2015 CMA Resolution: Pharmacare Strategy

It is recommended that the Canadian Medical Association (CMA):

1. Support the development of an equitable and comprehensive national Pharmacare program.

Purpose:

This paper presents the position that the CMA should support the development and implementation of a publically-funded, national Pharmacare strategy. A national drug plan is not only a way to compensate for drug expenses, but also an effective tool for developing bargaining power with drug companies. The ways in which a Pharmacare plan would adhere to the ideals of sustainability, accountability, patient choice, patient responsibility, and equity, listed as necessities in the CMA’s policy resolution regarding Pharmacare (GC10-37) are outlined. The economic argument for Pharmacare will also be presented.

Background:

Canada is the only developed country with a universal healthcare system that does not provide universal coverage for prescription drugs. Each provincial model for financing pharmaceuticals involves multiple private and public payers, and considerable direct costs to patients by way of deductibles, co-payments and coinsurance. The Canadian system is an anomaly among Organization for Economic Co-operation and Development (OECD) countries because it has a fragmented provincial system, and therefore relies on private insurers to cover most of the population. However, only about 16 million Canadians (half of the population) are covered by their employers through private plans.\(^1\) Even so, private insurance plans are inefficient and expensive compare to public ones. Private plans have higher administrative costs and premium rates that rise at levels disproportionate to the increases in drug costs; tax subsidies offered by the federal government represent 13\% of the costs of private plans, amounting to $1.2 billion in 2009, and could be recovered through a public system.\(^2\) The government provides an indirect subsidy for employer-sponsored private drug insurance, whereby the employer’s contribution to the drug plan – corresponding to a part of the employee’s salary – is tax free, and therefore there is no income tax on that part of the salary. Consequently the system is completely regressive, because higher income earners, with higher marginal tax rates, benefit more from the subsidy.

It was reported in the Canadian Medical Association Journal that one in ten Canadians cannot afford their prescriptions.\(^3\) Doctors’ recommendations become obsolete when patients cannot afford the necessary medications, and their conditions may worsen in the long-run. Improving health outcomes through improved access and coverage would also generate indirect savings elsewhere in the healthcare system.
Canada, at present, is unable to contain drug costs, making our current regime unsustainable. Not only do many Canadians have to pay either partially or fully out-of-pocket for prescription drugs, but they pay as much as 30% more than the OECD average, and privately insured Canadians have wasted $5.1 billion on over-priced generics. A recent study compared the prices of the 82 most popular generics in Ontario (the province that pays the least for generics), the United States and New Zealand. On average, Ontario paid twice the best available price in comparative countries. From 2000 to 2010, the annual costs of prescription drugs in Canada increased more than in any other country with similar economic development. A single-payer system, achieved with a national Pharmacare program, would consolidate purchasing power for the entire population. In comparison to the multi-payer system that is currently in place, the single-payer system gives managers increased bargaining power. In addition, by moving to a bulk-purchasing model, Canada could improve the buying clout and have greater control over prices, the ability to reduce stock-shortages and ensure the safety of supply.

Uncertainty about costs is often the reason cited by politicians for their lack of action with regards to Pharmacare. Dr. Gagnon published in his 2010 report, *The Economic Case for Pharmacare*, that if Canada moves to a universal plan providing first-dollar coverage, savings would be between $3 billion and $10.7 billion (depending on how much industrial policies are changed). Another report estimates that if Canada were to reduce per capita spending on prescription drugs to the German level (the country with the next highest spending), we would spend $4 billion less each year, and if spending were to match that in the United Kingdom or New Zealand, we would spend $14 billion less each year.

**Precedent:**

- The CMA’s 2015-2017 Strategic Plan includes “lead a national vision for a healthy population and world-class health care.” Such a vision should include equitable access, and sustainable provision of necessary pharmaceuticals, which would be achieved through a national, publically-funded Pharmacare plan.
- PD11-01 A Prescription for Optimal Prescribing, GC12-76 Preventing drug shortages, GC11-78 Essential pharmaceuticals
  A Pharmacare plan would ensure that a steady supply of safe and cost-effective drugs is available to all Canadians by improving purchasing power.
- PD10-05 Health Care Transformation in Canada: Change that Works, Care that Lasts
  It is time for the Canadian health care system to come in line with all other developed nations with universal healthcare and provide pharmaceutical coverage as well.
- PD10-02 Funding the continuum of care.
A Pharmacare plan would ensure that all Canadians have equal access to medically necessary pharmaceuticals, and promise greater sustainability than private drug plans.

**Benefits:**

- **Access:** Currently, millions of Canadians lack basic coverage of essential medication, therefore forcing them to pay out-of-pocket or forgo their prescriptions because of high costs.
- **Equity:** Every Canadian would be protected from the high costs of illness, and no one would have to make difficult decisions about whether or not to fill prescriptions or skip doses.
- **Sustainability:** Universal Pharmacare would dramatically reduce drug price and maintain low costs because a single-payer system would improve buying power.
- **Quality:** The appropriate use of prescription drugs would be more common without the burden of cost, and would certainly improve the overall quality of the Canadian health care system.
- **Cost:** The savings from moving to a publically-funded plan would come from many sources, including: retrieved tax subsidies, decreased administrative costs, lower costs of generics, and decreased costs elsewhere in the system.

**Conclusion:**

Universal publically-funded drug plans are standard among OECD countries. The CMA is therefore encouraged to consider the development of a universal publically-funded drug plan. Countries that include access to pharmaceuticals in their health care plans achieve more equitable access and economically sound provision of medication than in any Canadian province. If established alongside a rigorous drug assessment process, a Pharmacare plan would allow greater equity in accessing medications and ensure that high-quality and appropriate drugs are distributed at the lowest possible cost to Canadians.

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2 Gagnon, M. A Roadmap to a Rational Pharmacare Policy in Canada. Ottawa: The Canadian Federation of Nurses Union; 2014
7 Gagnon, M. A Roadmap to a Rational Pharmacare Policy in Canada. Ottawa: The Canadian Federation of Nurses Union; 2014.