



Campaign for a National Drug Plan

PUBLIC, AFFORDABLE, SAFE AND APPROPRIATE

REALITY CHECK:

Canada's "Research-Based" Pharmaceutical Companies

Claim: The pharmaceutical industry's contribution to **research and development (R&D)** is a major source of health research funds in Canada. It also justifies high drug prices for new drugs and federal protection from competition.

Facts: Wrong. A whopping 59% of the gross expenditures of patented drug companies on pharmaceutical R&D in Canada were tax subsidies and came indirectly from the public purse. The "innovative" drug industry in Canada deploys three times the amount of money on marketing and promotion than it does on R&D. It also pays its sales and promotion staff nearly 20% more than the R&D staff. Canada's health research and innovation strategy is irrational since it is organized around large public subsidies for private sector R&D, when net company R&D funding is marginal. In Canada, the R&D-to-sales ratio is a pathetic 7.5%. France's R&D-to-sales ratio is twice that of Canada and their prices are at least 10% less. [Source: PriceWaterhouseCoopers, 2005, Rx&D, PMPRB, and Marc-André Gagnon 2010]

Claim: The "innovative" pharmaceutical industry is a major source of **employment** in scientific research in Canada.

Facts: Actually, only 17% of employment in the pharmaceutical industry has anything to do with research and development but nearly half (41%) of those employed by this industry work in the areas of marketing and sales. Brand name pharmaceutical companies employ less than 4000 researchers. In Canada, business enterprises perform less than 30% of R&D related to health, as compared to 64% in publicly funded institutions of higher education. [Source: PriceWaterhouseCoopers, 2005, Rx&D, Statistics Canada 2010 (88-001-X2010003)]

Claim: Scientific **innovation** is a top priority of the brand name pharmaceutical industry in Canada and is the reason it receives significant public subsidies and their parent companies lead the *Fortune 500* list in profits.

Facts: The brand name drug industry in Canada (and elsewhere as well) no longer produces real therapeutic innovation. The research it conducts is required in order to market their product (clinical trials). Their business model is marketing - the aggressive promotion of newer, more expensive drugs that have no advantage over existing, cheaper ones. Profits are through the roof while innovation is through the floor. Published evidence shows that in 2009, 104 new brand name products were examined for real innovation. None offered a significant therapeutic improvement. Only 3 of the 104 provided even a slight advantage over existing treatments. And 19 had clearly unfavourable risk-benefit balances and should not have been approved. [Source: *Prescribe International*, April 2010]

Claim: Pharmaceuticals, like the rest of health care, are **a provincial responsibility**.

Facts: Actually, the federal government has many important roles and responsibilities for health care in general (*Canada Health Act*) and for pharmaceuticals in particular (*Food and Drugs Act*). Federal agencies regulate drug approvals, drug safety, drug advertising (Health Canada), drug pricing (Patented Medicines Prices Review Board), drug patents, (Industry Canada) and runs six drug insurance plans (Aboriginal peoples, RCMP, military, veterans, prisons, and public servants). [Source: Government of Canada]

About the Campaign for a National Drug Plan

Pharmacare means a national drug plan that would be publicly funded and administered, control costs, provide universal access and ensure the safe and appropriate use of drugs. It would cover medically necessary drug costs in the same way that Medicare now covers hospitals and physicians. The Canadian Health Coalition is a public advocacy organization dedicated to the preservation and improvement of Medicare. For more info visit: www.PharmacareNow.ca

