Filling the Prescription

The case for pharmacare now

THE FEDERAL ROLE FOR PHARMACARE

Summary of Canadian Federation of Nurses Union (CFNU)
Council of the Federation Breakfast Briefing

Whitehorse, Yukon
July 21, 2016

CFNU

Canada's Nurses
STANDING UP FOR PHARMACARE

Canada's premiers and provincial nurses' union leaders

CFNU president Linda Silas

Dr. Steve Morgan

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The Canadian Federation of Nurses Unions hosted a briefing for provincial premiers at the annual Council of the Federation meeting. The breakfast meeting entitled *Filling the Prescription – the Federal Role for Pharmacare* featured presentations by UBC Professor, Dr. Steven Morgan, a founder of *Pharmacare 2020*, and George Washington University Adjunct Professor, Dr. Ruth Lopert, who also serves as Deputy Director, Pharmaceutical Policy & Strategy, Management Sciences for Health in Washington, DC. Premiers, health and labour stakeholders came together to hear the compelling case for Canada's implementing a universal pharmacare program as the next step in the evolution of Canada's health care system.

INTRODUCTION

Hon. Darrell Pasloski, Premier of Yukon

Hon. Kathleen Wynne, Premier of Ontario

Canada is currently the only OECD country with universal coverage that does not include coverage for prescription medicines. The result is a system of fragmented and uneven coverage provided by multiple payers, with diluted purchasing power – with the result being arguably poor value for money. Canada spends 30% to 50% more on pharmaceuticals than 24 OECD countries, including many countries with comparable health systems.[1] Credible estimates, based on conservative assumptions about policy outcomes, indicate that Canada could save approximately $7 billion per year by implementing a universal, public pharmacare system with a single payer, and a national formulary that enables careful, evidence-based selection of medications by system managers, prescribers and patients.[2] Savings to our government health care programs could be reinvested in our health care system to benefit seniors, indigenous peoples, and the one in five Canadians suffering from mental health issues.

[1] Morgan, S.G. (2016, April 18). *Testimony by Dr. Steve Morgan before the Standing Committee on Health's Study on the Development of a National Pharmacare Program.* Retrieved from http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=e&Mode=1&Parl=42&Ses=1&DocId=8197723

[2] Morgan, S.G., M. Law, J. R. Daw, L. Abraham and D. Martin. (2015). Estimated Cost of Universal Public Coverage of Prescription Drugs in Canada. *Canadian Medical Association Journal (CMAJ)*, 187(7): 491–97. doi:10.1503/cmaj.141564.

In comparing Canada with Australia, a federation which also has a single-payer system called Medicare, there are several policy 'takeaways' that emerge. First, it is evident from Australia's experience with pharmacare that Canada's federal government has the greatest capacity to raise revenues, pool risks, regulate prices, and ensure pan-Canadian equity in access to treatments. Second, a national pharmacare program would remove both significant financial and political pressures from the provinces and territories, which is urgently needed. Third, a national pharmacare program has the potential to ensure uniform, equitable coverage across Canada, and thereby significantly improve health care outcomes. Fourth, a national pharmacare program would be able to effectively moderate drugs prices. Finally, a national pharmacare program, with a national formulary, based on evidence-based assessments of comparative effectiveness *and comparative cost-effectiveness*, could ensure that safety, appropriateness and value for money are prioritized.

INTERNATIONAL COMPARISONS: CANADA VS. AUSTRALIA

Like Canada, Australia is a federation. It has six states and two territories. The health care system operates as a national single-payer model called Medicare, federally funded through income tax, and it provides universal coverage for all Australian residents. A key principle of Australian Medicare is universal, equitable access for all, regardless of ability to pay.

Canada and Australia have similar per capita health expenditures. However, a great contrast exists in terms of total pharmaceutical expenditure. While Australia, with universal drug coverage via a federal drug program, spent approximately $18 billion (CAD) in 2013 to serve a population of 23.1 million, Canada spent about $35 billion (CAD) for a population of 35.1 million. This works out to nearly $1000.00 per person. Australia spent 19% less per capita on medicines (2014).[3]

A key component of Australian Medicare is the Pharmaceutical Benefits Scheme (PBS) which subsidizes universal access to outpatient prescription medicines. More than 80% of the prescription medicines dispensed in Australia are subsidized by the PBS, with the bulk of the remainder dispensed in public hospitals. The private prescription market remains very small. Canada's federal government finances just 2% of annual prescription drug costs in Canada through its public drug programs.[4]

The PBS operates under a national Medicines Policy which prioritizes equity, affordability and cost effectiveness. It is a demand-driven program which utilizes a single national formulary. Patient contributions consist of two levels of fixed co-payments, irrespective of the drug's cost.

Listing a drug on the national formulary requires an evidence-based assessment of comparative effectiveness and value for money against the therapy most likely to be replaced in practice. According to the Australian legislation, a more costly medicine (than the comparator) cannot be listed unless it provides an increased clinical benefit for at least some patients. A medicine of similar effectiveness may be listed provided it does not have a higher price than existing alternatives. While an expert national formulary committee makes recommendations, the final listing decision remains with the Minister of Health, though the Minister cannot list a drug on the formulary in the absence of a positive recommendation from the committee.

[3] Data from *OECD Health Statistics 2016 and Australian Institute for Health & Welfare* (AIHW) 2016

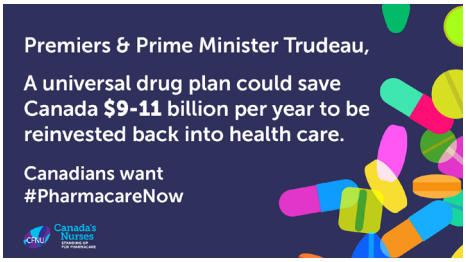
[4] Canadian Institute for Health Information (CIHI). (2015). *National Health Expenditure Trends, 1975 to 2015*. Retrieved from https://secure.cihi.ca/estore/productSeries.htm?pc=PCC52

Australia's PBS is a federal program, and federal 'ownership' reduces the financial and political burdens on states and territories, and ensures that coverage and access are uniform across the country, supporting the equity objective of the National Medicines Policy. The public, health care professionals, states and territories, and even many sectors of industry – recognizing that PBS listing ensures a guaranteed market – support the PBS. The legislative foundation for the formulary listing process reduces political pressures on government while ensuring value for money for all Australians. The government's monopsony power is a key factor in moderating prices and in ensuring value for money for the Australian public.

CONCLUSION

A universal Pharmacare program is a feasible and transformative change, but it *will not* be possible without significant federal investment and involvement. Such a program would improve the health of all Canadians, while removing significant financial and political pressures from the provinces and territories by utilizing the federal government's superior purchasing power as a collective negotiator for a large public health system. In comparing Canada with Australia, a similar federation, it is evident from Australia's experience that the federal government has the greatest capacity to raise revenues, pool risks, regulate prices, and ensure pan-Canadian equity in access to treatments. Further, a national formulary ensures value for money, based on evidence-based comparative assessments of prescription drugs, and long-term sustainable price moderation.

Ninety-one per cent of Canadians support a national pharmacare program, and 87% support adding prescription drugs to the universal health coverage of medicare.[5] Similarly, about 90% of businesses in Canada felt generally positive towards the idea of a public pharmacare program.[6] Universal public pharmacare is strongly supported by nurses, doctors and other health care professionals. Pharmacare 2020, which offers policy recommendations for a national pharmacare system, has been endorsed by approximately 300 professors of health policy and practice from across Canada.[7]



This is not the time for more studies on this issue or even more resolutions. The issue has been sufficiently studied and has been debated from the 1965 Hall Commission to the 2002 Romanow Report on our health care system. The time for action is now.

[5] Angus Reid Institute. (2015). *Prescription Drug Access and Affordability an Issue for Nearly a Quarter of All Canadian Households.* Vancouver: Angus Reid Institute
[6] Aon Hewitt. (2016). *Pharmacare in Canada.* Retrieved from http://www.aon.ca/surveys/rr/Aon_Pharm_2016_EN.pdf
[7] Morgan, S.G., D. Martin, M.-A. Gagnon, B. Mintzes, J.R. Daw and J. Lexchin. (2015). *Pharmacare 2020: The Future of Drug Coverage in Canada.* Vancouver: Pharmaceutical Policy Research Collaboration