National Universal Pharmacare

Drug coverage in Canada is provided through an incomplete patchwork of private and public programs that varies across provinces. This fragmented system reduces access to medicines, diminishes drug purchasing power, duplicates administrative costs, and isolates pharmaceutical management from the management of medical and hospital care. It is needlessly costing Canadian businesses billions of dollars every year.

On March 6, 2019 the Advisory Council on the Implementation of National Pharmacare released an interim report for the government's consideration. The Council is leading a national dialogue on how to implement affordable national pharmacare for Canadians – families and employers. The Honourable Ginette Petitpas Taylor, Minister of Health, and the Honourable Bill Morneau, Minister of Finance, announced that the Government has received an interim report[1] from the Council, chaired by Dr. Eric Hoskins. The report identifies three initial recommendations for national pharmacare:

1. Creating a national drug agency to oversee national pharmacare;
2. Developing a comprehensive, evidence-based list of prescribed drugs – a national formulary – to harmonize coverage across Canada; and
3. Investing in data on prescription drugs and information technology systems.

The Government of Canada will consider the Council's initial recommendations while it awaits the final report, due in Spring 2019.

Inefficiencies of fragmented coverage

The fragmented nature of drug coverage in Canada costs businesses, taxpayers, and patients billions of dollars every year. First, lack of coverage means that many Canadians cannot afford to fill necessary prescriptions.

A 2015 Angus Reid Institute poll found 29% of British Columbia households reported they did not take medicines as directed because of cost.[2] This occurs because British Columbia's PharmaCare system provides benefits after patients have spent hundreds or thousands of dollars on medicines. This costs everyone because it results in worst health for patients and increased use of tax-financed medical and hospital care.

Fragmentation also means higher drug costs. Overall, Canadians spend 40% more on pharmaceuticals than the average of most comparable countries that offer universal, comprehensive drug coverage, including the United Kingdom, Germany, France, Australia, Sweden, and New Zealand. Thus, Canada is spending as much as $10-billion per year more than it would if it had a universal drug plan like those found in many comparable countries.

Heavy burden on business

Prescription drugs are the largest and fastest growing component of extended health benefits in Canada[3]. Today, more than 25% of private drug plan costs are spent on medicines that cost more than $10,000 per patient per year. Business owners should not be responsible for managing access to

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[1] https://www.canada.ca/en/health-canada/corporate/about-health-canada/public-engagement/external-advisory-bodies/implementation-national-pharmacare/interim-report.html

[2] 2015 Angus Reid. Prescription drug access and affordability an issue for nearly a quarter of all Canadian households. http://angusreid.org/prescription-drugs-canada/

[3] 2018. Private Drug Plans in Canada: High-Cost Drugs and Beneficiaries, 2005 to 2017. http://www.pmprb-cepmb.gc.ca/view.asp?ccid=1366&lang=en

and the price of such specialized medical care. No comparable country with universal health care requires individual employers to do so.

The burden of Canada's incomplete and inefficient system of public drug coverage falls heavily on businesses, especially the small and medium sized enterprises who comprise the backbone of Canada's economy. With rising costs of medications, many businesses are seeing their bottom lines erode and some find they simply cannot afford to provide insurance plans for their employees.

Small businesses are least likely to offer drug coverage and few entrepreneurs and independent contractors are covered by any drug benefit plan. This harms the efficiency of our economy because many Canadians are forced to choose where to work based access to insurance rather than aptitude and passion.

Money spent on private drug plans is not being spent well. Private sector analysts estimate that up to $5 billion spent by Canadian employers on private drug benefits is wasted because private drug plans are not well positioned to manage drug pricing or the prescribing and dispensing decisions of health professionals.[4]

Dangers of a mandatory insurance system

As provincial health ministers hold discussions with their Federal counterpart, businesses are concerned of any additional costs to their employees, their insurance plans, and their bottom line. The biggest concern is that governments are considering making private drug coverage mandatory, as was done in Quebec in 1997.

The Quebec private-public system increased access to insurance for working-age residents but increased employer-and household – financial expenditures. A higher proportion of income for lower-income households goes to premiums, deductibles and coinsurance under this regime.[5]

For 22 years prior to mandatory private drug insurance in Quebec, per capita spending on prescription drugs in was approximately equal in Quebec and the rest of Canada. In the 21 years since their policy change, costs in Quebec have far outgrown the rest of Canada. Private employers and households in Quebec now spend $200 per capita more on pharmaceuticals than employers and households in the rests of Canada.

In British Columbia, a Quebec-style system would cost employers and households $1 billion more every year if private drug insurance costs rose here as they did in Quebec.

Economies of a single-payer system

There is a better option. A universal, comprehensive public drug plan that was consistent throughout BC and across Canada would be a wise investment for BC's economic prosperity. The Parliamentary Budget Officer estimates that such a plan would reduce employer-sponsored drug costs in Canada by over $10 billion per year if implemented by 2021. This would dramatically boost Canada's labour market competitiveness.

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[4] 2014 Drug Trend Report. Express Scripts Canada. 2015. http://www.express-scripts.ca/research/drug-trend-reports

[5] 2017. Steven G. Morgan, Marc-Andre Gagnon, Mathieu Charbonneau, and Alain Vadeboncoeur. Evaluating the effects of Quebec's private-public drug insurance system.

A universal pharmaceutical program would be economically viable not only by taking advantage of the power of a single purchaser, but through the following:

- Reduction of administration costs for businesses and unions
- Decreased direct emergency and acute care medical costs due to inappropriate or underuse of drug therapies
- Reduction of other health service costs

Because of these increased efficiencies, the Parliamentary Budget Officer estimates that a universal pharmacare program would generate net savings of $4 billion per year even after taking into account the increased public spending on medicines. Multiple public opinion polls have found that most taxpayers would support such a program, even if it required modest increase in taxes.[6]

Pharmacare must:

1. Ensure that all Canadian employees have access to prescription drugs based on medical need, without financial or other barriers to access;
2. Ensure that coverage is portable and consistent across all jurisdictions;
3. Provide access to a comprehensive, evidence-based formulary, with special consideration for drugs for rare diseases;
4. Be designed and delivered in partnership with patients, employers and citizens;
5. Be founded on strong partnership between federal, provincial and territorial governments and Indigenous peoples; and,
6. Include a robust pharmaceutical management system that promotes safety, innovation, value-for-money and the sustainability of prescription drug costs

Moving forward

As British Columbia joins the national discussion about a universal “pharmacare” system, caution is advised when choosing a program of delivery. It is tempting, and usually preferable to choose private suppliers over a government run program; however, in terms of cost effectiveness of prescription drug policies, the best strategy is one where pharmaceuticals are added to the universal health coverage of our medicare system.

THE CHAMBER RECOMMENDS

That the Provincial Government:

Work with the Federal Government to develop a universal pharmacare program that will allow cost savings through bulk purchasing agreements and other cost-sharing strategies.

Submitted by the Surrey Board of Trade.

[6] 2019. Attitudes Towards Health Care. Environics Research.