



# Pricing drugs in Canada

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# How much should we pay for new drugs?

- Sovaldi: Gilead seeks \$86,000 per course of treatment
  - Indicated for roughly 250,000 Canadians
  - Total cost: \$21 billion
  
  - Cost of development?
  - Value to the health care system in avoided medical expenditures?
  - Willingness to pay if not insured?
  
  - Prices have become unhinged and are harming access.
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# How much should we pay for generics?

- Most Canadian provinces have the worst available model: set the price for generics equal to a fixed fraction of the branded drug (e.g. 35%).
  - This is economically incoherent.
  - There are choices: tendering (NZ, Germany, Saskatchewan); benchmarking (UK, Australia); descending price schedule (Portugal, Austria, Alberta)
  - The easiest switch is the descending price schedule, which still preserves some incentives for generic entry
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