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Issue Brief

Towards a national pharmacare program: Considerations for Canadian healthcare organizations

2019

Background

Canada is the only developed country with a universal health insurance program that does not include coverage of prescription drugs dispensed outside of a hospital or long-term care facility. Instead, Canadians pay for prescription medications through a patchwork system of: (1) provincial/territorial and federal public drug plans[i], (2) private insurance plans offered by employers, unions or professional associations, and (3) out-of-pocket payments by patients.

Canada is one of the top per capita spenders on pharmaceutical drugs in the world.[3] Prescription drugs are a major contributor to public health expenditures in Canada. Spending on prescription drugs is forecast to reach $33.7 billion in 2018, of which $14 billion (42.7%) is expected to be financed by public drug programs.[4] What's more, these figures exclude hospital drug spending, which, in 2016, topped $1.2 billion.[5]

A recent study suggests that 95% of Canadians are eligible for some form of prescription drug coverage. But even those with coverage can face out-of-pocket costs such as deductibles, co-payments[ii] and premiums.[6] Canadian households paid an estimated $6.5 billion out-of-pocket for prescription drugs in 2014.[7] For some Canadians these costs are prohibitive. An estimated 1.45 million Canadians traded off drug expenditures with other household necessities in 2016.[8]

Issue

Prescription drugs are the fastest growing segment of health expenditures in Canada,[1] surpassing spending growth for both hospital and physician services. However, unlike other countries with a universal health insurance program, Canada does not provide comprehensive coverage for prescription drugs. Instead, insurance coverage of prescription drugs in Canada involves a patchwork system of public and private drug plans.

This leaves some citizens without coverage for medications they need. An estimated 1.45 million Canadians cut spending on household necessities – including food, housing and heat – in order to afford their prescription medications in 2016.[2]

This issue brief outlines the considerations and implications for healthcare organizations that warrant equal attention in the national conversation on the merits and drawbacks of a national pharmacare program.

Context

In March 2016, the House of Commons Standing Committee on Health (HESA) agreed to undertake a study on the development of a national pharmacare program as an insured service under the *Canada Health Act*. Two years later, HESA published its report *Pharmacare Now: Prescription Medicine Coverage for All Canadians*. The report recommends that governments adopt a universal, single-payer public prescription drug coverage program. Their other recommendations include:

- Expanding the *Canada Health Act* to include prescription drugs dispensed outside hospitals;
- Development of a common voluntary national prescription drug formulary;
- Improving drug pricing and reimbursement processes;
- Improved data and information systems.

i. Access to a provincial/territorial drug plan is based on criteria such as age, income, or medical condition. The Federal Public Drug Benefits Programs provides coverage to (1) First Nations and Inuit, (2) inmates in federal penitentiaries, (3) members of the military, (4) members of the RCMP, (5) veterans, and (6) refugees.

ii. A fixed cost or percentage that an individual may be required to pay per prescription (e.g. $8 per prescription) – *(Conference Board of Canada, 2017).*

In Budget 2018, the Federal Government established the Advisory Council on the Implementation of National Pharmacare, led by Dr. Eric Hoskins, the former Ontario Minister of Health and Long-Term Care. The Advisory Council's mandate is to provide independent advice on how best to implement national pharmacare in a manner that is affordable for Canadians and their families, employers and governments. The Council's final report is expected to be delivered in the spring of 2019 and will include options and recommendations for the federal government.

As the national voice of healthcare organizations across Canada, HealthCare*CAN* fosters informed and continuous, results-oriented discovery and innovation across the continuum of healthcare. We act with others to enhance the health of the people of Canada; to build the capacity of high quality care; and to help ensure value for money in publicly financed, healthcare programs.

HealthCare*CAN* participated in the national roundtable discussion on the Implementation of National Pharmacare in Ottawa Aug. 21, 2018. HealthCare*CAN* was represented at the national roundtable by George Weber, former CEO of the Royal Ottawa Hospital and a member of the HealthCare*CAN* Board of Directors.

Considerations

Broadly speaking, healthcare organizations and hospitals favour approaches that support improved access to medications without financial and other barriers. However, healthcare institutions may also encounter some unique challenges when it comes to the implementation of universal pharmacare. These particular approaches and challenges for discussion are:

- Shrinking the burden of cost-related nonadherence;
- Harmonizing drug formularies;
- Rationalizing limited use criteria;
- Health and biosciences research funding.

Shrinking the Burden of Cost-Related Nonadherence

Patients unable to bear the burden of high drug costs may employ strategies to reduce those costs. These can include: skipped doses, delayed refills or unfilled prescriptions. We refer to this phenomenon as cost-related nonadherence, and it is experienced by an estimated one in 10 Canadians.[9] Furthermore, surveys suggest that Canada has higher rates of cost-related nonadherence when compared with other universal healthcare systems.

Given that medications dispensed outside of hospital are not covered by public health insurance, patients facing cost-related nonadherence are likely to experience poorer health outcomes and an increased use of health services, though this increase is difficult to quantify. These patients will inevitably require complex and costly care that can only be delivered in a health institution. The care will be provided at no charge to the hospitalized patient; however, hospitals and healthcare organizations will end up shouldering much of the cost-related burden.

It has been estimated that between 5.4% and 6.5% of hospital admissions are the result of nonadherence, resulting in costs of approximately $1.6 billion per year. Hospital admissions linked to cost-related nonadherence are preventable and avoidable. More ambitious pharmacare models will tend to do more to drive cost-related nonadherence down, resulting in costs savings that health institutions can use to deliver better care for the communities they serve.

Harmonizing Drug Formularies

Hospitals and health authorities maintain their own drug formularies, which must operate in tandem with the formularies of the particular province/territory where the hospital is located.

Hospitals stock medications that are not available outside the hospital setting. Differences in formularies can result in a healthcare organization discharging patients with prescriptions which they cannot afford and that are not eligible for reimbursement by a public insurance plan. To avoid this outcome, hospital pharmacies continually reassess their drug formulary, to make sure it keeps pace with changes in the provincial drug formulary.

A national drug formulary introduces the possibility that healthcare organizations from across the country could enter expanded purchasing alliances. In this way, prices could be better negotiated by a large number of buyers purchasing the same pharmaceutical products. Since their drug formularies would necessarily be more similar to one another, their market power could be leveraged to obtain deeper discounts from drug manufacturers.

Rationalizing Limited Use Criteria

Insurers commonly include criteria in drug formularies intended to impose limitations on use. "Limited use criteria" can be employed as a way of controlling costs associated with pharmaceutical medications. A formulary may also move particularly expensive or uncommon drugs into an "exceptional access program" requiring that certain clinical criteria be met before the province will fund treatment. Public formularies tend to use limited use criteria or exceptional access programs extensively, reflecting governments' concern for the public purse.

Moreover, clinicians and patients spend significant time and resources navigating the labour-intensive process of appealing limited use criteria or an exceptional access program. Given the time, effort, and possibility of failure imposed associated with financing medications this way, a clinician and patient might agree that a better way to manage the illness is simply to admit the patient to hospital, where medications will be provided at no cost to the patient. This represents a vast waste of resources in an already overburdened healthcare system.

In our view, it is important to consider that a national pharmacare system should closely manage its reliance on limited use criteria. Limited use criteria should be avoided wherever possible; should be written by specialist clinicians where necessary; and should be updated frequently to avoid lagging behind new clinical evidence and emerging best practices.

Implications for health and biosciences research funding

The health and biosciences sector is a significant economic driver for Canada:

"The Canadian health and biosciences sector is a key source of high-paying, quality jobs, employing more than 91,000 people directly and some 2.1 million within the broader health system. Health and biosciences is also a significant contributor to Canada's economy. The industry contributed $7.8 billion to Canada's GDP in 2016 and has tremendous growth potential.[10]"

With that in mind, the availability of research funding for the health and biosciences is a major public policy concern of Canada's Academic Health Sciences Centres. The pharmaceutical industry remains a valued player in the financing of health research in Canada – especially since Canada largely spends below the Organization for Economic Co-operation and Development (OECD) average on research and development as a percentage of GDP. Drug manufacturers have warned that lower drug prices might cause the industry to reduce research and development in Canada and subsequently lose millions in research funding and possibly thousands of jobs.

Canadian pharmaceutical sales represent 2% of the global market, making Canada the tenth largest world market. Sales of patented drugs alone in Canada hit a record $20 billion in 2016, according to a report published by the Patented Medicine Prices Review Board (PMPRB).[11] Makers of those patented drugs have invested 4.4% of total sales, or $918 million, in R&D in 2016, representing an increase of nearly 6% over 2015, but considerably below the peak investment of 12.9% of total sales in the late 1990s.[12]

The implementation of a national pharmacare program will have to balance the position the health and biosciences sector as an economic driver against the possibility that a less hospitable environment for the pharmaceutical industry could result in the loss of dollars for Canadian health and biosciences researchers and academic institutions.

Conclusion

There is general consensus that Canada needs to implement a national pharmacare program but questions remain on how best to accomplish this for Canadians and their families, employers and governments. Large gaps and disparities currently remain in the availability and affordability of prescriptions drugs dispensed outside healthcare organizations across Canada. Implementation of a universal pharmacare program will go a long way in addressing the current patchwork of drug coverage, or lack thereof, across the country.

Nonetheless, the interests concerning healthcare organizations and hospitals are unique in this area and require equal attention. As such, HealthCare*CAN* has an important role to play in the discussion of universal pharmacare and the possible impacts on our members.

HealthCare*CAN* will continue to be an active participant in the conversation on universal pharmacare and represent the unique interests of our members, government and stakeholders, as well as the general public.

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