



WE CAN AFFORD UNIVERSAL DRUG COVERAGE IN CANADA

**Policy Imperatives and political challenges in reforming
Pharmaceutical Coverage in Canada**

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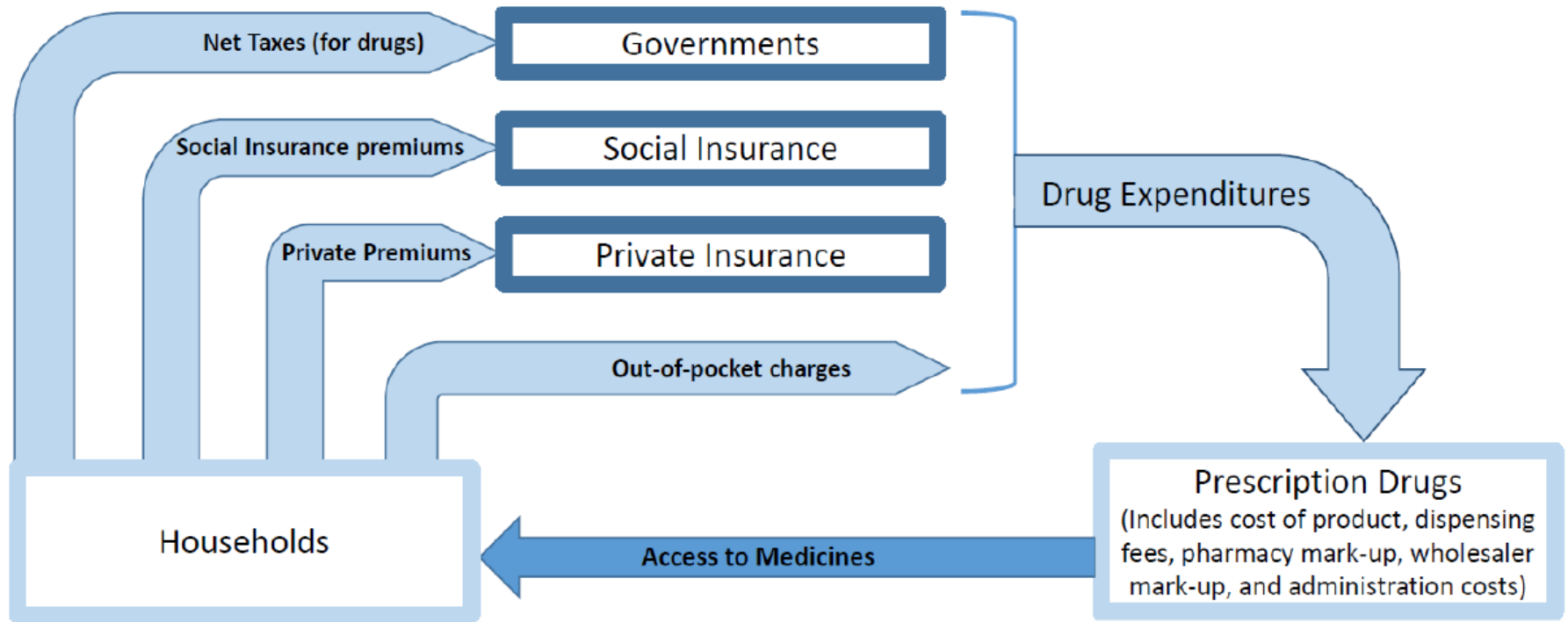
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*Research funded by Faculty of Public Affairs (Carleton University), CIHR, Canadian Federation of Nurses' Union, Health Canada.

OUTLINE

1. State of drug coverage in Canada; Inefficient, inequitable, unsustainable
2. The Costs and Benefits of Universal Coverage
3. How to pay for universal coverage
4. Strategies for implementing universal drug coverage.

Figure 1
Drug financing approaches to access prescription drugs

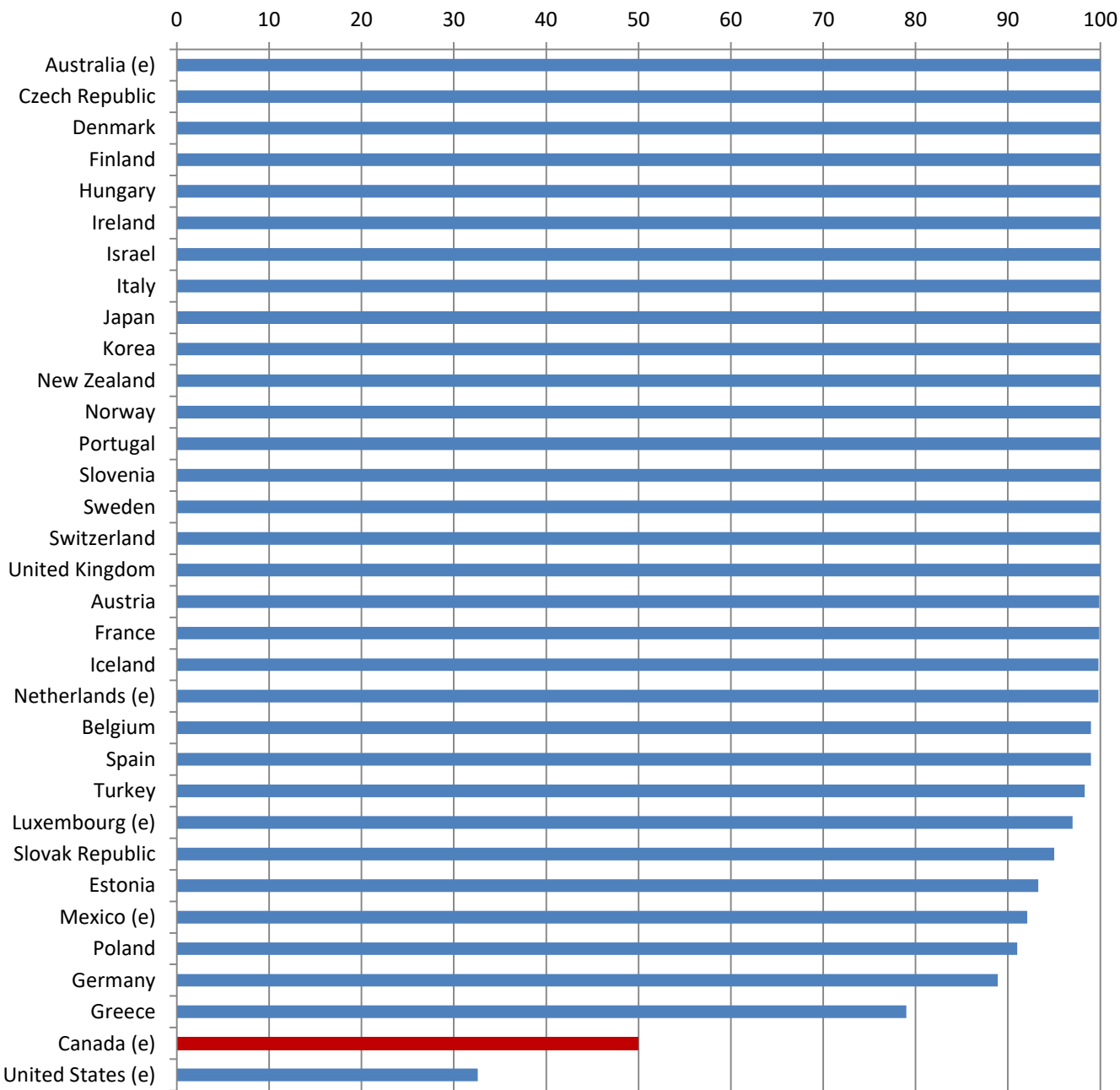


Source: Adapted from Evans 2008

Current drug coverage in Canada

- Federal (2% of expenditures): Covers First Nations, RCMP, Military and Veterans (+Refugees).
- Provincial (42% of expenditures): Covers mostly the non-working population (seniors, social assistance beneficiaries). Quebec publicly covers workers without private coverage. “Catastrophic coverage” in many provinces.
- Private drug plans (36% of expenditures): Covers most of the working population, and their dependents (60% of population)
- Out-of-pocket expenditures (20% of expenditures): co-pays, deductibles, or people without coverage.

Percentage of the population covered by a public drug insurance plan in all OECD countries (%), 2013



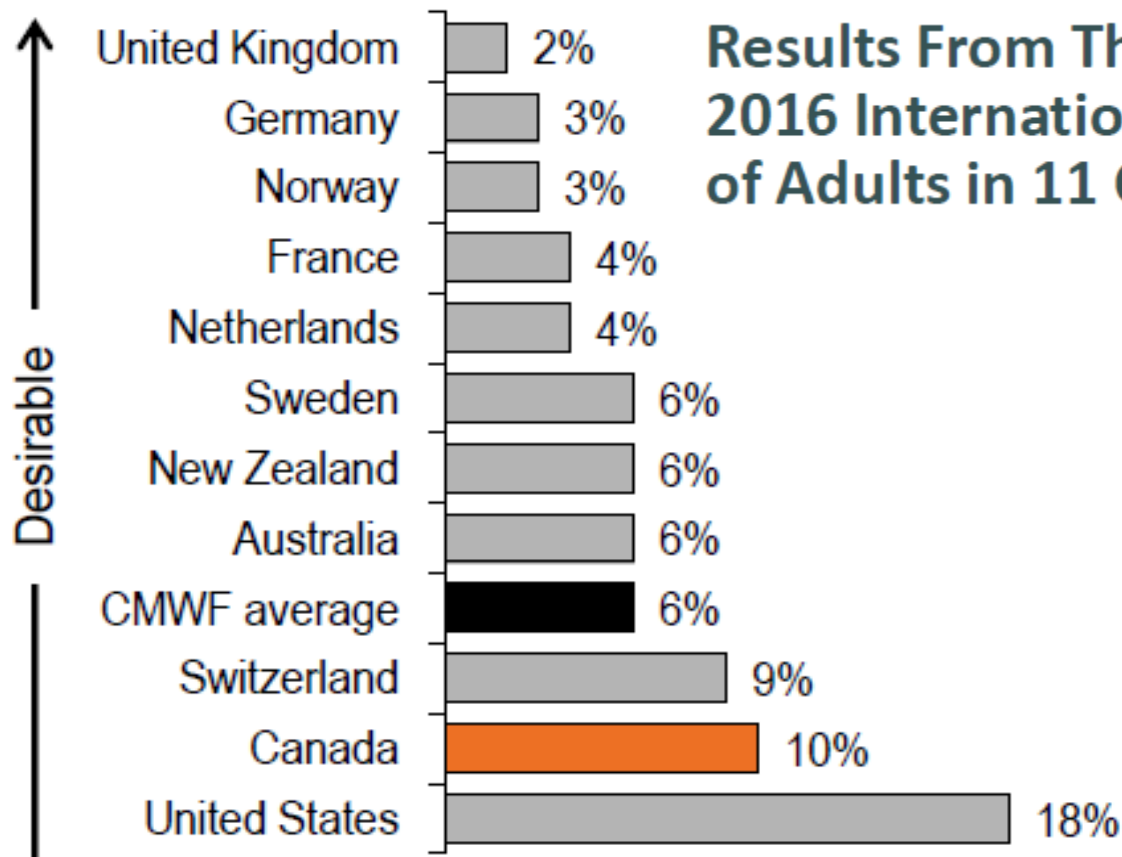
(e): estimate
 Source: OECD Health Data: Social Protection (Extracted from OECD iLibrary)

Within last year, did not fill prescription
for medicine or skipped doses of medicine
because of the cost



How does Canada compare (2016)?

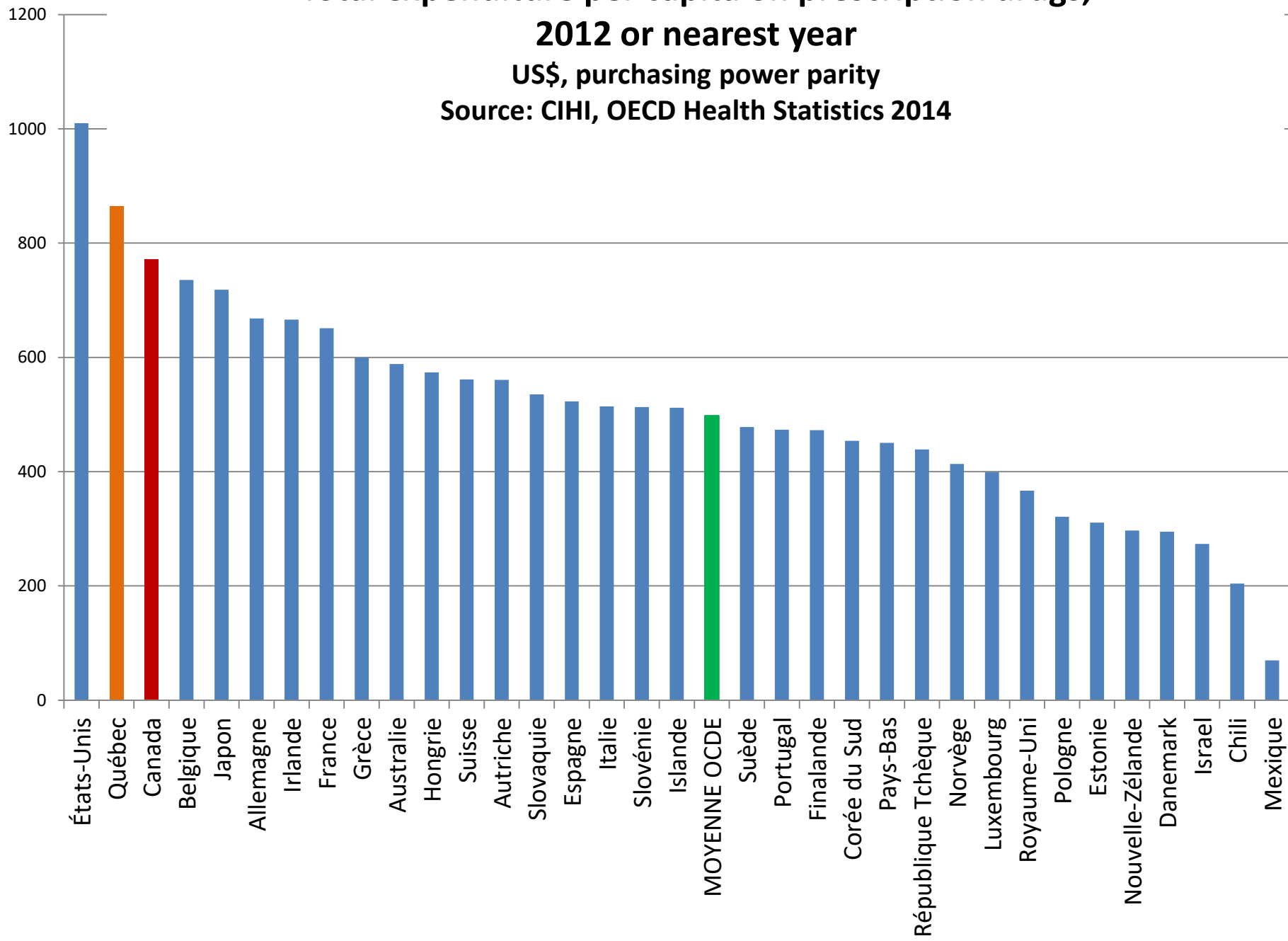
**Results From The Commonwealth Fund's
2016 International Health Policy Survey
of Adults in 11 Countries**



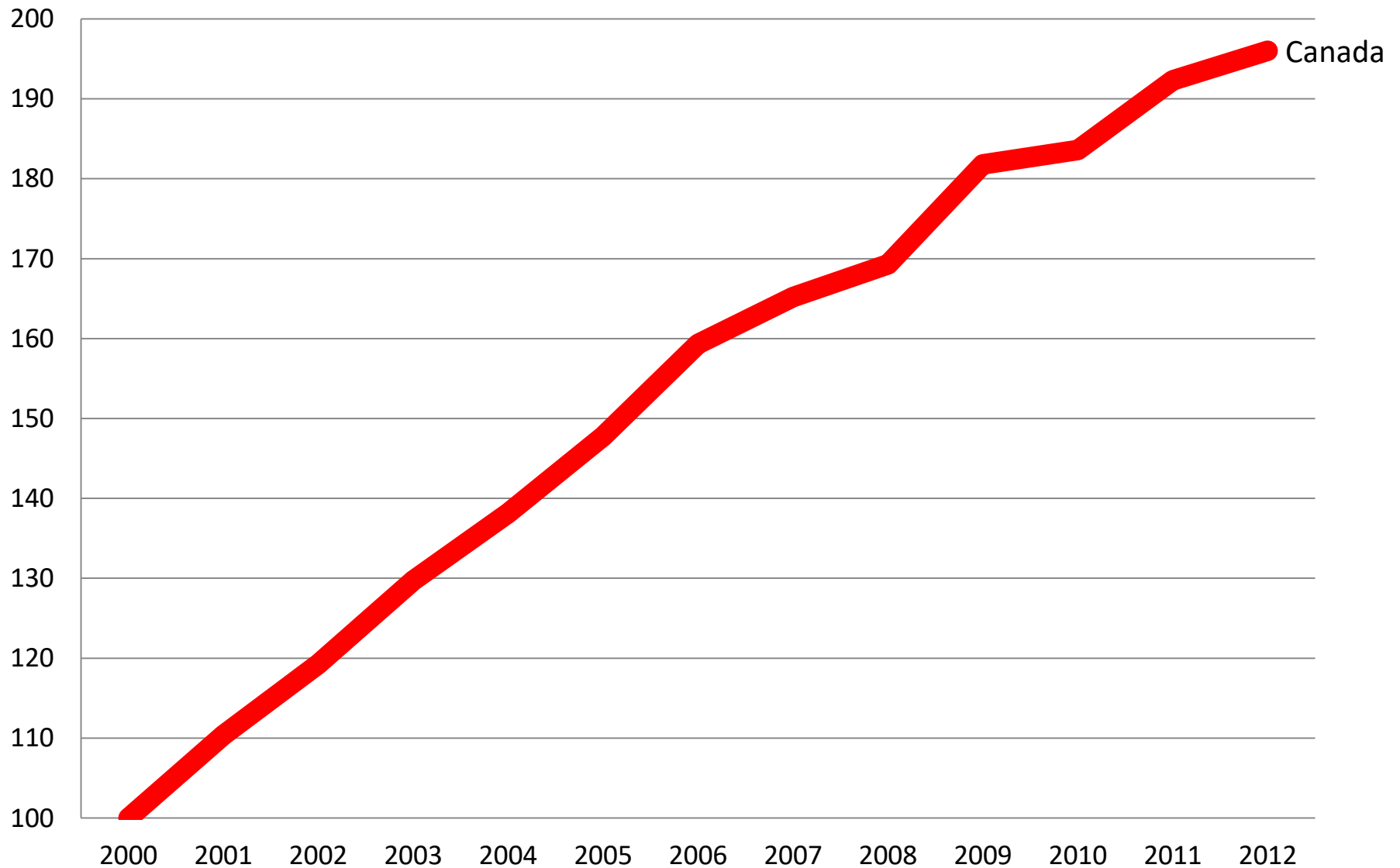
Total expenditure per capita on prescription drugs, 2012 or nearest year

US\$, purchasing power parity

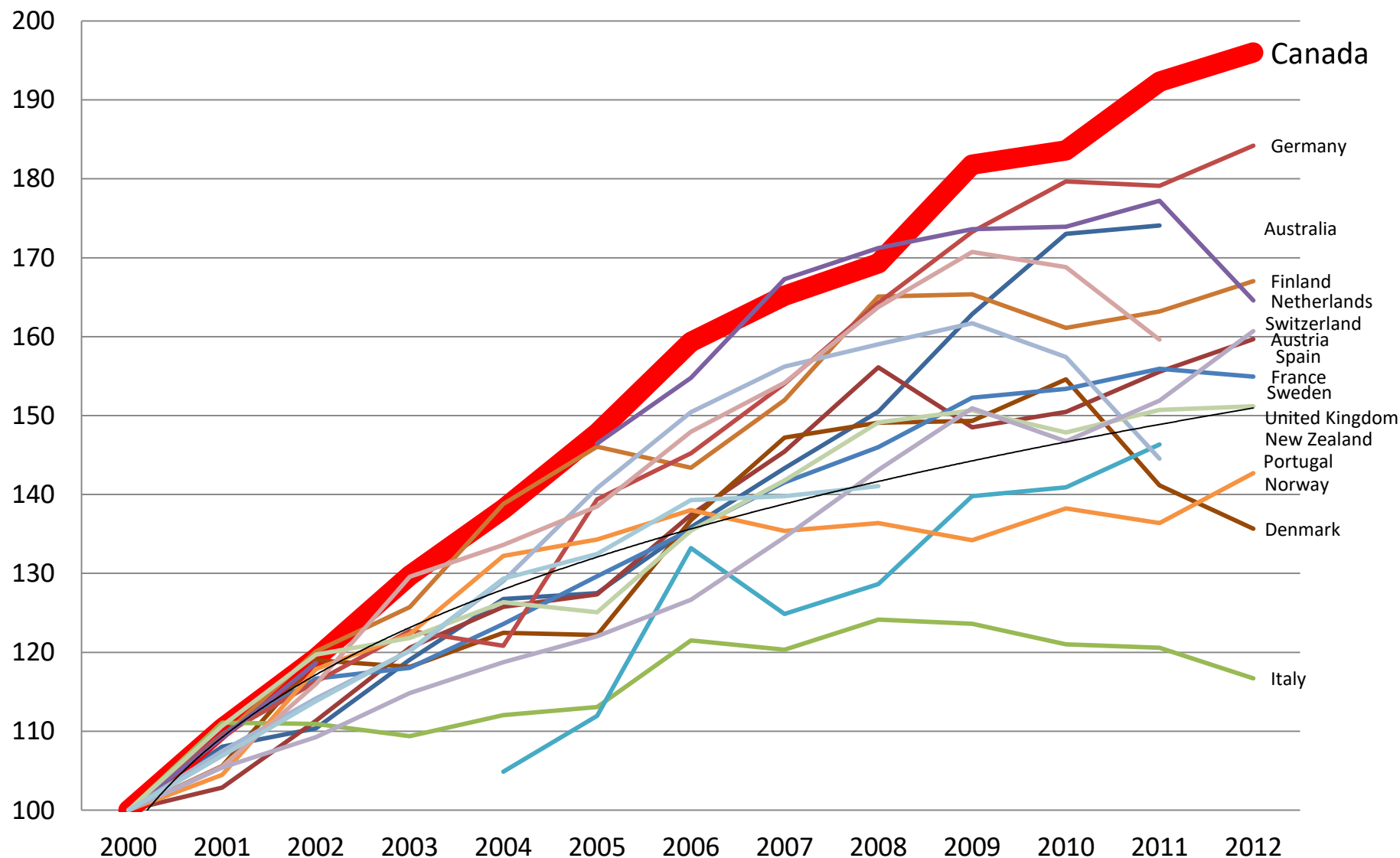
Source: CIHI, OECD Health Statistics 2014



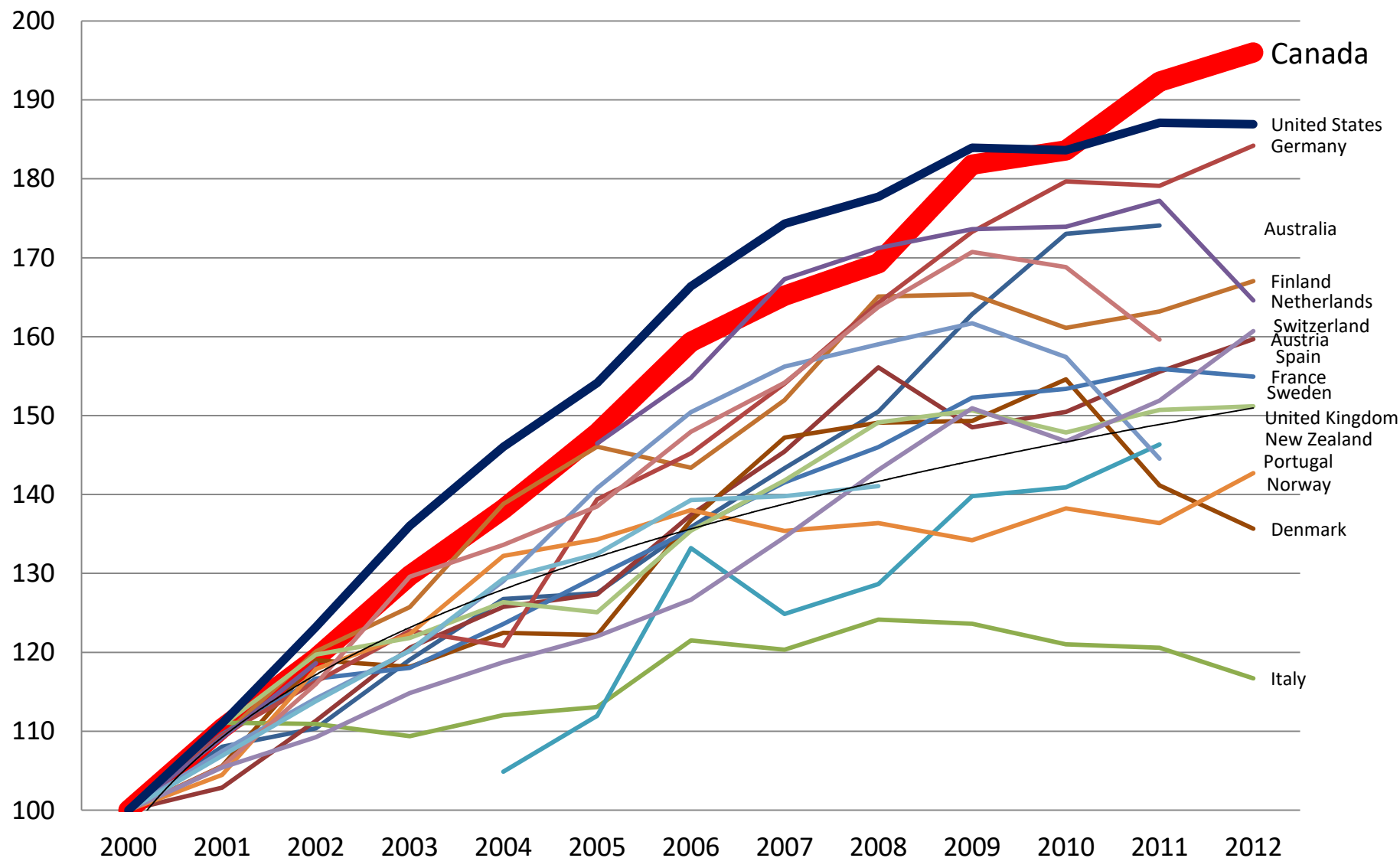
Growth per capita for prescription drug costs, from 2000 to 2012
(international comparison based on PPP; 2000=100)



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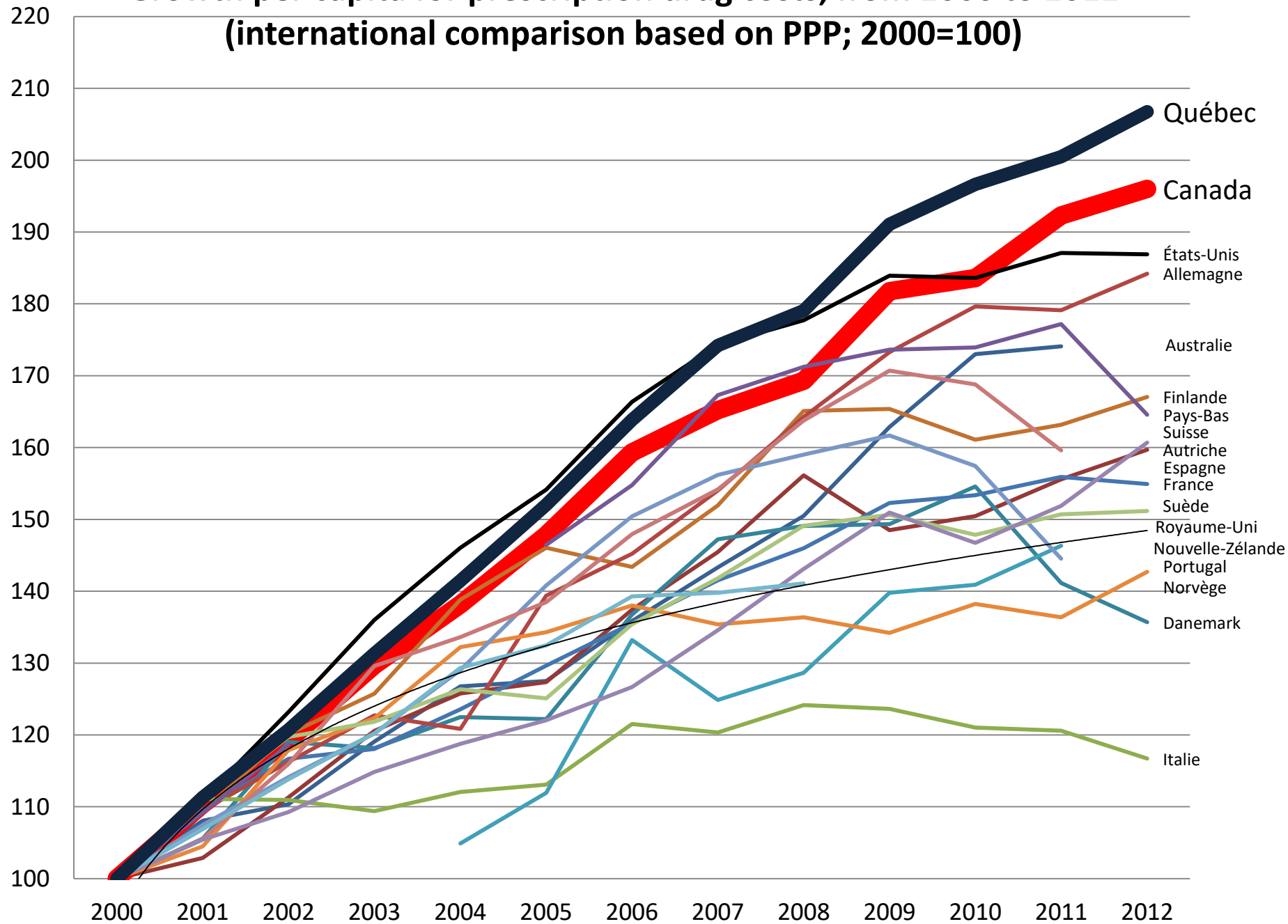


Growth per capita for prescription drug costs, from 2000 to 2012 (international comparison based on PPP; 2000=100)



Growth per capita for prescription drug costs, from 2000 to 2012

(international comparison based on PPP; 2000=100)



What if Canadian per capita costs had evolved as in comparable countries?

Country	2000-2012 per capita cost difference (2000=100)	Lost savings for Canada \$
Canada	196	0
United States	187	1.3 billion
Germany	184	1.7 billion
Australia	177	2.7 billion
France/UK	155	5.8 billion
New Zealand	150	6.5 billion
Denmark	136	8.5 billion

Collective Cost of Private Insurance

- (Institutional) Skimming
- Waste (\$5.1 bn)
- Tax subsidies (\$1.2 bn)
- Administration costs (\$1.3 bn)
- Private Coverage of Public Employees (\$3 bn)



Estimation of the costs and benefits generated by a Canadian universal pharmacare program, keeping the same industrial policies associated to drug costs, based on 2012-2013 figures

1. Prescription drug expenditures in 2012	\$27,734 million
Distribution of prescription drug costs/benefits	
2. Growth in expenditures from increase in use	+10% of actual expenses
3. Reduction in expenditures from decrease in dispensing fees	-2% of actual expenses
4. Reduction in expenditures from drug assessment	-4.3% of actual expenses
5. Elimination of the monthly deductible in Quebec	-\$364 million
6. Generic drugs tendering process	-\$642 million
Total savings on prescription drugs	-\$155 million
Total prescription drug expenditures with a universal pharmacare plan	\$27,579 million
Additional Impacts other than for prescription drugs	
7. Elimination of extra administrative costs of private plans	-\$1,349 million
8. Elimination of tax subsidies	-\$1,204 million
Total of additional Impacts	-\$2,553 million
Total net savings	\$2,708 million (10% of expenditures)

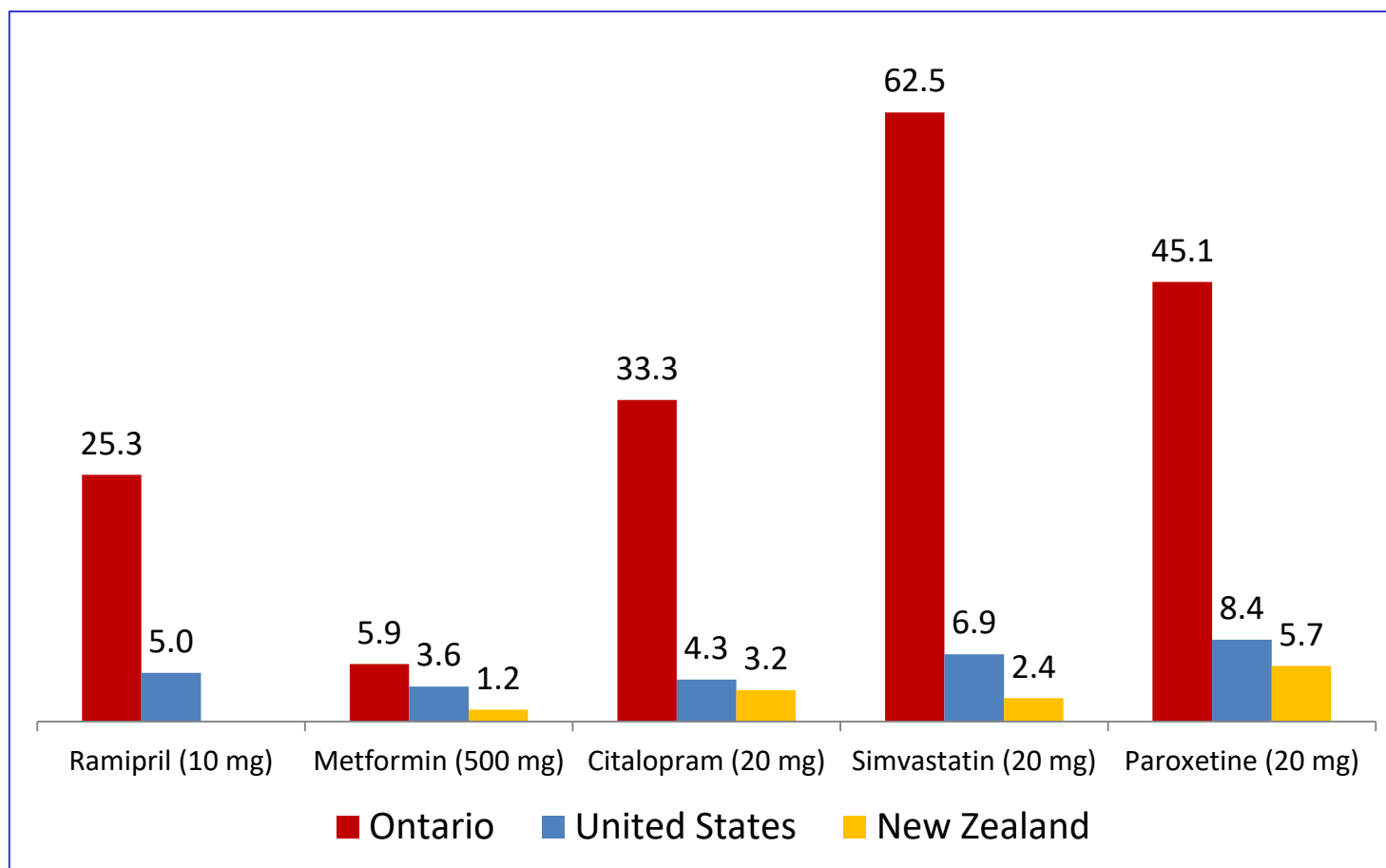
Source: Author's figures; Gagnon and Hébert, 2010

Cost and savings estimations from implementation of a Canadian universal pharmacare program with repeal of industrial policies associated to drug costs based on 2012-2013 figures

1. Current expenses in prescription medication	\$27,734 million
Allocation of costs/profits in prescribed medications	
Savings per competitive pricing	-\$9,920 million
2. Expenses increase by consumption increase	+10% of expenditures
3. Expenses decrease according to decrease in dispensing fees	-2% of expenditures
5. Elimination of monthly deductible - Quebec	-\$364 million
Total savings for prescription drugs	-\$8,895 million
Total expenses for prescription drugs within a universal pharmacare program	\$18,839 million
Additional Impacts (other than prescription drugs)	
7. Eliminating private plan administrative costs	-\$1,349 million
8. Eliminating tax subsidies	-\$1,204 million
Total additional impacts	-\$2,553 million
Total balance of savings	\$11,448 million (41% of expenditures)

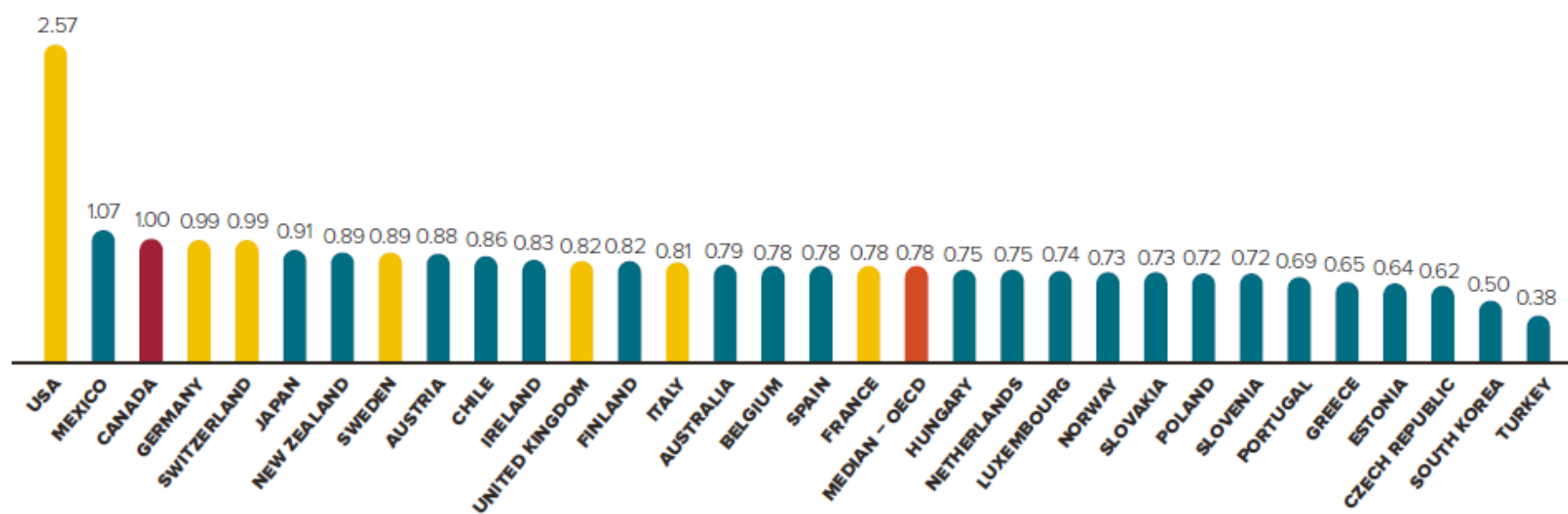
Source: Author's figures; Gagnon and Hébert, 2010

Comparison between the price of the five generic drugs sold the most in Ontario and the price of the same drugs in the United States and New Zealand, in cents (¢), 2012



Source: Law, 2013

FIGURE 10. Average Foreign-to-Canadian Price Ratios, Patented Drugs, OECD, 2015



Source: MIDAS™ database, 2005-2015, IMS AG. All rights reserved.

What determines the price of drugs?

Price is the result of the balance of power between producers and purchasers: Charge what the market will bear!



Product Listing Agreements



Pan Canadian Pharmaceutical Alliance (PCPA)



Basics of how not to negotiate

(Public Plans: 50% of market)

-Your prices are artificially inflated and are not justified by the therapeutic value of the product We accept to pay for your drug only if we get at least 60% rebate.

(Private plans: 50% of market)

-We want to obtain the same price than public plans, but if you refuse to give them a rebate, we will list the drug at full price anyway.



Only with private insurers the business of reducing prices ends up in increasing prices.

The Hidden Monopolies That Raise Drug Prices

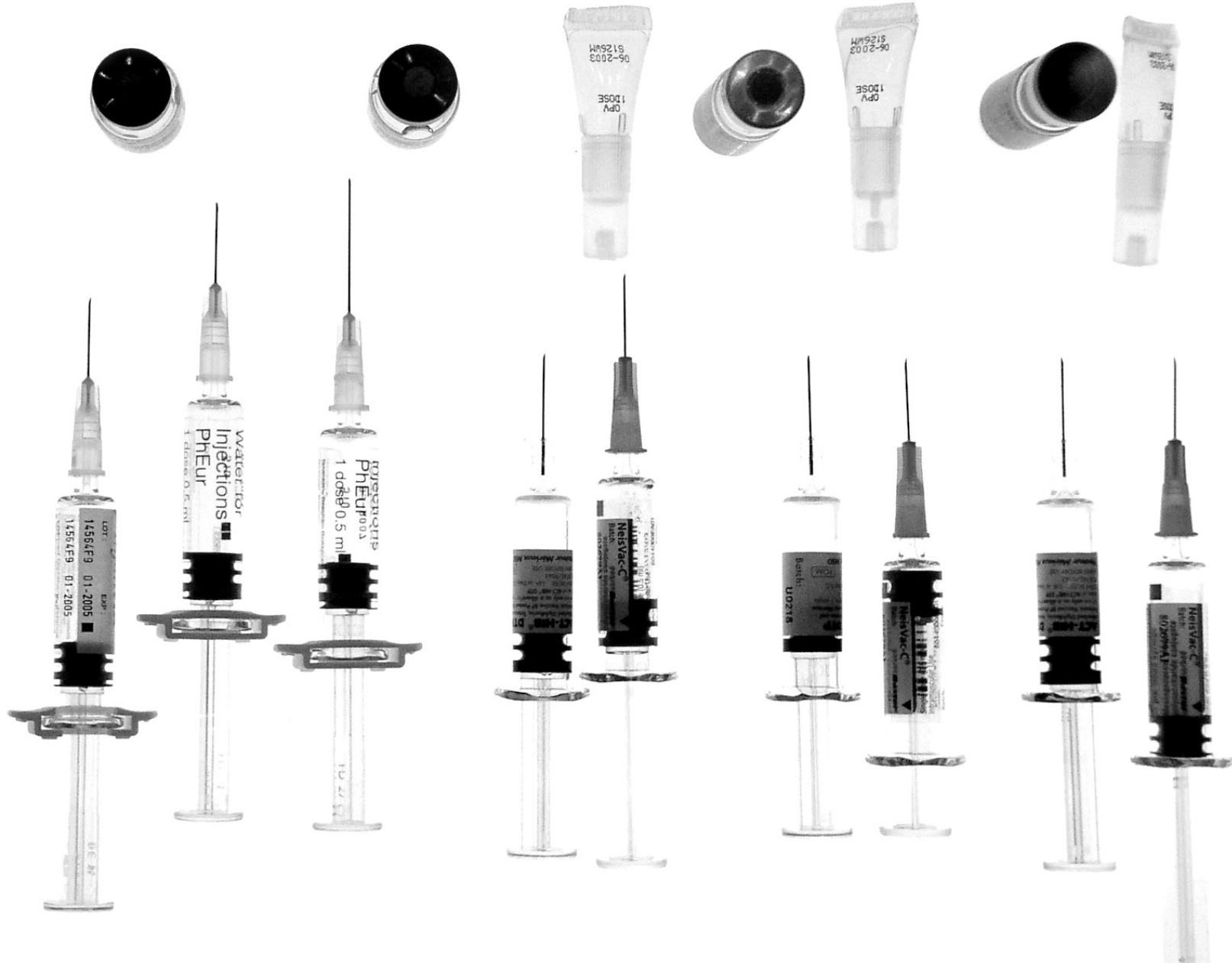
How pharmacy benefit managers morphed from processors to predators

[David Dayen](#)

American Prospect. March 28, 2017

“Let’s say there are two drugs in the same therapeutic category—one for \$500 and one for \$350,” says Linda Cahn, an attorney and founder of Pharmacy Benefit Consultants, which helps health plans negotiate contracts with PBMs. “Which manufacturer can promise more rebates? Obviously the one with the \$500 drug.” And because drug companies establish their own prices, they can use a higher ceiling to give more in rebates to get on PBM formularies. This practice creates incentives for drug manufacturers to raise prices, and if the PBMs keep the rebates, the health plan pays more. Even if the rebates offset the list price, they are used to determine patient co-pays, so the consumer feels the burden from an increase in price that might otherwise never have taken place.

Access to treatments



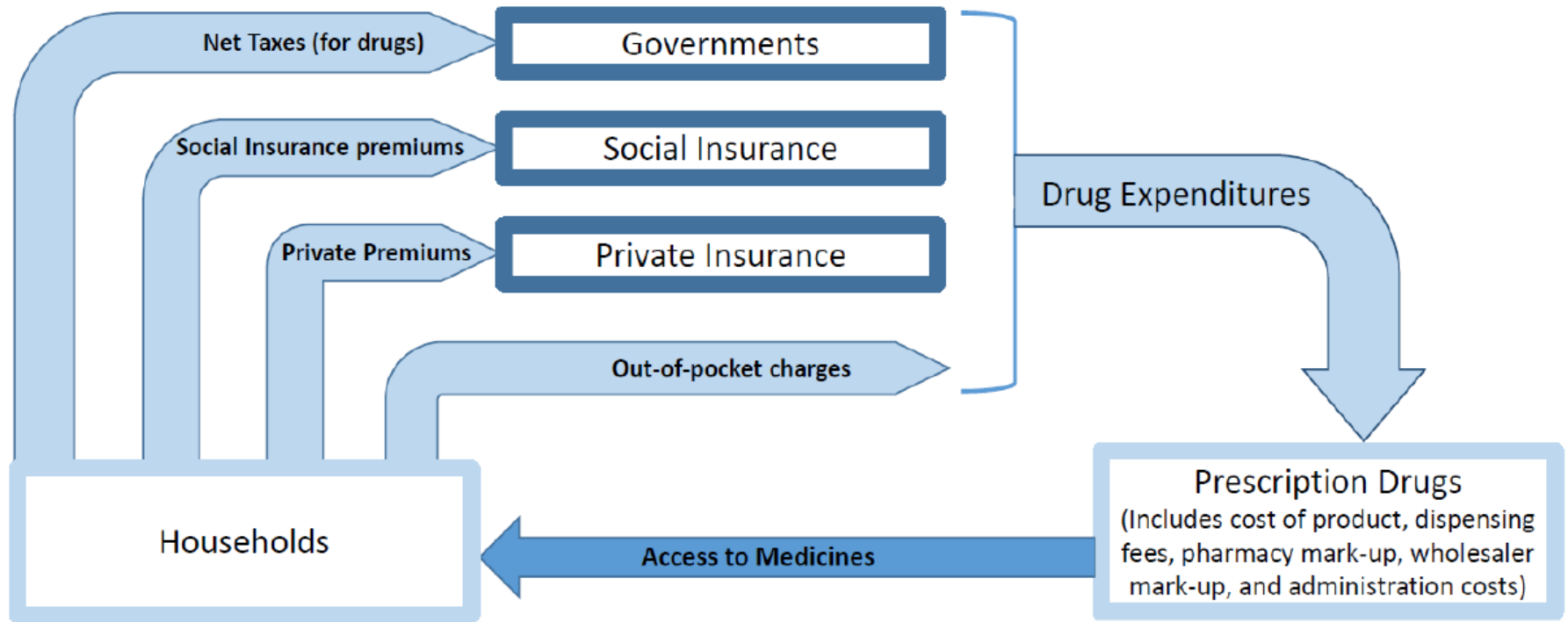
Does evidence-based management of drug formulary reduce patient choice?



FIGURE 1. A renewed strategy for pharmaceutical policy, guided by a clear and compelling vision with supporting policy objectives and actions



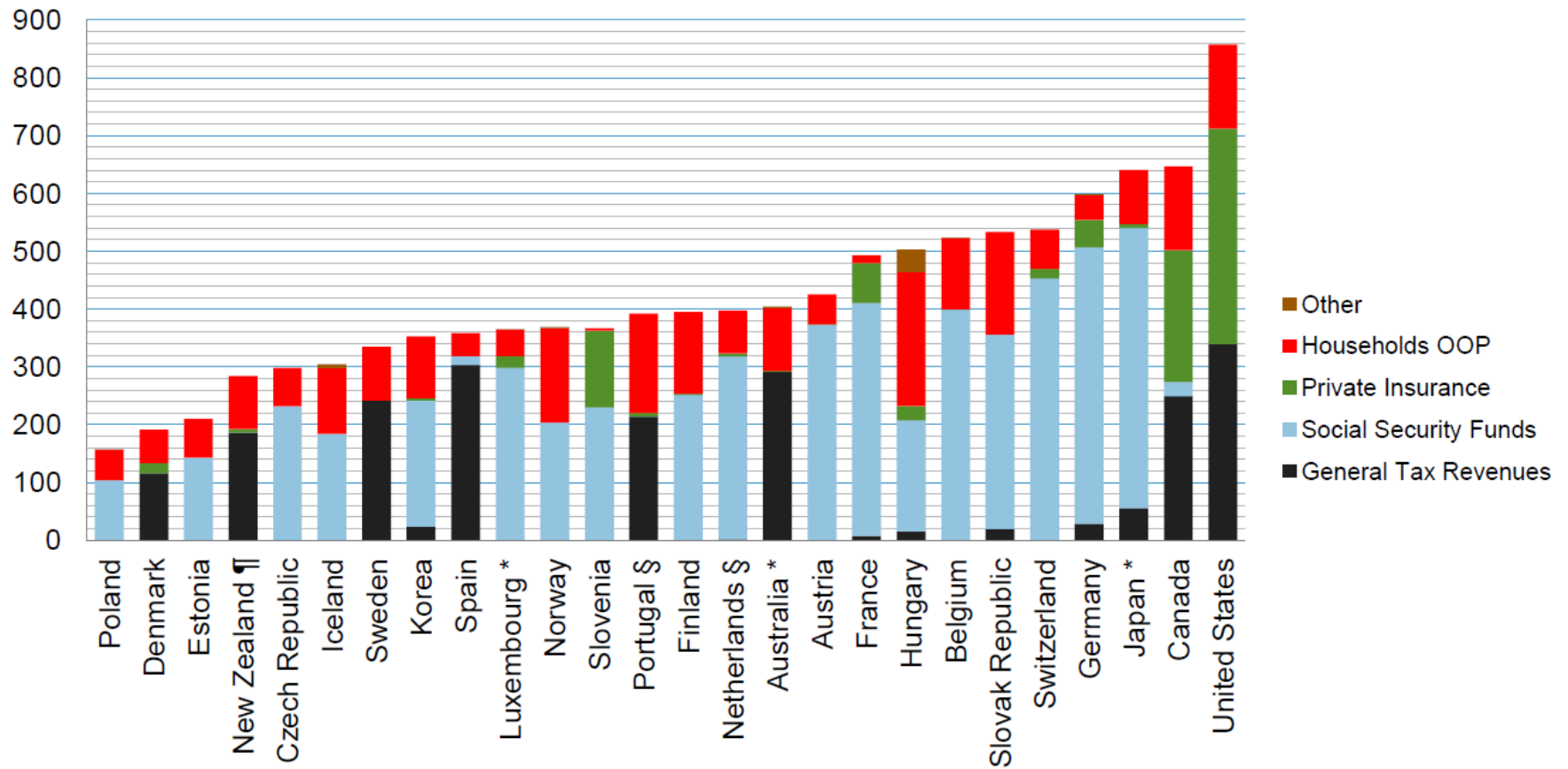
Figure 1
Drug financing approaches to access prescription drugs



Source: Adapted from Evans 2008

Figure 5

Per capita expenditures on Prescribed Drugs by Source of funding, 2013 or nearest year
(US\$, PPP)



* : Data from 2012

¶: Data from 2011

§: Include OTC and medical non-durables

Source: OECD Health Statistics 2015 (<http://dx.doi.org/10.1787/health-data-en>); OECD Health Statistics 2013; Paris 2014.

Is Québec a model for the rest of Canada?



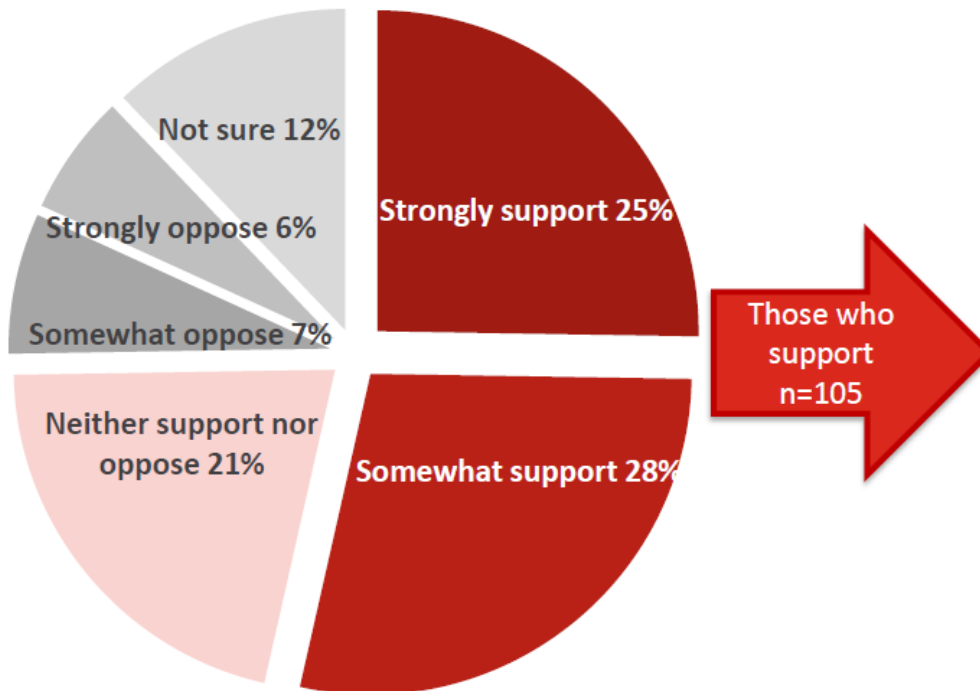
Who supports Universal Pharmacare ?

Private Benefits Managers

(Benefits Canada Survey, December 2015)

Support for a National Drug Plan

Q51. Would you support a government funded, national pharmacare program for all Canadians to replace current provincial and private drug benefit programs such as yours?



Q52. Would you support a government funded, national pharmacare program for all Canadians to replace current provincial and private drug benefit programs such as yours, **even if it meant a specific pharmacare fee or charge on all businesses/organizations to help pay for the program?**

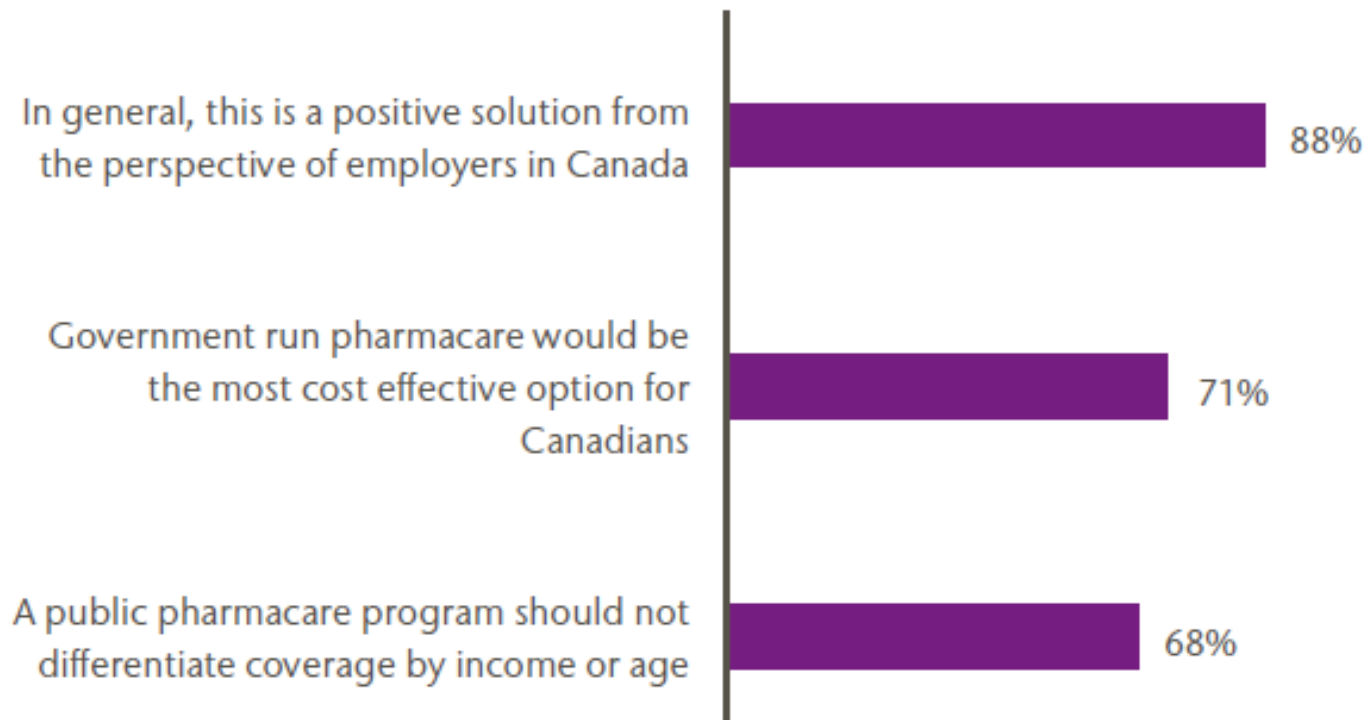
70% Support

(30% Strongly)

Model 1: A pharmacare program that is mandated and administered by governments under principles similar to those of the Canada Health Act

In general, employers feel that a government administered program would be a positive solution; however, there appears to be some skepticism that good decisions would be made regarding coverage. Because of this, most still see a need for supplemental employer-paid coverage even if a government-run national pharmacare program existed.

Percentage of employers that agree with statements regarding a scenario in which current medicare programs were expanded to include prescription drugs subject to national standards.



Who supports
Universal
Pharmacare ?
Perspective of
Employers
(Aon Hewitt 2016)

The background of the slide is a close-up photograph of several red maple leaves. The leaves are in various stages of being fully red, with some showing hints of orange and yellow. They are arranged in a way that creates a textured, layered effect, with some leaves in the foreground and others slightly behind. The lighting is bright, highlighting the veins and edges of the leaves.

What do we want?

**Universal, Public, Evidence-
based, Pan-Canadian,
Comprehensive, Integrated
Pharmacare Program with
first dollar coverage for
medically necessary cost-
efficient drugs**

Canadian Blood Services

- Federally regulated
- Provincially funded
- nationally managed at arms' length from all Governments
- Monopoly service provider (blood services)



- Operates and manages \$500M drug portfolio on behalf of P/Ts (procuring and tendering of 35 biological drugs)
- Massive increase in accountability, transparency, public participation, safety and efficiency.

From André Picard (2013)

The Path to Health Care Reform – Policy and Politics



“CBS has created a national health-care delivery model that retains provincial control. This is what Canadians should expect on a grander scale – a multi-jurisdictional, federated health-care system. There is no constitutional barrier to using this approach, and many benefits derived for doing so. It’s a concrete demonstration that transformation is possible.”

Pharmacare for Canada:

- 1. Eliminate fragmentation: 1 drug plan for all Canadians, funded through general tax revenues.**
- 2. Improve equity of access (National Formulary).**
- 3. Depoliticized agency managing evidence based formulary with closed budget (like hospital formulary committee).**
- 4. Clear mandate to maximize therapeutic value for money.**
Systematic use of HTA.
- 5. Systematic recourse to bulk-purchasing capacity to contain cost**
- 6. Elimination of co-pays/deductibles based on official prices.**
- 7. Monitoring prescribing habits/promoting rational use of medicines**

A universal pharmacare program is not a panacea.
But, if implemented with the needed institutional capacities:

- Would improve access to medicines and health outcomes.
- Would generate savings of 10% to 41% on prescription drugs.
- Would increase net disposable income for all Canadians, reduce labour costs for Canadian enterprises, and allow public reinvestments elsewhere in the health care system.





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Additional references on the issue:

-Marc-André Gagnon. *Roadmap to a Rational Pharmacare Policy* (CFNU):

<https://nursesunions.ca/sites/default/files/pharmacare-report/index.html>

- Marc-Andre Gagnon and Guillaume Hébert. *The Economic Case for Universal Pharmacare* (CCPA and IRIS) : Pharmacarenow.ca

-Steve Morgan, Jamie Daw and Michael Law. *Rethinking Pharmacare in Canada* (C.D. Howe Institute): http://www.cdhowe.org/pdf/Commentary_384.pdf

-*Pour un Régime d'assurance-médicaments entièrement public* (Union des consommateurs): <http://uniondesconsommateurs.ca/nos-comites/sante/rapports-et-memoires/pour-un-regime-dassurance-medicaments-entierement-public/>

-Steve Morgan, Danielle Martin, Joel Lexchin, Marc-André Gagnon, Jamie Daw, Barbara Mintzes. *The Future of Drug Coverage in Canada*. Pharmacare 2020, July 2015: <http://pharmacare2020.ca/>

-Steve Morgan, Jamie Daw, Michael Law , Liza Abraham and Danielle Martin. “Estimated Cost of Universal Public coverage of prescription drugs in Canada”. CMAJ. March 16 2015: <http://www.cmaj.ca/site/press/cmaj.141564.pdf>