Intelligence MEMOS

From: Rosalie Wyonch and William B.P. Robson

To: Canadians concerned about healthcare

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Re: A Second Opinion on Ottawa's Pharmacare Report

The final report of the federal Advisory Council on the Implementation of National Pharmacare recommends a universal pharmacare program with Ottawa covering all incremental costs.

We offer a second opinion. There are better, cheaper ways to achieve the same goal.

The council's proposal would begin by covering 136 essential medicines as of 2022. As many observers have repeatedly warned, a one-size national program would not mesh well with existing provincial drug programs, nor with the provincially managed and funded doctor and hospital services that run alongside them.

Because provincial drug programs have varying levels of coverage and costs, the council's recommendations imply major differences in incremental cost and therefore in related federal funding across the country. That is very likely to become a problem in our hypersensitive federation, and indeed, the premiers asked this week for the right to opt out, but keep the money.

Our recent research describes two ways of filling current gaps in comprehensive coverage that would come with lower price tags. One estimates the cost of new provincial programs for uninsured individuals that would be similar to what is currently available to seniors and low-income households in each province. These estimates are uncertain, because uninsured people may use fewer or different drugs than people currently covered, and copayments and deductibles vary. Subject to those caveats, this plan could cost up to $5.6 billion across the country in 2022. That's 40 percent more than the projected cost of existing programs. The potential increase varies a lot from province to province, ranging from nothing in Quebec, which already has universal coverage through a mix of public and private plans, to more than double baseline spending in New Brunswick, Manitoba and Alberta.

Our second estimate models the cost of implementing a universal insurance scheme similar to Quebec's insurance model, which has had mandatory enrolment in public or private insurance since 1997.

Quebec collects premiums from working-age and high-income senior enrollees in its public system. These premiums are a useful proxy for the cost of covering currently uninsured people, since enrollees' premiums do collectively cover their costs. Filling gaps in comprehensive coverage in this way might cost $2.3 billion across the country in 2022 — a 16 percent increase from the baseline.

This approach, too, has different implications for cost increases from province to province. They range from zero again in Quebec, up to increases of one-third or more in New Brunswick, Manitoba and British Columbia.

Like Quebec, provinces adopting this insurance model could recover much or all of their costs with premiums. (In Quebec, premiums initially more than offset the incremental cost, with the result that direct provincial spending on prescription drugs fell by about $5 per person.)

The advisory council's proposals would increase overall public prescription drug expenditures by some 54 percent compared to the baseline – more than either of the options we looked at. The increases by province range from about 40 percent in Ontario and Alberta to almost double in Quebec and Newfoundland and Labrador. These differences – like the differences among the gap-filling approaches we model – reflect differences both in the share of the population of each province currently covered by public or private insurance, as well as in the extent of current coverage, including which and how many medicines appear in provincial formularies, none of which cover all medicines considered essential for primary care.

The estimated cost of implementing Quebec's insurance model across all provinces is lower than the cost of the council's plan. Another serious drawback of its approach is that it would rule out premiums like those Quebec collects, thus preventing other provinces from financing their increased costs this way.

The advisory council's report does briefly note the different implications of its recommendations for costs in different provinces, but spends too little time reflecting either on the reasons for these differences or the fairness issues bound to arise if federal financial support differs appreciably from one province to another.

Instead of providing everyone with limited coverage for a limited number of medicines, provinces could achieve universal coverage with a more comprehensive formulary in a mixed system, at less cost. That would be a more effective and fairer route to better drug coverage.

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