5 Steps for Pharmaceutical Funding and Reimbursement in Canada and the Impacts of Covid-19

WITH DALTON

Peter Pekos

Company Vision

"To make the impossible possible, Dalton Pharma Services uses its scientific and pharmaceutical expertise to bring customer ideas to life. We develop their new drug products, optimize the synthesis of therapeutic candidates, and manufacture them at the highest level of quality."

Disclaimer

This technical report is intended to provide information to quality and regulatory correspondents on the funding and reimbursement process in Canada and changes of funding for pharmaceutical innovation during and after the COVID-19 Pandemic. This technical report should be read in conjunction with the relevant laws, regulations, and guidance's that apply to your situation.

FDA inspected, HC approved, & MRA with EMA

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Intro

When Health Canada approves a product for sale in Canada, it is given a Notice of Compliance (NOC) and a Drug Identification Number (DIN).

However, the approval of a product for marketing by Health Canada does not imply that it will be financially sponsored by the government. The drug manufacturer must seek public drug program financing by submitting a comprehensive application per the ministry's established evidence-based drug funding assessment process.

Note that each country has its own unique and complex process with differing standards imposed by several agencies. The process also depends on the purpose of the drug. In Canada, special access drugs and exceptional access drugs have their own unique requirements.

Reimbursement vs. Funding

A **drug reimbursement** denotes a situation where a drug company is paid by a third party, such as a private insurer, public funding programs, or patient out-of-pocket payments, for all or part of a prescription to cover the costs and profit from the research and development of the medication.

Pharmaceutical **funding** refers to money provided, by an organization or government, to a company for the medication. Funds come from varying sources at different stages. Basic discovery research is often funded by government and philanthropic organizations, while late-stage development is mainly funded by pharmaceutical companies. Furthermore, at the marketing stage, drugs are paid for by funding programs such as provincial or national public funding programs. Funding decisions are made by federal and provincial decision-makers.

For regular drugs the drug reimbursement and funding process is described in pages 4-8. For special access drugs the drug reimbursement and funding process is described below.

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Special Access Drugs

The Special Access Programme (SAP) manages applications for access to drugs that are not commercially available in Canada. These requests must be made by practitioners and must be for pharmaceuticals to treat patients with serious or life-threatening diseases when standard treatments have failed, are ineffective, or are unavailable. These therapeutic products include orphan drugs. For special access drugs, The Canada Revenue Agency (CRA) administers the Scientific Research and Experimental Development program (SR&ED) Tax Incentive Program. The program includes cash refunds and/or tax credits for expenditures on eligible R&D work done in Canada to encourage research and development. Alongside, financial incentives, there are other incentives to developing special access drugs, such as orphan drugs, including reduced review periods and market exclusivity. As of April 2019, Health Canada is proposing to implement new fee mitigation measures aimed at assisting Small Business.

Note that if you have Health Canada approval through the Special Access Programme, it does *not* mean your drug will be paid for by one of the provincial funding programs.

Special Access Drugs Regulations & Forms

- Policies and regulations Sections C.08.010 and C.08.011 of the Food and Drug Regulations provide support for the SAP. More information is also available in Health Canada's Guidance Document for Industry and Practitioners - Special Access Program for Drugs.
- Practitioners can make requests by filling out this Special Access Request (SAR) Form.

For more on global regulatory frameworks of orphan drugs and to discover how Dalton can help with rare disease innovations view our orphan drug technical report.

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Drug Reimbursement and Funding Process Summary

Pathway to reimbursement

Manufacturer submits drug application

Health Canada issues NOC & DIN

Manufacturer submits funding review to thte Patented Medicines Price Review Board (PMPRB). PMPRB is divided into two sectors:

CADTH

(assess drugs for all of Canada except Quebec)

INESSS

(assess drugs for Quebec)

Manufacturer submits CDR application for non-oncology drugs (reviewed by CDEC)

Manufacturer submits pCODR application for oncology drugs (reviewed by pERC)

Manufacturer submits application for any drugs (reviewed by CSMEI)

CDEC and pERC provide recommendation to public drug plans on whether or not to list the product, and if so, according to what criteria and/or conditions.

Funding decision made by Executive Officer

Negotiations made through pCPA

Funding from Federal/provincial decision makers

Private

Public (except hospital & Quebec)

Hospital (except Quebec)

Quebec (Public, private, & Hospital)

Benefit Plans

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Drug Review/Funding Process: Explained Step by Step

To determine marketing approval in Canada, Health Canada evaluates the efficacy, safety, and quality data of the drug. If deemed safe and beneficial a NOC or NOC/c along with a DIN will be issued.

Patented Medicine Prices Review Board (PMPRB) then receives pricing and sales data used to establish the maximum permissible price for the drug.

The **Canadian Agency for Drugs and Technologies in Health (CADTH)** assesses comparative and cost-effectiveness data on behalf of all public payers excluding hospitals and Quebec, and INESSS on behalf of all payers in Quebec, and recommends listing pricing in accordance with their principles.

CADTH conducts two review processes, one for cancer pharmaceuticals (reviewed by pERC) and one for non-cancer drugs (reviewed by CDEC), to offer listing recommendations for innovative drugs, drugs with novel indications, biosimilars, and product extensions as needed.

What factors are considered by review boards?

1. The primary indication/application of a newly patented pharmaceutical product.
2. The Degree of Therapeutic Advancement:
   - **Breakthrough:** A breakthrough drug product is the first to be sold in Canada that effectively treats a specific ailment or addresses a specific indication.
   - **Substantial Improvement:** A drug product that provides substantial improvement in therapeutic effects as compared to other drug products sold in Canada.
   - **Moderate Improvement:** A drug product that provides moderate improvement in therapeutic effects when compared to other drug products sold in Canada.
   - **Slight/No Improvement:** A drug product that offers slight or no improvement in comparison to other drug products offered in Canada.
3. Methodology for Evaluating Therapeutic Improvement:
   - Supporting Clinical Evidence
   - Proposal of the Patentee

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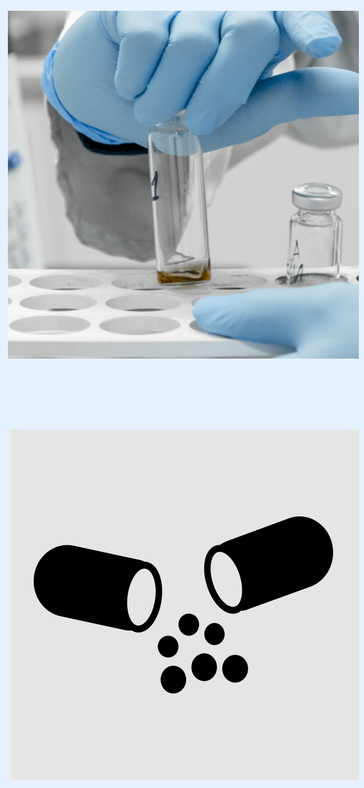
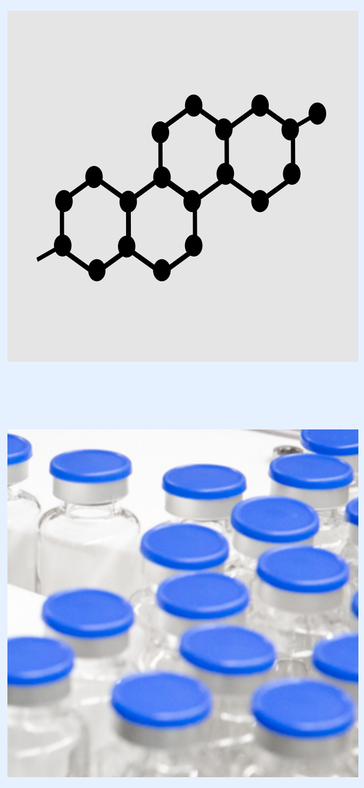
Non-Cancer Drugs

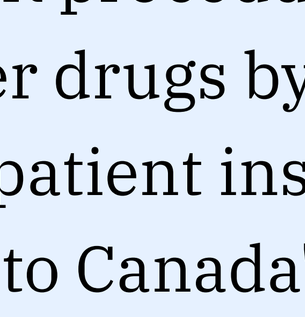
- A manufacturer must complete a submission to the national **Common Drug Review (CDR)** process to be considered for funding under most public drug programmes. The CDR is administered by the CADTH. It receives expert advice from the **Canadian Drug Expert Committee (CDEC)** who conduct reviews and make common listing recommendations for novel drugs (except for novel oncology drugs) to participating federal, provincial, and territorial drug benefit plans in Canada, based on rigorous clinical and pharmacoeconomic analyses and patient input. Except for Québec, all jurisdictions participate. For more information about CDR's process please click here.



Cancer drugs

- To be considered for cancer drug funding, a manufacturer must apply through the national **pan-Canadian Oncology Drug Review (pCODR)** process. The pCODR procedure aims to bring clarity and consistency to the review of cancer drugs by evaluating clinical evidence, cost-effectiveness, and patient insights, and using this information to make recommendations to Canada's provinces and territories (except Quebec) in guiding their drug funding decision. pCODR is also administered by CADTH. It receives expert guidance from the **pCODR Expert Review Committee (pERC)**, which makes coverage recommendations to participating governments. For more information about the pCODR procedure please click here.



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Institut National d'Excellence en Santé et en Services Sociaux (INESSS) is for Quebec only. INESSS reviews (through CSMEI) and offers formulary listings as well as management recommendations on all medicines, including inpatient and outpatient.

The **panCanadian Pharmaceutical Alliance (pCPA)** allows all Canadian public payers to negotiate product listing agreements as a group. Any pharmaceutical company can use the CPA to negotiate arrangements. The pCPA negotiations follow these steps:

1. Provinces determine whether or not to hold discussions; they may also decide whether to bargain individually or collectively, and they may opt not to negotiate the price at all. Provinces may also choose to submit a product that has not been evaluated by CADTH.

2. If pCPA discussions are the best option, a "lead" jurisdiction is designated to represent provinces that want to engage in a specific negotiation.

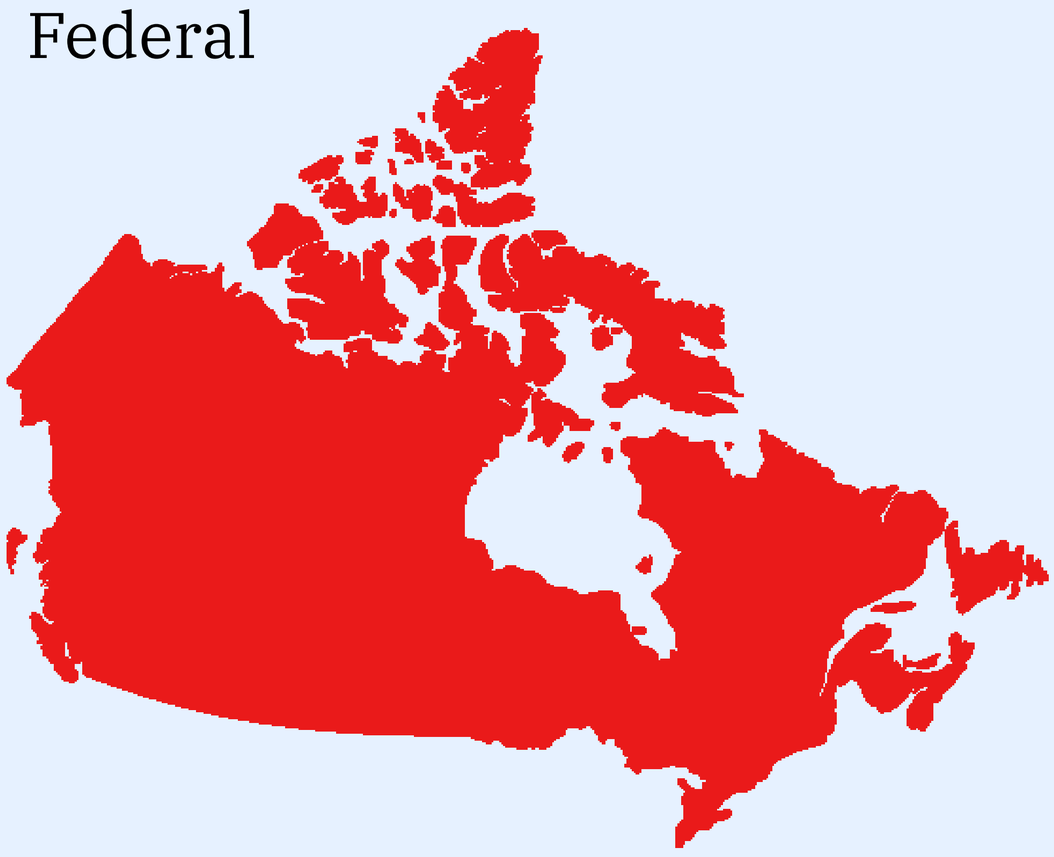
3. Manufacturers are invited to commence discussions with the lead on behalf of the provinces that are participating. **Terms and circumstances other than price may be negotiated.**

4. If an agreement is reached, the manufacturer and the lead province sign a **Letter of Intent (LOI)** on behalf of the participating provinces.

5. Based on the provisions of the LOI, Product Listing Agreements (PLAs) are established with each participating province/territory. Provinces may also choose not to negotiate a PLA even after a firm has signed an LOI.

Finally, formulary listing decisions are made by federal and provincial decision-makers for their public plans and are based on the product listing agreed by the pCPA (where these exist). For inpatient medications, hospitals make their formulary determinations (except in Quebec). In Quebec, all formulary listing choices - inpatient and outpatient - if approved, are done by the Minister of Health. Private payers (plan sponsors) choose which pharmaceuticals to include in their benefit.

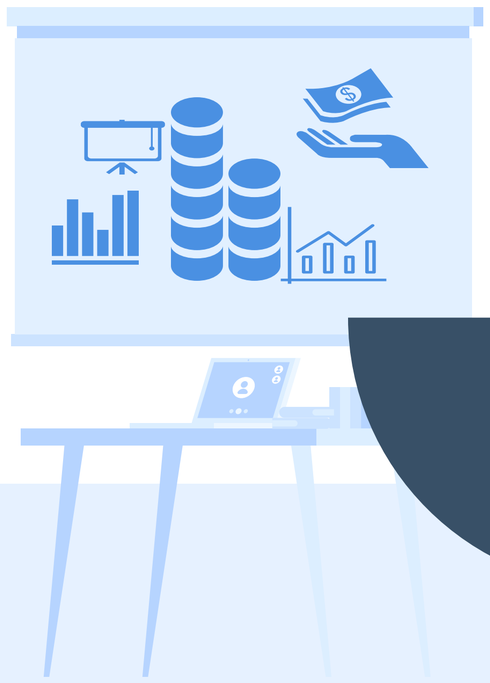
Federal



- Indigenous Services Canada, First Nations and Inuit Health Branch, Non-Insured Health Benefits
- Canadian Forces Drug Benefit Plan
- Veterans Affairs Canada, Treatment Benefits Program
- Royal Canadian Mounted Police Health Benefits Program
- Citizenship and Immigration Canada, Federal Health Program
- Correctional Service Canada, Health Services

Provincial & Territorial

- Alberta (Prescription Drug Programs)
- British Columbia (Pharmacare)
- Manitoba (Pharmacare Program)
- New Brunswick (Prescription Drug Program)
- Newfoundland (Pharmaceutical Services)
- Northwest Territorieso Nova Scotia (Pharmacare)
- Nunavut
- Ontario (Drug Benefit Program)
- Prince Edward Island (Drug Cost Assistance Programs)
- Quebec (Prescription Drug Insurance)
- Saskatchewan (Drug Plan)
- Yukon



Price Review

Patentees are obligated by law to file information regarding the prices and sales of their patented drug goods in Canada **at the time of launch** and then **twice a year until the patent expires**.

According to Section 85 of the Patent Act, five considerations are used to determine if a drug product is overpriced:

- "The prices at which the medicine was sold in the relevant market;
- The prices at which other medicines in the same therapeutic class were marketed in the relevant market;
- The prices at which the medicine and other medicines in the same therapeutic class were sold in countries other than Canada;
- Variations in the Consumer Price Index; and
- Any additional circumstances that may exist."

Covid-19 Impacts on Funding

The COVID-19 pandemic has revealed the various opportunities available for financing life sciences research, development, manufacturing, and commercialization. there has been a significant shift in the funding of product commercialization, from private sources to public sources. Government agencies and philanthropic organisations are contributing vast amounts of money not only to support research but also to fund late-stage product development, manufacturing capacity growth, and efficient distribution systems. Previously, the pharmaceutical sector provided the majority of funding for these operations. However, as economies recover from the pandemic, governments payers expect significant pressure to reduce spending. Healthcare budget constraints are also projected to worsen as the expenses of COVID-19 vaccines, which are presently covered by emergency funds in the majority of cases, are rolled into standard vaccine or preventative budgets. As a result, payers anticipate facing large funding gaps.

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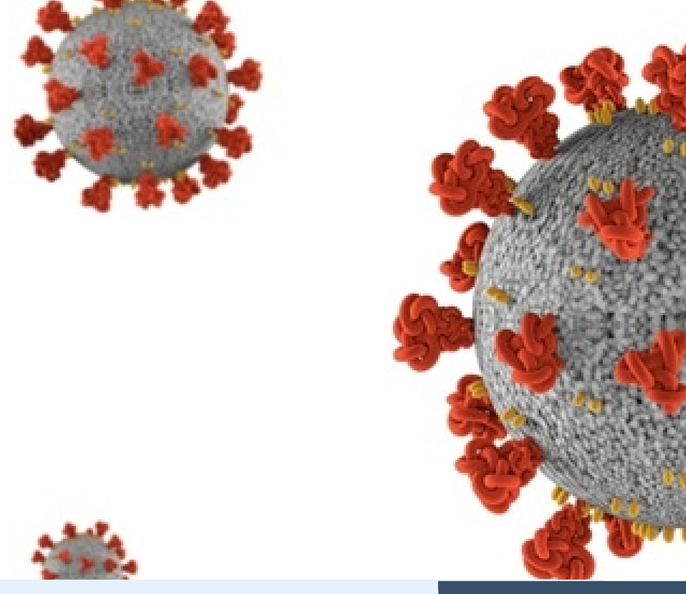


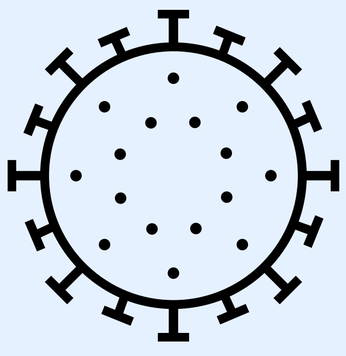
The government’s response to Covid-19 also delayed ongoing modernization of regulations and improved Health Canada's approach for regulatory review as it relates to funding and reimbursement.

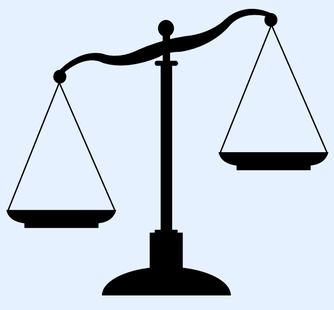
Ongoing Modernization of Regulations

- Health Canada’s reimbursement regulations were created 30 years ago. As a result, Health Canada has proposed modernizing these regulations. These amendments would include introducing new economic factors to price calculations for reimbursement and removing two of the highest-paying countries, the U.S. and Switzerland while introducing others. These factors are expected to dramatically lower the price of new drugs on the Canadian market. They are also looking at taking on globalization approach. However, due to covid-19 these modernization efforts were pushed back from to give pharmaceutical companies more time to adjust to new reporting requirements while dealing with the challenges posed by the COVID-19 pandemic. For more information click here.

Health Canada's Approach for Regulatory Review

- Health Canada’s Regulatory Review Road Map is also in place to allow for more flexible risk base approach to health and bioscience sectors. It aims to reduce barriers for ever changing industry, improve regulatory efficiency and enable innovation with more global/harmonization approaches with international regulators. For more information on the targeted regulatory review road map, click here.





Summary of Key Reimbursement Stakeholders

Canadian Agency for Drugs and Technologies in Health (CADTH)	CADTH is an independent, not-for-profit organization funded by the federal, provincial, and territorial governments (except Quebec). It aims to provide evidence and advice to Canadian healthcare decision makers about drug funding decisions and the optimal use of health technologies.
Therapeutic Products Directorate (Health Canada)	Health Canada is a federal authority responsible for regulating pharmaceutical drugs and medical devices for human use. Its responsible for granting marketing and distribution authorization, termed "Notice of Compliance" (NOC).
Institut National d'Excellence en Santé et en Services Sociaux (INESSS)	INESSS is an independent provincial body in charge of clinical excellence and the efficient use of resources in the health and social services sector, including drug funding decisions for Quebec.
pan-Canadian Pharmaceutical Alliance (pCPA)	pCPA oversees joint, public drug plan negotiations for brand drugs in Canada.
Patented Medicine Prices Review Board (PMPRB)	PMPRB is an independent body within Health Canada to regulate prices for prescription and non-prescription patented drugs sold in Canada.

Dalton's *Services*

We bring over 30 years of experience developing products for our clients that are compliant, transferable, and scalable.

Dalton is a leader in the development and manufacturing of complex cGMP APIs. Our skilled scientists can support your drug discovery process through API Synthesis for all stages of pre-clinical and clinical trials as well as small scale commercial manufacturing. We provide integrated process development, API manufacturing and finished dose manufacturing at a single location with the expertise required for developing a process that is robust, transferable, and scalable to meet your requirements.

Our API development services include:

- Lead identification
- Synthetic route development
- Feasibility studies & tech transfer
- Process optimization & scale-up
- Scale-up troubleshooting
- Engineering batches
- cGMP API manufacturing

Dalton is Health Canada licensed to manufacture, test, and package complex pharmaceutical products for global markets. US FDA inspected; Dalton manufactures commercial products for the USA. The MRA (Mutual Recognition Agreement), recognizes Health Canada Licensed facilities in seven countries.

For more information on services we provide, visit our website.

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