

Intelligence MEMOS



From: Rosalie Wyonch
To: Healthcare Observers
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Re: **THE LINGERING PHARMACARE QUESTIONS**

The Liberals and NDP have reached a deal on pharmacare, but there are many challenges to overcome. It will take years to implement and many questions remain unanswered.

Canada is the only developed country with universal insurance for hospital and physician services but not for prescription drugs, so covering this third pillar of the system makes sense. The recent pharmacare legislation – a foundation with no blueprint – does not lay out a national, comprehensive or universal plan. It takes one step, but it will require agreements with provinces, clarity around funding, and is limited to diabetes treatments and contraceptives to start.

According to negotiators, the Liberal-NDP talks hinged on two main points: What's in and who pays. The NDP wanted more drug categories included, while the Liberals were concerned about costs. And while the NDP insisted on a single-payer national program, the Liberals never committed to that.

In the end, it seems neither party got what it wanted: Pharmacare will initially cost taxpayers an additional **\$1.5 billion** annually and be a single-payer universal program, but will be limited to diabetes and contraceptives. Expansion is at least a year away and subject to negotiations with provinces.

The legislation does have a one-year timeline for developing a report on essential medicines to inform a national formulary and develop a bulk purchasing strategy. However, it only obligates the Minister of Health to open discussions with provinces and territories. The [legislation](#) allows for transfers to provinces and territories to “provide universal, single-payer, first-dollar coverage,” but only for diabetes and contraceptive prescriptions – there is no such requirement for other treatment categories as the formulary expands.

No plan can cover everything. Diabetes management and birth control are obviously both important, but are they more important than heart disease, cancer or mental health? Cover one drug or treatment and another won't be covered. Improving access to medication is important. But so are sustainable federal finances. The two have to be balanced. And whether a treatment is covered needs to consider – as transparently as possible – how well it works, how many people it will cover, how eligibility is determined and last but certainly not least, its cost.

In public plans in 2021, five of the top prescribed drugs went to 1.52 million people and cost about \$1.37 billion. By contrast, the top 10 non-diabetes drugs cost public drug plans \$1.54 billion but involved up to 19.02 million beneficiaries. The top 50 drugs prescribed to people in the lowest income quintile, where affordability challenges presumably are greatest, led to \$1.02 billion in spending and for up to 7.42 million beneficiaries.

Diabetes drugs represent a [large](#) and growing share of public and private insurance spending: \$3.3 billion in 2021, with an additional \$500 million out of pocket. They have also doubled as a share of drug spending over the past 10 years. Taxpayers should be aware that “single-payer, first-dollar coverage” means shifting a large and growing liability off of employers and private insurance companies and onto taxpayers.

Private insurance companies paid for about \$1.4 billion in anti-diabetes treatments in 2021. Notably, this is most of the federal budget for pharmacare before accounting for expanding coverage for the uninsured, or contraceptives. But simply offsetting private costs gives little incentive for provinces to participate, suggesting that the agreements are likely to be more costly than the initial estimates. Even if the government is able to reduce prices through bulk purchasing, the eventual cost to taxpayers will be more than the \$1.5 billion estimate, particularly if the formulary expands in the future. Many provinces and private insurance companies would love to have billions of dollars in annual spending removed from their budgets and liabilities, but the federal government has very limited room for such generosity.

The recent legislation sets a foundation for universal public coverage of diabetes and contraceptives, but it lacks the blueprints for continuing to build universal and comprehensive pharmacare programs across the country. To ensure that national pharmacare can address the unmet needs of Canadians both now and in future, any new system has to be built on a strong foundation of sustainability in finance and transparency in writing the formulary. The current plan doesn't ensure long-term federal financing or guarantee universal coverage for future expansion.

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