Intelligence MEMOS

From: Rosalie Wyonch

To: Canadians concerned about healthcare

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Re: **Don't Make Pharmacare Completely Free**

When Canadians think about the potential for a national or universal drug insurance program, some may think that patients will face no out-of-pocket costs, just like the public insurance for hospital and physician services. This assumption needs to be confronted: Canadians should still have to pay for some prescription drug costs, even with a universal drug insurance program.

The idea that patients would face no costs stems from the interpretation of one of the principles outlined in the Interim Report of the Advisory Council on the Implementation of National Pharmacare: that national pharmacare should "Ensure that all Canadian residents have access to prescription drugs based on medical need, without financial or other barriers to access." Also, the *Canada Health Act* is commonly interpreted as excluding deductibles and copayments because they infringe on the principle of universality.

However, charges to discourage over-use are a standard feature of insurance programs – including social insurance programs, and healthcare programs in other developed countries. Deductibles and copayments were part of public insurance for hospital and doctor services at their inception, and the recommendations for drug coverage in the landmark Hall Commission report in 1964 included a per-prescription deductible.

Deductibles are common in current provincial drug programs. They may be lower or eliminated for low-income people, and catastrophic coverage will cap their impact on people with very high costs. But they are not objectionable in principle, and experiments to eliminate them, as Saskatchewan did in the 1970s, did not last.

Adjusting per-prescription charges is a logical way for provinces to respond to evidence of over-use and to fiscal pressures that might otherwise cause them to limit coverage in other ways, and in particular through rationing. To resort to a familiar analogy, making healthcare free at the point of consumption and rationing acute care as a result is like auto "insurance" that covers routine maintenance but not collision damage – not what people need.

A cogent case exists for deductibles for many hospital and most doctor services and they feature in the design of pharmaceutical insurance in many developed nations with universal coverage. Optimally, deductibles should be designed to put an income-dependent ceiling on out-of-pocket expenses depending on the individual's state of health.

These payments are not a bug in social insurance programs; they are a key feature that should be part of any universal pharmacare program.

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