



A CANADIAN UNIVERSAL DRUG PLAN

Would it work?

Introduction

Health care costs are increasing across Canada, and they are increasing faster than the average income, cost of housing and other living expenses. Many Canadians cannot afford prescription medication, resulting in their health conditions being left untreated.

Recent studies suggest that a universal drug plan may be the solution to ensure that Canadians can get affordable prescription drugs and the proper care they need to live healthy lives. With a shift in the way prescription drugs are used to treat health conditions and prevent many chronic illnesses, there is a need to investigate further the merits of a universal drug insurance plan in Canada.

The following examines the current state of prescription drug costs and access, and the potential impact a universal drug plan could have on drug insurance plans, health insurance coverage in Québec, and access to prescription drugs.



THE COST OF HEALTH CARE IS ON THE RISE



Canada is the only developed nation in the world with a public universal health care program that does not also include a universal drug plan. As the costs of health care increase, it is estimated that 1 in 10 Canadians cannot afford the medication they are prescribed, potentially putting many at risk for not receiving the treatment they need.

Just how quickly are health care costs rising?

According to a study by the Fraser Institute,¹ the cost of public health insurance for the average Canadian has increased 1.6 times faster than the average Canadian income, 1.3 times as fast as the cost of housing and 2.7 times as fast as the cost of food.

Many Canadians are also making incorrect assumptions about what our public health insurance covers and are under the impression that in Canada, we have access to “free” health care.

Although we fund our health insurance coverage through our tax dollars, this doesn’t mean that Canadians will always be able to get health care services at no cost.

Let’s take a look at the public health insurance coverage in Québec and Ontario as an example.

PRESCRIPTION DRUG COVERAGE IN QUÉBEC

In Québec, all residents must have a prescription drug insurance plan. If you do not have access to group coverage through your employer, you pay a premium to the provincial government to obtain drug coverage. If you are eligible for a private plan, you must purchase one. If you are not eligible for a private health plan, you can register for the Public Prescription Drug Insurance Plan.

To qualify, you must meet the following criteria:

- You are not eligible for a private plan
- You are over 65
- You receive last-resort financial assistance or have a claim slip
- You are the child of a person covered by the public plan

If you are covered by the public plan, you are required to pay a premium, regardless of whether you purchase prescription drugs. The premium can vary from \$0 to \$611 annually.

With some drugs costing as much as \$50 for one pill, and depending on the type of disease with which you are diagnosed, drug costs can severely impact your finances, especially if you need to take a combination of drugs, which could total more than \$1,600 a month.²

The average Canadian spends roughly \$839/person/year on prescription drugs, and this number has increased by 12% since 2005.³ The costs of drugs are rising, and if changes to the current system are not explored, prescription drugs and drug insurance plans will potentially place more financial stress on Canadians.

PRESCRIPTION DRUG COVERAGE IN ONTARIO

Prescription drugs are not covered by the Ontario Health Insurance Plan (OHIP), unless you are receiving hospital care. There are assistance programs in place for individuals who need help paying for prescription medication. To qualify, you must have a valid Ontario health card and meet the following criteria:

- You are 65 or older (a deductible applies)
- You are on a social assistance program (Ontario Works or the Ontario Disability Support Program)
- You live in a long-term care facility or home for special care
- You are receiving professional in-home care services

Assistance programs that are available to Ontario residents include:

Ontario Drug Benefit Program: Pays for some prescription drugs for individuals over 65, individuals receiving social assistance, and long-term care patients.

Trillium Drug Program: Pays prescription drug costs for individuals whose drug costs are high compared to their household income.

Special Drugs Program: Pays for drugs used to treat HIV, schizophrenia and other medical conditions.

Interim Federal Health Program: A federal program that helps refugees and other eligible groups to pay for prescription drugs.

Even if you qualify for an assistance program, you may still need to pay out of pocket for some prescription drugs. Some drugs are excluded from coverage under these programs.



HOW MUCH CANADIANS ARE SPENDING ON PRESCRIPTION DRUGS

The Fraser Institute⁴ estimated that the average Canadian family paid between \$3,592 and \$11,786 in tax dollars for public health insurance in 2014. Since there is no dedicated health insurance tax and Canadians are not billed directly but instead through the tax system, it's difficult for many Canadians to understand how much money they are already paying for public health insurance coverage and what that health insurance covers. Most Canadians are paying for prescription medication on top of these health insurance fees, even if they have private health insurance through an employer.

The Canadian Institute for Health Information⁵ found that of the total drug costs paid in Canada, "36 per cent were funded through private insurance plans such as those provided by employers, four per cent came through compulsory social insurance such as workers' compensation funds and 22 per cent were funded out-of-pocket by patients between 1975 and 2013." The remaining fees are funded through provincial health plans.

With the cost of health insurance coverage rising, and with the increasing uncertainty about the affordability of prescription drugs, there is renewed interest in the possibility of a Canadian universal drug plan.



WHY REFORM? THE SHIFTING HEALTH CARE LANDSCAPE

Currently, public coverage for medication varies from province to province. While the *Canada Health Act* includes doctor visits, hospital care, and medication provided during hospital stays, in most cases it does not cover prescription drugs taken outside the hospital, leaving many Canadians without the drug coverage they need to take care of their health issues.

"When universal coverage for doctor and hospital services was introduced in Canada in the 1960s, there were few effective medications, and prescription medications that were especially expensive were usually provided to patients in the hospital setting," say Karen Born and Irfan Dhalla.⁶

A lot has changed since medicare was created, and approaches to Canadian health care continue to evolve toward a more proactive approach to health and wellness, with a particular focus on the use of prescription drugs for treatment and prevention.

The Parliament of Canada⁷ outlines the shifting situation of health care needs:

- The recent shift away from in-patient hospital treatment, and the reduction in hospital stays for a broad range of diagnoses (which are associated with the increased use of ambulatory care in hospital out-patient clinics and home care), has meant that the cost of prescription drugs is increasingly the responsibility of the consumer.
- Prescription drugs play a leading role in the prevention and treatment of illness. With the rapid developments in pharmacology, this situation is expected to intensify as new prescription drugs are increasingly dispensed to reduce hospitalization, avoid surgery, and improve overall quality of life.
- Spending on prescription drugs has grown continuously and now constitutes a major share of total health care expenditures. In 2003, the cost of prescription drugs in Canada reached \$16 billion, or 13% of total health care expenditures (compared to 6% in 1983 and 9% in 1993). Private expenditures accounted for 53% of total spending on prescription drugs in 2003. The share of prescribed drugs financed from public sources has increased slightly in recent years, from 46% in 1993 to 47% in 2003.

With an increasing reliance on prescription drugs, the merits of a universal drug plan in Canada are worth considering. The shifting approach to health care has altered our reliance on prescription drugs as a form of treatment.

The following statistics⁸ provide a glimpse of what public health insurance covers and the role that current health insurance coverage can play in providing affordable and accessible prescription drugs:

- 1 in 10 Canadians cannot afford the medications their doctors prescribe
- Canadians without insurance are four times more likely not to fill prescriptions because of the cost
- About 10% of Canadians do not fill prescriptions due to cost
- 70% of Canadians who need expensive prescription medication need it every year, often for the rest of their lives
- 2 of every 3 patient visits to Canadian doctors end with a prescription
- 1 in 4 Canadians over 65 take medication that may be associated with a serious health risk
- Almost 1 in 5 hospitalizations are the result of preventable underuse and overuse of medication
- Countries with universal drug coverage spend 15% to 60% less per person on prescription drugs than Canada



ABOUT UNIVERSAL DRUG PLANS AND DRUG INSURANCE PLANS

National pharmacare reform has been a topic of discussion for decades, but little progress has been made. Many private and public organizations, industries, government agencies and individuals have a vested interest in making a change to our current drug coverage system.

Today, the system consists of a combination of public and private drug insurance plans that offer coverage to individuals based on where they work and live, and their income, age and state of health.

A universal drug plan would standardize drug insurance plans for all Canadians, providing more balanced and accessible coverage.

“Pharmacare is a proposal for a national publicly funded and administered insurance plan for medications. It would cover essential drug costs the same way medicare covers hospital costs and physicians based on the principle of universal access to safe and appropriate care,” says the Canadian Federation of Nurses Unions.⁹

Three main groups of factors can impact how a universal drug plan is designed:

1. Who is covered under a national drug insurance plan? Will all Canadians qualify for the program? Will it be accessible only to specific groups, such as seniors, or low-income or social assistance recipients?
2. What is covered by the drug plan? Will all prescription medication be covered? Will it be limited to specific categories of medications? Will it cover only generic brands? Will there be drug insurance plan limits?
3. How is the national drug insurance plan financed? Will the drug plan be financed publicly through the tax system? Will it have a mix of public and private funding? Will deductibles, co-payments and premiums play a role in funding the program?

With any proposed change to health care, the advantages and concerns over implementing a new program must be explored in depth.

ADVANTAGES

Proponents of a Canadian universal drug plan cite the following advantages:

- Equal access to prescription drugs for all Canadians
- Eliminated patchwork of provincial programs where access to medication depends on multiple factors
- Reduced financial strain on Canadians who need prescription medications for multiple health conditions
- Improved drug safety and prescribing practices
- Peace of mind
- Reduced prescription drug-related expenditures in the total health care bill
- Increased bargaining power with drug manufacturers and better control over drug costs
- The possibility of collecting data on medication use by Canadians, which could help improve health care and future decisions about health care costs and spending

CONCERNS

Those skeptical of universal drug plans have the following concerns:

- The cost of the program would depend on how it is designed
- Increased intervention by the federal government in a provincial jurisdiction
- Determining which drugs will be included or excluded from the program
- Criteria for selecting drugs for the program
- Uncertain short- and long-term costs of implementation

- How program implementation should be approached – wholesale changes or an incremental approach
- How the plan would be harmonized with current provincial drug plans
- The potential impact on drug costs and physicians' prescribing practices
- The potential impact on private health care costs and private health insurance companies
- The potential impact on taxes



NEW STUDY: UNIVERSAL DRUG PLAN WOULD SAVE BILLIONS

New research suggests that a Canadian universal drug plan is not only viable, but could save billions of dollars while keeping prescription drug costs affordable for individual taxpayers.

A recent study by University of British Columbia researchers¹⁰ found that a universal drug plan could increase costs to the government by as much as \$5.4 billion per year, but it would more likely be about \$1 billion per year. The actual cost would depend on a number of factors, such as purchases of medication in bulk or the use of generic drugs. The researchers estimated that a universal drug plan would save the private sector more than \$8 billion annually that it currently spends on prescription drugs.

"You save about 10 per cent by getting better generic prices, you save about 10 per cent [on] brand name prices, and you save an additional 10 per cent by encouraging more cost-effective prescribing," says study author Steven Morgan.¹¹ "Mine those three things together, you save 30 per cent of a very large budget. Therefore, you're saving billions of dollars."

Currently, Canada has one of the most expensive systems in the world for purchasing prescription medication – another reason why provinces need to come together to explore a collective solution for the high price Canadians are paying for drugs.

"We don't know who is paying what in one part of the country compared to the other sometimes, and I think to some extent we are getting ripped off," says Health Minister Rona Ambrose.¹² "Let's get together and start working on a bulk purchasing program that leads to the discussion around pharmacare."

However, there are some who question aspects of the study. "The study used existing data to estimate that Canadians pay roughly \$22 billion a year worth of retail prescription drugs. If Canada put all of that spending under one program with one payer, a universal drug plan would cost \$7.3 billion less per year for a 32% saving in overall drug costs. A model showing the worst-case scenario showed a total saving of \$4.2 billion or 19%," says Dr. Brian Goldman.¹³

Critics of the study argue it makes a couple of assumptions:

- It assumes Canada would receive similar pricing for prescription drugs as other comparable countries do.
- The computer model used in the study makes assumptions on the drug use trends, pricing and medication product selection, and if the assumptions are incorrect, the total costs may be different.



ADDITIONAL STUDIES SUPPORTING UNIVERSAL DRUG INSURANCE PLANS

A number of additional studies support the need for a universal drug plan in Canada. According to a recent study by the Canadian Centre for Policy Alternatives and Institut de recherche et d'informations socio-économiques,¹⁴ Canadians could save “between 10% and 42%—up to \$10.7 billion—of total drug expenditures, depending on the choice of industrial policies related to drug costs.”

The study examined the current drug insurance plans offered by the provinces, outlined the current issues with the public and private drug plans, and determined how much money would be saved if a universal drug plan were implemented.

Another study by the C.D. Howe Institute¹⁵ concluded that national pharmacare would be beneficial for Canadians. The study authors recommended that “provinces expand public pharmacare programs to all segments of the population with a specific focus on promoting access to medicines of proven value-for-money in our healthcare system. Though the immediate effect of this would be an increase in government spending, this would, over time, be more than offset by savings to patients, employers and individuals who purchase stand-alone private drug coverage.”



RECOMMENDATIONS FROM THE CANADIAN HEALTH COALITION AND THE CANADIAN CENTRE FOR POLICY ALTERNATIVES

The Canadian Centre for Policy Alternatives¹⁶ offers the following recommendations to improve affordable access to prescription drugs for Canadians:

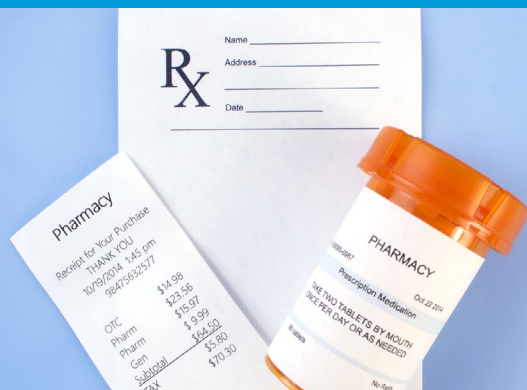
1. A universal public drug plan to replace the more expensive mix of private and public plans whose cost is shared between the federal and provincial governments and employers.
2. A national formulary to cover the cost of essential drugs. Determine which drugs to cover based on safety, effectiveness and value for money. Leave room for allowances for special needs and circumstances.
3. A strategy for purchasing drugs in bulk.
4. A public drug information system to make unbiased drug information available to the public and to health care professionals.
5. Strengthen and enforce legislation to ban direct-to-consumer advertising of prescription drugs.
6. Improve the prescribing practices of medical professionals.
7. Accelerate access to more affordable non-patented drugs.

These recommendations include some key points for a discussion about how to implement a universal drug insurance plan and facilitate a comparison of the pros and cons of this approach.

Conclusion

Research and public opinion strongly suggest that a national drug insurance plan warrants further investigation. As the population ages and more individuals adopt a proactive approach to health and wellness, greater prescription drug coverage could provide cost savings and reduce strain on the health care system.

There will be bumps on the road, and Canadians need to be open to changes to current health insurance plans and understand that the changes may impact employee insurance plans and drug coverage offered by leading health insurance companies and provincial health insurance plans. The goal is a happier and healthier population, and a national drug insurance plan may be a way of getting there.





- ¹ Fraser Institute. *The Price of Public Health Care Insurance: 2015 Edition*. Published August 20, 2015. <http://www.fraserinstitute.org/studies/price-public-health-care-insurance-2015-edition> (accessed September 14, 2015).
- ² André Picard. The cost of drugs: Breaking the bank to stay alive. *The Globe and Mail*, April 3, 2011. <http://www.theglobeandmail.com/news/national/time-to-lead/the-cost-of-drugs-breaking-the-bank-to-stay-alive/article4263623/?page=all> (accessed September 14, 2015).
- ³ Canadian Institute for Health Information. *National Health Expenditure Trends, 1975 to 2010*. Released October 27, 2010. https://secure.cihi.ca/free_products/NHEX%20Trends%20Report%202010_final_ENG_web.pdf (accessed September 14, 2015).
- ⁴ Fraser Institute.
- ⁵ Andrea Janus. Universal drug plan would save billions, UBC researchers say: Government plan could save billions of dollars while keeping drug costs affordable, study suggests. *CBC News*, March 16, 2015. <http://www.cbc.ca/news/health/universal-drug-plan-would-save-billions-ubc-researchers-say-1.2994857> (accessed September 14, 2015).
- ⁶ Karen Born, Irfan Dhalla. National pharmacare: Who are the winners and losers? *Healthy Debate*, July 6, 2011. <http://healthydebate.ca/2011/07/topic/cost-of-care/pharmacare> (accessed September 14, 2015).
- ⁷ Parliament of Canada. *A National Pharmacare Program in Canada*. Released May 31, 2004. <http://www.parl.gc.ca/Content/LOP/ResearchPublications/tips/tip25-e.htm> (accessed September 14, 2015).
- ⁸ Steven G Morgan, Danielle Martin, Marc-André Gagnon, Barbara Mintzes, Jamie R Daw, Joel Lexchin. *Pharmacare 2020: The future of drug coverage in Canada*. Released July 15, 2015. <http://pharmacare2020.ca/> (accessed September 14, 2015).
- ⁹ Canadian Federation of Nurses Unions. *A national pharmacare strategy: Canadian Federation of Nurses Unions backgrounder*. November 2011. <https://nursesunions.ca/sites/default/files/2011.backgrounder.pharmacare.e.pdf> (accessed September 14, 2015).
- ¹⁰ Steven G Morgan, Michael Law, Jamie R Daw, Liza Abraham, Danielle Martin. Estimated cost of universal public coverage of prescription drugs in Canada. *Canadian Medical Association Journal*, March 16, 2015. doi:10.1503/cmaj.141564 (accessed September 14, 2015).
- ¹¹ Andrea Janus.
- ¹² Ibid.
- ¹³ Brian Goldman. National Pharmacare? Not a chance! *CBC Radio blog*. <http://www.cbc.ca/radio/whitecoat/blog/national-pharmacare-not-a-chance-1.2996922> (accessed September 14, 2015).
- ¹⁴ Canadian Centre for Policy Alternatives, Institut de recherche et d'informations socio-économiques. *National pharmacare plan could save up to \$10.7 billion a year: study*. Published September 13, 2010. <https://www.policyalternatives.ca/newsroom/news-releases/national-pharmacare-plan-could-save-107-billion-year-study> (accessed September 14, 2015).
- ¹⁵ Steven G Morgan, Jamie R Daw, Michael R Law. *C.D. Howe Institute. Commentary No. 384: Rethinking Pharmacare in Canada*. June 2013. http://www.cdhowe.org/pdf/Commentary_384.pdf (accessed September 14, 2015).
- ¹⁶ Canadian Centre for Policy Alternatives, Canadian Health Coalition. *Life Before Pharmacare: Report on the Canadian Health Coalition's Hearings into a Universal Public Drug Plan*. November 2008. <https://www.policyalternatives.ca/publications/reports/life-pharmacare> (accessed September 14, 2015).
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