








Policy and the costs of cancer care:

A view from two
health care systems

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Objectives

- Why is cancer care less expensive in Canada than in the US?
- Why is cancer care more expensive in Canada than in the rest of the world?
- Ideas about addressing cancer drug costs.

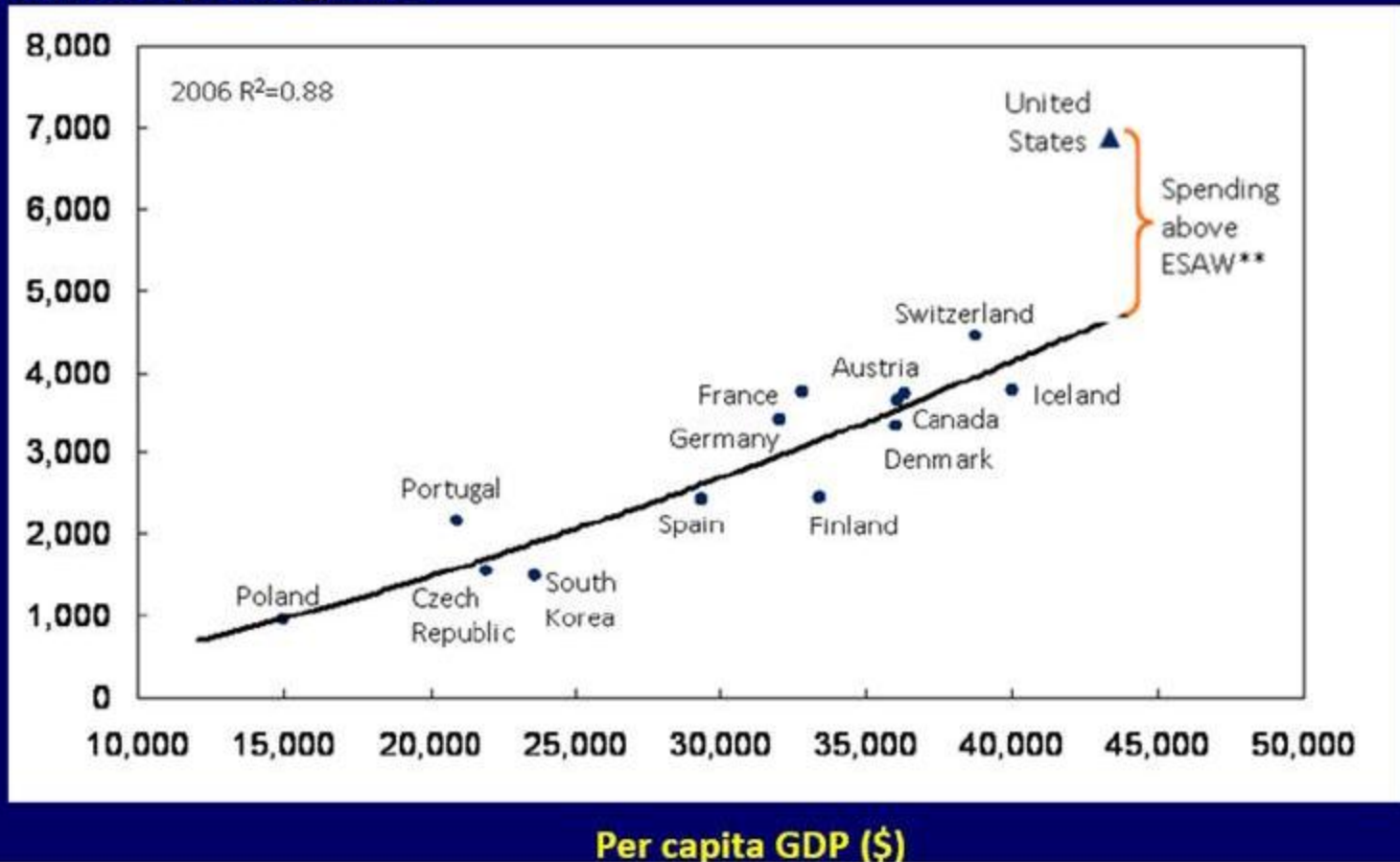
Country rankings							
	Australia	Canada	Germany	Netherlands	New Zealand	U.K.	U.S.
Overall (2010)	3	6	4	1	5	2	7
Quality care	4	7	5	2	1	3	6
Effective care	2	7	6	3	5	1	4
Safe care	6	5	3	1	4	2	7
Coordinated care	4	5	7	2	1	3	6
Patient-centred care	2	5	3	6	1	7	4
Access	6.5	5	3	1	4	2	6.5
Cost-related problem	6	3.5	3.5	2	5	1	7
Timeliness of care	6	7	2	1	3	4	5
Efficiency	2	6	5	3	4	1	7
Equity	4	5	3	1	6	2	7
Long, healthy, productive lives	1	2	3	4	5	6	7
Health expenditures per capita, 2007	\$3,357	\$3,895	\$3,588	\$3,837*	\$2,454	\$2,992	\$7,290

* Estimate. Expenditures shown in \$US purchasing power parity

Spending on health care

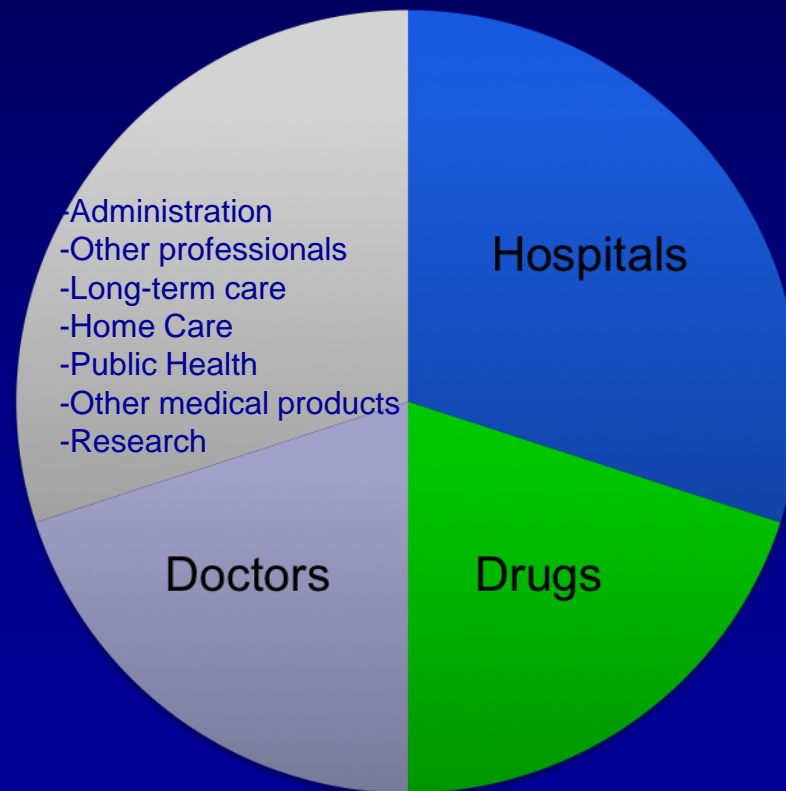
Per capita health care spending, 2006

\$ at PPP*



Where does all the \$ go?

Health Care Spending



Why are costs less in Canada than the US?

- Single payer
- Malpractice insurance/defensive medicine
- Global funding of hospitals
- Drug costs & incentives & control

Cancer Drugs: Rising sticker shock threshold

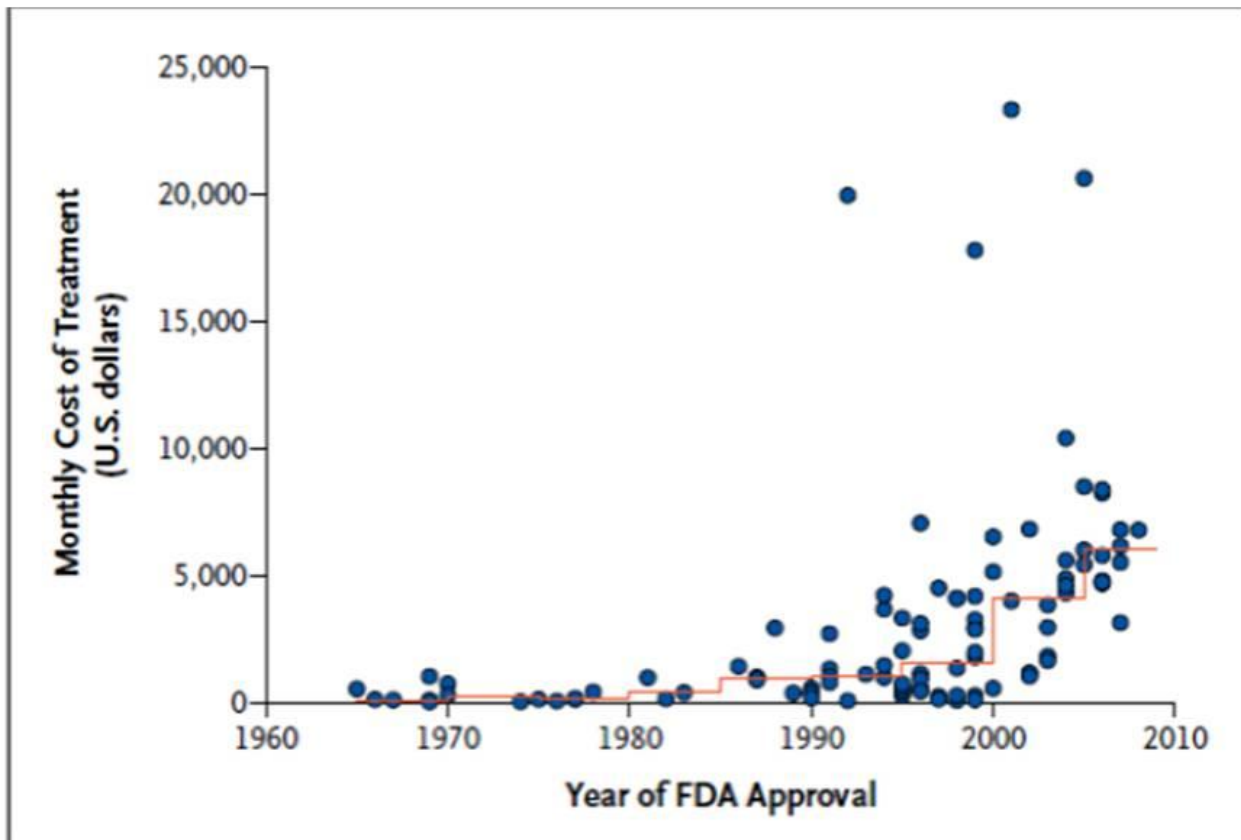
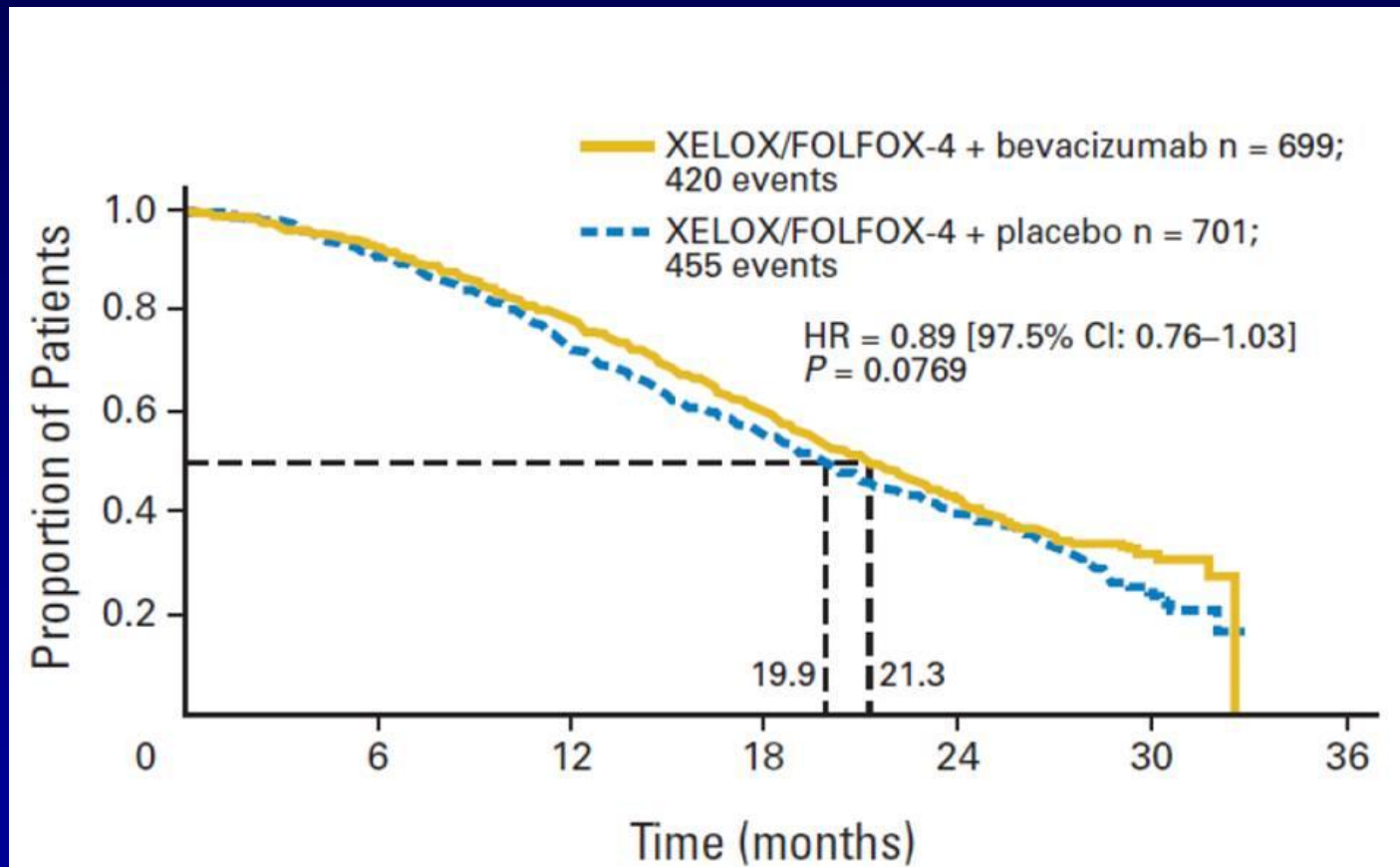


Figure 1. Monthly and Median Costs of Cancer Drugs at the Time of Approval by the Food and Drug Administration (FDA), from 1965 through 2008.

The benefits are often marginal



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Cancer Drug Costs

Canada

- Provinces negotiate prices
 - Benchmarking to OECD or other provinces
- Utilization Control
 - Not all Health Canada Approved Drugs are funded
 - Very specific criteria
- No financial incentive to use more expensive drugs

U.S.

- US CMS can't negotiate price or require least costly alternative reimbursement for cancer drugs
- insurance regulations mandate coverage for any FDA-approved cancer drug
- No government utilization control
- “buy and bill”
=> 50% of MO income

Why are costs more in Canada than Europe...

...despite less consistent drug and home service coverage?

- Provider (MD & nurse) costs
 - Disincentives to use non-MD providers
- Lack of competition
 - private care within a public system
 - Activity Based Funding (PPS/DRGs)
- Lack of premiums, copays, deductibles
- Drug costs: use leverage to negotiate price

What Canada can do better to address costs

- Pan-Canadian drug price negotiations
 - Use leverage to negotiate price
 - Value-based pricing, pay for outcomes
 - Managed entry agreements
 - Conditional approval with evidence-building
- Be honest & transparent with the public:
 - Defined basket of goods in public health care
 - + supplemental private pay/insurance
 - + value based cost-sharing

**WHAT IF DRUGXUMAB COST
\$500 PER DOSE INSTEAD OF
\$5000?**

**WHAT IF WE CONTRIBUTED
\$500 TOWARD EACH DOSE OF
DRUGXUMAB INSTEAD OF
\$5000/ZERO?**

Value-based insurance design

- Explicit about value
- Helps people get treatments, rather than approve/deny
- Avoids secret pricing, rebates, etc. which drive the price up for everyone
- PhrMA can decide what it wants to do wrt pricing, compassionate release, etc.

Conclusion

- We don't have some of the perverse incentives that exist in the US
- But our policies do not take full advantage of our strengths
- We should be open to creative solutions to escalating cancer drug costs

