Pharmacare: Promoting Equitable Access to Medications

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Background

The Current Canadian Pharmaceutical System

Across Canada, universal access to medically necessary hospital care and physicians' services are achieved through provincial / territorial health insurance programs that are held to national standards through federal cost-sharing. The spirit of this "Medicare" system is enshrined in the principles of the Canada Health Act (1984). The Canada Health Act requires that provincial / territorial health insurance programs provide residents with access to medically necessary physician and hospital services without barriers, such as user charges (1).

Currently, medication coverage varies depending on the setting (2):

1) Hospitals (and therefore provincial / territorial governments) are responsible for purchasing medically necessary medications given to inpatients.

2) The federal government covers certain medications for specific populations. Status First Nations and Inuit patients comprise the largest of these groups.

3) Outpatient medication costs in Canada are covered by multiple sources:
   Public Sources (Government): 44%
   Private Insurance: 36%
   Out-of-Pocket: 20%

Private insurance can be purchased individually or through groups. Group insurance through an employer or union is a more common arrangement; approximately half of Canadian workers receive private medication insurance as part of their work-related compensation (3). The number and type of medications covered, as well as copayments (the amount patients must pay when they fill prescriptions) vary widely amongst insurance plans. A 2004 Statistics Canada survey (4) revealed that 23.5% of Canadians do not have sufficient coverage for their medication costs.

Public payment for medications also varies widely between provinces and territories (Table 1). Provinces and territories are individually responsible for deciding which drugs are covered for their residents. A pan-Canadian quasi-governmental organization called the Canadian Agency for Drugs and Technologies in Health (CADTH) takes a formalized approach to unifying medication reimbursement decisions in Canada through a division called the Common Drug Review (CDR; 5,6). The CDR systematically reviews the cost-effectiveness and clinical efficacy of medications, collects patient input, and provides formulary listing recommendations to Canada's publicly funded medication plans (with the exception of Quebec). Once the CDR has made their formulary funding decision, this is passed down to the individual provinces and territories, who ultimately decide whether the product is covered on the respective provincial or territorial formulary.

Problems with the Current System

Limited Access to Medications

With greater chronic disease prevalence and increased reliance on outpatient management of disease (7), health care cost burden has shifted to patients. In a Community Health Survey of over 5,000

Canadians in 2007, 9.6% of Canadians reported they could not afford their prescription medications (8). Approximately one in ten Canadians reported that they could not afford to fill prescriptions, rationed their medications, or avoided renewing prescriptions (8). Patients were more likely to report non-adherence to prescriptions if they had poor health, lower incomes, and no private insurance (9). Additionally, a recent Statistics Canada report (10) reveals the cost burden of prescription medications was greatest for the second-lowest income quintile, an important at-risk group with individuals that bear greater out-of-pocket expenditures, but do not qualify for public medication insurance coverage. The patchwork of plans that exists in Canada has led to medication access based on location and type of work, rather than need. With almost a quarter of Canadians remaining without medication coverage and high reported rates of non-adherence to treatment regimens (9), necessary medications are inaccessible for many Canadian patients.

Economic Inefficiencies

1) Canada spends more per capita on medications

Canada spends over 700 US$ per capita each year on prescription medication, non-prescription medication, and personal health supplies (e.g. bandages, syringes, knee supports). This figure is much higher than the Organization of Economic Cooperation and Development (OECD) average of approximately 500 US$ per year. Total spending from both public and private sources in 2014 was $33.9 billion, with $7.5 billion spent out-of-pocket (11). This is in spite of the large number of Canadians who cannot afford to purchase their medications.

2) Medication prices are higher in Canada

Given that price and volume of use influence total medication expenditures, it is important to note that Canadians have not been found to use more medications than comparator nations (12). Yet Canadian medication prices are amongst the highest in the world. Canadians pay 30% more for medications than other OECD countries, except for the United States of America (12). Higher prices are seen with both generic and patented medications:

Generic Medication Prices

Of all provinces and territories, Ontario pays the lowest price for generic medications. Yet prices for the five most common generic medications are still 5-25 times higher in Ontario than in the United States' Veteran's Affairs Federal Supply Schedule Service or New Zealand's Pharmaceutical Management Agency (13). This gross overpricing may occur partially because Canada's generic medication prices are set as a percentage of patented medication prices. Setting generic prices as a function of patented medication prices does not allow for open market competition between manufacturers to drive down these costs (12).

Patented Medication Prices

The Patented Medicines Prices Review Board (PMPRB) sets prices for patented medications in Canada (14). To do so, the PMPRB calculates the median patented medication price in seven comparator OECD countries. Unfortunately, this does not guarantee reasonable prices for patented medications; four of these comparator countries have amongst the highest patented medication prices in the world (United States, Switzerland, Germany, Sweden; 15).

High patented medication prices may also result from confidential negotiations between pharmaceutical companies and provincial / territorial public medication coverage plans. There is an incentive for pharmaceutical companies to artificially inflate the official price of their

medications in order to be able to offer a greater percentage discount when negotiating with public plans (15). Unfortunately, private insurance plans and patients paying out-of-pocket must bear the costs of these artificially increased patented medication prices. It should be noted that these negotiations and artificial price increases are a global phenomenon; Canadians may be paying for inflated sticker prices that were used to negotiate contracts in other nations.

Although some policy makers argue that maintaining high patented medication prices encourages pharmaceutical Research and Development, the PMPRB has reported a decrease in these investments despite rising patented medication prices (15).

3) Canada's prescription medication expenditures are growing at a faster rate

In Canada, annual growth in prescription medication expenditures from 2000 to 2010 was 4% - almost double the OECD average (12). All countries with less than 3% growth have universal Pharmacare systems (12).

4) Reliance on private insurance entails inherent economic inefficiencies

A common misconception is that private medication coverage plans save public funding. Private plans pay 7-10% more for their medications compared to public plans (15,16). Policies that reduce public spending on medications lead to increased costs for those paying out-of-pocket and private insurers. In addition, most private plans have open reimbursement lists and do not have formal assessments of the medications on their formularies. Without formal assessments of the clinical efficacy, safety, and cost-effectiveness of medications, private plans may reimburse more expensive medications with no additional therapeutic value. Furthermore, federal tax subsidies and higher administrative costs have contributed to wasteful spending and inefficiency (15). There is also concern regarding "skimming", whereby private insurance companies accept patients who are younger and healthier, while leaving riskier patients (low-income, seniors, unable to work) to public coverage.

History of Pharmacare

The problems inherent to Canada's pharmaceutical system have been noted in the past and have prompted multiple calls for change. Proposals for a national Pharmacare program have recurred throughout the past fifty years. For example, the 1964 Royal Commission on Health Services recommended a universal drug insurance plan. The 1997 National Forum on Health (17), the 2002 Romanow Commission Report (18), and the 2004 10-Year Plan to Strengthen Health Care (19) also called for Pharmacare. The Romanow Report focused particularly on increasing catastrophic medication coverage (18). As part of the 10-Year Plan to Strengthen Health Care, provinces, territories, and the federal government developed the National Pharmaceuticals Strategy (NPS). The NPS called for a common National Drug Formulary, a national health technology assessment program, catastrophic drug coverage, faster access to non-patented drugs, and a Canada-wide pharmaceutical purchasing and pricing system (12,20). Apart from the establishment of the Canadian Agency for Drugs and Technologies in Health (CADTH), these recommendations have yet to be implemented.

Inequities in Access to Medications

Inequities in access to medications undermine the principle of accessibility set out in the Canada Health Act of 1984 (1). Medication coverage varies across Canada according to provinces' and territories' health budgets and individual pricing negotiations with pharmaceutical companies (12).

Across Canada, outpatient medication coverage is determined by each province / territory and depends on age, illness, income, and socioeconomic status. Differences are a result of variations in medication subsidy programs, private insurance programs, demographics, the health care needs of each population, and health care delivery mechanisms (21). The vast differences in medication expenditure mechanisms and public medication plans result in inequitable access between Canadians. Disparate provincial and territorial systems impede joint medication price negotiations. As a monopsony, Canada could have more purchasing power and demand lower medication prices. One estimate notes that Pharmacare could result in savings from $3 billion to $10.7 billion if all cost privileges to the industry were eradicated (15).

Table 1. Summary of public prescription drug programs by province, 2014. From Morgan, Daw, Law (22)

Province	**Coverage of people under 65 not receiving social assistance benefits**	**Coverage of people 65 and over not receiving the Guaranteed Income Supplement**
British Columbia	Income based	Income based
Alberta	Voluntary, premium based, unless covered by private insurance	Little or no charge to all patients
Saskatchewan	Income based	Income based
Manitoba	Income based	Income based
Ontario	Income based	Little or no charge to all patients with incomes below $100,000
Quebec	Compulsory, premium based, through public or private plans	Compulsory, premium based, through public or private plans
New Brunswick*	Voluntary, premium based	Voluntary, premium based
Nova Scotia	Income based	Voluntary, premium based
Prince Edward Island	Income based	Little or no charge to all patients
Newfoundland and Labrador	Income based	Income based
*As of April 2015, New Brunswick will offer mandatory, premium based coverage through public or private plans		

Variability is also evident when comparing territorial medication coverage. The Yukon offers public coverage of medications for children from low-income families, seniors whose benefits are not covered by private insurance, and patients with certain chronic medical conditions (23). The Northwest Territories covers medications for seniors whose benefits are not covered by private insurance, individuals with specific chronic medical conditions, and Métis individuals (24,25,26). Nunavut also offers coverage for seniors whose benefits are not covered by private insurance and individuals with specific chronic medical conditions, but also covers medications for residents who have insufficient insurance to cover their medication expenses (27).

Improved access to medications is particularly timely for Canada's aging population. In the coming decades, Canada's working population will be under greater pressure to cover seniors' drug care. In 2007, for instance, seniors aged 65 and older spent approximately three times more on prescription drugs than the average Canadian; this accounted for roughly 40% of all retail spending on prescription

drugs (28). A national Pharmacare program with the power to contain costs could ensure that future Canadians are not unduly burdened by the health care needs of the country's seniors.

Principles

1. Canadian patients deserve a pharmaceutical strategy that is universal, comprehensive, and publicly administered.

Medication costs create a disparity in which Canadians do not have the equal opportunity to receive medical treatment and enjoy good health - an outcome dissonant to the principles of universal health care. The principle of universality is one that continues to be popular amongst Canadians. In May 2013, the Canadian Health Coalition and Canadian Federation of Nurses Unions reported that 78% of Canadians support universal Pharmacare (29).

Canadians also face a patchwork of public and private drug plans that result in differences in affordability and availability of medications. Across Canada, there are 19 publicly funded drug plans and over 1,000 private insurance programs that have variances in eligibility, benefit payment structures and medication formularies (30). Thus, Canadians deserve a comprehensive strategy that promotes accessibility and equity by providing reliable and comparable coverage across the country.

Finally, processes and decisions of the strategy should be open and transparent. Concentration of relevant regulatory power and administrative capacity at the federal level will address issues of inconsistency and fragmentation in current medication coverage (30). Hence, there is a case for the provision of Pharmacare.

2. Canada requires an economically efficient and sustainable pharmaceutical system

Medications are an important component of health care. Following hospital care, medications represent the second most costly expenditure in our health care system (31). Yet economic inefficiencies in the pharmaceutical system translate into fewer resources to support other significant aspects of health care and government, such as preventative health care and social programs that can prevent or delay the onset of chronic illness. The health and wealth of Canadians stands to benefit from a less costly arrangement. A recent analysis within the Canadian Medical Association Journal (32) suggests that Pharmacare would reduce total spending on prescription medications and decrease costs within the private sector at a projected cost to the government of $1 billion – arguably a reasonable price for a more effective and equitable system.

Recommendations

1. The Government of Canada should establish a national formulary of safe, efficacious, and cost-effective medications

Each province / territory currently maintains its own formulary, which can lead to inequities in medication access between regions. A national formulary and a public universal drug plan would also facilitate the establishment of a comprehensive drug usage database.

2. The Government of Canada or a pan-Canadian agency should support bulk purchasing for all medically necessary medications

Bulk purchasing is the best way to secure the lowest prices for medications. The provinces and territories created the Pan-Canadian Pharmaceutical Alliance (PCPA) in 2010 (33), where provincial /

territorial public medication plans have pooled resources for joint pricing negotiations. As of February 2015, 57 joint negotiations had been completed and 20 more were in progress (33). The PCPA estimates that these joint negotiations have saved a combined $260 million in medication costs annually (34). However, the PCPA is far from a perfect solution. Public medication plans only cover 45% of national medication costs, and coordination between provinces is a complicated process. Consequently, the PCPA has significant natural and logistical limitations (12). With the consolidation of a fragmented system of coverage into a single purchaser for the country we can expect increased purchasing power to drive down prescription medication costs.

3. The Government of Canada should support the development of public, universal, single payer pharmaceutical insurance across Canada

A wealth of research has suggested Pharmacare can address our economic inefficiencies and health inequities. When accounting for competitive pricing from bulk purchasing, reduced tax deductions, and other improvements, the estimated savings increase to about $11 billion per year (12). This large figure does not include the health and social benefits that would result when Canadians are able to obtain medically necessary treatments for their health conditions. Working with the provinces and territories to establish Pharmacare has the potential for invaluable health and social benefits.

A national Pharmacare program would create a more equitable future. Pharmacare would ensure that individuals are able to access necessary medications regardless of their socioeconomic status or province of residence. Pharmacare could also promote the redistribution of health care funds such that less well-off provinces and territories would benefit substantially (35).

4. The CFMS should continue to work with national medical organizations including the Association of Faculties of Medicine of Canada (AFMC), the Medical Council of Canada (MCC), and the Committee on the Accreditation of Canadian Medical Schools (CACMS) to ensure that the implementation of Pharmacare is accompanied by renewed educational efforts for evidence-based prescribing

It will be important to ensure that increased accessibility of medications does not result in an over-reliance on pharmacologic treatments. Educational initiatives to ensure medical students are well-versed in evidence-based prescribing are warranted.

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