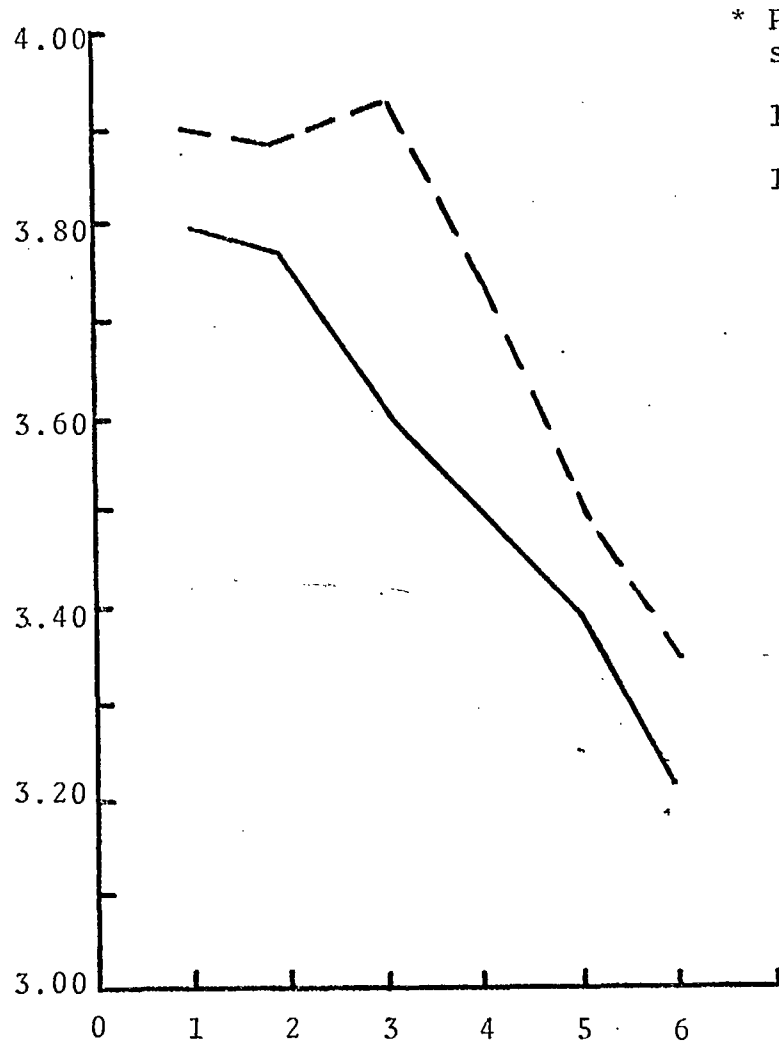


PRESCRIPTION DRUG
PRICE INDEX

U.S. REGULATED STATES

U.S. UNREGULATED STATES

Cost



* Potential value of savings from advertising

1970 \$152 million

1976 \$380 million

Pharmacy
Size

1 = \$100,000

3 = 200 - 299,000

5 = 500 - 999,000

2 = 100 - 199,000

4 = 300 - 499,000

6 = 1,000,000+

* 29 regulated States

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