



## POSITION STATEMENT

### THE CANADIAN ANIMAL HEALTH INSTITUTE EXPECTS HEALTH CANADA'S REGULATORY SERVICE FEE INCREASES FOR VETERINARY MEDICINES TO HAVE SERIOUS CONSEQUENCES

November 24, 2020

On April 1, 2019, Health Canada implemented new increases to regulatory service fees for licensing and maintaining veterinary medications for sale in Canada. The new fee schedule will see fees increase by as much as 500% by 2027, significantly impacting the availability of the medicines needed to keep Canadian animals healthy, and stifling growth and innovation in the sector.

The new service fees are expected to make 80-90% of currently registered veterinary medicines unsustainable at their current price points, and animal owners and producers will see significant price increases for these products if they are to stay on the Canadian market. In some cases, it may prove impossible for companies to keep some products on the market at all.

The Canadian veterinary medicines market is small, being only 2-3% of the size of the Canadian human pharmaceutical market. It serves a smaller animal population than many other countries and represents only 2.5% of the global market. This already makes Canada a lower tier market with respect to the likelihood of companies getting a return on investment from the sales of veterinary medicines for use in both production and companion animals. Getting a veterinary medicine to market is not a simple undertaking; it can take over a decade and cost more than \$100 million. The increase in service fees will further exacerbate existing financial barriers to launching and maintaining veterinary pharmaceutical products on the Canadian market.

Smaller Canadian veterinary pharmaceutical companies are likely to feel the effects of increased service fees even more keenly. Despite Health Canada's Small Business Strategy mitigation measures under the new fee schedules, the first round of fee increases over the past year has already brought significant cost increases for companies, and will deter them from doing business in Canada in the future.

As a result, the current fee increases for veterinary medicines will have serious consequences, including:

- Large cost increases for the developers, manufacturers and suppliers of animal medicines to bring in new products and maintain currently licensed products on the Canadian market.
- Medicines that are currently available could be withdrawn from the market because of cost, if price increases cannot sufficiently offset the new regulatory costs.
- Less access to innovative veterinary medications.
- Fewer label claims being registered for species with small populations (*i.e.* Minor Species use) or smaller volumes of demand for a specific product (*i.e.* Minor Uses).

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Despite its small size, the Canadian veterinary pharmaceutical industry has a huge impact on the health of animals, food safety, public health and human health, and we are deeply committed to providing veterinarians, pet owners and farmers with innovative medications to help keep our animals healthy.

In addition to the economic consequences for companies, Health Canada's service fee increases will also have far-reaching, unintended consequences for animal health and welfare in Canada. If veterinary pharmaceutical products become unaffordable for Canadian animal owners and producers, or disappear from the market altogether, this will serve as a strong driver for more use of lower-quality compounded medications and less effective products, and more off-label use of both veterinary and human drugs. Cost considerations may lead to owners and producers choosing to delay treatment, to some animals not being treated at all, and potentially to higher rates of euthanasia. This will result in poor animal welfare, in some cases putting human health at risk and/or negatively impacting food safety.

- **For pet owners**, the increased fees will ultimately mean their animals may develop more health issues that could have been otherwise prevented or treated had products been available and accessible.
- **For farmers** and ranchers, they will mean a further competitive disadvantage in global markets.
- **For veterinarians**, they will mean a limited ability to practice modern medicine, having fewer product choices for prevention and treatment, and possibly higher rates of euthanasia.

#### **About the CAHI**

As the not-for-profit trade association representing the developers, manufacturers, and distributors of animal pharmaceuticals, biologics, feed additives, veterinary health products, and animal pesticides in Canada, [Canadian Animal Health Institute \(CAHI\)](#) is the unified voice and information source for the animal health industry in Canada. CAHI is a national association, whose members are responsible for the sales of approximately 95% of the animal health product market in Canada.