

Intelligence MEMOS



From: Rosalie Wyonch
To: Canadians Concerned about Pharmacare
Date: March 18, 2019
Re: **ASSESSING THE NATIONAL PHARMACARE REPORT**

Earlier this month, the Advisory Council on the Implementation of National Pharmacare released its [interim report](#) with some core principles and foundational elements for a new system.

Among the recommendations: create a national drug agency; develop a comprehensive, evidence-based national formulary; and invest in drug data and information technology systems. These recommendations are quite sensible, if a little lacking in detail.

The proposed national drug agency would conduct health technology assessments, negotiate prices and listing terms, monitor the real-world effectiveness of prescription drugs and develop and manage a national formulary. Some of these things already occur, but in separate agencies: the Canadian Agency for Drugs and Technologies in Health (CADTH) conducts cost-effectiveness analysis and the pan-Canadian Pharmaceutical Alliance (pCPA) already conducts price negotiations for all the public drug insurance plans in Canada. The Patented Medicines Pricing Review Board regulates the maximum price of patented pharmaceuticals in Canada.

Consolidating these activities under one agency would be an effective way to reduce duplication of work and allow for parallel evaluations and negotiations, which should reduce the time between Health Canada's approval of a new medicine and it being available to Canadians. Indeed, proposed changes to PMPRB regulations suggest an increasing role for evaluating cost-effectiveness in the regulation of prices (currently, maximum prices are determined by comparing prices to prices of drugs in the same therapeutic class and prices of the same drug in select other countries – internal and external reference pricing).

What remains unclear from the interim recommendations is what, exactly, is meant by “a comprehensive, evidence-based national formulary.” The interim report suggests that the national formulary would “serve as a baseline for harmonizing coverage across Canada.” Whether the formulary will be a list of essential medicines, truly “comprehensive” and all-inclusive, or something in-between remains unclear. It is also unclear whether provincial health insurance plans would be required to list all drugs in the formulary.

Currently, the pCPA negotiations are non-binding and provinces can choose whether or not to list individual drugs on their formularies. If the formulary were binding on provincial plans, it would harmonize access across the country, but would severely limit provincial abilities to manage pharmaceutical budgets with listing decisions. It would, however, increase the negotiating power of the pCPA or the new national drug agency, since the potential market size for a drug would be more certain during negotiations.

The lack of clarity in the scope of a national formulary and associated listing requirements for public insurance also leaves the future role for private insurance companies largely undefined. If the formulary is comprehensive and the listing agreements binding, then there may be only a minor role for private drug insurance. If, however, the formulary covers only essential medicines and provinces retain autonomy in listing decisions, the role of private insurance would remain largely unchanged. In countries with universal drug insurance, [private insurance coverage ranges from none to all citizens](#).

It is also unclear what role the federal government intends to take in the administration and funding of a new national agency and drug formulary. There is a strong case for [limiting the role of the federal government in financing drugs](#). The federal government is not directly responsible for paying for most other healthcare (physicians and hospitals). If it were to directly fund and manage drug coverage, there would be less integration in the management of overall healthcare costs and provinces would have less incentive for cost-effective choices between drugs and other inputs to healthcare.

The [Interim Report](#) on the Implementation of National Pharmacare contains some sensible recommendations but also raises more questions than it answers. Tomorrow's federal budget and final report from the Advisory Council later this year should clarify the intended scope of public drug coverage and Ottawa's intended role in a new national pharmacare system. Provinces should maintain a leading role in administering and funding of public pharmacare, as they do in other areas of healthcare.

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