October 2009 **FACT SHEET**

Alberta Pharmaceutical Strategy
Phase Two

Brand name drugs

Alberta Pharmaceutical Strategy
Phase one of the Alberta Pharmaceutical Strategy was announced in December 2008. This phase introduced a new seniors' drug plan, a new drug program for Albertans with rare diseases, a consolidated government-sponsored drug plan, an improved drug approval process and revised premiums for non-group drug benefit coverage.

The second phase of the Alberta Pharmaceutical Strategy was announced on October 20, 2009. Phase Two aims to:

- Reduce prescription drug costs and save money for Albertans, employers and government
- Improve prescription drug use and
- Provide better care to Albertans and improve their health

Brand name drugs
Brand name drugs are drugs protected by patents. These drugs are only produced and sold by one manufacturer.

Brand name drugs account for about 45 per cent of prescriptions dispensed and about 65 per cent of government's total drug spending.

Brand name drug prices are monitored federally (through the Patented Medicine Prices Review Board) and are based on the median prices in other industrialized countries.

Phase Two changes
As part of Phase Two, government will:

- **Negotiate product listing agreements for brand name drugs**

  Like other provinces, Alberta will negotiate contracts, known as product listing agreements, with brand name drug manufacturers. These agreements may reduce costs through volume discounts, enable quicker access to new and innovative drugs, or support funding for health research.

Types of product listing agreements
There are four types of product listing agreements being considered:

- **Price/Volume Agreement**
  This type of agreement addresses specific market factors, utilization or cost concerns, and includes price or volume arrangements. This agreement provides more predictable costs and better value for money.

Example: A new once-daily drug (Product A) costs $3 per day, but another twice-daily formulation of a similar drug (Product B) is available at a cost of $2 per day. A rebate from the manufacturer that offsets the higher cost of using Product A is included in the agreement.

- **Utilization Management Agreement**
  This type of agreement strives to improve drug use or minimize inappropriate use. It makes the pharmaceutical industry more accountable for how drugs are used and provides government with more predictable costs.

  Example: A new drug (Product C) is known to only work in 70 per cent of the population, but requires three months to determine if it is effective. The agreement includes having the company reimburse government for the cost of the drug used to treat patients who did not respond to the new therapy.

- **Coverage with Evidence Development Agreement**
  This type of agreement provides access to promising drug therapy while more evidence is gathered about its effectiveness.

  Example: The long-term outcomes and effects of a new rare disease drug (Product D) are not known, but there are no other treatment options for this group of patients. The agreement includes requirements for the manufacturer to complete a clinical trial to collect and report on patient outcomes.

- **Health Research Capacity Development Agreement**
  This type of agreement supports research in drug development, drug policy and health outcomes.

  Example: Product E is proven to be an effective drug. The manufacturer agrees to invest 10 per cent of product sales, under government drug programs, in a designated research fund.

More information:
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