Intelligence MEMOS

From: Åke Blomqvist and Rosalie Wyonch

To: The Hon. Ginette Petitpas Taylor, federal Minister of Health

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Re: **PHARMACARE AND POLITICS**

A central element of the election platform of the current federal government was a promise to address the largest gap in Canada's health system; the lack of universal coverage for the costs of outpatient prescription drugs. Commissioning an "Advisory Council on the Implementation of National Pharmacare" was a sign that the government is serious about this. Recommended approaches to pharmacare reform are expected sometime in this fall, a year ahead of the next election.

Our existing "single payer" system of universal health insurance is very simple: in every province, government health insurance plans pay the full cost of all hospital and physician services used by provincial residents: the *Canada Health Act* requires each province to have such a plan to receive its share of the Canada Health Transfer. Many people would applaud enthusiastically if the federal government simply amended the *Canada Health Act* so that it also included the cost of prescription drugs. Under that option, all existing drug insurance plans, private and public, would disappear and be merged into single provincial plans that would pay the total cost of any prescription drug used by any provincial resident.

The problem with this option, of course, is that it would have a big impact on government budgets. Provincial drug plans today pay less than half of the total cost of prescription drugs; the rest is paid by private insurance plans or out of patients' pockets. A set of single-payer "first-dollar" drug plans would likely more than double provincial and territorial government spending on drugs. Unless there are accompanying large increases in federal transfers, those governments are unlikely to agree to this approach. Increased federal transfers, however, would ultimately require higher federal taxes, making federal politicians less enthusiastic about this option. This is a classic Canadian health policy standoff: politicians at both levels of government say they want improvements to the system, but want the costs to be paid by the other guy.

Rather than going for an expensive single-payer model, we think Ottawa would be far better off with a "gap-filling" model. Under that approach, each province and territory would create a public pharmacare plan that would automatically cover anyone who wasn't already covered by an existing public plan, or by a government-approved private plan. As an inducement, the federal government could offer a modest enhancement of the Canada Health Transfer, or offer to pay part of the incremental cost that each province would incur by offering such a plan. Ottawa could also support the pan-Canadian Pharmaceutical Alliance (pCPA) that already negotiates drug prices on behalf of existing provincial plans, and allow private insurers to also benefit from the price reductions that the pCPA is able to obtain. This would strengthen the market power on the buy side of the market, similar to a single-payer plan, without shifting all prescription drug expenditures onto public budgets. Moreover, the *Patent Act* already provides for a degree of federal drug price regulation through the Patent Medicine Prices Review Board.

A gap-filling approach would have the advantage of building on the progress that several provinces have already made toward creating universal pharmacare coverage. Québec already has a plan that is universal in this sense - every resident must be covered either by a public plan or by an approved private plan. Similarly, the revised version of the Ontario government's OHIP+ plan (for residents under age 25) that was just announced by Christine Elliott, the new Minister of Health and Long-Term Care, appears to be of this ilk, although it is not yet clear exactly how it will be implemented in practice.

The lack of universal pharmacare remains a major shortcoming of the Canadian healthcare system, and the federal government's determination to do something about it is commendable. But there are other issues as well, including long waiting lists for certain types of treatment and a system of primary care that remains in need of improvement in many places, despite a long history of attempts at reform. Health ministers across the country already have a lot on their plates, and the federal government shouldn't add to the pressure by demanding a drastic restructuring of the systems of drug financing.

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