Overcoming Resistance
Expert Panel on Antimicrobial Availability
Overcoming Resistance

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The Council of Canadian Academies
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This project was undertaken with the approval of the Board of Directors of the Council of Canadian Academies (CCA). The members of the expert panel responsible for this report were selected by CCA for their special competencies and with regard for appropriate balance.

This report responds to a request from the Public Health Agency of Canada (PHAC) for an independent assessment. PHAC was not involved in either panel selection or report development; any opinions, findings, or conclusions expressed in this publication are those of the authors, the Expert Panel on Antimicrobial Availability, and do not necessarily represent the views of their organizations of affiliation or employment.

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The Expert Panel on Antimicrobial Availability would like to acknowledge the First Nations, Inuit, and Métis peoples who have stewarded the lands now known as Canada since time immemorial.

The Council of Canadian Academies (CCA) acknowledges that its Ottawa office is located on the unceded ancestral home of the Anishinaabe Algonquin Nation, who have cared for the environment of this territory for millennia. Though our offices are in a single location, our work to support evidence-informed decision-making has potentially broad impacts across Canada. We at the CCA recognize the importance of drawing on a wide range of knowledges and experiences to inform policies that will build a stronger, more equitable, and more just society.
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Expert Panel on Antimicrobial Availability

Under the guidance of its Scientific Advisory Committee and Board of Directors, the CCA assembled the Expert Panel on Antimicrobial Availability to undertake this project. Each expert was selected for their expertise, experience, and demonstrated leadership in fields relevant to this project.

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Disclosures

To maintain the integrity of the assessment process, panelists are required to disclose to the CCA and fellow panelists any conflict of interests — actual, foreseeable, or perceived — relevant to the issues being discussed to ensure they can be managed transparently. **Dr. Kevin Outterson** is Executive Director of CARB-X, a grant-funded program on antibacterial innovation at Boston University partially funded by governments, including the Government of Canada. **Dr. John Rex** is a member of the scientific advisory boards of Basilea Pharmaceutica, Novo Holdings, Roche Pharma Research & Early Development, Bugworks Research, Forge Therapeutics, Sumitovant, and the AMR Action Fund. He received consulting fees from Forge Therapeutics, Roivant Sciences, Pfizer Pharmaceuticals, GlaxoSmithKline, and Bugworks Research, owns shares in AstraZeneca Pharmaceuticals, F2G and Advent Life Sciences, and oversaw the 2023 New Drug Application submission by F2G to the U.S. FDA for olorofim. **Dr. Jean-Éric Tarride** has received research funding from AssureRx/Myriad, Boehringer Ingelheim, Edwards Lifesciences, the Canadian Partnership Against Cancer and the Canadian Agency for Drugs and Technologies in Health, consultant or advisor fees from AbbVie, Amgen, Analytica Laser, Bayer, Bristol Myers Squibb, Evidera, FlatIron, Inomar, Institute of Health Economics, Janssen, Lilly, Leo Pharma, Merck, Novartis, Novo Nordisk, Roche, Shift Health, Pfizer, Takeda and Trimedic, and payments from the Canadian Agency for Drugs and Technologies in Health as a member of their Health Technology Expert Review Panel advisory committee.
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As part of the evidence-gathering process, the Expert Panel convened a workshop, which brought together its own members and 11 additional experts.

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Message from the President and CEO

Most people have benefited from antibiotics at some point in their lives and probably expect to reliably access them again if needed. But, even today, there is no assurance they will be readily available. A defining problem with antimicrobials, including antibiotics, is that their use causes the pathogens they treat to evolve resistance, resulting in drugs that are less effective at remedying infections. As of 2018, an estimated 26% of infections were resistant to first-line treatments in Canada. As these rates continue to rise, our capacity to effectively prevent and treat infections will increasingly be challenged.

Our 2019 report, *When Antibiotics Fail*, detailed the repercussions of this growing resistance. CCA determined that more than 14,000 deaths in Canada in 2018 were associated with resistant infections, which cost healthcare systems about $1.4 billion, and the Canadian economy $2 billion. Modelling estimated the cumulative costs to Canadian healthcare systems could reach $120 billion by 2050 as resistance rates increase, making it increasingly difficult and expensive to address. At the same time, antimicrobial resistance will reduce the quality of life for more people in Canada, and the most vulnerable individuals will be disproportionately at risk.

Yet, the development of new antimicrobials has been sluggish. Unlike other drugs, antimicrobials are often prescribed for short courses, and stewardship limits the use of novel antimicrobials, suggesting a less desirable marketing and revenue incentive for their development. This is in addition to known challenges of drug development generally, including the upstream costs and risks of failure.

Recognizing the challenges of enhancing the availability of novel antimicrobials, the Public Health Agency of Canada asked the CCA to examine economic pull incentives for encouraging market entry and sustained market availability of high-value antimicrobials in Canada.

*Overcoming Resistance* outlines the unique challenges for Canada regarding availability and access to antimicrobials and describes pull incentives that could help bring existing antimicrobials to the Canadian market and broaden access to these drugs for people in Canada. The report also analyzes the role of policies to support research and development, regulatory review, surveillance, and diagnostics.
On behalf of the CCA, I extend my thanks to the Panel, adeptly chaired by Andrew Morris, for its thorough work on this report. The Panel brought a depth of expertise in health economics, antimicrobial stewardship, oncology, infectious diseases, transplantation, law, and pharmaceutical development essential to this work. Thanks also to CCA’s Board of Directors and Scientific Advisory Committee for providing guidance and oversight throughout this process.

Eric M. Meslin, PhD, FRSC, FCAHS
President and CEO, Council of Canadian Academies
Message from the Chair

Antibiotics are essential to keeping people in Canada and around the world healthy. From treating severe infections acquired in the community, to preventing infections in newborns or those undergoing necessary surgeries like joint replacement, to supporting patients receiving chemotherapy or undergoing organ transplantation, antibiotics are an indispensable cog in the machinery of modern healthcare.

However, multiple factors — including antimicrobial overuse in humans and animals, and persistent deficiencies in public health policies and infection prevention and control practices — have led to growing antimicrobial resistance, rendering these essential medicines increasingly ineffective. We know from a 2019 CCA report (When Antibiotics Fail) that antimicrobial resistance ends thousands of lives in Canada each year and costs healthcare systems more than $2 billion annually. The global impact is several orders of magnitude greater, with antimicrobial-resistant infections responsible for over 1 million deaths annually, most in low- and middle-income countries.

These numbers are large, and perhaps even beyond comprehension, but the consequences of antimicrobial resistance are experienced by people every day. I have personally treated several patients, including those previously healthy and subsequently critically ill, with infections due to extensively drug-resistant organisms. In those instances, I have been unable to access new antimicrobials proven to work against these infections because of logistical barriers in place for medications that are not approved by Health Canada. The expected loss of life in each of these cases has been up to 65 years. These medications are not only needed for my patients, but for other patients across Canada who are all unlikely to receive them when needed.

The logical response to the growing threat of antimicrobial resistance includes investment in antimicrobial access and development, antimicrobial stewardship, public health, and infection prevention and control. Indeed, these are all necessary and currently insufficient on a global level. Among the list of necessary interventions, antibiotic development is unique in that it has been historically dependent primarily on capital markets. Up-front governmental support for early-stage drug discovery is helpful and likely necessary but, for a variety of reasons outlined in this report, existing market forces are failing to adequately drive the antibiotic development cycle. The insufficient supply of antibiotics is felt even more acutely in Canada because of poor access to newly developed drugs that are available to healthcare providers and their patients in peer countries but are neither approved nor marketed in Canada.
Most people are familiar with Sir Alexander Fleming’s chance discovery of mold inhibiting the growth of bacteria upon his return from vacation, and later isolating the mold (Penicillium) and the active ingredient (“penicillin”). The mystique surrounding Fleming’s discovery, however, might suggest that antibiotic development is an inexpensive, random, and unintentional event. To the contrary, the availability of a new antibiotic comes at the end of a risky and laborious process that begins with lab-based scientific enquiry and culminates in expensive, challenging human trials to demonstrate the effectiveness and safety of the new medication.

This report is based upon contemplation of existing knowledge on the problem and the synthesis and analysis of possible solutions around waning antibiotic development and access. It describes a clear path to meaningfully alter the risk-reward calculus: reward drug developers who provide novel, valuable antibiotic solutions with a fair and reasonable guaranteed revenue for their drugs.

Hopefully, policy makers and government officials, drug developers and their investors, healthcare providers and their patients, and the general public will find this report thoughtful, optimistic, practical, and useful as they seek to implement life-saving policies for Canada and the world.

It was an honour to serve as Chair and work with such an incredible group of people — both the CCA staff and the Expert Panel — on this important work which I hold near and dear to my heart.

Andrew M. Morris
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Peer Review

This report was reviewed in draft form by reviewers selected by the CCA for their diverse perspectives and areas of expertise. The reviewers assessed the objectivity and quality of the report. Their confidential submissions were considered in full by the Panel, and many of their suggestions were incorporated into the report. They were not asked to endorse the conclusions, nor did they see the final draft of the report before its release. Responsibility for the final content of this report rests entirely with the authoring Panel and the CCA.

The CCA wishes to thank the following individuals for their review of this report:

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The peer review process was monitored on behalf of the CCA’s Board of Directors and Scientific Advisory Committee by **Maydianne Andrade**, Professor, Biological Sciences, University of Toronto Scarborough and President, Canadian Black Scientists Network. The role of the peer review monitor is to ensure that the Panel gives full and fair consideration to the submissions of the peer reviewers. The Board of the CCA authorizes public release of an expert panel report only after the peer review monitor confirms that the CCA’s report review requirements have been satisfied. The CCA thanks Dr. Andrade for her diligent contribution as peer review monitor.
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Executive Summary

Antimicrobial resistance (AMR) is a global problem. Infectious microorganisms resistant to antimicrobials imperil human health and impose considerable costs on society. Resistant bacterial infections kill an estimated 1.27 million people every year. In 2018, about one million bacterial infections were reported in Canada, a quarter of which were resistant to first-line treatments. Resistant infections were responsible for over 14,000 deaths at a cost to the healthcare system of over $2 billion. The critical importance of addressing AMR has been recognized by the Prime Minister of Canada in mandate letters to the Minister of Health.

Effective antimicrobials enable much of modern healthcare, including surgeries, transplants, and cancer treatments. People with compromised immune systems are particularly dependent on a reliable supply of effective antimicrobials to manage infections. In the face of rising AMR, the need for new and accessible antimicrobial treatments is urgent to sustain the life-saving effectiveness of antimicrobials. However, few novel antimicrobials are coming to the global market, and of those that do, many do not become accessible in Canada.

Recognizing the urgency of this issue, the Public Health Agency of Canada (PHAC) asked the CCA to convene an expert panel to provide an evidence-based, authoritative assessment that answers the following question:

What economic pull incentives have the greatest potential for success in encouraging the market entry and sustained market availability of high-value antimicrobials for use in humans in Canada?

Pull incentives are policy tools developed to incentivize antimicrobial development and commercialization, and they represent one aspect of a comprehensive response to the threat of AMR. Pull incentives offer financial compensation for qualifying antimicrobials to motivate the development and commercialization of novel antimicrobials. The Expert Panel on Antimicrobial Availability (hereafter “the Panel”) examined the available evidence on pull incentives that could lead to a viable Canadian market for new antimicrobials. Drawing from both national and international contexts, the Panel’s analysis underscores the global challenge of AMR and the need for international cooperation to address the lack of new antimicrobials.
Report Findings

Weak commercialization prospects impede the development of novel antimicrobials, creating risks and harms for people in Canada and around the world.

R&D for novel antimicrobials is time-consuming, costly, and prone to failure. The use of antimicrobials leads to resistance, which decreases their effectiveness, thereby degrading their monetary and healthcare system value. As such, new antimicrobials must be used sparingly to preserve their effectiveness and longevity. This results in financially unattractive business models, with low sales and negative returns on investment for pharmaceutical companies. Companies are therefore leaving this commercial space at a time when new drugs are needed. The market challenges are particularly acute for antibiotics and antifungals, and the Panel focused its analysis accordingly.

The full value of antimicrobials extends beyond the positive health impacts experienced by an individual patient, to include savings in healthcare expenditures and increased productivity of those who are no longer infected and those who provide care for them. The benefits of these drugs can also include a reduction in disease transmission and an increase in *preparedness-value*, that is, as insurance against future outbreaks. These positive attributes — often summarized as spectrum, transmission, enablement, diversity, and insurance (STEDI) values — underscore the beneficial impacts of novel, effective antimicrobials.

Consistent with worldwide trends, AMR in Canada is increasing. This is particularly relevant for populations in Canada who are disproportionately at risk of acquiring resistant infections. Immunocompromised patients are aware of the importance of a reliable arsenal of antimicrobials, as they depend on them to manage the infections to which they are particularly susceptible. Prior antimicrobial treatment is the greatest contributing factor to the overall risk of acquiring a resistant infection. Lack of access to adequate housing, clean drinking water, and timely medical care also contribute broadly to health risks.
Governments can improve the market for novel antimicrobials by offering pull incentives to manufacturers

Eighteen antibiotics have come to market since 2010, but only three are marketed in Canada. In contrast, several European and other G7 countries have much broader availability of new antibiotics. Canada’s multi-actor healthcare systems and challenging geography create barriers to drug access. Important actors involved in the delivery of healthcare include provincial, territorial, local, and Indigenous governments. Their engagement would be critical to the creation and development of a pull incentive. Furthermore, manufacturers seeking entrance to the Canadian drug market face an expensive and often lengthy approval process, which is then followed by multiple health technology assessments (HTAs) and price negotiations. Public investment has the potential to improve access to antimicrobials not currently available in Canada.

A number of pull incentives have been proposed, researched, or implemented in other countries, building on over a decade of academic work. These incentives include extensions of patent protections, tradable vouchers that extend the exclusivity of a qualifying drug, high per-unit prices, subscriptions, and annual revenue guarantees. In considering different types of incentives, the Panel found some to be lacking when it came to price certainty, adequacy of the incentive, and stewardship implications. The Panel therefore concluded that a subscription pull incentive (SPI) would work best for a country like Canada. This type of pull incentive provides a fixed annual payment to manufacturers, regardless of sales. The strengths of this approach include the ability to adjust payments over time as new evidence about drug effectiveness emerges, an incentive structure that supports equitable access but does not encourage overuse of novel antimicrobials, and an ability to hold manufacturers to contractual obligations that improve drug availability.

An SPI could boost access to antimicrobials that already exist but are not currently approved or available in Canada. It could also motivate research, development, and commercialization of new drugs. An SPI’s core design elements can include establishing fixed unit prices at an affordable level and a limited window of incentive eligibility for manufacturers — for example, initially offering 3-to-5-year contracts, with an option to extend to 10 years. Setting unit prices comparable to the standard of care could keep costs affordable for provinces and territories and help promote appropriate prescribing. The Panel described a scenario in which payers (including provincial and territorial governments) pay for these new drugs
the same way they currently do (on a per unit basis). The federal government then supplements sales revenues for the manufacturer to bring the full revenues up to a fixed level established by the pull incentive program. This type of approach could minimize administrative burdens and integrate with Canada’s existing healthcare systems.

Eligibility would be assessed by a committee of experts convened for this purpose. Drugs eligible for an SPI would (i) address a specified unmet public health need and (ii) exhibit innovations related to their class, mechanism of action, or target microorganism. In order to be effective, these two requirements would have to be satisfied for an antimicrobial to be deemed SPI-eligible. Manufacturers could be held to standards requiring accessibility and availability of a drug within explicit timeframes stipulated in their contracts. Stipulations for manufacturers could include monitoring and reporting antimicrobial use and resistance trends stemming from a drug’s sales in Canada and abroad. These requirements could function as transparency and openness guarantors, supporting appropriate oversight of public funds. The requirements could also encourage ongoing data collection to improve understanding of drug performance and allow for data-responsive adjustments of future payments. By establishing an SPI, the Government of Canada could realize a valuable opportunity to support the health of people in Canada; act on the global scientific consensus calling for enhanced access to, and development of, novel antimicrobials; and establish itself as a global leader in the fight against AMR.

Canada has the opportunity to work with a group of other high-income countries to contribute its fair share to an adequate global pull incentive

Research indicates that the global cost of incentivizing development and commercialization of novel antimicrobials exists on a range of US$2 to US$4 billion per drug. Adequate pull incentives may therefore be beyond economic feasibility for any one country. However, high-income countries — for example, the G7 and the 27 members of the European could act jointly to provide a global incentive. In this scenario, the Panel determined that Canada’s fair incentivization share equates to an average payment of $14.5 million per year over 10 years for each eligible drug. Were the Government of Canada to act with only G7 countries, the average payment would be $18 million per year for each drug. While these costs are considerable, research indicates that the benefit of reliable access to effective antimicrobials is greater, offering reduced morbidity, mortality, healthcare costs, as well as STEDI benefits. Some portion of these costs would be covered by provincial and territorial governments when the drugs are used.
An SPI’s effectiveness would hinge on the creation and deployment of an HTA framework capable of determining annual payment levels that would vary depending on the characteristics of each drug. Those drugs that offer the most novel mechanism of action compared to existing treatments and make the greatest contribution toward unmet public health needs would receive the greatest subscription payment. Other approved antimicrobials may not qualify for any payment, as not all new drugs will satisfy an SPI’s stringent eligibility criteria.

An SPI would offer a clear price signal to manufacturers and potential investors, spurring R&D and commercialization activity in this sector. Should this approach be instituted, it could create some budgetary uncertainty for the federal government as the number of qualifying drugs and the payment level could vary over time. However, the Panel noted that, based on the current antimicrobial development pipeline, it would not anticipate more than two or three qualifying drugs per decade (though the initial uptake may be higher as some existing drugs may qualify). The Panel also emphasized that having multiple qualifying antimicrobials come to market would be a sign of program success. Furthermore, the benefits of a revitalized antimicrobial pipeline are expected to exceed the costs of such an SPI program.

Complementary policies that foster upstream R&D through push incentives, facilitate efficient regulatory review, provide necessary surveillance data, and bolster the supply of rapid diagnostics will improve the success of an SPI.

An SPI would be most impactful when complemented by push incentives, so that both the R&D component and the market availability of these drugs are bolstered in tandem. Push incentives primarily encourage antimicrobial R&D rather than downstream commercialization and long-term availability of novel antimicrobials. While pull incentives are only awarded following market approval of qualifying antimicrobials, they improve commercialization prospects and thus support upstream R&D as well (Figure 1). A higher push incentive would lower the necessary pull incentive amount, and, conversely, a higher pull incentive could reduce the necessary push incentive amount.
Push incentives encourage antimicrobial R&D, fund clinical trials, and can improve the success of pull incentives. While pull incentives are only awarded following market approval of qualifying novel antimicrobials, they improve the commercialization prospects and thus indirectly improve support for upstream R&D.

**Figure 1  Funding Incentives along the Antimicrobial Innovation Continuum**

Push incentives encourage antimicrobial R&D, fund clinical trials, and can improve the success of pull incentives. While pull incentives are only awarded following market approval of qualifying novel antimicrobials, they improve the commercialization prospects and thus indirectly improve support for upstream R&D.

Additional complementary interventions for an SPI may also be employed as part of a broader suite of strategies to combat AMR. These include enhanced efficiency of regulatory review, more comprehensive AMR surveillance capacity, and a broadened use of diagnostics and stewardship principles to encourage proper and effective use of antimicrobials. Enhanced surveillance of AMR and usage of antimicrobials — including novel antimicrobials that are used sparingly — would support the effective administration of an SPI. Timely diagnostics can support the appropriate use of antimicrobials, wherein novel antimicrobials are only used when needed, thereby prolonging their effectiveness and maintaining their value.

International collaborations — such as mechanisms to enable data sharing, the creation and strengthening of clinical trial networks, and the harmonization of regulatory reviews — have the potential to provide considerable value. These efforts would positively contribute to the global fight against AMR, but also to other healthcare challenges in Canada.
Securing access to existing novel antimicrobials may provide a small immediate positive health impact in Canada, but it will not contribute to international efforts to revitalize the antimicrobial pipeline and prepare for future infections. AMR is a global problem and solutions to address this challenge must be global in reach. Timely efforts to establish and support the development of a pull incentive in Canada can set an example and catalyze action abroad, which is ultimately needed to provide global funding at the necessary scale.
### Abbreviations

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<tr>
<th>Abbreviation</th>
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<tr>
<td>AMR</td>
<td>antimicrobial resistance</td>
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<td>AMU</td>
<td>antimicrobial use</td>
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<tr>
<td>ARG</td>
<td>annual revenue guarantee</td>
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<td>CADTH</td>
<td>Canadian Agency for Drugs and Technologies in Health</td>
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<td>GARDP</td>
<td>Global Antibiotic Research and Development Partnership</td>
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<tr>
<td>INESSS</td>
<td>Institut national d’excellence en santé et en services sociaux (Quebec)</td>
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<tr>
<td>HTA</td>
<td>health technology assessment</td>
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<tr>
<td>MRSA</td>
<td>methicillin-resistant <em>Staphylococcus aureus</em></td>
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<td>NICE</td>
<td>National Institute for Health and Care Excellence (United Kingdom)</td>
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<td>PASTEUR Act</td>
<td>Pioneering Antimicrobial Subscriptions to End Upsurging Resistance Act (United States)</td>
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<td>pCPA</td>
<td>pan-Canadian Pharmaceutical Alliance</td>
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<td>PMPRB</td>
<td>Patented Medicine Prices Review Board (Canada)</td>
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<td>SAP</td>
<td>Special Access Program (Canada)</td>
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<td>SME</td>
<td>small- and medium-sized enterprise</td>
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<td>SPI</td>
<td>subscription pull incentive</td>
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<tr>
<td>STEDI</td>
<td>spectrum, transmission, enablement, diversity, and insurance</td>
</tr>
</tbody>
</table>
# Contents

1 Introduction .......................................................... 1  
1.1 The Charge to the Panel ........................................ 5  
1.2 The Panel’s Approach .......................................... 7  
1.3 Report Structure .............................................. 9  

2 Commercialization and Market Challenges .............. 10  
2.1 Global Antimicrobial Availability and Incentives ........ 11  
2.2 Canadian Market Conditions ............................... 16  

3 Incentivizing Enhanced Antimicrobial Development  
and Deployment ................................................. 24  
3.1 Pushing Antimicrobial R&D and Pulling Novel  
Antimicrobials to Market .................................. 25  
3.2 Pull Incentive Options ..................................... 28  

4 The Costs and Benefits of a Pull Incentive ........... 36  
4.1 Value: The True Worth of Novel Antimicrobials ......... 37  
4.2 Influencing Market Entry: Scale of Incentive .......... 44  
4.3 A Clear Case for Incentivizing Antimicrobials .......... 52  

5 A Scenario for Operationalizing a Pull Incentive  
for Canada ......................................................... 54  
5.1 A Subscription Pull Incentive ............................... 55  
5.2 Drug Eligibility Requirements ............................. 59  
5.3 Establishing Eligibility and Payment Level ............ 65  
5.4 Contractual Conditions .................................. 71  
5.5 Considerations for Implementing, Monitoring, and  
Evaluating an SPI. .......................................... 74
Introduction

1.1 The Charge to the Panel
1.2 The Panel’s Approach
1.3 Report Structure
Antimicrobials are an integral component of modern healthcare. If infections cannot be treated or prevented, medical procedures such as transplants, chemotherapy, and caesarian deliveries become riskier and may be less available (O’Neill, 2016; GC, 2017; OECD, 2018). However, unlike most drugs, the use of antimicrobials fosters resistance — over time, they may become less effective at preventing or treating infections (Holmes et al., 2016). Antimicrobial resistance (AMR) occurs naturally. Organisms evolve the ability to survive, grow, and reproduce in the presence of the antimicrobial designed to inhibit them (Holmes et al., 2016; GC, 2017; WHO, 2021c). Antimicrobial use accelerates this process and leads to increased rates of AMR.

With growing AMR, infections with few or no treatment options are increasing around the world (PHAC, 2014; OECD, 2018). In 2019, almost five million deaths were associated with drug-resistant bacterial infections globally, with 1.27 million deaths directly attributed to AMR (Murray et al., 2022). A World Bank analysis estimated AMR could lead to annual reductions of global GDP between 1.1% and 3.8% by 2050, depending on trends (World Bank, 2017). An OECD analysis of Australia, Canada, Europe, and the United States (U.S.) projected 2.4 million cumulative deaths attributable to AMR, and cumulative healthcare costs of US$134 billion by 2050 (Ouakrim et al., 2018).

As of 2018, an estimated 26% of infections were resistant to first-line treatment in Canada (CCA, 2019). Modelling by the CCA’s Expert Panel on the Potential Socio–Economic Impacts of Antimicrobial Resistance in Canada estimated that resistant infections were responsible for more than 14,000 deaths in Canada in 2018, with 5,400 of those deaths directly attributable to AMR. Deaths and illnesses associated with drug-resistant infections contributed to a loss of approximately $2 billion to the Canadian economy in 2018 (CCA, 2019). Since 2018, resistance trends continue to be concerning. Rates of AMR are increasing for most priority pathogens, with five-year trends (2016–2020) showing increases in rates of methicillin–resistant Staphylococcus aureus (MRSA) bloodstream infections, vancomycin–resistant Enterococcus bloodstream infections, carbapenemase–producing Enterobacterales infections (apart from Clostridioides difficile), as well as Neisseria gonorrhoeae and invasive Streptococcus pneumoniae diseases (PHAC, 2022).

The impacts of AMR in Canada are already being experienced and the incidence is growing. In the Panel’s experience, the most widely used antibiotics are
inexpensive and relatively accessible. However, when first-line antibiotics — that is, the most widely used, accessible, and inexpensive antibiotics — are found to be ineffective, prescribers may not have adequate access to alternative treatments. This is supported by Burrows (2022) who found that Canadian physicians do not have easy access to newer antibiotics. Panel members also observed that a lack of redundancy (i.e., more than one treatment option for a given infection) can mean that patients with certain co-morbidities, allergies, and intolerances, or those at risk of certain drug interactions, have limited treatment options. Sometimes the costs of alternative treatments are prohibitive (e.g., Patel et al., 2022), and sometimes alternative treatments have significant adverse effects (CDC, 2022). Some last-resort antibiotics used today are harming patients, but prescribers have no better options (CDC, 2022). The long-standing availability of inexpensive antibiotics has created the false impression that they are not a significant factor for health budgets. However, as resistance rates rise and the need for novel drugs increases, costs to confront these challenges will also increase.

Several types of health risks are important to acknowledge when considering who may acquire resistant infections. There are broad risk factors that increase the likelihood that a person in Canada will experience a negative health outcome. For example, people living in rural and remote areas face elevated health risks when their limited access to healthcare interferes with timely diagnosis and prescription of antimicrobials (Bailey et al., 2021). Numerous socioeconomic factors also interact with rurality to influence health risks, including income and education levels (Probst et al., 2019). Indigenous people in Canada experience significant health disparities attributable to colonialism. This has ultimately led to inadequate access to safe water and sanitation in some communities, as well as overcrowded living conditions and challenges accessing and receiving appropriate care in health systems, which in turn results in greater risks of acquiring infections (TRC, 2015a; Andermann, 2017).

Additional risk factors may increase the likelihood that a person acquires a microbial infection. King et al. (2022) found that those generally at risk of infectious diseases are also at risk of acquiring a resistant infection. People may have an increased probability of infection based on a number of behavioural, clinical, and socio-demographic risk factors, with prior antimicrobial treatment being the biggest contributing factor (reviewed in CCA, 2019). Because people in Canada differ in their risk factors for health outcomes, infections, and resistant infections, the impacts of AMR are experienced unevenly across Canada.

“Because people in Canada differ in their risk factors for health outcomes, infections, and resistant infections, the impacts of AMR are experienced unevenly across Canada.”
Overcoming Resistance

Infections, the impacts of AMR are experienced unevenly across Canada. For example, MRSA disproportionately affects Indigenous people, and inadequate housing and clean drinking water contribute to its incidence (Muileboom et al., 2013; Loewen et al., 2017).

People in Canada have come to expect reliable access to effective antimicrobials, and they typically do not see AMR as an urgent or significant public health issue (Crago et al., 2022). Whether for urinary tract infections, bacterial pneumonia, or infections at the site of injuries or surgical incisions, most people in Canada have benefited from antibiotics at some stage in their lives (GC, 2017; CDC, 2022). People with suppressed immune systems are particularly reliant on effective antimicrobials, and increasing AMR poses a distinct threat to this group (Mohammadinejad et al., 2015). One patient representative relayed to the Panel her absolute reliance on antibiotics since a heart transplant two decades before:

*I came to realize that I could come to the end of the line, so to speak, with available treatment options when it came to antibiotics, and for me this means a matter of life and death.*

Kristi Coldwell (personal communication, 2022)

Because of the critical role antimicrobials play in delivering modern healthcare, greater rates of AMR mean that previously treatable infections could become deadly. For example, people living with cystic fibrosis (CF) rely heavily on antibiotics, and the prospect of AMR is a particular risk for this patient group. One patient reported:

*Antibiotics not only became a chronic part of my routine, but the pills were no longer effective. The inhaled antibiotics were there to keep things at bay, but — once infection developed — there was nothing but IV antibiotics that would help ... I’ve relied on antibiotics more than I could even express with words, and I still continue every day when I inhale antibiotics. It’s just such an amazing thing that science could help me in this way. We need to continue developing more antibiotics because antibiotic resistance is a huge thing in CF where we are exposed to so many antibiotics and our bugs keep getting stronger and stronger.*

AMR Action Podcast (2022)

The Pan-Canadian Action Plan on Antimicrobial Resistance recognizes the importance of establishing targets and monitoring progress over time (PHAC, 2023). This action plan outlines five areas of focus (surveillance, infection prevention and control, stewardship, research and innovation, and leadership) as a foundation for future actions and engagement (PHAC, 2023). While some funding commitments have been made, the Government of Canada lags behind other countries in the allocation of
funding resources (Somanader et al., 2022). The Panel concurred with Somanader et al. (2022) that the absence of a publicly available plan detailing measurable actions and outcomes to address AMR belies the urgency of the problem.

The discovery of new antimicrobials with novel mechanisms of action and targets is of great importance to addressing AMR; however, this is difficult commercially because of the high risk of R&D failure and low financial returns (HC, 2022a). Bankruptcies and economically similar events were common among the small companies that developed antibiotics approved by the U.S. Food and Drug Administration (FDA) in the last decade (Courtemanche et al., 2021). As a result, the antimicrobial clinical pipeline — drugs in clinical development — is “insufficient to tackle the challenge of increasing emergence and spread of antimicrobial resistance” (WHO, 2022b). Eighteen antibiotics were launched globally in high-income countries between 2010 and 2020, while only two launched commercially in Canada during that period (Outterson et al., 2021). In 2022, a third antibiotic, dalbavancin, was approved and marketed in Canada (Paladin Labs, 2022). In contrast, many other high-income countries have access to five or more of these new drugs (Outterson et al., 2021). While access to all 18 drugs may not be necessary in Canada, the World Health Organization (WHO) has deemed 4 of these antimicrobial drugs “essential medicines” (WHO, 2021a). None of these four are available in Canada (HC, 2023b).

1.1 The Charge to the Panel

This report focuses on one aspect of a comprehensive solution to the growing threat of AMR — encouraging the development and commercialization of novel antimicrobials through pull incentives that offer enhanced financial returns to manufacturers bringing qualifying antimicrobials to the Canadian market and, more importantly, to patients in Canada. Recognizing the need to better understand the economic pull incentives that have the greatest potential to enhance the availability of novel antimicrobials, the Public Health Agency of Canada (PHAC), with the support of Health Canada (hereafter referred to as the Sponsors), asked the CCA to answer the following question and sub-questions:

1 These two drugs are fidaxomicin and ceftolozane/tazobactam. An additional two drugs, lefamulin and tedizolid, received regulatory approval but have not been brought to the Canadian market (HC, 2023b).

2 In this report, qualifying antimicrobials are those that meet predetermined eligibility criteria, such as novelty, cost, efficacy, and/or unmet need within Canada.
What economic pull incentives have the greatest potential for success in encouraging the market entry and sustained market availability of high-value antimicrobials\(^3\) for use in humans in Canada?

- What are the potential costs, benefits\(^4\), facilitators and opportunities associated with each of the economic pull incentives?
- What are the facilitators and barriers to implementation, particularly within the context of the Canadian federation?
- What specific regulatory and/or policy measures at the federal level could complement or enhance each of the selected economic incentives?
- What evidence is there to support the application of economic incentives and/or other regulatory or policy measures to diagnostics (and other AMR-relevant products, as appropriate) to support overall efforts to encourage market entry and sustained availability of antimicrobials?

The CCA assembled a multidisciplinary panel of 10 experts to analyze the evidence and respond to the Sponsors’ charge (the Expert Panel on Antimicrobial Availability, hereafter the Panel). The Panel was comprised of experts in health economics, antimicrobial stewardship, infectious diseases, pharmacy, oncology, transplantation, law, and pharmaceutical development. Members met nine times in person and via videoconference between June 2022 and June 2023 to deliberate on the question, conduct an expert workshop, refine report drafts, and respond to peer review feedback. The final report reflects the Panel’s consensus based on its assessment of the evidence.

To ensure the integrity of the assessment process, panel members are required to disclose to the CCA and fellow panelists any conflicts of interest — actual, foreseeable, or perceived — relevant to the issues being discussed so that they can be managed transparently. Panelists must also abide by a confidentiality agreement and code of conduct designed to support an environment that fosters effective and respectful deliberations, is conducive to the free exchange of knowledge, and supports the assessment of evidence.

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\(^3\) Like the term qualifying antimicrobials, high-value antimicrobials refers to those that treat infections for which there is a current or anticipated unmet need.

\(^4\) Assessment of benefits should include, but is not limited to, value to people in Canada in terms of cost, public health benefit, and socioeconomic impact.
To maintain the panel’s independence, sponsors do not appoint panel members, nor do they engage with the expert panel during the assessment process, with the following exceptions: (i) at the panel’s first meeting when the sponsors are invited to present the charge and (ii) at a sponsor briefing, where the panel chair presents the main findings to the sponsors, scheduled after the panel has formally signed off on the final report, prior to public release. For this assessment, the sponsors also attended the workshop as silent observers.

The report underwent a comprehensive peer review, whereby an additional nine experts from Canada and abroad provided further evidence, feedback, and expertise. External peer review provides feedback to inform Panel deliberations, and reviewers remain anonymous to the Panel until after the report is finalized. This process is overseen by an independent peer review monitor appointed from CCA’s Scientific Advisory Committee, further supporting the integrity of the process.

1.2 The Panel’s Approach

There has been significant work published on the challenge of AMR and strategies to confront it, both domestically (e.g., GC, 2017; CCA, 2019; PHAC, 2023) and abroad (e.g., O’Neill, 2016; Årdal et al., 2018). Thus, this report focuses on the question of pull incentives. The Panel underscores that it was not asked to compare the potential contribution of pull incentives to addressing AMR relative to other policies and approaches, but rather to identify and assess the most promising pull incentives. These incentives allow new drugs to come to market by providing viable returns for the manufacturer despite low sales volumes and low unit prices. The Panel recognized that, in many instances, prescribers would not opt for a novel antimicrobial over a comparator and would instead reserve the novel drug for the rare instances where existing antimicrobials cannot meet patient needs. In the Panel’s view, a well-resourced pull incentive program is an efficient way to motivate the development and deployment of novel antimicrobials in the Canadian market.

1.2.1 Scoping Decisions and Assumptions

The Panel’s analysis was informed by both the international context and particular considerations for Canada. In June 2022, G7 leaders, including the Prime Minister of Canada, reiterated their commitment to the promotion of access to antimicrobials and to international partnerships to expand research into, and innovation of, new antibiotics, with “a particular emphasis on pull incentives” (PMO, 2022). Other jurisdictions are recognizing the need to promote antimicrobial R&D and access to new antimicrobials. Pull incentive pilot programs have already been established in Sweden and the United Kingdom (U.K.) and one is in development in Japan (Gotham et al., 2021; MHLW, 2023). Germany and France account for AMR in their existing reimbursement schemes, and legislation related to pull incentives has been proposed in the U.S. (Gotham et al., 2021; U.S. Congress, 2021).
The Panel emphasizes that, to succeed in Canada, any pull incentive framework needs to promote equitable access to antimicrobials, ensuring access especially for demographic groups at higher risk of resistant infections. To that end, provincial, territorial, municipal, and Indigenous governments are critical in the creation of a Canadian pull incentive program that can meet domestic needs.

This report focuses predominantly on antibiotics

The umbrella term antimicrobial encompasses antibiotics, antifungals, antivirals, and antiparasitics, though in practice it is often used interchangeably with antibiotic. The term antimicrobial is used throughout the report to refer collectively to antibiotics (sometimes referred to as antibacterials), antifungals, antivirals, and antiparasitics, but the term antibiotic is used when that level of specificity is warranted. Resistance to all types of antimicrobials is a growing concern (WHO, 2021c).

Among AMR trends, antibiotic resistance is particularly concerning, given the extent of mortality caused by bacterial infections, the widespread use of antibiotics, and the declining effectiveness of existing drugs (Murray et al., 2022; Outterson & Rex, 2023). While less widely discussed, fungal infections are responsible for an estimated 1.7 million deaths per year globally, and are an emerging public health concern (Kainz et al., 2020). Much of the literature cited in this report focuses on the problem of antibiotic resistance, but the nature of current market failures is similar for antibiotics and antifungals, thus the analysis presented in this report is applicable to both.

As with other types of antimicrobials, long-term exposure to antivirals is favouring the evolution of resistant strains and antiviral resistance has become common; this is a specific threat to immunocompromised patient populations (WHO, 2021c). However, the challenges and barriers to antimicrobial development and access vary by type. Antiparasitic and antiviral R&D systems are not facing the same market challenges as antibiotics and antifungals. For example, some antivirals are profitable given current market conditions, including medicines for hepatitis C and COVID-19 (Beasley, 2014; Kansteiner, 2022). Antiretroviral drugs have benefited from decades of substantial government support for R&D and funding mechanisms such as The Global Fund, PEPFAR, and UNITAID (UNITAID, 2022; hiv.gov, 2023; The Global Fund, n.d.-a). The burden of parasitic
disease is low in Canada, thus, antiparasitic resistance is of less concern. Globally, programs such as The Global Fund and organizations such as the Bill and Melinda Gates Foundation have enabled significant progress in recent decades in combatting malaria — a parasitic disease with huge impacts on human health and economies in low- and middle-income countries (PHAC, 2016; The Bill and Melinda Gates Foundation, n.d.; The Global Fund, n.d.-b).

1.2.2 Sources of Evidence
Deliberations were informed by several lines of evidence. The Panel assessed peer-reviewed literature relating to pull incentives for antimicrobials, identified through an initial semi-structured literature review and expanded on through expert-informed evidence gathering. The Panel reviewed grey literature from governments, health organizations, and others on this topic, which provided important insights into experiences to date with pull incentive programs in Sweden and the U.K. The Panel also convened a wider group of 11 additional experts for a workshop in October 2022 to better understand the Canadian context for the design and deployment of pull incentives. Participants brought expertise in pharmaceutical commercialization, economics, health technology assessments (HTAs), drug procurement, pharmacy, clinical care, and open science, all within Canada. Discussions focused on eligibility criteria, financing, and distribution within the context of the Canadian federation.

1.3 Report Structure
This report begins with a survey of the challenges of antimicrobial availability, first globally and then domestically, drawing out the particular challenges that arise in the Canadian pharmaceutical market (Chapter 2). In Chapter 3, different types of pull incentives are analyzed to review their prospects for addressing these challenges. Chapter 4 focuses on the economics of pull incentives, specifically the value of antimicrobials to society and the scale of payment needed to incentivize industry to invest in the development and commercialization of new antimicrobials. Based on the benefits pull incentives provide to society, Chapter 5 lays out a scenario for how a pull incentive could be effectively implemented in Canada, including appropriate eligibility criteria, payment levels, and the roles of various actors. Chapter 6 broadens this discussion by analyzing the role of complementary policies to support the implementation of pull incentives, including R&D, efficient regulatory review, effective surveillance, and the appropriate use of diagnostics. The report concludes with reflections from the Panel (Chapter 7).

5 The Panel’s approach followed the CCA’s standard assessment methodology summarized here: https://cca-reports.ca/process/.
2.1 Global Antimicrobial Availability and Incentives

2.2 Canadian Market Conditions
Chapter Findings

- Antimicrobials face market failures distinct from those faced by other drugs.
- There is a long-standing trend of declining activity in the field of antimicrobial development, leading to an inadequate global pipeline for novel antimicrobials for human use.
- Antimicrobial resistance is already a problem in Canada and is expected to become more problematic in the future. Compared with peer countries, Canada lags in both its access to novel antimicrobials and its efforts to establish adequate availability of antimicrobials going forward.

The challenge of increasing rates of antimicrobial resistance (AMR) is globally recognized and calls for a multifaceted set of solutions, including national and international interventions to develop a viable market for novel drugs (G7 Finance Ministers, 2021; WHO, 2022b).

As the rates of AMR increase, existing antimicrobials are becoming less effective, creating an unmet need for novel drugs (WHO, 2022b, 2022e). However, challenges in the antimicrobial business model have led to a decline in R&D, resulting in insufficient drug development to meet current and anticipated needs for the treatment of resistant infections (WHO, 2022b). Many of the market challenges are global in nature and therefore call for global cooperation, though specific features of the Canadian market can exacerbate these challenges domestically.

2.1 Global Antimicrobial Availability and Incentives

Market failures and challenges associated with development and commercialization have resulted in an innovation deficit and scarcity of novel antimicrobials.

The existing market for novel antimicrobials is not viable

Fundamentally, antimicrobials face a distinctive problem: the evolution of resistance. Antimicrobial use (AMU) hastens the evolution of resistance. This happens in individuals and at the population level, resulting in less effective treatments (WHO, 2022e). There is a need to preserve the effectiveness of new antibiotics by ensuring they are used infrequently and appropriately through antimicrobial stewardship (Morel et al., 2020). Thus, government and health services promote the use of new antibiotics only as a last resort in severe cases of resistant infections. It then follows that manufacturers can reasonably
expect sales volumes for new antimicrobials to be low (Morel et al., 2020). Sales volumes of antibiotics are also lower than other drugs as they tend to be prescribed for short courses; in contrast, other prescription drugs may be used indefinitely to manage chronic conditions (Outterson et al., 2015). This further limits the ability of manufacturers to earn adequate returns through sales.

The development of any kind of new drug can take 10 to 15 years and cost over US$1 billion (based on a 10.5% capitalization rate) (Wouters et al., 2020; WHO, 2022d). While R&D costs and failure rates are broadly similar, compared to other drugs, investment in novel antimicrobials comes with a higher risk because there is only a fraction of the revenue prospects (Boluarte & Schulze, 2022). Should a manufacturer successfully bring a novel antimicrobial to market, profitability is not guaranteed (Boluarte & Schulze, 2022). Market forces therefore favour the development of other types of drugs. For example, returns on investment for cancer drugs and rare disease drugs are among the highest, whereas returns on antibiotics are notoriously low (Projan, 2003; Placket, 2020; Boluarte & Schulze, 2022; Michaeli et al., 2022).

Antimicrobials are widely used across healthcare systems, enabling the primary treatment of various conditions including cancer and rare diseases. However, given that the price of most long-established antimicrobials is low (Gov. of ON, 2022), this widespread usage does not itself create a viable market. The pricing of antimicrobials is an additional challenge that decreases market viability. Health technology assessments (HTAs) are widely used in Canada and internationally to determine the comparative value of a new drug to support funding and reimbursement decisions. The pricing of new antimicrobials may be constrained because of the presence of lower-cost antimicrobials already on the market, as the pharmacoeconomic evaluations that are conducted as part of an HTA factor in the costs of comparators (CADTH, 2020). This pricing scheme is particularly challenging in the case of antibiotic comparators that have long been genericized and are generally inexpensive (HC, 2022a). Relatively expensive new drugs may be used sparingly by price-sensitive prescribers. The Panel observed that use of linezolid — a relatively new antibiotic approved for the Canadian market in 2001 — increased substantially after it was genericized in 2014 (Walker et al., 2006; HC, 2023b).

6 When the cost of developing a new drug and/or maintaining it on the market exceeds the revenues generated from its sales, it is deemed a market failure. Market failure for new antimicrobials is widespread (HC, 2022a).

7 This is reflected in the level of market activity. As of 2020, over 1,300 medicines and vaccines were currently in clinical testing for cancer (PhRMA, 2020).
Commercialization and Market Challenges | Chapter 2

In addition, many elements of the value of novel antimicrobials are not accounted for in a standard HTA (Section 4.1.2). Many have called for a new approach to providing appropriate monetary compensation for antimicrobial developers, one that encompasses non-use values above and beyond the benefits to currently treated patients, such as the “insurance” antimicrobials provide against future outbreaks (Rex & Outterson, 2016; Årdal et al., 2017; Outterson, 2021a). Revised value assessments would ideally also confront another usage challenge — the treatment of infectious disease in one patient can reduce community transmission and provide an important societal benefit. However, in this instance, it also inadvertently promotes market failure by lowering demand for that treatment among the wider population (Colson et al., 2021).

Due to these realities, few large pharmaceutical companies invest in antibiotic R&D (Harbarth et al., 2015). Small- and medium-sized enterprises (SMEs) are the most significant participants in discovery and pre-clinical development activities (WHO, 2021b). Of the 18 novel antimicrobials brought to market in high-income countries since 2010, 7 were sponsored by SMEs (Outterson et al., 2021). However, market failures are negatively impacting SMEs in this area, as shown by recent bankruptcies and fire-sale acquisitions (Outterson et al., 2021). For instance, Nabriva Therapeutics, Melinta Therapeutics, and Achaogen have all declared bankruptcy or gone into orderly liquidation (Dall, 2019; Reuters Staff, 2019; Nabriva Therapeutics, 2023). Average share prices for antimicrobial drug companies fell by 71% between 2018 and 2020 (Placket, 2020).

Scientific challenges impede the development of novel antimicrobials and limit demand from prescribers

In general, clinical trials are designed to demonstrate the superiority in efficacy of new drugs relative to existing comparators. Establishing superiority of novel antibiotics for drug-resistant infections via clinical trials tends not to be feasible because, for example, resistance to common antibiotics is still relatively rare (Rex et al., 2017, 2019; Årdal et al., 2020). Additionally, patients eligible to participate in such clinical trials may be very ill for reasons other than the microbial infection, and the associated high mortality rates can make it difficult to demonstrate significant benefits of a novel antibiotic in terms of survival, duration of hospital stay, or even quality of life (Karlsberg Schaffer et al., 2017). As a result, regulatory agencies allow for clinical trials for novel antibiotics to establish non-inferiority of the treatment relative to existing options (Bhatti et al., 2018). Non-inferiority trials seek to demonstrate that a new drug is not worse than an existing one to treat a…
specified infection (Rex et al., 2017; Bhatti et al., 2018). As well, at least one study has shown that non-inferiority trials rely on margins of 10–20%, such that some loss of efficacy could be accepted under this method (Mitra-Majumdar et al., 2022).

The nature of clinical trial data negatively impacts pricing. New antibiotics cannot justify high unit prices because they cannot prove their superiority to existing options (Bhatti et al., 2018). Furthermore, data available to clinicians do not sufficiently differentiate one new antibiotic from another, nor do they assist with clinical decision-making for patients with no established treatment options, which limits reliance on novel antimicrobials (Ramachandran & Powers, 2022).

The clinical pipeline for novel antimicrobials is insufficient

Many of the recently approved antimicrobials have limited clinical benefits (WHO, 2022b). There are too few antimicrobials in the clinical pipeline to address current and future needs, and there are infections of concern that are not targeted by pipeline antimicrobials (WHO, 2022b). R&D challenges inherent to antimicrobial discovery and development are partially to blame for this insufficient clinical pipeline. For example, toxicity is a widespread problem in antimicrobial discovery: the high dosages required to confront microbial infections can cause unacceptable patient risks. Toxicity has led to the termination of many recent efforts to develop novel therapies (Baker et al., 2018; Prasad Neha et al., 2022). Research into antimicrobials with novel mechanisms of action has produced limited results to date, and the lack of rapid diagnostics has led to a need for broad spectrum antibiotics to treat all likely infections corresponding to observed symptoms (Baker et al., 2018).

As of November 1, 2021, 77 antibiotics and/or combinations that include at least one new therapeutic entity were estimated to be in clinical development globally, including 45 traditional and 22 non-traditional (e.g., antibodies, phages) antibacterial agents (Figure 2.1). While many of these traditional agents have known mechanisms of action, 27 are active against WHO-designated bacterial priority pathogens — including 6 innovative agents (only 2 of which target crucial Gram-negative bacteria) (WHO, 2022b). The WHO assesses innovation of traditional small molecule antibiotics using four criteria: a new chemical class of antibiotics, a new target within the pathogen, usage of a new mechanism of action, or the absence of known cross-resistance. The preclinical pipeline is more promising than the clinical pipeline and is characterized by the WHO as “dynamic and innovative, including a wide range of drug development projects” (WHO, 2022b).

8 Bacteria with no outer membrane but thick layers of peptidoglycan are Gram-positive, while those with lipopolysaccharide-based outer membrane and a thin wall of peptidoglycan are Gram-negative (Silhavy et al., 2010). Gram-negative bacterial infections include, among others, pneumonia, urinary tract infections, and wound skin infections (Bush, 2022). Gram-positive infections include anthrax, toxic shock syndrome, streptococcal infections, and those caused by methicillin-resistant Staphylococcus aureus (MRSA) (Bush, 2023). Gram-negative infections are generally more resistant to antimicrobial treatments (Breijyeh et al., 2020).
Figure 2.1  The Antimicrobial Pipeline

The antimicrobial pipeline contains 27 traditional agents active against priority pathogens, of which 6 are innovative and only 2 innovative agents target crucial Gram-negative bacteria.

Once new drugs enter clinical trials, the likelihood of approval remains low, since only approximately one in six new drugs successfully passes all clinical trial stages and is ultimately approved for patient use (Outterson, 2021b). Within this small set of novel antibiotics in development, only a few are likely to reach the market (WHO, 2022b). There is no consensus on the number of novel antimicrobials that are needed, and the Panel underscored that this is an important research gap. In the absence of such an estimate, various research groups have made different assumptions. For example, O’Neill (2016) posited the need for 15 new antibiotics within the decade, including at least 4 novel drugs, while Towse and Silverman Bonnifield (2022) suggested that 18 over three decades is a plausible estimate.

There are also unmet needs in the antifungals space. No new classes of antifungals have been approved in the past two decades, and only one new drug was approved at all in the past decade (Hoenigl et al., 2021). The spread of a newly identified multi-drug resistant fungal pathogen, Candida auris, is particularly concerning given the extent of drug resistance it displays and the limited treatment options available (CDC, 2017; Forsberg et al., 2019). There are several promising new antifungal classes in clinical development, some with novel mechanisms of action, but gaps remain, and further efforts and research are warranted (Hoenigl et al., 2021).
2.2 Canadian Market Conditions

While global scientific and market challenges contribute to the lack of antimicrobials being developed and marketed, as noted in Chapter 1, Canada also compares unfavourably to other high-income countries when it comes to antimicrobial availability (Figure 2.2). This lack of access poses risks to people in Canada with resistant infections, as AMR is already contributing to illnesses and deaths across the country (CCA, 2019).

![Figure 2.2 Availability of Novel Antibiotics by Country](source)

The number of novel antimicrobials that have received approval and commercially launched in 14 high-income countries between 2010 and 2019. Outterson et al. (2021) reported that two new drugs were launched in Canada during this period, however, a third drug (dalbavancin) was brought to the Canadian market in 2022 (Paladin Labs, 2022).
Canada lags behind other countries with respect to access to existing novel antibiotics

Canada has less access to novel antibiotics compared to similar high-income countries, including France, Germany, Sweden, and the U.K. Only 3 of the 18 new antibiotics that entered the global market between 2010 and 2019 are marketed in Canada as of May 2023 (HC, 2023b). A further two have received regulatory approval but have not entered the Canadian market (HC, 2023b). Thus, 15 of these 18 recent drugs are only available through specialized pathways, such as the Special Access Programme (SAP) (Box 2.2) or the urgent public health need pathway (HC, 2023a). In comparison, Sweden and the U.K. commercially launched 10 and 11 of the new antibiotics, respectively (Outterson et al., 2021). While not all of the 18 antimicrobials will bring significant value to Canada, 4 are on the WHO’s 2021 list of “essential” drugs (WHO, 2021a). It is important to note that Canada currently does not have access to them.

Box 2.2 Special Access Programme (SAP)

Health Canada’s SAP enables access to drugs that are not available for sale in Canada via requests from healthcare professionals treating “serious or life-threatening conditions where conventional treatments have failed, are unsuitable, or unavailable” (HC, 2022c). SAP criteria limit use to patient-specific requests or potential emergencies (HC, 2022c). Requests from physicians are made to Health Canada and are reviewed within 24 hours of the request (HC, 2022b).

Novel antibiotics and their accompanying diagnostics are often not brought to the Canadian market (Burrows et al., 2021). A review of SAP data between 2016 and 2021 by Burrows et al. (2021) found that “novel antibiotics are rarely requested compared to older drugs not approved in Canada.” The Panel noted that this lack of requests may be due to the following: (i) given the urgent and life-threatening nature of some resistant bacterial infections, prescribers may choose not to submit a request because the drug would not be received quickly enough, and (ii) without Canadian approval and market launch, clinicians do not have knowledge of such drugs or experience with them.
Market fragmentation and the cost of doing business can discourage manufacturers from bringing novel antimicrobials to Canada

The need to apply for distinct regulatory approval for the Canadian market, compared with the consolidated marketing approval process through the European Medicines Agency (EMA), might explain some of the disparity between availability in similar-sized European countries and Canada (Outterson et al., 2021). Manufacturers may choose to prioritize larger markets, including the U.S. or the E.U., where one approval process provides a larger potential return on investment. Submission for regulatory approval in Canada for new drugs tends to lag behind submissions to the E.U. and U.S. (Shajarízadeh & Hollis, 2015).

There are several key steps in the process of approving a new drug and then maintaining it on the Canadian market (Figure 2.3). Market authorization is the first step. The fee for submitting drugs to Health Canada for regulatory approval is approximately $565,000,11 but applicants may incur other costs relating to legal fees and preparing the necessary documentation (HC, 2023c). Health Canada has implemented several approaches to support innovative drugs through the regulatory process including priority review (which reduces the approval process from 355 business days to a target of 180 days) and notice of compliance with conditions (that is, authorization contingent on additional clinical trials being conducted once the drug is on the market) (HC, 2007, 2009; Burrows et al., 2021). In 2021, Health Canada updated their Pathogens of Interest list, which outlines pathogens with limited or unavailable treatment options and, therefore, areas requiring the greatest innovation in drug development (HC, 2021d). Drugs developed to treat these pathogens can be eligible for priority review.

11 On a per capita basis, this cost is high relative to those charged by the U.S. FDA and the EMA (EMA, 2023a; FDA, 2023a).
Each of the five stages outlined above has distinct considerations and involves different actors, including government agencies, different orders of government, industry, and healthcare providers.

CADTH — Canadian Agency for Drug and Technologies in Health
INESSS — Institut national d’excellence en santé et en services sociaux
pCPA — pan-Canadian Pharmaceutical Alliance
PMPRB — Patented Medicine Prices Review Board
Overcoming Resistance

Following regulatory approval, community-based and out-patient medicines undergo HTA review through the Canadian Agency for Drugs and Technologies in Health (CADTH) and, in Quebec, the Institut national d’excellence en santé et en services sociaux (INESSS) to determine whether the drug should be reimbursed by public drug plans (CADTH, 2020; INESSS, 2021b). Exclusively hospital-based medicines are reviewed by INESSS as a matter of course but not so by CADTH (Gov. of QC, 2010; CADTH, 2020). Outside of Quebec, hospital pharmacy and therapeutics committees make decisions about which drugs to include in hospital formularies, creating variability across institutions (CADTH, 2015). Hospital budgets are one factor influencing the inclusion of new drugs on hospital formularies (Burke et al., 2016). A separate process exists for private drug plans, which cover many community-based medicines.

The application fee for the standard CADTH review process is roughly $80,000, while more complex reviews or drugs with broader implications for the healthcare systems may require a higher payment (CADTH, 2022b). In Quebec, the initial evaluation of a new drug by INESSS costs roughly $60,000 (INESSS, 2021a). Following HTA review processes, manufacturers enter collective pricing negotiations with the pan-Canadian Pharmaceutical Alliance (pCPA), which, as an additional step in the process, can provide a further deterrent to bringing drugs to Canada (Burrows et al., 2021). They must then proceed with provincial listing agreements with each province and territory separately once the negotiation with pCPA has been successfully completed (pCPA, 2019). In addition, manufacturers may have to negotiate with private drug plans for drugs prescribed in the community. Smaller drug manufacturers may not be able to invest in sales representation across the whole country (HC, 2022a). Foreign corporations can struggle to establish themselves in the Canadian market without a pre-existing presence, while SMEs struggle to establish a national workforce with the expertise to effectively operate across Canada's multijurisdictional healthcare landscape (Canadian Antimicrobial Innovation Coalition, personal communication, 2023). The prices of patented medicines are also subject to oversight by the Patented Medicine Prices Review Board (PMPRB, 2018), and price ceilings may deter prospective market entrants (Canadian Antimicrobial Innovation Coalition, personal communication, 2023).

Following approval in Canada (as with other countries), the manufacturer must promptly report serious adverse drug reactions or unusual effectiveness failures of new drugs should they occur (HC, 2019; Nicol, 2019). Furthermore, each year, manufacturers must submit to Health Canada a critical analysis of adverse reactions to each of their drugs (Nicol, 2019). Combined, the expertise and expense required to navigate the Canadian system may disincentivize smaller companies.
from bringing their drugs to Canada, causing them to delay or abstain from market entry (Shajarizadeh & Hollis, 2015). In some instances, the costs of market launch are expected to exceed any revenues that could be earned (Burrows et al., 2021; Boluarte & Schulze, 2022; Canadian Antimicrobial Innovation Coalition, personal communication, 2023).

Global and Canadian-specific market challenges result in a lack of access to antimicrobials, which is causing harm in Canada and disproportionately impacting vulnerable groups

The CCA’s Expert Panel on the Socio-Economic Impacts of Antimicrobial Resistance in Canada estimated that, in 2018, there were roughly one million bacterial infections in Canada, about one quarter of which were resistant to first-line treatments (CCA, 2019). Among the 14,000 deaths that followed a resistant infection, over 5,000 of these were directly attributable to resistance (CCA, 2019) (Figure 2.4).

While AMR is a risk for everyone in Canada, some populations — including people who are immunocompromised — are disproportionately at risk of infection (reviewed in CCA, 2019). For example, invasive fungal infections are more likely to affect patients with cancer, patients with HIV/AIDS, organ transplant recipients, and populations that are immunocompromised or severely ill (WHO, 2022c). Socioeconomic factors that are associated with increased risk of certain types of bacterial infection include living in remote or Indigenous communities, overcrowded living conditions, and incarceration (King et al., 2022). A full understanding of how these risk factors translate to risk of resistant infection is lacking due to an absence of data (CCA, 2019; King et al., 2022).

Some demographic groups face increased risks of specific types of resistant infections. Indigenous people face elevated risks of MRSA while also contending with persistent health disparities (Muileboom et al., 2013; Loewen et al., 2017). Crowded housing and a lack of clean water, which disproportionately affect Indigenous people in Canada, contribute to the spread of infectious diseases (Cecco, 2021; StatCan, 2022). Furthermore, antibiotic resistance genes have been identified in source water samples from First Nations communities in Canada (Fernando Dinesh et al., 2016; Mi et al., 2019).
In 2018, there were approximately 980,000 bacterial infections in Canada.

- **Resistant Infections** (n = 250,000): 14,000 people died.
- **Susceptible Infections** (n = 730,000): 30,000 people died.

Of these 14,000 deaths:

- 4 in 10 would not have occurred if the infection was susceptible to first-line antimicrobials.

**Figure 2.4 Bacterial Infections and Resulting Deaths in Canada, 2018**

Susceptible and resistant bacterial infections in Canada and their associated mortality estimates in 2018.
Any pull incentive that is developed for Canada should consider how populations at greater risk of infection or negative health outcomes would be served by such a policy mechanism. Ensuring access to safe and effective antimicrobials for Indigenous communities is important to factor into the implementation of a Canadian pull incentive. The *Pan-Canadian Action Plan on Antimicrobial Resistance* calls for “collaboration with Indigenous partners to co-develop AMR actions that recognize the unique cultures, contexts, needs and priorities of First Nations, Inuit and Métis Peoples” (PHAC, 2023). The Truth and Reconciliation Commission called on the federal government to close health gaps between Indigenous and non-Indigenous communities and consider indicators such as “chronic diseases, illness and injury incidence, and the availability of appropriate health services” (TRC, 2015b).

More generally, Canada’s large geographic area can disrupt timely access to necessary medications in rural and remote communities. Public healthcare policy, funding, and provisioning often focuses on urban centres, forcing those living in more remote areas to travel long distances to access public health services (Probst *et al*., 2019; Bailey *et al*., 2021). This tendency toward “structural urbanism” in healthcare results in disproportionately detrimental health outcomes in rural communities (Probst *et al*., 2019). Rurality may impede timely diagnosis and prescription of antimicrobials. Numerous socioeconomic factors also intersect with rurality when determining health risks, including income and education levels (Probst *et al*., 2019). Acknowledging the existence of structural urbanism within Canadian healthcare systems, and focusing on implementation policies that limit this bias to the extent possible, is an important consideration for any pull incentive that seeks to enhance access to new antimicrobials for all people in Canada.
Incentivizing Enhanced Antimicrobial Development and Deployment

3.1 Pushing Antimicrobial R&D and Pulling Novel Antimicrobials to Market

3.2 Pull Incentive Options
Chapter Findings

- Both push and pull incentives are needed to increase Canadian access to novel antimicrobials, but to date, more progress has been made in deploying push incentives.
- Access and stewardship requirements, payment level, and certainty for incentive providers and recipients are all important design considerations for pull incentives.
- Among pull incentives, subscriptions and annual revenue guarantees hold the most promise for revitalizing the market for antimicrobials.

There is growing international recognition that non-traditional market incentives are needed to develop and make available novel antimicrobials given the unique challenges of bringing these drugs to market. This need is greater in markets such as Canada that already experience limited access to existing antimicrobials. Internationally, both public and private interests have recognized these challenges and moved to bolster the antimicrobial pipeline. Significant efforts have been made in the last five years to study and recommend incentives suitable to stimulate antimicrobial innovation. Generally, these incentives are financial by design and target the innovation continuum as either a push incentive during R&D, or as a pull incentive during commercialization (Årdal et al., 2018; Morel et al., 2020).

3.1 Pushing Antimicrobial R&D and Pulling Novel Antimicrobials to Market

To support a sustained pipeline for new antimicrobials, incentives provide solutions to both scientific and market hurdles. Push incentives promote R&D in the antimicrobial space and pull incentives promote antimicrobials coming to market by providing enhanced revenue prospects, which can also support R&D. The Pan–Canadian Action Plan on Antimicrobial Resistance notes the importance of both push and pull incentives for antimicrobial innovation (PHAC, 2023).
Push incentives promote antimicrobial R&D, providing the building blocks for future drugs that can move through the pipeline

To date, there has been more focus on upstream measures that provide capital to support antimicrobial R&D (i.e., push incentives). For example, CARB-X is a global non-profit public-private partnership that funds the early development of antibiotics (CARB-X, 2022b). It focuses on the early stages of antibiotic development (from early preclinical development through to phase 1 clinical trials) when R&D projects are most promising, but drug developers are most vulnerable (CARB-X, 2022b, 2023c). In addition to grants, CARB-X also provides scientific, technical, and regulatory support (CARB-X, 2019, 2022b). So far, it has supported 92 projects with over $400 million in grants and technical assistance, accelerating 18 of them to reach or surpass first-in-human trials (CARB-X, 2022a, 2022b).

An example positioned downstream of CARB-X is the Global Antibiotic Research & Development Partnership (GARDP), developed by the Drugs for Neglected Diseases initiative and the WHO, which focuses on development and initial deployment and access in low- and middle-income countries (GARDP, 2022b). This is achieved using a range of financial tools, including investing in, and partnering with, for-profit drug developers rather than issuing grants (GARDP, 2019, n.d.). Additional discussion of push incentives and antimicrobial resistance (AMR) research funding more broadly is provided in Section 6.1.

Pull incentives are a promising strategy to bring novel antimicrobials to the Canadian market

In the event of a widespread outbreak of an antimicrobial-resistant infection, the pharmaceutical industry would face better market prospects for developing new antimicrobials and may invest accordingly. However, the Panel underscored that the delays associated with waiting for an outbreak would impose unacceptable costs on society. Pull incentives enable the successful development of new antimicrobials by providing an improved return on investment or guaranteed revenue (Årdal et al., 2017).
Chatham House (2015) notes that “the timing of the incentive in the product development cycle will influence what type of company or research institution will respond to the incentive.” Pull incentives can work in tandem with push incentives to comprehensively support the development and use of novel antimicrobials (Figure 3.1). Ultimately, push incentives are key to motivating early-stage discovery work. While pull incentives can also act in this area, they play a critical role in enabling the successful commercialization of these discoveries and allow healthcare providers and patients to gain access to these important drugs. A combination of push and pull incentives are required to increase antimicrobial R&D (DRIVE-AB, 2016; O’Neill, 2016; Outterson, 2021b). The prospects for a Canadian pull incentive are the focus of the remainder of this report.

**Figure 3.1 Funding Incentives along the Antimicrobial Innovation Continuum**

Push incentives encourage antimicrobial R&D, fund clinical trials, and can improve the success of pull incentives. While pull incentives are only awarded following market approval of qualifying novel antimicrobials, they improve the commercialization prospects and thus indirectly improve support for upstream R&D.
3.2 Pull Incentive Options

Various pull incentives have been studied or launched over the last decade (Outterson et al., 2015; Årdal et al., 2017). The Panel reviewed a range of pull incentive policies, including patent protections, vouchers, higher unit prices, subscriptions, and annual revenue guarantees (ARGs), and concurred with the emerging global consensus that subscriptions and ARGs hold the most promise for appropriately incentivizing the market availability of novel antimicrobials (e.g., Årdal et al., 2018; Outterson, 2021b). In the emerging field of pull incentives research, terminology has varied across projects and over time. For clarity and consistency, this report uses the terminology of Table 3.1 wherever possible.

Table 3.1 Features of Pull Incentives

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3.2.1 Most Promising Pull Incentive Options

Subscriptions and ARGs are two slightly different versions of delinked incentives, meaning they decouple reimbursement from sales volumes. Both have been piloted, as subscriptions in the U.K. and as ARGs in Sweden. While these pull incentives were developed to reflect specific national contexts with their own program objectives, in the Panel’s view, both can provide valuable insights for developing comparable proposals in Canada. The U.K. pilot was implemented solely within England (excluding Wales, Scotland, and Northern Ireland) and aimed to improve the market conditions for antibiotics by offering a relatively high payment level (via subscription). Conversely, the Swedish pilot aimed to bring existing novel antibiotics (already approved by the EMA) to its market though an ARG and offered a relatively low payment level (PHAS, 2020; NICE, 2021; Brennan et al., 2022).
Incentivizing Enhanced Antimicrobial Development and Deployment | Chapter 3

Subscriptions and ARGs are the most promising pull incentives because they pay for guaranteed access to important new antimicrobials

Subscriptions provide consistent annual payments to manufacturers, regardless of sales volume (Outterson, 2021b). For example, the U.K. pilot subscription paid manufacturers for access to a supply of specific high-value antimicrobials.

Two antibiotics were selected through a competitive tender — ceftazidime/avibactam and cefiderocol. The companies providing these drugs both receive a fixed annual income that is not contingent on sales (not exceeding £10 million per drug, approximately $17 million) (Brennan et al., 2022). In the U.S., the Pioneering Antimicrobial Subscriptions to End Upsurging Resistance (PASTEUR) Act, proposed in Congress in 2021, is also built on a subscription model (U.S. Congress, 2021).

In contrast, ARGs ensure annual income in exchange for secured supplies of a new antimicrobial, but also permit additional sales that may generate additional revenue (PHAS, 2020). In 2019, Sweden began its ARG pilot program to secure access to specific novel antibiotics in hospital settings (PHAS, 2020). The Government of Sweden guaranteed a revenue of SEK 4 million (approximately $600,000) for each antibiotic that met its preset criteria. Five antibiotics qualified (PHAS, 2020). Japan is also in the early stages of developing an ARG pull incentive (MHLW, 2023).

The Panel underscored that subscriptions and ARGs share many characteristics and converge almost entirely when the revenue guarantee is set at a level expected to stimulate innovation (Table 3.2). In this case, the difference between the two depends on who pays and who benefits when demand is high. In an ARG, the manufacturer is compensated for each additional unit sold, whereas in a subscription, the contract would likely need to be renegotiated. When set at a level expected to stimulate innovation, these pull incentives are anticipated to provide adequate investor certainty to bring private capital to this space, yielding a desirable multiplier effect (Brennan et al., 2022).
In both models, manufacturers can be held to contractual requirements that support stewardship objectives (Årdal et al., 2021; NICE, 2022a, 2022e). These models can also be designed to support adequate, timely, and equitable access to novel antimicrobials, as has been done in the U.K. and Sweden (NHS, 2020b; PHAS, 2020). For example, in the Swedish program, recipients are held to the following standards:

- deliver requested drugs to hospitals within 24 hours;
- hold stock in Sweden equal to double the previous quarter’s sales, or at least two weeks’ worth of treatment (whichever is greater) for each Swedish acute hospital;
- report quarterly sales and deliveries;
- demonstrate capacities in terms of warehousing, delivery, and reporting; and
- accumulate the required stock within three months after the initiation of the contract (and demonstrate the presence of stock before receiving compensation) (PHAS, 2020).
3.2.2 Other Types of Pull Incentives
Patent extensions, vouchers, and higher unit prices were found to have weaker prospects for confronting the current market challenges.

**Patent protections do not provide a sufficient incentive to motivate the private sector**
Since 2017, Canada has issued patent extensions of up to two years for new drugs, as part of the Canada–European Union Comprehensive Economic and Trade Agreement (HC, 2017a). Despite this supplementary patent protection, few of the new antibiotics that entered the global market between 2010 and 2019 were marketed in Canada as noted in Chapter 2 (Outterson, 2021b). Modelling of the impact of five-year patent extensions has also found that this type of incentive is insufficient to bring novel antibiotics to the market (Towse *et al*., 2017).

Patent protections also encourage manufacturers to promote sales, which can run counter to stewardship principles necessary to combat AMR (Schulman, 2009). When robust antimicrobial stewardship programs are in place, patent protections do little to improve market accessibility and availability, since sales for antibiotics remain low during an extended exclusivity period¹² given the slow growth in the uptake of antibiotics (Chatham House, 2015; Årdal *et al*., 2018). Furthermore, the benefits of patent extensions accrue at the end of the standard patent period, and pharmaceutical companies discount these distant, uncertain benefits in their financial analyses (Kesselheim & Outterson, 2010; Chatham House, 2015).

**Voucher models create considerable financial uncertainty and do not guarantee access**
Vouchers are awards given to companies that bring an innovative antimicrobial to market (Årdal *et al*., 2018). In contrast to the antimicrobial-specific patent protection described above, transferable exclusivity vouchers allow manufacturers to extend the exclusivity of any one of their highest-earning drugs, or to sell the voucher to another patent holder (Årdal *et al*., 2018; Dutescu & Hillier, 2021). Transferable exclusivity vouchers can also vary significantly in the compensation they provide, as the value of a one-year extension would be based on the annual sales of the bestselling — yet soon-to-become generic — drug in a particular market (Outterson & McDonnell, 2016). Such vouchers could motivate antimicrobial

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¹² Patents on new drugs provide manufacturers with an *exclusivity period* during which competitors cannot sell the same drug. After patents expire, drugs can be made generic, and competition often results in substantial decreases in drug costs (HC, 2021a).
innovation, but at an unpredictable and potentially high cost for governments and healthcare systems. As Outterson et al. (2007) noted, “a 2-year ... patent extension on the top ten selling drugs would protect more than $125.3 billion in global annual sales from generic competition.” However, such vouchers have yet to be implemented, and there is ongoing debate about the true costs of such an approach (Dubois et al., 2022; Gov. of the Netherlands, 2022). Analyses by Dubois et al. (2022) suggested that the costs of vouchers are commonly overestimated. They propose setting a fixed price for the voucher, inviting prospective buyers to bid based on the length of extension, and awarding it to the bidder demanding the fewest years of extension (Dubois et al., 2022).

Vouchers have been criticized for failing to ensure access and affordability, and for the uncertain costs they would impose on healthcare systems (Anderson et al., 2022; Gov. of the Netherlands, 2022; Årdal et al., 2023). They have further been criticized for their inability to accurately align the size of compensation offered to the clinical value of the novel antimicrobial, though adjusting the length of the exclusivity extension provides some scope for this (Anderson et al., 2022; Dubois et al., 2022). Vouchers may also be unpopular with the public and could even be considered unethical, since antimicrobial drug costs are absorbed by patients who require access to whichever drug has not become generic due to the voucher (Outterson & McDonnell, 2016; Årdal et al., 2018; HC, 2022a). As well, because a voucher represents a one-time payment, it would be difficult to rescind the benefit if a novel antimicrobial did not continue to comply with the expectations of the incentive program (Årdal et al., 2018).

Despite these critiques, vouchers have been widely discussed in the European context as they strengthen the business case for investing in antimicrobial development, do not require upfront funding, and may be more feasible to implement across the E.U. as compared to subscription or ARG incentives (EFPIA, 2021; Dubois et al., 2022; European Commission, 2023). In the E.U., vouchers are seen as complementary with other initiatives, such as country-level health technology assessments (HTAs) and reimbursement reforms (EFPIA, 2021). The pharmaceutical industry in Europe views vouchers as a viable incentive model (EFPIA, 2021). In May 2023, the European Commission recommended an antimicrobial voucher program as a part of their revised pharmaceutical legislation (European Commission, 2023).
Higher unit prices at expected sales volumes do not generate profitable markets

It is relatively simple to offer a greater per-unit payment for novel antimicrobials — an approach currently used in France and Germany (Gotham et al., 2021). In Germany, the use of non-inferiority clinical trials (Section 2.1) results in an automatic reimbursement price equal to the reimbursement price of comparator antibiotic(s), which are generic. Recognizing that antibiotics may have greater value than clinical evidence demonstrates, France and Germany allow their manufacturers to justify higher prices. For example, in Germany an antibiotic may be classified as a “reserve” drug, meaning that its unit price is determined via negotiation (Dagmar Reitenbach, personal communication, 2022). At the end of 2022, four patented drugs had qualified as reserve antibiotics (Dagmar Reitenbach, personal communication, 2022).

In France, special provisions have been established for antibiotics comprising new active substances to ensure they are purchased at a price at or above the lowest payment level across Germany, the U.K., Italy, and Spain (CEPS & Leem, 2021). Companies can also make the case that a higher price is warranted (CEPS & Leem, 2021). Within the hospital setting, there are special provisions for new high-cost antibiotics, which qualify these drugs for separate reimbursement (ATIH, 2023). The higher unit price model creates affordability and access issues in low- and middle-income countries and could create the same issues in Canada in outpatient settings for people lacking drug coverage (O’Neill, 2015a). This model also gives the sponsoring companies a financial incentive to increase unit sales (Chatham House, 2015).
Uncertainty around the revenues generated with high-cost antimicrobials stems from the unknown prevalence of future infections. As Towse et al. (2017) summarized:

*High growth in pathogen prevalence and hence drug use would produce high costs for hospitals in areas where outbreaks occurred which required the use of high-cost antibiotic treatments, exposing local healthcare systems to considerable financial risk. This risk of significant financial burden could act as a barrier to use of a new antibiotic during an outbreak ... Meanwhile low growth in pathogen prevalence and low drug use would produce insufficient lifetime manufacturer revenue to drive investment in future antibiotics.*

New antibiotics are subject to stringent usage restrictions to support effective stewardship, which further destabilizes this financial model and creates a need for even higher prices (Towse et al., 2017).

Getting the design right is essential to the success of any pull incentive

Table 3.1 summarizes the strengths and weaknesses of the pull incentive options reviewed above, underscoring the promise of subscriptions and ARGs. Both subscriptions and ARGs can be customized to navigate the complex landscape of healthcare systems in Canada. Each can provide a sufficiently large incentive to entice novel antimicrobials to the Canadian market and even incentivize R&D and the commercialization of future novel antimicrobials. Using predetermined criteria, they can be scaled so that the most impactful novel antimicrobials receive the highest payment (outlined in Section 5.3). Both models can be fine-tuned to the needs of the country, the benefits of a specific novel antimicrobial, and the appropriate compensation level.

All of the approaches reviewed above have been criticized for transferring large sums of money to the pharmaceutical industry for drugs that have not demonstrated superiority to existing treatments, particularly for patients lacking other treatment options (Fugh-Berman et al., 2022; Glover et al., 2022; Ramachandran & Powers, 2022). Critics note that, for some of the novel antimicrobials that have not experienced commercial success in recent years, failure is more attributable to their lack of effectiveness in treating patients (and thus low prescribing rates), rather than the problems of the antimicrobial market (Ramachandran & Powers, 2022). The design of clinical trials may exclude important patient groups or cover few patients with resistant infections (Fugh-Berman et al., 2022). Relatedly, the design of clinical trials may also fail to offer prescribers adequate assurance of the utility
(and superiority) of these drugs in meeting patient needs (Ramachandran & Powers, 2022). Pilot pull incentives have funded drugs that — while offering important utility — are arguably not as novel as the hypothetical future drugs needed to effectively confront the challenge of rising AMR (Glover et al., 2022). Thus, ensuring appropriate safeguards of public funds, establishing mechanisms that continue to gather evidence over time, and adjusting payments accordingly are important design considerations for pull incentives and are discussed in subsequent chapters.
The Costs and Benefits of a Pull Incentive

4.1 Value: The True Worth of Novel Antimicrobials

4.2 Influencing Market Entry: Scale of Incentive

4.3 A Clear Case for Incentivizing Antimicrobials
Chapter Findings

- Antimicrobials are extremely valuable to both individual patients and healthcare systems. They provide prophylactic and active treatment options to protect society against the risks of infections.
- There is growing consensus that the value of novel antimicrobials to the public exceeds the costs of incentivizing their development.
- In order to pay its fair share of a global pull incentive, Canada would need to contribute an average of $14.5 to $18 million per year per novel antimicrobial for 10 years.

Research suggests that the societal value of novel antimicrobials far exceeds the costs of incentivizing their development. Calibrating the appropriate incentive level is a fundamental part of designing successful subscriptions and annual revenue guarantees (ARGs). There is a significant difference between the incentive level needed to gain access to antimicrobials that already exist but are not currently approved or available in Canada, and the level needed to motivate the research, development, and commercialization of new drugs.

4.1 Value: The True Worth of Novel Antimicrobials

Understanding the value of antimicrobials is critical when assessing the case for pull incentives. While the myriad values of antimicrobials are widely recognized, the quantification of these values is still in its infancy.

4.1.1 Use and Non-Use Values

Antimicrobials provide important benefits to patients and society. They reduce patient morbidity and mortality, which, in turn, helps the community by allowing patients to resume their work and family lives (Karlsberg Schaffer et al., 2017). However, the benefits of antimicrobials extend far beyond these immediate impacts, in ways that set them apart from other drugs (Figure 4.1). These include reducing infectious disease transmission, protecting against the risk of future infection outbreaks, and making medical interventions safer.
Figure 4.1 The Value of Novel Antimicrobials

Novel antimicrobials aim to provide benefits for patients by reducing morbidity and mortality. These benefits in turn reduce costs to healthcare systems. By improving health, patients and caregivers can more quickly return to the workforce, leading to economic benefits for society (Karlsberg Schaffer et al., 2017). Novel antimicrobials also create a range of wider benefits referred to as STEDI values: spectrum, transmission, enablement, diversity, and insurance (Outterson & Rex, 2020).

Antimicrobials have an exceptionally high value as routine, yet life-saving therapies

As John H. Rex, a Panel member, physician, and drug developer specializing in antimicrobial resistance (AMR), has stated:

*If antibiotics would be appreciated as being equivalent to anticancer drugs — but curative! — we would have no trouble ascribing a value equal to many years of life regained. However, as antibiotics have been so effective since at least the 1950s, most adults do not realize that a seemingly simple pneumonia or skin infection could be fatal.*

Årdal et al. (2020)
Data from the U.S. show that infectious diseases caused 797 deaths per 100,000 in 1900, and that number decreased to 36 deaths per 100,000 by 1980 (Armstrong et al., 1999). While the reasons for this decline are complex, the advent of antibiotics is widely agreed to have played a key role (Hinman, 1990; Armstrong et al., 1999; Adedeji, 2016). The CCA (2019) found that, in 2018, first-line antibiotics saved at least 17,000 lives in Canada, while enabling $6.1 billion in domestic economic activity. As the rate and extent of AMR increases, so too will the value of effective antimicrobials.

Antibiotics have many special values that set them apart from other drugs

The positive societal values associated with antibiotics are summarized in the acronym STEDI (spectrum, transmission, enablement, diversity, and insurance). The use of STEDI as an acronym first appears in Outterson and Rex (2020), based on the work of Karlsberg Schaffer et al. (2017) and Rothery et al. (2018). Each of these values highlight a distinct attribute associated with antibiotic drugs.

• **Spectrum:** When existing broad-spectrum antibiotics are replaced with new narrow-spectrum ones, fewer beneficial, naturally occurring bacteria in the human body are killed, and less AMR evolves across the microbiome (Karlsberg Schaffer et al., 2017).

• **Transmission:** Antibiotics create value when they suppress or reduce the spread of a given pathogen (Karlsberg Schaffer et al., 2017).

• **Enablement:** Antibiotics support the delivery of a wide range of treatments and procedures such as surgeries, organ transplants, and chemotherapy. In the absence of effective antibiotics, many of these interventions would be deemed too risky to pursue (CCA, 2019). Patients who undergo these interventions without antibiotics could have worse health outcomes due to increased rates of infection, which lead to increased morbidity and mortality (Teillant et al., 2015).

• **Diversity:** When used in the treatment of a given pathogen, novel antibiotics that are distinct from existing antibiotics slow the evolution of resistance, thereby maintaining the value and usefulness of existing drugs (Karlsberg Schaffer et al., 2017). Karlsberg Schaffer et al. (2017) introduced the term “novel action value” to describe a related concept — “the potential value associated with an antibiotic having a new or unique mechanism of action or representing a new chemical structure, i.e., first in class, which will provide ‘spillover benefits.’”
• **Insurance**: Novel antibiotics are valuable even when not used as stocking them in the event of an outbreak offers public health insurance (Karlsberg Schaffer *et al.,* 2017; Rothery *et al.,* 2018). Rothery *et al.* (2018) note two components of this insurance value: the conservation value of reserving drugs for future needs and the value of avoiding catastrophic outcomes in the event of an outbreak.

When it comes to novel antimicrobials, insurance is a particularly important value

The availability of antibiotics provides a general measure of protection and security for society and allows modern medical care to continue as expected (Rex & Outterson, 2016). Rex and Outterson (2016) consider the development and deployment of antibiotics to fight infections as analogous to preventing and fighting fires. In this analogy, infections act as a quickly spreading fire. The availability of a water supply (antibiotics) and firefighters (medical personnel) must be secured before the outbreak of a fire. This example illustrates the insurance value of antibiotics, akin to the value of a fire department, even if the potential epidemic (or fire) never occurs. The COVID-19 pandemic has only served to underscore the insurance value of effective medical repositories. The negative impacts of a widespread, untreatable, transmissible illness on individuals, communities, and economies have been keenly felt since early 2020, and effective therapeutics and vaccination programs were instrumental in reducing mortality (Jabłońska *et al.,* 2021; Najjar-Debbiny *et al.,* 2023).
4.1.2 Estimating the Value of Novel Antimicrobials

Existing approaches to drug valuation do not adequately capture the value of antimicrobials and have contributed to the market failures that characterize this sector (Section 2.1).

Many of the benefits of novel antimicrobials are under-valued in standard health technology assessments (HTAs)

When decision makers consider funding a new drug, they typically compare the costs and impacts of the new drug with those of existing drugs used for the same treatment. The Canadian Agency for Drugs and Technologies in Health (CADTH) recommends reimbursement when a new drug provides “comparable or added clinical benefit and acceptable cost/cost-effectiveness relative to one or more appropriate comparators” (CADTH, 2020). Many of the antibiotics healthcare systems routinely rely on today were discovered decades ago, are relatively cheap to produce, and are no longer under patent. As a result, their purchase cost is very low (Gov. of ON, 2022). Additionally, using an antibiotic for infections other than those for which it is indicated for use is common. This can contribute significantly to its overall value but is not recognized in standard HTAs (Karlsberg Schaffer et al., 2017). This approach falls short when it comes to new antibiotics as it excludes STEDI attributes. As a result, HTAs tend to underestimate the true value of novel antibiotics.

Many have argued for an expanded approach to valuation that considers the broader societal values of novel antibiotics, including their impact on future rates of AMR at the national level (e.g., Årdal et al., 2018; Colson et al., 2021). However, it can be difficult to demonstrate the additional benefits and value provided by novel antimicrobials given the limitations of clinical trials in this area. The National Institutes for Heath and Care Excellence (NICE), as part of the U.K. subscription pilot, is the only organization that has endeavoured to estimate the full value of antimicrobials across all STEDI attributes (Box 4.1). The estimates were calculated using economic modelling together with committee deliberations. The Institut national d'excellence en santé et en services sociaux (INESSS, 2016) evaluation of ceftolozane/tazobactam also took a wider approach to estimating value. While noting that the drug is not cost-effective when considering the clinical benefits only, they ultimately recommended using the drug in a limited set of circumstances based on the value it provides at the population level. These included the value of diversifying treatment options, as well as making available one of the few antibiotics effective in treating drug-resistant Gram-negative infections (INESSS, 2016).
Box 4.1 Estimates of the Value of Novel Antimicrobials

Quality-adjusted life years, or QALYs, are widely used to compare the cost-effectiveness of drugs, capturing both morbidity and mortality (Jaswal, 2013; NCCPH, n.d.). Cost-effectiveness analyses estimate the incremental costs of achieving one extra year of health (one QALY) using a specific drug compared to one or several alternative treatments (measured in dollars per QALY) (Jaswal, 2013). This comparison allows decision makers to determine whether the health gains from a new drug are equal to or greater than the health gains foregone by reduced spending on an existing drug (Claxton et al., 2008). HTAs in Canada and elsewhere present outcomes in QALYs as a metric of comparison (CADTH, 2017; NHS, 2021a). In the U.K. subscription pilot, NICE estimated the full public health value of two antibiotics in QALYs. However, cost-effectiveness analyses (cost per QALY) were not included, as no assumptions on the price of the novel antimicrobials were made.

The table below summarizes the results of the NICE HTA for the two novel antimicrobials funded through its pull incentive subscription pilot: ceftazidime-avibactam and cefiderocol (NICE, 2022a, 2022b, 2022c, 2022e). For both drugs, estimates suggest a value to society in the hundreds of millions of pounds over the course of 20 years. The implied annual value also indicates that a maximum annual contract payment of £10,000,000 (Leonard et al., 2023) provides good value for money. A breakdown of the QALYs across areas of benefit was not provided.

(Continues)
### Table: Costs and Benefits of Novel Antimicrobials

<table>
<thead>
<tr>
<th></th>
<th>Ceftazidime-avibactam</th>
<th>Cefiderocol</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health opportunity cost</td>
<td>£20,000 per QALY</td>
<td></td>
</tr>
<tr>
<td>Total QALYs per year</td>
<td>530</td>
<td>970</td>
</tr>
<tr>
<td>during 10-year contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implied annual value</td>
<td>£10,600,000</td>
<td>£19,400,000</td>
</tr>
<tr>
<td>(first 10 years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total QALYs over 20 years</td>
<td>8,880</td>
<td>16,200</td>
</tr>
<tr>
<td>Implied total value</td>
<td>£177,600,000</td>
<td>£324,000,000</td>
</tr>
<tr>
<td>(over 20 years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spectrum value</td>
<td>None: this is a broad-spectrum antibiotic</td>
<td></td>
</tr>
<tr>
<td>Transmission value</td>
<td>None (uncertain): impacts can run counter to one another, and while reduced length of hospital stay (and thus transmission) may result from using these novel antimicrobials, mortality could also be reduced, which could then increase the length of hospital stays (and thus the possibility of transmission)</td>
<td></td>
</tr>
<tr>
<td>Enablement value</td>
<td>Included (partially): freed up hospital resources; enhanced treatment of post-operative infections</td>
<td>Excluded</td>
</tr>
<tr>
<td>Diversity value</td>
<td>Excluded</td>
<td></td>
</tr>
<tr>
<td>Insurance value</td>
<td>Included (partially): explored a scenario in which a new pathogen emerges that only responds to treatment by this drug</td>
<td></td>
</tr>
</tbody>
</table>

### Estimating the value of novel antimicrobials presents a formidable methodological challenge

Use and non-use antimicrobial values are highly uncertain as they depend on the future prevalence of susceptible infections and the availability of suitable alternative treatments (Rothery et al., 2018; Morton et al., 2019). Furthermore, drugs that provide more successful treatments may reduce the length of hospital stays for some patients (and thus reduce transmission), but could conversely reduce mortality, thereby increasing the length of hospital stays for other patients (and thus increase the possibility of transmission) (NICE, 2022a, 2022b, 2022c, 2022e). Combining these additional elements of value is a challenge as there are overlapping attributes, so the values may not be additive (Neri et al., 2019).
Additional research is needed before HTA processes can routinely quantify STEDI elements of value

Estimating the full STEDI value of specific novel antimicrobials is in its infancy, and quantification challenges are pervasive. Several early efforts have been made to attach values to specific attributes of antimicrobials. Resch et al. (2006) assessed the transmission values of antibiotics, Morton et al. (2019) assessed both transmission and diversity values, and Megiddo et al. (2019) estimated potential insurance values. The enablement value of antibiotics has been assessed in the context of chemotherapy prophylaxis (Teillant et al., 2015). For the U.K. pilot, NICE acknowledged that some attributes of value were not adequately captured by its work, and that the estimates are subject to high uncertainty (NICE, 2022b, 2022c). In the Panel’s view, although STEDI values are considerable, more research, progress, and simplification are needed to quantitatively estimate QALYs associated with STEDI attributes before this type of analysis can be built into HTAs.

4.2 Influencing Market Entry: Scale of Incentive

The limited development and approval of novel antimicrobials suggests that these drugs remain under-incentivized in the global antimicrobial development pipeline, despite the worldwide problem of AMR. While a relatively small-scale incentive could help close the access gap between Canada and similar high-income countries for existing novel antimicrobials, it would not adequately confront the challenge of creating a sustainable global market going forward (i.e., support a more active pipeline for new antimicrobials). In the absence of a bigger incentive for novel antimicrobial development worldwide, it is unlikely that there will be adequate novel antimicrobials in the pipeline after existing drugs come to the Canadian market (Figure 4.2).

“While a relatively small-scale incentive could help close the access gap between Canada and similar high-income countries for existing novel antimicrobials, it would not adequately confront the challenge of creating a sustainable global market going forward (i.e., support a more active pipeline for new antimicrobials).”
Relative impact on health and welfare of people in Canada

Figure 4.2 Illustration of the Potential Contribution of Existing and Future Novel Antimicrobials Over Time

This is an illustrative depiction of the future public health impact of bringing existing versus future novel antimicrobials to the Canadian market through pull incentives. Only 3 of the 18 new antibiotics that entered the global market between 2010 and 2019 are marketed in Canada as of May 2023 (Outterson et al., 2021 & HC, 2023b). So, there is a small set of existing novel antimicrobials that could be drawn to the Canadian market through a pull incentive in the near term (blue area on the graph). However, this would provide only a partial and temporary solution to treating resistant infections. If high-income countries come together to provide a more compelling incentive that adequately stimulates investment in the research, development, and commercialization of novel antimicrobials, the pipeline for novel antimicrobials could be bolstered and a growing longer-term supply of future drugs could be encouraged (gold area on the graph).

Novel antimicrobials that exist in other markets may be enticed to the Canadian market with modest payment levels

A small incentive payment could offset the manufacturer costs of bringing existing drugs to the Canadian market, thereby allowing access to existing antimicrobials. This is the approach used by Sweden, which offers SEK 4 million per drug (approximately $600,000) (PHAS, 2020). This was sufficient to incentivize four manufacturers to participate in two-year contracts that established access to five antibiotics. The minimum guaranteed revenue is provided under a partially delinked model, allowing manufacturers the possibility to generate increased revenue from additional sales (PHAS, 2020, 2023). This is an access program, only providing compensation for the costs of bringing an existing drug to a new market — it does not stimulate innovation. While such programs provide near-term access benefits, they do not address the longer-term challenge of bringing novel antimicrobials to market.
The costs of achieving the same drug access in Canada would be higher for two reasons. First, drug manufacturers did not need to obtain regulatory approvals in Sweden, as they could rely on the existing approvals issued by the EMA. In contrast, Health Canada regulatory approval would have to be sought at a cost of roughly $565,000 per drug (HC, 2023c). Second, manufacturers would have additional costs associated with seeking regulatory approval, such as internal and legal costs, as well as the costs associated with providing a sales force, commercial distribution teams, and medical advisory services in Canada. Taken together, these add to an antimicrobial’s commercialization costs.

A higher financial incentive is required to motivate novel antimicrobial R&D

The U.K.’s pull incentive pilot program was structured to provide a much higher incentive, not only to bring novel antimicrobials to market in the short-term but to also motivate the development of new antimicrobials (Section 3.2.1). Efforts to estimate the appropriate payment to manufacturers necessary to stimulate the antimicrobial pipeline have been ongoing for a decade. A payment that is too low risks failure, because a manufacturer would not be able to recover costs and earn sufficient revenues to keep the drug on the market, leading to drug unavailability and potential manufacturer bankruptcy. Conversely, one that is too high overcompensates manufacturers, wastes public resources, generates public mistrust, and would ultimately be unsustainable (Outterson, 2021a).

Analysis of the appropriate incentive level has focused on achieving the necessary expected return on investment (ROI) in antimicrobial research, development, and deployment to motivate private sector activity. When manufacturers contemplate pursuing R&D, clinical trials, or commercialization of a novel antimicrobial, they assess the expected net present value (eNPV) of undertaking this work.13 If the eNPV is adequate, work can proceed, but when the eNPV falls short, there is no viable business case, and the project cannot attract investment. The eNPV is a function of three elements:

- **Cost, duration, and likelihood of success at each phase of development.** For example, high rates of failure in clinical trials are the norm (Hay et al., 2014; Outterson, 2021b).

- **Market revenues and expenses.** Revenues are a function of anticipated infection and resistance rates (Towse et al., 2017; Outterson, 2021b).

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13 The eNPV refers to calculating product value over an extended period, accounting for R&D expenditures in comparison to the time needed for return on investments based on revenue forecasts (Luepke et al., 2017). The eNPV is the sum of the stream of anticipated revenues and expenditures, with future gains and losses discounted accordingly.
• **Discount rate.** Expenditures today are valued more highly than revenues anticipated in a decade due to the time value of money, which reflects costs of borrowing and the expected rates of return (TBS, 2018; Outterson, 2021b). Figure 4.3 illustrates the directionality of impacts of each of these elements on the eNPV.

![Figure 4.3 Factors Influencing the Expected Net Present Value (eNPV) of a Novel Antimicrobial](image)

The ePNV of a new antimicrobial is higher when there is a greater likelihood of success and when expected revenues are higher. The eNPV is lower when there is a higher discount rate, higher development costs, greater amount of time preceding commercialization, and higher commercialization expenses.
Researchers have made various assumptions about the eNPV required to motivate investments in antimicrobial development. Both Towse et al. (2017) and Sertkaya et al. (2014) assume a threshold eNPV of US$100 million. More recent analyses have relied on a higher eNPV threshold, in the range of US$200 to US$500 million (Årdal et al., 2018). In contrast, Outterson (2021b) assumes any positive eNPV is adequate. Pull incentives are set at the level needed to improve the eNPV to the point that the project becomes viable for investors. Box 4.2 summarizes early estimates of the level of pull incentive needed to motivate adequate investment in the field, noting the corresponding push incentive scale as appropriate.

Box 4.2 Early Estimates of Requisite Global Incentives (2014–2018)

Sertkaya et al. (2014): This analysis looked at the overall incentives needed to motivate the development of drugs for six indications. The combined incentive level ranged from US$900 million (in 2012 dollars) for community-acquired bacterial pneumonia to US$1.2 billion for complicated urinary tract infections.

O’Neill (2016): This U.K. AMR Review called for pull incentives in the range of US$800 million to US$1.3 billion per drug coupled with a US$400 million per year global push incentive.

BCG (2017): This report estimated that achieving sufficient eNPV required a global pull incentive of at least a US$1 billion per drug (assuming US$500 million in push incentives per year).

Towse et al. (2017): In the absence of a push incentive, this study estimated a US$2.6 billion pull incentive, or a pull incentive of US$1.1 billion coupled with push incentives that cover half of the R&D costs.

Årdal et al. (2018): This research team concluded that, without intervention, only five novel antibiotics are expected to come to market in the next 30 years. However, offering a US$800 million partially delinked payment, or a US$1 billion fully delinked payment, could elevate the number of new antibiotics to 16. This could rise to around 20 antibiotics at a higher incentive level (US$1.5 billion partially delinked or US$1.8 billion fully delinked). The authors also noted that these payment levels could be scaled back if complementary push incentives were used. They proposed a total global payment of US$1 billion per antibiotic (partially delinked), supplemented by grant funding (a push incentive) of US$800 million per year across all drugs.
Outterson (2021b) revises many of these earlier estimates of the value required for a successful pull incentive, landing on a considerably higher estimate of the global pull incentive needed. He argues that in past evaluations:

- chemistry, manufacturing, controls, and post-approval costs were underestimated;
- preclinical success rates were overestimated;
- global peak-year sales assumptions were overestimated; and
- prices require inflation adjustments over time.

Globally, the cost of incentivizing adequate development and deployment of novel antibiotics is estimated at US$2 to US$4 billion per drug

When assuming a fully delinked model, with no concomitant enhancements to existing push incentives, Outterson (2021b) finds that the costs for bringing in and sustaining a new antibiotic on the market ranges between US$2.2 billion and US$4.8 billion, with a preferred best estimate of US$3.1 billion.\(^\text{14}\) In the Panel’s judgment, this analysis best reflects the current state of understanding as it is the most recent and comprehensive work and is heavily informed by earlier estimates. The Panel thus applied the Outterson (2021b) estimates to address the question of Canada’s contribution. These estimates may be further refined over time to capture the impact of public funding of clinical work, and to more accurately characterize the preclinical development phase (e.g., duration, likelihood of success, costs).

Given global coordination challenges and income disparities, it is likely that a relatively small number of high-income countries would need to agree to fund an adequate global pull incentive. The Panel considered two scenarios for its analysis: (i) Canada unites with the other G7 members (France, Germany, Italy, Japan, the U.K., and the U.S.), and (ii) Canada acts with both the G7 and the 27 member states of the E.U. Each country in these groups would be apportioned a *fair share* based on their share of G7 (or G7 + EU27) income. This is in line with the approach taken in the proposed

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\(^{14}\) This result assumes the acquisition of a phase 2-ready drug at a value of US$500 million, which is considered to be a realistic estimate were such a pull incentive to be in place.
U.S. Pioneering Antimicrobial Subscriptions to End Upsurging Resistance (PASTEUR) Act (U.S. Congress, 2021). The Panel noted that working with this subset of high-income countries represents a compromise between sharing the costs of the incentive across countries and proceeding in a timely manner with a critical mass of willing participants. Coordinating this effort across the G7, and potentially the E.U., was deemed to be a plausible scenario for what could be achieved within the next few years given the G7 Health Ministers’ commitment to exploring antimicrobial pull incentives (G7 Finance Ministers, 2021).

Of note, much of the research in this field recognizes the need for a combination of push and pull incentives. There is some degree of substitutability between the two, wherein an increasingly high push incentive can reduce the magnitude of pull incentive needed, and vice versa (Outterson, 2021b). However, both are essential. Modelling in Outterson (2021b) shows that in isolation, neither push nor pull incentives are able to generate sufficient profits for long-term sustainability given the low expected revenue returns for novel antibiotics. For example, a $2 billion global pull incentive would still require over 50% cost sharing in the preclinical stages (Outterson, 2021b). Push incentives are discussed further in Section 6.1.

Canada’s fair share of a global pull incentive is estimated at $14.5 to $18 million per drug per year for a decade

Were Canada to act with the G7 and the EU27, based on the analysis described above, the Government of Canada would need to offer an average of approximately $14.5 million (US$11 million) per drug per year for 10 years (Outterson, 2022). Were Canada to act with only the G7, the Canadian fair share would be $18 million (US$13.8 million) per drug per year (Outterson, 2022)15 (Figure 4.4). These results are broadly consistent with prior analyses estimating Canada’s fair share contribution at roughly US$11 million per year per antimicrobial for G7 collaboration, and US$9 to $10 million for G7+EU27 collaboration (Boluarte & Schulze, 2022). In practice, there is a significant degree of uncertainty

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15 These two groups of countries are selected because they are all exploring the use of pull incentives and looking into adopting them in the near term. Were a broader group of countries to deploy pull incentives, Canada’s share could fall commensurately.
surrounding these estimates, in line with the uncertainty underpinning the global estimate described above. Additionally, payment levels could vary across drugs based on their relative value (Section 5.3), and could change over time for any particular drug, for example, because of new evidence of the drug’s effectiveness (or lack thereof) published after approval.

**Figure 4.4 Canada’s Fair Share of a G7 or G7+EU27 Subscription Payment for a Novel Antibiotic**

Should Canada participate in a global pull incentive for antibiotics, its share would range between $14.5 to $18 million per year, depending on the number of participating countries.

This level of compensation would put antimicrobials on a more equal footing with other patented medicines. The Patented Medicine Prices Review Board (PMPRB) reports that annual Canadian sales of 58% of patented medicines were $12 million or greater by their 10th year on the market — 37% had sales over $25 million (PMPRB, 2020).

“This level of compensation would put antimicrobials on a more equal footing with other patented medicines.”
4.3 A Clear Case for Incentivizing Antimicrobials

The CCA (2019) report, *When Antibiotics Fail* found that 14,000 deaths in 2018 were from resistant infections with a corresponding cost to the Canadian healthcare system of $2 billion. Depending on the extent of resistance to first line antimicrobials (calculated from current estimates of 26% to a possible high of 40%), Canada’s GDP could fall by $13 billion to $21 billion per year by 2050, shrinking the economy by 0.5–0.7%. In those same scenarios, annual deaths caused by AMR were projected to range from 7,000 to 13,700 per year by 2050 (CCA, 2019). Novel antimicrobials would play an important role in reducing these costs and harms.

Estimates of the social values of novel antimicrobials are highly uncertain, but there is wide consensus these values exceed the costs of incentivizing antimicrobial development.

Spellberg and Rex (2013) found that a new treatment for carbapenem-resistant *Acinetobacter baumannii* would be cost-effective in the U.S. even at US$30,000 per treatment course. NICE found that both ceftazidime-avibactam and cefiderocol would be cost-effective for the U.K. health system at the payment levels offered through the U.K. subscription pilot (Leonard et al., 2023). Sertkaya et al. (2014) report that, even without calculating STEDI attributes of antibiotics, the social values of novel antibiotics far outweigh the expected private returns from an incentive program.

Towse and Silverman Bonnifield (2022) have considered the hypothetical example of a subscription payment model implemented by the G7+EU27 (as broadly laid out by Outterson (2021b)). Factoring in only the drug costs and reduction in healthcare costs, and excluding STEDI values, their analysis for Canada found a positive ROI of 5 to 1 over 10 years, or 20 to 1 over 30 years when Canada paid its “fair share” alongside the rest of the G7 and the E.U. (Silverman Bonnifield & Towse, 2022). The U.S. shows a domestic ROI of 28 to 1 over the course of 30 years, or 6 to 1 over the first 10 years. Globally, the ROI is far higher. Even if the U.S. acts alone to offer the full necessary subscription payment (i.e., it pays 100% of the needed pull incentive instead of just its fair share), the country would still experience a positive ROI (Towse & Silverman Bonnifield, 2022). Estimates are based on the premise that 18 drugs are introduced over the course of three decades — 3 drugs to treat each of the 6 priority pathogens — and that all new drugs cause significant declines in mortality (5% reduction).
This hypothetical example is anticipated to generate US$2.1 billion in benefits in the first decade and avoid 2,500 AMR deaths in Canada. Over the course of 30 years, these benefits rise to US$31.5 billion and 48,000 avoided deaths, although the STEDI benefits of new antibiotics were not included in this analysis (Silverman Bonnifield & Towse, 2022). In practice, the economic benefits and avoided deaths could spread to other countries should these novel antimicrobials be brought to market elsewhere. The ROIs described above would only be achieved if these highly valuable drugs are developed, and payments would only be issued for novel antimicrobials that were judged to be of sufficiently high value. Ultimately, offering a subscription payment of this nature increases the likelihood that novel qualifying drugs will be developed and only pays for success.
A Scenario for Operationalizing a Pull Incentive for Canada

5.1 A Subscription Pull Incentive
5.2 Drug Eligibility Requirements
5.3 Establishing Eligibility and Payment Level
5.4 Contractual Conditions
5.5 Considerations for Implementing, Monitoring, and Evaluating an SPI
5.1 A Subscription Pull Incentive

Given the growing consensus over the merits of annual revenue guarantees (ARGs) and subscriptions (Section 3.2.1), the Panel deliberated on both incentive models and concluded that an SPI could be most effective in enhancing Canadian access and furthering antimicrobial innovation. In developing this scenario, the Panel applied elements of the approaches employed in Sweden’s access-focused ARG, the U.K.’s subscription, and the proposed U.S. Pioneering Antimicrobial Subscriptions to End Upsurging Resistance (PASTEUR) Act.

Drugs qualifying for a Canadian SPI would need to meet or exceed a high eligibility threshold aligned with addressing current and future unmet public health needs. Both new and existing drugs could qualify for an SPI, provided they satisfy the eligibility criteria (described in Section 5.2). An SPI could offer...
manufacturers a subscription payment determined by the value that a drug offers society. To determine the value of new drugs, an SPI could function similarly to the U.K.’s subscription and the proposed U.S. PASTEUR Act, by assessing different values for different drugs (U.S. Congress, 2021; Leonard et al., 2023; Nick Crabb, personal communication, 2023).

An approximate subscription payment level of $14.5 million per drug, paid annually over one decade, represents Canada’s fair share of a global incentive offered by the G7+EU27 (Section 4.2). In practice, payment levels will vary based on drug attributes (Section 5.3). A staged or tiered reimbursement approach could be used wherein initial (and extendable) contracts could be adjusted over time, based on emerging evidence (Chatham House, 2015; Rex & Outterson, 2016). In the Panel’s view, a government can insulate itself from financial risk by offering lower annual revenue in initial contracts, and greater revenue in contract extensions if a drug demonstrates increased value.

**Unit prices can be set at a level that assists stewardship efforts**

High unit drug prices create patient access challenges in Canada, an important consideration in the development of an SPI. High drug prices are costly for Canadian healthcare systems and have an impact on public payers as well as private payers that provide insurance coverage to many Canadians (HC, 2017b; Brandt et al., 2018; GC, 2023b). Brandt (2018) approximates that out-of-pocket costs restrict 10% of Canadian patients from filling prescriptions. Furthermore, drug prices are often a consideration for listing on hospital formularies (Burke et al., 2016). Controlling unit prices helps enable access by keeping drugs affordable. The Panel therefore believes that in an SPI, the unit price of drugs should be set at a level comparable to, or only slightly higher than, that of other drugs prescribed for treatment. A unit price that is too high may restrict access and deter use. A price that is too low — that is, lower than similar alternative drugs — risks being inappropriately prescribed (Chatham House, 2015). While the overuse of antimicrobials is a significant problem, underuse can also be problematic, especially in the case of innovative antimicrobials (Duke-Margolis Centre for Health Policy, 2021). As well, the Canadian unit price will impact reference pricing processes in international jurisdictions (Rand & Kesselheim, 2021), thus the Panel noted that the establishment of such prices might require consideration of the potential repercussions elsewhere in the world.
A limited period of eligibility could encourage timely Canadian access to innovative drugs

In the Panel’s view, a time-limited eligibility stipulation in an SPI would help support prompt access to innovative antimicrobials approved in international jurisdictions. For example, an antimicrobial would only be eligible for an SPI in Canada so long as the application was made within a short period (e.g., one or two years) following regulatory approval in other, predetermined jurisdictions such as Japan, the E.U., the U.K, and/or the U.S. This would incentivize manufacturers with approved drugs to bring them to the Canadian market in a timely manner.

An SPI would rely on collaboration among the federal, provincial, and territorial governments, and other actors in Canadian healthcare systems

An SPI could be designed to minimize administrative burden and to integrate as seamlessly as possible with Canada’s healthcare systems. In a Canadian SPI, the federal government could take on new responsibilities such as assessing drug eligibility, determining value, and securing contracts with manufacturers that establish access commitments for drug supplies in exchange for subscription payments. The Panel acknowledges that new roles, regulations, and policies may be required to support these processes within the federal government. While these changes will be integral to the implementation of an SPI, how these changes may be accomplished falls outside the Panel’s expertise and was not considered in this report. Additional work is needed to assess whether the federal government has the necessary authorities in place to take on this role, or whether adjustments may be needed.

All current systems for procurement, distribution, and routine use, however, would proceed as per current practices for any newly approved drug. This highlights the integral role provincial and territorial governments will have in an SPI. In each province and territory, the sale and procurement of drugs could occur as per standard practices for hospitals as well as public and private payers, similar, for example, to the ARG in Sweden (PHAS, 2020). The Patented Medicines Prices Review Board (PMPRB) oversight of Canadian drug pricing is not anticipated to conflict with an SPI, assuming the unit prices charged for medicines are not priced excessively for Canadian consumers (PMPRB, 2018). Price negotiations typically undertaken by the pan-Canadian Pharmaceutical Alliance (pCPA) may be redundant, as the unit price would be established within the subscription contract. However, expertise from multiple organizations, including pCPA members, could be drawn upon to determine unit pricing and contract valuations in an SPI.
At the end of an annual fiscal cycle, the federal government would top-up the amount paid to the manufacturer, which would be calculated by subtracting the total revenue generated from both private and public payers at their respective prices from the annual payment (Figure 5.1). In such a structure, all actors would be required to provide accurate and transparent accounting, given its importance to determining the overall SPI payment. Provisions would need to be established for the rare scenario where revenue from sales surpasses the annual payment (Box 5.1).

Figure 5.1  A Possible Structure of an SPI in Canada

An SPI would establish an annual payment for manufacturers. Sales revenues from public and private payers (blue shaded area) would be topped up by the federal government each year (beige shaded area). At the end of a contract cycle, the federal government could renegotiate the payment amount based on drug evaluations.

As with the U.K. subscription and the proposed U.S. PASTEUR Act, initial contracts with manufacturers could be for multiple years (e.g., 3 to 5 years), with the option to extend contracts to the end of the exclusivity period, generally up to 10 years (U.S. Congress, 2021; Leonard et al., 2023). At the end of a contract cycle, the subscription payment could be renegotiated based on drug evaluation (U.S. Congress, 2021).
Box 5.1 The Unexpected SPI Scenario of High Antimicrobial Usage

In an SPI, sales revenue is not expected to surpass the annual payment. However, in a rare, unforeseen outbreak scenario, under the current structure provinces and territories would be responsible for ongoing financial costs. To ensure the longevity of a pull incentive over multiple years — and buy-in across various provincial and territorial governments — an agreement could be established wherein the federal government agrees to contribute a percentage of costs after a specified number of sales is exceeded. As well, a contractual stipulation could limit additional revenue generation more than the guaranteed payment (as was done in the Swedish approach (PHAS, 2023)). This proposed approach distributes risk among all orders of government and the manufacturer.

5.2 Drug Eligibility Requirements

Eligibility requirements are a critical tool that the federal government can use to determine which drugs are sufficiently valuable to qualify for an SPI. It has been argued, for example, that the U.S. Generating Antibiotic Incentives Now (GAIN) Act did not adequately target unmet needs or prioritize drugs offering new mechanisms of action, resulting in qualifying drugs with limited therapeutic benefit (Darrow & Kesselheim, 2020). In a Canadian SPI, well-designed and stringent eligibility requirements could ensure that only drugs of high value are deemed eligible, thus minimizing federal financial risk while addressing public health needs. Transparent and predictable eligibility requirements offer clear targets for manufacturers, which in turn may enhance industry uptake of an SPI. Eligibility standards need to be high but realistic, and subscription payment amounts can vary with the evidence of the benefits offered by the drug.

5.2.1 Drug Eligibility

In Canada, all marketed drugs are first approved by Health Canada, which evaluates the safety and efficacy of drugs applying to enter the Canadian market (GC, 2015). Regulatory approval by Health Canada would be an essential eligibility criterion for an SPI.
SPI-qualifying antimicrobials address unmet public health needs

An SPI would be made available to antifungal and antibacterial therapies because of the distinct needs, risks, and market challenges facing these antimicrobials (Section 1.2.1). Broadly, eligible drugs would be those that demonstrate clinically relevant antimicrobial activity against growth of dangerous, resistant bacteria or fungi (Rex et al., 2017). Priority pathogen lists, which include pathogens that cause serious risk of infection and for which there are limited treatment options, have been developed, and drugs could be assessed against such lists to assess their potential to respond to unmet public health needs, as per the U.K. approach (NHS, 2020b; Nick Crabb, personal communication, 2023). Globally, the 2017 WHO Bacterial Priority Pathogen list identifies 12 bacteria resistant to multiple antimicrobial treatments representing significant threats to human health (WHO, 2017). In 2022, the WHO identified 19 fungal priority pathogens (WHO, 2022c). The WHO ranks these 12 bacterial and 19 fungal pathogens into categories of urgency such as critical, high, or medium priority, where critical pathogens exhibit the highest threats to human health (WHO, 2017, 2022c).

Canada and the U.S. have developed their own lists of priority pathogens (CDC, 2019; HC, 2021b). Health Canada’s Pathogens of Interest list includes all the WHO-identified pathogens plus an additional nine (as well as three fungal pathogens), but does not prioritize their importance (HC, 2021b). In the Panel’s view, the Canadian-specific priority pathogen list helps clinicians understand current domestic treatment challenges. AMR, however, is a global problem, and an effective approach for a Canadian SPI would be to contribute to collaborative global AMR solutions. The Panel observed that adhering to the most up-to-date WHO priority pathogen lists incentivizes the development of drugs that address both Canadian and global needs and improves the compatibility of an SPI with other pull incentives that may be established elsewhere. For instance, the U.K.’s subscription will also be primarily focused on the WHO list (Nick Crabb, personal communication, 2023).

Regulatory approval of antimicrobials can be issued according to syndrome indications or for specific bacterial pathogens. For instance, dalbavancin is indicated for acute bacterial skin and skin structure infections, while fidaxomicin is indicated for treatment of Clostridioides difficile infection (Merck Canada Inc., 2019; Endo Ventures Ltd., 2021). The drug manufacturer lists the proposed indications in its application for regulatory approval. The Panel noted that in the case of syndrome-based regulatory approval, the drug may be used off-label to treat susceptible pathogens at other infection sites. The Panel observed that pathogen-based regulatory approval offers better alignment with a pull incentive program, since it would be challenging and potentially inappropriate for a pull incentive to value and compensate off-label usage. Pathogen-based approval also offers clearer alignment with the WHO's list of priority pathogens.
SPI-qualifying antimicrobials offer novel attributes
Generally, antimicrobials are more valuable when they represent a new class, offer a novel mechanism of action, or demonstrate advancements within an antimicrobial class, such as by targeting a new pathogen or condition (Rex & Outterson, 2016). Determining antimicrobial novelty can be challenging — a dearth of clinical evidence, the dynamic nature of AMR, and diverse stakeholder interpretations of “novelty” all contribute to this challenge (Theuretzbacher, 2017). Innovation can broadly be determined when a drug avoids cross-resistance to existing drugs and demonstrates “low potential for high-frequency, high-level single-step resistance” (Theuretzbacher, 2017), or, in practical terms, when the novel drug has a low propensity for the evolution of resistance in the target pathogen. The more a drug can be used with improved efficacy, smaller doses, better safety, increased dose flexibility, and for a greater diversity of patients, the more innovative it becomes (WHO, 2020; CARB-X, 2023a, 2023b). A drug that can be taken orally, for example, increases ease of use (compared to intravenous administration and extended hospital stays) (Rex & Outterson, 2016). In the U.K.’s pilot model, novelty was determined by a points-ranking system based on the following five criteria: new chemical class or adjustment of class, new pathogen target, new mechanism of action, resistance performance, and reduced toxicity (NHS, 2020b). The U.K. plans to issue updated criteria by fall 2023, reflecting lessons learned from its pilot. Similar criteria could be considered in a Canadian SPI.

Evidentiary requirements for SPI-qualifying drugs may extend beyond clinical trial data
SPI eligibility criteria would need to reflect the likelihood that novel antimicrobials would not be accompanied with evidence from superiority trials (Section 2.1). This creates a challenge for determining SPI eligibility as, for example, most new antimicrobials approved in the U.S. through non-inferiority trials have not proven to sufficiently address public health needs (Darrow & Kesselheim, 2020; Sinha et al., 2021). Concerns have been raised regarding the use of insufficient or low-quality evidence to support antimicrobial development. It has been pointed out that, when it comes to resistant infections, currently available treatments are inadequate, so establishing non-inferiority to such treatments is not meaningful (IDSA, 2012). Powers (2018) noted that “the idea that drugs that are non–inferior in today’s patients will provide superior efficacy in future patients remains conjecture.”
In contrast, it has been argued that, while superiority clinical trials generate optimal evidentiary value, they are often impractical and unethical to conduct for new antimicrobials (Boucher et al., 2017; Rex et al., 2017, 2019). It is unethical, for example, to wait for widespread resistance in the population so that superiority trials could then take place (Rex et al., 2019). Indeed, in the context of AMR, non-inferiority trials are not necessarily inferior but “a necessary and essential part of antibiotic drug development” because they are not contingent on widespread epidemic resistance and do not jeopardize patients’ health (Rex et al., 2017).

Given the lack of superiority data, other types of evidence may be needed to supplement results of non-inferiority trials. Antimicrobial evidence for an SPI may, therefore, be substantiated using robust, well-designed, non-inferiority trials, supplemented with “exhaustive in vitro and animal in vivo exposure-response relationship data” (Rex et al., 2017). They may also be substantiated using pharmacokinetics/pharmacodynamics (PK/PD) data¹⁶ (Karlsberg Schaffer et al., 2017), and, where possible, studies of “either open-label treatment with the novel agent or randomization versus a ‘best available therapy’ control selected on a per-patient basis” (Rex et al., 2017). In addition, uncertainty can be reduced by confirming the attainability of “targeted drug exposures” in relevant patients, establishing regimen efficacy from various animal models, using “validated external controls,” and potentially by pooling data from small clinical data sets from disparate sites (Boucher et al., 2017). Importantly, this body of evidence could be further substantiated by post-market observation studies from real-world use, or by additional phase 4 evidence-gathering options, such as the proposed “adaptive randomised clinical trials (aRCTs)” (Karlsberg Schaffer et al., 2017; Rex et al., 2017; Lanini et al., 2019). In parallel, work is ongoing to establish feasible superiority trials for novel antimicrobials as a complement to non-inferiority trials (IDSA, 2012; Powers et al., 2018).

Transparent and predictable eligibility requirements enable a well-functioning incentive for both manufacturers and governments

Clear eligibility criteria not only provide manufacturers with a target to direct R&D, but also guarantee fairness and transparency for all prospective manufacturing participants (Brennan et al., 2022). An SPI that includes all drugs that satisfy stringent eligibility criteria establishes a clear price signal to manufacturers, which supports increased investor engagement in the

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¹⁶ According to Karlsberg Schaffer et al., (2017), “Pharmacokinetics describes the drug concentration-time course in body fluids resulting from administration of a certain drug dose. Pharmacodynamics describes the observed effect resulting from a certain drug concentration.”
antimicrobial R&D sector (Outterson & Rex, 2023). In the Swedish pilot, for example, where all drugs that met eligibility requirements were included, program evaluations found the model to be straightforward, quick, and effective, with manufacturers commending the program for its transparency (PHAS, 2023). While offering subscriptions to all drugs that meet a base threshold could generate budgetary uncertainty for the government, it is a risk that can be mitigated by analyzing the clinical pipeline.

An alternative method could be competition-based, whereby manufacturers compete for an established amount of SPI funding. A competition would limit financial exposure for governments while enabling payment for the drugs demonstrating the greatest value. This approach, however, would not provide a clear development target for manufacturers and would also require extensive timeline and logistic coordination. While a competition was run in the U.K.’s pilot program, it is not the approach being used by the U.K. National Health Service going forward in its subscription (Leonard et al., 2023; Nick Crabb, personal communication, 2023).

In the Panel’s view, an SPI in which all antimicrobials that satisfy eligibility criteria would qualify for an initial subscription contract could be an effective approach for a Canadian pull incentive. Stringent eligibility criteria would ensure that the federal government only issues payments for novel antimicrobials that directly respond to public health needs. Given the current state of antimicrobial R&D (Chapter 2), it is unlikely an SPI would be flooded with new drugs, therefore the resulting financial exposure for the Government of Canada could be minimal, especially in the near- to medium-term. Among the 18 existing novel antimicrobials listed in Outterson et al. (2021), the Panel expects that a few may be sufficiently valuable to qualify for the pull incentive. As of 2021, 27 drugs that could be used to treat infections associated with WHO critical pathogens are being clinically developed globally, and only 6 of these are deemed innovative (WHO, 2022b). These numbers likely overestimate the number of potentially qualifying drugs, since many drugs in development do not ultimately reach the market (Hay et al., 2014).
The Panel does not anticipate more than two to three additional qualifying drugs in the next decade, based on the existing phase 2 and phase 3 pipeline. However, the hope is that more innovative preclinical drugs will move into the clinical development pipeline over time. Moreover, if an SPI’s objective is to generate innovative drugs that offer public health value, having multiple qualifying drugs would demonstrate a program’s success. As established in Section 4.3, the benefits of these new drugs will likely exceed the costs of incentivizing them. The number of drugs funded will be a function of the stringency of the eligibility criteria, and there may be several existing qualifying drugs at the time of program inception. The implementation of multiple pull incentives in different jurisdictions may increase this forecast in the longer term, but, again, this would indicate program success at a global level.

5.2.2 Manufacturer Eligibility

The antimicrobial preclinical pipeline is currently dominated by small- and medium-sized enterprises (SMEs) (Courtemanche et al., 2021). Few large pharmaceutical companies are developing antimicrobials but large companies may later acquire phase 2-ready drugs created by SMEs (Outterson & Rex, 2020; Outterson, 2021b). Different actors, therefore, might seek participation in a pull incentive, including for-profit corporations, non-profit enterprises, and public benefit corporations (Outterson & Rex, 2020). Indeed, Spellberg (2022) argued that sales revenue from new antimicrobials may be low for industry, but attractive for non-profit organizations. In the Panel’s view, eligibility processes should ensure that any organization, whether they are private, non-profit, or private-public, is potentially eligible for a Canadian SPI.

SPI eligibility requirements would ensure that manufacturers demonstrate capacity and competency in delivering on contractual obligations

In the U.K.’s pilot, Sweden’s access program, and the proposed U.S. PASTEUR Act, manufacturers are required to demonstrate their capacity to:

- make drugs available within a specified timeline;
- maintain supplies as per contract requirements;
- ensure drug quality;
- develop and maintain adequate communication with, and education of, healthcare practitioners regarding use and risks;
- report on use trends and relevant resistance data;
• provide a roadmap for international access (e.g., registering a drug) wherever a need is unmet; and

Additionally, as outlined in both the U.K.’s pilot and in the proposed U.S. PASTEUR Act, manufacturers must demonstrate adherence to environmental guidelines that avoid discharge of antimicrobials into the environment during manufacturing (NHS, 2020b; U.S. Congress, 2021). These manufacturer requirements could also be considered for a Canadian SPI.

The Panel noted that some flexibility may be necessary when assessing a manufacturer’s financial stability. In the U.K.’s pilot, for example, even though manufacturers were subject to a financial stability check against multiple criteria, they did not need to achieve a perfect score, and were given opportunities to address areas of weakness (NHS, 2020a). The reality is that the financial stability of some SMEs or other companies might depend on receiving an incentive for which it has already made considerable investments. In the Panel’s view, acknowledging this financial reality may help encourage greater participation from SMEs and other entities besides large pharmaceutical companies.

### 5.3 Establishing Eligibility and Payment Level

An SPI program would entail an iterative process of decision-making over the duration of the program (Figure 5.2). Drug marketing authorization would be required from Health Canada for a drug to be SPI eligible, but the SPI review process could be initiated three to six months before Health Canada’s Notice of Compliance (NOC). This would ensure that an awarded subscription contract could be activated in a timely manner, consistent with the approach taken by the Canadian Agency for Drugs and Technologies in Health (CADTH, 2018). Drug and manufacturer eligibility would be determined, and all qualifying antimicrobials would then go through an assessment process to determine the appropriate annual payment level. Unit price would also be established at this point, and the drugs would then be made available on the market. Manufacturers would receive sales revenues from purchasers and an annual supplemental federal payment to bring the overall revenues up to the established payment level. Evidence on drug effectiveness would be gathered and would inform periodic reassessments of SPI eligibility, as well as upward or downward adjustments in payment levels.
Figure 5.2 Subscription Pull Incentive (SPI) Process Flow

A novel antimicrobial must first obtain Health Canada’s regulatory approval. It is then assessed for SPI eligibility and evaluated to establish the appropriate payment level. A contract is ultimately signed, and the antimicrobial is brought to market. During the contract cycle, the manufacturer receives previously agreed-upon payments while evidence of the drug’s performance is collected. This supports a reevaluation of the drug and the determination of an appropriate incentive level for the subsequent contract cycle. Should the results of the evaluation be disappointing, the payment level could be decreased or contract terminated.
In an SPI, differential subscription payments are based on the value of each novel antimicrobial

The valuation process assesses the drug’s value to patients and society (Rex & Outterson, 2016). A tiered eligibility process could be used in which a base payment is offered to all antimicrobials that meet the basic eligibility threshold, but payment levels can then be increased based on demonstrated patient and social value (Chatham House, 2015; Rex & Outterson, 2016). While a drug would, for example, need to demonstrate efficacy against a WHO pathogen, demonstrating efficacy against a critical WHO pathogen could have greater value within the assessment framework, as in the case of the U.K. pilot (NHS, 2020b). Drug value increases based on improved clinical efficacy, reduced toxicity, increased ease or flexibility of dosing (either broadly or for specific populations, such as children or pregnant people) (Rex & Outterson, 2016; WHO, 2020; CARB-X, 2023a, 2023b). The framework could also, wherever possible, reflect spectrum, transmission, enablement, diversity, and insurance (STEDI) values (Section 4.1.1) despite the complexities that persist around their quantification.

The Panel acknowledges the complexity of conducting value assessments that strike a balance between adequately incentivizing manufacturers while not over-paying for an antimicrobial that lacks innovation. Indeed, in the U.K.’s pilot, some concerns have been raised around payments for drugs not seen as sufficiently innovative (Glover et al., 2022). The Panel believes an initial contractual payment will need to be sufficiently high to generate interest and financial feasibility among manufacturers, but not so high that it precludes the motivation to generate more substantial clinical evidence in exchange for increased financial payments. With manufacturers aware that more robust evidence can result in higher annual payments in contracts, they could be incentivized to pursue stronger preapproval evidence and/or to plan for evidence-gathering between contract cycles. Given the challenges of generating clinical superiority data, the federal government may wish to offer a much lower initial contract as a means of spurring the collection of additional evaluation data. Another option could stipulate the generation of additional evidence for contract extensions.
In the U.S. PASTEUR Act, the proposed contract values for a novel antimicrobial range from US$75–$300 million per year, paid over 10 years (U.S. Congress, 2021). A similar timescale could be considered for a Canadian SPI. As previously detailed, that total amount could vary over each contractual period in a Canadian SPI. Spreading payments over a decade increases budget predictability for governments, incentivizes manufacturers to demonstrate increased drug value, and protects governments from noncompliance with contractual terms (Chatham House, 2015; Rex & Outterson, 2016). However, ensuring drug availability following a funding cycle introduces additional considerations (Box 5.2).

Box 5.2 What Happens at the End of an Exclusivity Period?

Contracts are envisioned to last 10 years (roughly in line with a typical novel medicine exclusivity period). After the manufacturer loses exclusivity, if the supply of the antimicrobial is considered vulnerable and the drug still meets public health needs, a competitive tender process may be undertaken, with significantly reduced annual payments covering ongoing costs but not the original costs of R&D (Outterson et al., 2011). The first SPI contract could give the Canadian government rights to exercise options to extend after the initial 10 years. These rights would mitigate the risk of a manufacturer potentially increasing prices on an in-demand drug at contract expiration, a situation exemplified in the context of COVID-19 vaccines in the U.S. (Lupkin, 2023).

It is possible that, after subscription payments have concluded, a manufacturer will no longer want to produce and stock a drug that offers public health value but is infrequently used and/or does not generate substantial sales revenue. While generic production might solve supply issues, such production may not occur if low sales revenue is expected. Revenue guarantee or subscription contracts can also stipulate that funded antimicrobials continue to exist on the market by slowly decreasing payments that would reach zero around the end of market exclusivity (Rex & Outterson, 2016). Strong stewardship practices established during the contractual period could be maintained after market exclusivity has ended (Morel et al., 2020).
A multidisciplinary committee is a proven structure for assessing SPI eligibility and determining the appropriate incentive level for each antimicrobial.

The Panel believes that, as with the U.K. subscription and the proposed U.S. PASTEUR Act, the most effective scenario for establishing antimicrobial eligibility and determining appropriate payment levels in Canada would rely on the creation of a special committee made up of diverse experts and relevant agencies. Committee expertise could include those with extensive knowledge and experience with health technology assessments (HTAs), price negotiations, and contract procurement processes, as well as health economists and experts in reimbursement. The committee could also include physicians, pharmacists, and epidemiologists with up-to-date knowledge of trends in resistant infections and treatment needs. With federal government involvement and oversight, this committee could create a novel modified HTA to determine drug value, from which contracts could then be negotiated with manufacturers.

Drug valuation aspects of pull incentives in the U.K. and in the proposed U.S. PASTEUR Act were addressed by committees made up of individuals with a wide range of expertise (U.S. Congress, 2021; Leonard et al., 2023). The U.K.’s HTA processes for their pilot incentive were conducted by the National Institutes for Health and Care Excellence (NICE) and informed by specialists in medicine and public health (e.g., an antimicrobial pharmacist, a clinical microbiologist, and a professor of infectious diseases) (NICE, 2022d). In the proposed U.S. PASTEUR Act, the special committee establishing evaluation criteria would consist of at least one member from seven national agencies,17 with a further advisory committee that includes disciplinary experts and patients, and that is subject to strict financial conflict of interest rules (U.S. Congress, 2021). The Panel believes that much of the requisite expertise in Canada is already housed in current advisory bodies, including CADTH, INESSS, and the pCPA such that experts from these organizations could serve as valuable collaborators.

17 These seven agencies include: the National Institute of Allergy and Infectious Diseases, the Centers for Disease Control and Prevention (CDC), the Biomedical Advanced Research and Development Authority, the Food and Drug Administration, the Centers for Medicare & Medicaid Services, the Veterans Health Administration, and the Department of Defense (U.S. Congress, 2021).
Determining the appropriate value and corresponding subscription payment level for drugs will be a complex task requiring a collaborative effort from committee experts to develop and implement an effective framework. Indeed, incorporating STEDI values was a complex endeavour in the U.K.’s pilot program (OHE, 2022). However complex, criteria do exist to conduct such evaluations. In the U.K.’s subscription program, which builds off the pilot, a points-based evaluation approach is applied to all eligible drugs, which are “scored against multiple clinical criteria that cover unmet clinical need (both globally and in the U.K.); relative effectiveness; pharmacological benefit (such as chemical novelty and absence of cross-resistance); and benefits to the health system (such as improved modes of delivery and dosing schedules, better tolerability and reduced monitoring requirements)” (Nick Crabb, personal communication, 2023). These evaluation scores will be used to inform the value of contracts offered to manufacturers (Nick Crabb, personal communication, 2023). In the Panel’s view, there is significant scope for collaboration with other countries implementing their own pull incentives, including on the framework for determining value and payment level. Canada is well-positioned to learn from the U.K.’s valuation model and could potentially adapt this scoring system for the Canadian context (Dutescu & Hillier, 2021).

Collection of data on the use of subscription-funded antimicrobials within Canada’s healthcare systems can inform value-based pricing in contract extensions

It would be advantageous for the federal government, in collaboration with other actors in Canada’s healthcare systems, to gather real world data on its SPI-funded drugs. This would enable more accurate assessments of a drug’s clinical or STEDI values, and could play a role in supporting the collection of evidence following from approval processes (NICE, 2022a, 2022e). Real world data consist of, for example, data gathered from billing, claims, and electronic health records, and could be used to generate indicators of patient use and effectiveness (Wallach et al., 2021). The development of more accurate and comprehensive data collection methods would enhance understanding of drug value and could thus inform contract renewals.
There are substantial challenges associated with collecting real world data in Canada. The existence of numerous healthcare systems across the country strains coordination efforts and data collection in this area (HealthCareCAN, 2016). Privacy laws, including those related to consent and confidentiality, complicate the collection, use, and disclosure of patient data at the provincial, territorial, and federal level (CCA, 2015).

The U.S. CDC has established mechanisms through which hospitals can report AMR trends and antimicrobial use (AMU) from acute care settings (Duke-Margolis Centre for Health Policy, 2021). Data from these mechanisms are helping build evidence on safety and effectiveness of new drugs. International clinical trial platforms, such as REMAP in the U.S. or RECOVERY in the U.K., provide examples of electronic data collection and aggregation tools that bring together disparate healthcare systems and jurisdictions (Duke-Margolis Centre for Health Policy, 2021; Seely & Fowler, 2022). In the U.S. context, questions have been asked about whether healthcare providers (i.e., clinics and hospitals) can be incentivized or compelled into reporting. For example, if access to new antimicrobials is granted (and paid for), what kinds of incentives or stipulations might generate better data-sharing participation (Duke-Margolis Centre for Health Policy, 2021)? Similar questions may be asked in relation to a Canadian SPI, especially given the challenges around collecting and sharing patient data in Canada (Pan-Canadian Health Data Strategy Expert Advisory Group, 2022). New initiatives in Canada, such as the Strategy for Patient-Oriented Research, the Health Data Research Network of Canada, and CADTH’s Post-Market Drug Evaluation Program, might play a role increasing health data collection and sharing (HDRN, 2020; CADTH, 2022a; Tricco et al., 2022). Further lessons may be learned from other data collection initiatives in Canada, such as the use of oncology-focused outcomes-based agreements in Alberta, or the regulatory changes mandating the collection of socio-demographic data from COVID-19 positive people in Ontario (Abdi et al., 2021; Cheung et al., 2023).

**5.4 Contractual Conditions**

Contractual obligations for manufacturers are a critical component of SPI design. Ensuring drug availability and assisting with appropriate use practices are two important conditions that need to be established between the Government of Canada and drug manufacturers. In the U.K.’s pilot program and in the proposed U.S. PASTEUR Act, breaches of contract conditions could result in payment penalties or the termination of the contract (NHS, 2021b; U.S. Congress, 2021). Similar repercussions could be included in the Canadian SPI.
Compliance with access, stewardship, and reporting requirements can be effectively administered through clear contractual obligations

In Sweden, the U.K., and in the proposed U.S. PASTEUR Act, contractual conditions mandate that a company hold in stock a certain amount of the incentivized drug. For example, companies must accommodate a five-fold demand increase in the U.K.; ensure the supply chain will not be interrupted for more than 60 days in the U.S.; and stock supplies that are twice that of the previous quarter’s sales and adequate for a minimum two week treatment course at each emergency hospital in Sweden (NHS, 2020b; PHAS, 2020; U.S. Congress, 2021).

In the proposed U.S. PASTEUR Act, an approved drug must be made available within 30 days of the first contract payment (U.S. Congress, 2021). In Sweden, manufacturers have three months to accumulate the required stock after contract initialization, and stock must be demonstrated before receiving compensation (PHAS, 2020). Program evaluations in Sweden highlighted difficulties in managing stock levels and avoiding waste (PHAS, 2023). Unused stock has been commonly observed in Sweden, but manufacturing and distribution agreements and regulations (specifically around labelling) have complicated the international distribution of these valuable drugs (PHAS, 2023). In the Panel’s view, Canada’s experiences with federal COVID-19 vaccine procurement could be instructional in adapting and incorporating contractual obligations into an SPI.

In the Panel’s perspective, there is an ethical duty to ensure antimicrobial access for everyone in Canada. The Pan-Canadian Action Plan on Antimicrobial Resistance establishes equity as one of its guiding principles (PHAC, 2023). With respect to access, both in Sweden and in the U.K.’s pilot, a drug must be made available to patients within 24 hours of request (NHS, 2020b; PHAS, 2020). Given Canada’s vast geography, along with current constraints within healthcare systems that prevent the timely delivery of care in remote areas, ensuring availability within such a timeframe might not be feasible. In an SPI, contracts would ideally stipulate a reasonable supply timeline calculated for the Canadian market, which could be adjusted, if necessary, over contract cycles. As outlined in the U.K.’s pilot, contracts can include consequences, such as financial penalties, if manufacturers fail to deliver drugs upon request within the agreed-upon timelines (NHS, 2021b).
Monitoring and reporting are core features of Sweden and the U.K.’s pull incentive approaches and the proposed U.S. PASTEUR Act (PHAS, 2020; NHS, 2021b; U.S. Congress, 2021). Along with monitoring and reporting on drug sales, manufacturer requirements in the U.K.’s pilot and in the proposed U.S. PASTEUR Act include identifying, tracking, and publicly reporting on resistance trends relevant to the incentivized antimicrobials (NHS, 2020b; U.S. Congress, 2021). Surveillance plays an essential role in measuring AMU and AMR, and allows for informed decision-making and policy setting (Section 6.3). Contracts offer an opportunity to stipulate manufacturer roles in these activities (Theuretzbacher et al., 2017).

In an optimal SPI contract, manufacturers would be required to adhere to a set of antimicrobial stewardship guidelines to promote the appropriate use of their novel drug(s) across Canada. Promoting appropriate use helps sustain the effectiveness of novel antimicrobials (Theuretzbacher et al., 2017). Appropriate use can be encouraged through enhanced diagnostics (Section 6.4), completion of use assessment reports, educational and communication strategies for relevant personnel, and by ensuring only licensed and trained healthcare professionals prescribe the drugs (Theuretzbacher et al., 2017; NHS, 2021b). Prohibiting sales-based remuneration for manufacturer employees could further promote appropriate use and good stewardship practices, as salespeople would not be incentivized to promote use of a given drug (Dutescu & Hillier, 2021).

Additional considerations in contracts could pertain to manufacturers’ international activities. For example, by facilitating equitable worldwide access to innovative drugs through public-private partnerships or by establishing working relationships with international and regional organizations to strengthen AMR-related stewardship and monitoring (Boluarte & Schulze, 2022). The proposed U.S. PASTEUR Act requires the submission by manufacturers of “a plan for registering their drug in additional countries where an unmet need exists” (U.S. Congress, 2021). Effective global access to innovative drugs can be enhanced by avoiding patent-based mark-ups, establishing prices comparable to similar drugs in respective markets, and strengthening supply chains to enable access (Rex & Outterson, 2016). Where excess stocks are generated, for example through stockpiling requirements of a pull incentive, manufacturers can be obligated to ensure safe disposal (Theuretzbacher et al., 2017).
In the Panel’s view, enabling global access to drugs supported through a Canadian SPI is an important contractual consideration that requires collaboration from multiple actors. It may, for example, be valuable for a manufacturer to align efforts with organizations, such as GARDP or The Global Fund, the latter having highlighted fighting antimicrobial resistance as a component of its report on pandemic preparedness (The Global Fund, 2022). Contracts with manufacturers could include plans for international actions and financial penalties for a failure to adhere to such plans. The Panel notes with approval the voluntary license for cefiderocol that was granted by Shionogi to GARDP, which supports access to, and stewardship of, the drug in more than 130 low- and middle-income countries (GARDP, 2022a). While additional clinical data post eligibility would be beneficial, in the Panel’s view, it would not be realistic or financially feasible for SPI contracts to mandate the generation of clinical data post eligibility. For example, clinical trials post eligibility are not explicitly mandated in the proposed U.S. PASTEUR Act or the U.K. pull incentive. However, the former states that “a contract may authorize the contractor to use funds made available under the contract for completion of post marketing clinical studies, manufacturing, and other preclinical and clinical efforts” (U.S. Congress, 2021).

5.5 Considerations for Implementing, Monitoring, and Evaluating an SPI

An SPI, like any new program, will have implementation challenges. Though it could not consider an exhaustive list, the Panel discussed some salient challenges that it believes will accompany the creation and implementation of an SPI. As with the U.K.’s subscription program, an SPI would represent a somewhat uncommon contractual initiative between the Government of Canada and manufacturers, necessitating specific contractual and legislative expertise (OHE, 2022). Complex administrative and legal hurdles may emerge for both government and the manufacturers. Further, challenges among federal, provincial, and territorial governments and healthcare providers may manifest when it comes to transmitting
knowledge, for example, regarding treatment options, use guidelines, and therapeutic implementation (e.g., enabling use through formularies). Measurable SPI program goals will need to be established early in the program design to support program evaluation. Data collection capacity will be needed to accurately assess AMU and resistance in relation to the antimicrobials included in an SPI. These data could help determine the use, effectiveness, and resistance relating to the incentivized antimicrobial, and be used to monitor changes in these metrics over time.

An SPI as described in this chapter involves sharing of sales and use data across numerous payers and healthcare providers. Such a system would need to be designed, implemented, and monitored for evaluative purposes. Indeed, implementation of an SPI will be a shared federal, provincial, and territorial responsibility, and therefore any SPI would need to be considered by all orders of government to determine responsibilities relating to specific aspects of implementation, procurement, and delivery. All these considerations were judged to be of great importance by the Panel, but beyond the scope and expertise of its work.
Complementary Measures to Support a Successful Pull Incentive

6.1 Research and Development
6.2 Regulatory Review
6.3 Surveillance
6.4 Diagnostics
Chapter Findings

- Sustained and directed funding for antimicrobial R&D through push incentives would support a robust pipeline of novel therapies.
- Enhanced international collaboration could improve the efficiency of regulatory review without compromising rigour.
- Improved pan-Canadian surveillance on antimicrobial resistance and use could provide valuable information for policy-makers.
- Fast and reliable diagnostic tests support the appropriate use of novel antimicrobials and can also improve the efficiency of clinical trials.

The challenge of antimicrobial resistance (AMR) requires a multifaceted response (PHAC, 2023). The Government of Canada’s 2023 Pan-Canadian Action Plan on Antimicrobial Resistance, which is grounded in a One Health approach, consists of five pillars: research and innovation, surveillance, stewardship, infection prevention and control, and leadership (PHAC, 2023). The Panel noted several core strategies that are particularly complementary to the establishment of pull incentives — supporting the antimicrobial R&D pipeline, facilitating efficient regulatory review of novel antimicrobials, assessing needs and trends in antimicrobial use (AMU) and resistance through surveillance, and supporting effective usage through diagnostics (Figure 6.1)
Antimicrobial Innovation Continuum

Basic science → Preclinical research and development → Clinical trials → Market authorization → Drugs available on the market → Post-marketing commitments

Complementary Measures Supporting a Subscription Pull Incentive

- Surveillance and diagnostics
  - Supporting effective use of novel antimicrobials
  - Monitoring and evaluating SPI products and impacts
  - Providing data to inform research and development

- Research and development
  - Encouraging both push and pull incentives
  - Enhancing collaboration to share learnings
  - Generating more data at lower cost through clinical trial networks

- Efficient regulatory review
  - Enhancing international collaboration
  - Focusing on pediatric drugs

Adapted from Årdal et al. (2018)

Figure 6.1 Complementary Measures Supporting a Subscription Pull Incentive (SPI)

The success of an SPI can be enhanced through several complementary measures. The gold boxes highlight these measures, identifying key elements of each and how they relate to different stages of drug development.

6.1 Research and Development

A strong upstream R&D system is essential to the development of novel antimicrobials (PHAC, 2023). Financing upstream R&D complements the downstream funding of novel antimicrobials through a pull incentive. Strengthening clinical trial networks both in Canada and abroad could play an impactful role in generating antimicrobial evidence while reducing costs.
Push and pull incentives work in tandem to enhance the availability of novel antimicrobials

A combination of push and pull incentives is necessary to support the development of novel antimicrobials (Section 3.1). Push incentives in the form of grants are well-established and widely used. Towse and Silverman Bonnifield (2022) note that “push approaches can also be politically attractive to government funders, as the governments’ financial burden is self-limiting; research initiatives get underway with immediate effect; and funding typically offers direct support to domestic universities, non-profits, or companies.” Drawbacks of push incentives include the requirement that funders pick winners early, the potential distortions of the market, and the potential to continue investments in projects even when they show limited prospects for success (Kosiak & Silverman, 2021).

Several push incentives focused on AMR exist internationally, including CARB-X and GARDP. Canada has made financial contributions to both CARB-X and GARDP (GC, 2022a, 2023c). Canada is also a member of the Joint Programming Initiative on Antimicrobial Resistance (JPIAMR), which coordinates R&D investments on behalf of its members (JPIAMR, 2022, 2023). The REPAIR Impact Fund invested in early-stage therapies with support from the Novo Nordisk Foundation, while the AMR Action Fund is a public-private partnership investing in therapeutics initiated by the International Federation of Pharmaceutical Manufacturers and Associations, the WHO, the European Investment Bank, and the Wellcome Trust (AMR Action Fund, 2023; REPAIR Impact Fund, 2023).

In Canada, there are no targeted programs to encourage antimicrobial R&D, but researchers can access grants through a number of research programs (e.g., federal granting agencies, Fonds de recherche du Québec) (Global AMR R&D Hub, 2023). Canada’s leading centres of expertise in this area are housed at post-secondary institutions (Box 6.1).

The Global AMR R&D Hub’s Dynamic Dashboard indicates that Canadian funding is enabling over 750 AMR-related research projects, with roughly $188 million in funds committed by various federal and provincial funding bodies (Global AMR R&D Hub, 2023). Seventy-six percent of the projects (and a corresponding 83% of the funds) are focused on AMR in humans. These results, however, compare unfavourably to many other high-income countries. Australia, the U.K., the U.S., and numerous European nations are

“Increased basic and translational research funding in Canada can build on existing and successful Canadian research and improve the quality of projects that may eventually be SPI eligible.”

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18 The Dashboard includes projects that were ongoing in 2017 or commenced since that time; its limitations include lack of information about private sector investment (Global AMR R&D Hub, 2020).
all funding AMR research at a higher level on a per capita basis. Canada is a net recipient of funding from abroad (Global AMR R&D Hub, 2023). Increased basic and translational research funding in Canada can build on existing and successful Canadian research and improve the quality of projects that may eventually be SPI eligible.

Box 6.1 Antimicrobial Development Research in Canada

Canada is among the top 10 funders of antimicrobial R&D globally (Global AMR R&D Hub, 2023). Canada is training students at all levels — undergraduate, masters, and doctoral — in antimicrobial discovery. This university-focused approach results in the development and examination of truly innovative treatments because these are the most exciting from an academic perspective. This is a global win-win situation. R&D spending has the potential to lead to tomorrow’s antimicrobials (and prospective future recipients of a subscription contract). If these investments fund clinical trials, there could be a commensurate reduction in Canada’s subscription costs, as clinical trial expenses can be used to lower subscription payments.

Enhanced collaboration could accelerate progress in antimicrobial R&D

Efforts are being made to encourage greater dissemination of research findings in the antimicrobial R&D space, particularly in terms of sharing experiences of failure (where there is less of a risk of losing competitive advantage) (CARB-X, 2018). The Pew Charitable Trust’s Shared Platform for Antibiotic Research and Knowledge is designed to facilitate information sharing in the R&D space while safeguarding intellectual property (Prosen et al., 2019). The Community for Open Antimicrobial Drug Discovery provides researchers with access to free screening for detection of antimicrobial activities in existing chemical compounds, which can support the identification and development of novel antimicrobials (CO-ADD, n.d.). The SECURE initiative, a collaborative effort from Global Antibiotic Research and Development Partnership (GARDP) and the WHO, strives to generate increased global access to essential antibiotics (SECURE, n.d.).
The Innovative Medicines Initiative established a New Drugs for Bad Bugs program to bring together private and public sector actors to make advancements in the field, while the ENABLE project established a European consortium of academics and pharmaceutical companies to collaborate on creating novel antimicrobials between 2014 and 2021 (ND4BB, 2021, 2023). GARDP’s “5 by 25” goal of bringing five novel antimicrobials to market by 2025 also recognizes the need for collaboration to bring all the pieces of the puzzle together (GARDP, 2019).

Other efforts go further, such as calling for a completely public and open approach to antimicrobial R&D. Referred to as open science, these strategies stress the need for openly accessible data sets, tools, and materials, and eschew the creation of intellectual property (e.g., patents) to reduce research barriers and enhance knowledge sharing (Bubela et al., 2020; Gold & Edwards, 2022). Open science has the potential to play a role in public health, including AMR-related drug development, by developing antimicrobials to the end of the phase 1 clinical trial stage (Huston et al., 2019; Bubela et al., 2020; Gold & Edwards, 2022). Certain open science strategies could therefore act like push mechanisms, while others could co-exist alongside market systems, or even replace them (Klug et al., 2021).

Glover et al. (2021) have argued for developing novel antimicrobials using a Networked Institute Model, a public model that could create trial facilities, offer patent buyouts, diversify manufacturing sites, and support the development of academic expertise by providing greater recognition of innovations originating in academia. Greater scientific openness could improve efficiency and cross-fertilization, and better address access inequities across countries (Singer et al., 2020). Open science approaches can also create greater opportunities for participation among diverse actors, notably academics, governments, and non-profit entities, and such efforts might hasten research developments at reduced costs (Bubela et al., 2020; Gold & Edwards, 2022). The notion, however, of non-profit entities replacing private actors in the antimicrobial space — and doing so at reduced costs for governments — remains speculative, especially given the ongoing financing required to achieve market stability over longer timeframes (Outterson & Rex, 2020).
Clinical trial networks could serve both regulators and manufacturers by generating better data at lower cost

Clinical trials have been identified as a key challenge in the deployment of novel antimicrobials. O’Neill (2016) reports that over “80 percent of the costs of bringing an antibiotic to market are related to clinical trials, or 65 percent of the cost when you adjust for the risk of failure.” Reforms that improve the efficiency and practicality of clinical trials could have a meaningful impact. O’Neill (2016) also notes the challenges of enrolling sufficient patient populations with drug-resistant infections — a challenge made more difficult by a lack of suitable diagnostics. Unlike other fields, such as oncology, the concentration of expertise in a few key locations is impractical when it comes to infectious diseases. Hospitals are highly motivated to prevent and eliminate AMR infections; as well, the timeliness of interventions is essential, thus moving patients to a centre of excellence can create significant risks (McDonnell et al., 2016). Running sufficiently large trials in this context requires the participation of dozens of hospitals and takes many months to initiate (O’Neill, 2016).

The creation of stable clinical trial networks has been identified as one promising innovation to address this challenge. McDonnell et al. (2016) suggest creating distinct networks for each of the following infections: complicated urinary tract infections, complicated intra-abdominal infections, hospital- or ventilator-associated bacterial pneumonia, community-acquired bacterial pneumonia, and acute bacterial skin or skin structure infections. Within a stable clinical trial network, comparator drugs could remain in use. These would form a stable control arm, and trial drugs could be rotated in and out over time. Such a network would also cut the number of patients needed per clinical trial, reducing time and costs by 30–40%. In addition, the time needed to recruit hospitals and provide necessary training is significant — a pre-existing network could offer time savings of three to six months (McDonnell et al., 2016). Such clinical trial networks are now operational in Asia, helping to lower costs and generate increased collaboration across multiple regions, while reducing inefficient duplicate studies (Wellcome Trust, 2020). The Panel anticipates that these trials will provide richer clinical evidence to inform clinicians as well those assessing the value of these new antimicrobials.
Canada does not currently have an effective clinical trials network, and developing one presents significant challenges given divisions among regional healthcare systems, insufficient pan-Canadian data collection and data sharing mechanisms, and a lack of stable funding (Chornenki et al., 2020; Lamontagne et al., 2021; Seely & Fowler, 2022). New initiatives are being funded, however, such as the Accelerating Clinical Trials Consortium, which strives to enhance and expand upon Canada’s current networks (GC, 2023a). Further initiatives undertaken by the Canadian Critical Care Trials Group have been successful in increasing capacity, and lessons could be learned from international programs, such as the U.K.’s RECOVERY program. This program was established during the COVID-19 pandemic and conducted therapeutic trials based on increased contributions of patient-level data from hospitals (Marshall & Cook, 2009; Murthy et al., 2020; Seely & Fowler, 2022). Health Canada is in the process of modernizing clinical trial regulations, striving to better regulate risk, increase transparency, improve alignment with international efforts, generate increased public participation, and improve access to novel treatments (GC, 2022c).

Across numerous health fields, but especially for AMR and antimicrobial prescribing — where use will be low and geographically dispersed — unified, transparent, easily accessible pan-Canadian databases would be advantageous (Murthy et al., 2020; Van Katwyk et al., 2020). Database development, along with increased research collaboration and coordination, requires social and technological unification within and across jurisdictions (Chornenki et al., 2020; Lamontagne et al., 2021; Seely & Fowler, 2022). Strengthening a Canadian research network would generate better evidence-informed healthcare outcomes, including for marginalized and underrepresented communities, and may also do so with greater cost-effectiveness (Lamontagne et al., 2021; Sundquist et al., 2021).

International clinical trial networks could enhance the participation of low- and middle-income countries, supporting the development of drugs that meet their needs, fostering domestic capacity, and lowering the costs of clinical trials (O’Neill, 2016). However, a lack of consistency in regulatory requirements across jurisdictions along with restrictions on data sharing are key limiting factors (Wellcome Trust, 2020). Enabling increased collaboration, transparency, and data-sharing among international actors through globally focused policies — for example, increased use of trial registries, transparent reporting, open-source publishing, and coordinated research directives — augments the potential to tackle AMR more effectively (Van Katwyk et al., 2020).
6.2 Regulatory Review

Regulatory review requirements contribute to the costs of commercializing novel antimicrobials. When the regulatory burden is lowered, the expected net present value of investments in novel antimicrobial development increases accordingly, thereby encouraging more activity in the field (Sertkaya et al., 2014). Clinical trial requirements have already been adjusted to accommodate the challenge of establishing superiority for this type of drug (Section 2.1), and further reductions in regulatory requirements could create unacceptable risks (Chatham House, 2015). However, there are other ways to assess conformity with existing regulatory requirements that may be more efficient.

**Enhanced international collaboration in regulatory review could provide efficiencies without compromising on safety**

Regulatory reliance processes that allow regulators to leverage the work of other regulatory agencies (rather than duplicating the work) could ease the workload for regulators and applicants while speeding up patient access to new treatments (Doerr et al., 2020). Reliance processes have broad support but require trust and harmonization to succeed (Doerr et al., 2020).

The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH), whose members include the U.S., Japan, Canada, and the European Commission, brings together regulators and pharmaceutical developers to support efficient regulatory review of new medicines to determine whether they are safe, efficacious, and high quality (ICH, n.d.-b, n.d.-c). Draft guidelines are revised based on consultation with regulatory authorities in ICH regions (ICH, n.d.-a). Implementation of these guidelines in Canada ensures regulatory requirements consistent with other ICH members. Canada is also member of the Access Consortium, along with Australia, Singapore, Switzerland, and the U.K. (GC, 2022b). The governments of these countries work together to align regulatory approaches and reduce duplication through enhanced sharing and collaboration; they also explore ways to extend this cooperation into health technology assessments (HTAs) (GC, 2022b).
Health Canada has established four Mutual Recognition Agreements to improve coordination among international regulatory authorities in Australia, Switzerland, the countries in the European Free Trade Association (Iceland, Liechtenstein, and Norway), and the E.U. member states under the Comprehensive Economic Trade Agreement (CETA) (HC, 2021c). These agreements establish the presence of equivalent drug compliance programs through reviews of legislation and guidelines. Thus, Good Manufacturing Practices certification of a manufacturer by one country is recognized by the other (HC, 2021c). Streamlining review process through enhanced cooperation with international regulatory authorities can help expedite processes and increase efficiencies, which could support the timely launch of new SPI-qualifying antimicrobials in Canada.

**Enhancing pediatric focus in regulatory review processes generates increased access to and appropriate use of novel drugs in younger populations**

Internationally, bacterial infections in the form of pneumonia, neonatal sepsis, and gastrointestinal infections result in substantial childhood mortality, and yet access to antimicrobials for younger populations is particularly lacking (WHO, 2022a). Indeed, regulatory processes in Canada and abroad do not adequately encompass administration for pediatric populations (Gilpin et al., 2022; WHO, 2022a). As in other jurisdictions, off-label drug use is widely prescribed for Canadian children, yet Canada’s support for up-to-date educational materials and pediatric formulations lags behind the U.S. and European countries (CCA, 2014; Yackey et al., 2019; Gilpin et al., 2022). The U.S. and E.U. have developed strategies that mandate pediatric studies by industry through the U.S. FDA’s Pediatric Research Equity Act and the E.U.’s Paediatric Investigation Plans (FDA, 2019; Gilpin et al., 2022; EMA, 2023b). In contrast, Canada’s regulatory framework neither obligates nor incentivizes industry to update monographs with new efficacy or safety data, to market the pediatric formulations from trusted international jurisdictions, or to research pediatric indications and develop formulations where use among children is forecasted (Gilpin et al., 2022). Increasing pediatric access to innovative antimicrobials strengthens an SPI’s objective of ensuring universal access and addressing unmet global health needs.
6.3 Surveillance

Surveillance activities identify trends in AMR and AMU and track the emergence and spread of different infections of concern. Global surveillance efforts track international trends and offer early warning signs for future resistance trends (WHO, 2022e). The WHO’s 2022 *Global Antimicrobial Resistance and Use Surveillance System* (GLASS) report detailed how antimicrobial consumption is a key AMR driver, and how challenges persist around accurately surveying AMR on a global level, particularly in low-resource settings (WHO, 2022e). The ongoing assessment of AMR and AMU in Canada can be strengthened by a comprehensive pan-Canadian surveillance system that extends beyond large hospitals to incorporate community settings, including in rural and remote areas (Somanader et al., 2022).

New and strengthened initiatives could enhance Canada’s AMR surveillance system

Understanding AMR in Canada requires a One Health approach, which incorporates surveillance data from humans, animals, and the environment (GC, 2017; PHAC, 2023). Canada’s AMR surveillance has been described as “patchy,” carried out “at a variety of sites, under different jurisdictions, with various criteria, for different purposes, and at different levels of sophistication or development” (Haworth-Brockman et al., 2021). Surveillance efforts quantify AMU in humans, but gaps remain around evaluating the appropriateness of that use (HealthCareCAN, 2016; Schwartz et al., 2019). There is a need for standardized reporting metrics across all prescribing facilities, including hospitals, pharmacies, dental clinics, and long-term care facilities (HealthCareCAN, 2016).

The annual *Canadian Antimicrobial Resistance Surveillance System* (CARSS) report assesses trends in AMR and AMU by using purchases from healthcare sectors and antibiotic prescriptions dispensed in the community as proxies, compiling data from multiple surveillance initiatives and focusing on a One Health perspective (PHAC, 2022). Resistance rates are reported over time across several pathogens, supporting analysis of trends. AMU is inferred based on sales data.

Data on antimicrobial prescribing practices are essential for understanding the appropriateness of AMU in Canada. The National Antimicrobial Prescribing Survey (NAPS) was developed in Australia in 2013 as a means of collecting qualitative data about antimicrobial prescription decisions in hospitals, and of assessing the appropriateness of the prescription based on patient data (James et al., 2022). Beginning in 2018, NAPS was introduced as a pilot in acute care facilities in Canada to document antimicrobial prescribing practices, quantify national AMU, and assess
the appropriateness of prescribing behaviour (BD, 2019). NAPS supplements other data sources included in CARSS by providing hospital-level insights on the appropriateness of AMU (PHAC, 2022). By the end of 2022, NAPS surveillance extended to 119 facilities from all provinces, including 12 pediatric academic hospitals. Facilities, however, included only hospital and not community settings, while data were almost exclusively based on a one-day audit performed during the calendar year (PHAC, 2022). There is scope to strengthen the NAPS to provide more detailed surveillance data, which could inform domestic policy-making in general, as well as the eligibility criteria and evaluation of an SPI in particular.

6.4 Diagnostics

Diagnostics are an essential tool for ensuring appropriate AMU. Diagnostic tests can be used broadly to determine whether an infection is bacterial or viral, or more specifically to determine whether bacteria causing an infection are susceptible to a particular drug (O’Neill, 2015a). The Pan-Canadian Action Plan on Antimicrobial Resistance notes the importance of incentivizing enhanced access to diagnostics (PHAC, 2023). A host of pertinent issues accompany the need for effective diagnostic tools, the vast majority of which were deemed by the Panel to be beyond the scope of this assessment. These include distinct market failures, stewardship, and other cost-related considerations that impact availability and use of diagnostics. Evidence on these issues is limited. The practice of susceptibility testing versus empirical prescribing, however, is highly relevant to an SPI and is considered below.

In the absence of rapid and reliable diagnostic testing, prescribing without confirmation of infection type is widespread

A combination of relatively expensive diagnostics, cheap antibiotics, and the time lag between submitting testing samples and receiving laboratory results encourages physicians to prescribe without diagnostics (O’Neill, 2016). The drawbacks of such empirical prescribing practices include overreliance on broad-spectrum antibiotics, failure to use the most appropriate treatment in a timely manner, unnecessary prescribing (e.g., for primary viral infections), adverse effects associated with treatment, and contributing to AMR (Outterson et al., 2011; O’Neill, 2015a; Payne et al., 2015). For example, gonorrhea infections illustrate the pressure an absence of diagnostics can place on reserve antibiotics. While 70% of gonorrhea cases are susceptible to older antibiotics, the lack of rapid tests to indicate drug susceptibility results in physicians in the U.K. “prescrib[ing] the last
line of defence against gonorrhea, which is a combination of two different drugs from different antibiotic classes” (O’Neill, 2015a). This practice creates a selective pressure that can foster more drug-resistant cases of gonorrhea (O’Neill, 2015a).

An analysis of respiratory infections in the U.S. found that roughly two-thirds of patients who were prescribed antibiotics had illnesses for which those drugs were unlikely to provide any therapeutic benefit (Shapiro et al., 2013). In the Panel’s experience, prescribers in Canada will often order lab cultures that test for susceptibility against a panel of potential treatment options (i.e., an antibiogram), but start treatment empirically while awaiting laboratory results. This practice may be even more common in community settings, where prescribers usually rely on slower laboratory testing services.

**Effective and affordable rapid diagnostics are needed to support the appropriate use of novel antimicrobials**

Improved reliance on diagnostics would enhance the impact of an SPI, as prescribers would be guided toward appropriate and timely use of novel therapies. When available, point-of-care resistance diagnosis identifies patients for whom a novel antibiotic would be effective, thereby increasing the value of those drugs (McAdams, 2017). Conversely, the absence of an appropriate diagnostic test can slow the uptake of a new antimicrobial (PACCARB, 2017).

In the U.S., the Presidential Advisory Council on Combating Antibiotic-Resistant Bacteria recommends that “development of new antibiotics should always include the development of a concomitant rapid AST [antimicrobial susceptibility test] device” (PACCARB, 2017). As O’Neill (2015a) notes, “rapid diagnostics can reduce the cost of clinical trials for narrow-spectrum drugs by making it easier to find patients who have a potentially susceptible infection of interest and therefore reducing the number of patients that need to be screened to join a trial.” Thus, the availability of diagnostic tests in time for a phase 3 clinical trial could be valuable in reducing the enrollment numbers required to satisfy regulatory requirements (Payne et al., 2015).
Rapid tests can be particularly valuable for informing time-sensitive prescribing decisions (Payne et al., 2015). Timeliness of diagnostics is recognized as a key element of successful therapy as delayed tests tend not to be clinically useful. Barbut et al. (2014) found that faster diagnostics lead to more timely access to appropriate therapies, fewer hospitalizations, and fewer health harms. Timely treatment of serious infections is critical in minimizing morbidity and mortality, so tests that take days to complete are often not viable (Barbut et al., 2014; Savage et al., 2016). In the case of serious infections, Rice (2011) suggests that diagnostic tests that can rule out specific pathogens (i.e., high specificity tests)19 would provide the most value. Without full assurance that an antibiotic would not provide any benefit, physicians are inclined to prescribe on the basis that the drug is safe and may provide some benefit.

However, enhanced reliance on diagnostics may have the unintended consequence of driving up prescribing (Morado & Wong, 2022). Diagnostic tests — particularly rapid tests, which tend to be more sensitive — can determine whether an organism is present, but not whether it is causing disease (Curren et al., 2022). Diagnostic stewardship calls for “ordering the right tests for the right patient at the right time to provide information necessary to optimize clinical care” (Curren et al., 2022). The Choosing Wisely initiative was established to avoid unnecessary and unhelpful patient care (Choosing Wisely, 2023a). It has amassed a large set of recommendations designed to avoid unnecessary antibiotic usage, which could be informative in this space (Choosing Wisely, 2023b).

19 High specificity tests are those that accurately provide a negative result when a patient does not have the disease (i.e., they can reliably rule out specific pathogens). High sensitivity tests are those that accurately yield a positive test result when a patient has the disease (O’Neill, 2015b).
Final Reflections
Main Report Findings

• Weak commercialization prospects impede the development of novel antimicrobials, creating risks and harms for people in Canada and around the world.

• Governments can improve the market for novel antimicrobials by offering pull incentives to manufacturers.

• Canada has the opportunity to work with a group of other high-income countries to contribute its fair share to an adequate global pull incentive.

• Complementary policies that foster upstream R&D through push incentives, facilitate efficient regulatory review, provide necessary surveillance data, and bolster the supply of rapid diagnostics will improve the success of a subscription pull incentive.

Antimicrobial resistance (AMR) has been acknowledged in Canada and internationally as a serious and growing global threat to public health. Rates of resistance are increasing for most priority pathogens in Canada: there is an increasing frequency of infections that do not respond to first-line and even subsequent antimicrobial treatment options. The domestic and global health community has been encouraged to take significant action in order to avoid a future where many infections can no longer be treated and where routine health interventions are increasingly avoided. AMR puts all people in Canada at risk, particularly those who are immunocompromised and thus most susceptible to infections. The imperative for action is well recognized. Both the 2019 and 2021 mandate letters from the Prime Minister of Canada call on the Minister of Health to respond to the threat of AMR, with the 2021 letter instructing the Minister to “work with partners to take increased and expedited action to monitor, prevent and mitigate the serious and growing threat of antimicrobial resistance and preserve the effectiveness of the antimicrobials Canadians rely upon every day” (PMO, 2019, 2021).

The current pipeline will not meet the future needs of people in Canada and around the world. The antimicrobials that have recently come to market are not filling the greatest unmet needs. However, even a highly effective novel antimicrobial would
struggle to maintain financial viability under current circumstances. Pull incentives are crucial policy tools for encouraging access to novel antimicrobials that can meet the needs of patients in Canada today, tomorrow, and for future generations. While their financial costs are not insignificant, such costs are smaller than the public health benefits created by novel antimicrobials. A carefully designed and diligently executed Canadian pull incentive — one that protects public value by paying only for the antimicrobials that address unmet needs — is the best way to balance the risks and rewards of supporting the antimicrobial pipeline and securing access for all people in Canada. Ensuring the effectiveness of novel antimicrobials would be a key element of the program. Paying only for drugs that would treat infections of concern in Canada means developing eligibility criteria that demand compelling evidence of the effectiveness of new treatments while recognizing the constraints of clinical trials in this space. Canada has the opportunity to join with other G7 countries as they establish and evaluate their own pull incentives, and to provide leadership in addressing this global health challenge by stimulating the development of novel antimicrobials while securing access for patients in Canada.

AMR is a complex challenge that calls for a multifaceted response. One aspect of a comprehensive solution is the development and deployment of new drugs that can treat resistant infections. Policy makers have the means to build a future with a strong pipeline of novel antimicrobials, where enhanced diagnostic tools guide clinical decisions, high-income countries work more closely with low- and middle-income countries to improve antimicrobial stewardship and equity in antimicrobial availability, and patients learn how to reduce infection risks and use antimicrobials appropriately. Canada has an opportunity to be a leader in addressing this global collective-action challenge. As a high-income country that has made international and domestic commitments to confront AMR, it has the means to establish a long-term pull incentive to catalyze action among antimicrobial developers and other high-income countries.
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Overcoming Resistance


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Overcoming Resistance


CCA Reports of Interest

The assessment reports listed below are available on the CCA’s website (www.cca-reports.ca):

- **From Research to Reality** (2020)
- **When Antibiotics Fail** (2019)
- **Building on Canada’s Strengths in Regenerative Medicine** (2017)
- **Accessing Health and Health–Related Data in Canada** (2015)
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