

**SUPPLEMENTARY REPORT
OF THE
NEW DEMOCRATIC PARTY OF CANADA**

Study on the Development of a National Pharmacare Program

From the early days of the Saskatchewan Co-operative Commonwealth Federation (CCF) government in the 1940s and the formation of Canada's New Democratic Party in 1961, New Democrats have worked to ensure every Canadian can receive essential health care without regard to their ability to pay.

Although Canadians are justly proud of the Medicare system we have built to this point in time, unfortunately services are neither comprehensive nor accessible by all. From pharmaceuticals to dental procedures to rehabilitative therapies, Canadians face a patchwork of private and public programs that leave millions without coverage.

Soon after the formation of the 42nd Parliament, the New Democratic Party took action to remedy one of these deficiencies.

On February 22, 2016, the New Democratic Party moved the following Motion at the House of Commons Standing Committee on Health:

To undertake a study on the development of a national Pharmacare program as an insured service for Canadians under the *Canada Health Act* and to report the findings to the House.

We are grateful that our Motion received unanimous support from all parties represented on the Committee.

Over the last two years, we heard from some 100 witnesses and received over 30 submissions. We canvassed leading experts in the field and examined numerous international models. We took the exceptional step of engaging the Parliamentary Budget Office to provide accurate financial and costing analysis.

The conclusions were strong and clear.

There is no question that there is a real need for policy reform.

There is remarkably broad and deep support from Canadians and stakeholders for expanding our public health care system to include universal pharmaceutical coverage.

Best of all, there is no doubt that we can ensure every single Canadian can be covered for their medically necessary pharmaceuticals - and collectively save billions of dollars on an annual basis.

A. The current problem

This study served to highlight the stark realities of Canada's current private and public patchwork of prescription drug coverage.

The most compelling evidence of the harms caused by our current system came from front-line health care workers who witness them daily. As Dr. Danyaal Raza told the Committee, *"People certainly die from complications of their medical conditions that often are untreated because they don't have access to pharmaceuticals."*

Indeed, Canada is the only major country on Earth with a universal health care system that fails to guarantee universal access to prescription drugs. This leads to a number of issues of serious concern:

- **Inequality of access:** An estimated 10 to 20 percent of Canada's population - between 3.5 and 7 million Canadians - have no regular prescription coverage whatsoever, and do not receive the prescription medications they need when they need them. Almost one in four Canadians reports not filling a prescription at some point in every year due to cost. Women and those on lower incomes are particularly less likely to have consistent access to prescription drugs.
- **Poor health outcomes:** Canada currently has the second-highest rate of skipped prescriptions due to cost among comparable countries. It is estimated that between 5.4 percent and 6.5 percent of hospital admissions are the result of non-adherence, resulting in annual costs as high as \$1.6 billion.
- **High drug costs:** Canadians pay among the highest prescription drug prices in the world, with costs increasing annually at an alarming rate. In 2017, per capita growth for prescription drugs in Canada outpaced that for hospitals and physicians. In fact, Canada now spends more on pharmaceutical drugs than on doctors.
- **Administrative inefficiencies:** The aggregate cost to administer multiple public and private drug insurance plans is significantly greater than the administrative cost of a single program or plan. Unnecessary duplication of formulary assessment, claims processing, eligibility determination and other administrative tasks add significant extra costs that could be eliminated by public management.

B. The Solution: single-payer, universal pharmacare

Throughout our study, the Committee heard unambiguous and overwhelming evidence that a single-payer, universal pharmacare system will produce the best equity, economic and health outcomes. Indeed, it is rare to find such a clear answer to a public policy issue.

Therefore, rather than pursuing a ‘fill the gaps’ strategy, we must develop a pan-Canadian pharmacare program with the following key elements:

- **Universal and public:** Every Canadian must be covered by a public plan. Just as we have done for doctors and hospitals, it is most efficient and effective to provide prescription medicines to everyone through a single-payer system.
- **Coordinated purchasing:** All levels of government must band together to bulk-purchase prescription drugs for all Canadians. The PBO’s pharmacare costing analysis found that we would save \$3.7 billion every year from the increased purchasing power of a pan-Canadian universal program. Judicious use of exclusive-access contracts is also a key tool to get the best price possible for Canadians.
- **Evidence-based coverage:** Coverage ought to be determined by an evidence-based formulary, devised through an independent, transparent, empirically-driven, value-for-cost process. It is estimated that approximately \$5 billion currently spent by employers on private drug benefits is wasted because private drug plans are not well positioned to manage prescribing and dispensing decisions.
- **Streamlined administration:** There is no question that substantial savings can be realized by replacing the hundreds of private pharmaceutical plans currently operating across Canada with consolidated systems. Dr. Marc-Andre Gagnon, from Carleton University’s School of Public Policy and Administration, estimates that replacing private plans with a universal public drug plan would save Canadians \$1.3 billion a year in administrative costs.
- **Zero co-payments:** There is very strong evidence that even small co-payments can prevent those on lower incomes from filling their prescriptions. While the PBO analysis used a small co-payment of \$5 per prescription for brand-name drugs, and zero for generics, the principle of a single-payer system is antithetical to such a scheme.
- **Better prescribing practices:** More effective use of generic options and less-expensive drugs with similar efficacy, and better prescribing practices, are important cost controls that contribute to a more efficient overall system.

C. Evidence-based national formulary

The over-arching purpose of universal pharmacare is to ensure that Canadians get access to the medication they need. New Democrats believe that it is both possible and imperative to construct a comprehensive public drug formulary that meets this goal.

For too long, prescribing decisions in Canada have been influenced by marketing and lobbying efforts. Instead, decisions about what drugs are covered ought to be based on empirical evidence and achieving the best health outcomes per dollar spent. To accomplish this, formulary coverage must be managed by an agency that is arm's-length from government and free of industry interference.

New Democrats are also very mindful of the need to ensure that Canadians with rare disorders are well-served and promising drug therapies are appropriately accessible. We believe that special care must be taken to ensure that formulary listing decisions are responsive to these requirements and future pharmaceutical innovation.

It is our view that the federal government should forthwith initiate a process to develop a national formulary according to these principles, and build a consensus among all provinces and territories. Ultimately, the goal should be to construct a broad, comprehensive national formulary that all provinces and territories agree to cover without cost to their residents in exchange for federal cost-sharing. Of course, provinces and territories must be free to supplement this coverage if they so wish.

D. Universal coverage, save billions

It is well known that Canada's public, universal Medicare coverage of physician and hospital services is a very cost-effective way of delivering care to Canadians. Repeated studies demonstrate that Canada's Medicare system delivers comparable service to private systems (like that in the United States) with lower per capita costs. More importantly, we do so while covering every Canadian.

The PBO's pharmacare costing analysis demonstrates that we can achieve the same result with pharmaceutical coverage.

Using very conservative assumptions, the PBO found that we could have covered every Canadian's pharmaceutical needs *and* saved \$4.2 billion in 2015-16 if universal, single-payer pharmacare had been in place.

This was not a one-off calculation. The study also found that we will continue to save over \$4 billion per year into the future.

These savings are not isolated, and indeed are likely under-stated.

Empirically-driven, peer-reviewed studies and other independent sources also repeatedly demonstrate that universal, single-payer pharmacare would result in national savings in the range of \$7 to \$13 billion annually.

It is vital to ensure that Canadians understand that public, universal pharmacare can be implemented, and billions of dollars in savings realized, simply by re-organizing our system.

Using the PBO methodology as an example, the math is straightforward.

Of the \$24.6 billion spent on pharmaceuticals by all sources in 2015-16, \$12 billion was incurred by governments, \$9 billion by private insurance plans, and \$3.6 billion directly by patients themselves. Had we employed a single-payer universal pharmacare system that year, we would have needed to spend only \$20.4 billion (and hence, saved \$4.2 billion).

So, where would this \$20.4 billion come from?

Since the federal and provincial governments already spend \$12 billion on pharmaceuticals, the public sector would have to raise a further \$8.4 billion. Given that \$9 billion in private sector spending would be eliminated by universal pharmacare, the federal government could raise the entire additional public share of pharmacare through a targeted revenue levy re-directing funds to the federal government.

This would save the private sector \$600 million per year. The remaining \$3.6 billion in savings from universal pharmacare would go directly to patients by eliminating their out-of-pocket costs.

So: patients save \$3.6 billion; the private sector saves \$600 million; provincial and territorial governments don't have to spend a nickel in extra costs; and the federal government can easily raise the \$8.4 billion it needs simply by re-directing private sector expenditures from private plans to the federal government.

We ought also to remember that further long-term savings will be reaped through reduced cost-related non-adherence, streamlined administration, disciplined formulary control, better prescribing practices, and judicious use of exclusive licencing agreements.

E. Federal-Provincial-Territorial Cooperation

Canada's New Democrats believe that prescription drug coverage should be included as an insured service within the *Canada Health Act*.

The *Canada Health Act* currently specifies the conditions with which provincial and territorial governments must comply in order to receive federal transfers for hospital and physician services: public administration, comprehensiveness, universality, portability, and accessibility.

The federal government should implement universal, single-payer pharmacare by extending this fiscal lever to a negotiated basket of prescription drugs. This would ensure that all Canadians benefit from an equal standard of access to pharmaceuticals from coast to coast.

The New Democratic Party notes that at the founding of Medicare in 1968, the federal government agreed to assume 50 percent of the programs costs. Unfortunately, the federal share has declined dramatically in subsequent decades, hitting an all-time low of 14.6 percent in 1998-99. It currently stands at approximately 25 percent.

Were the federal government to assume cost-sharing responsibilities at the 2015-16 ratio, this would mean it would be responsible for just over 40 percent of the cost of universal pharmacare (\$8.4 billion of \$20.4 billion).

Former PBO Kevin Page has noted that federal spending in the existing public health care sector is projected to fall steadily in the coming years from the current 25 percent share. In this regard, Mr. Page predicts that it is already difficult to imagine the preservation of the principles of the *Canada Health Act* "without more federal skin in the game."

Thus, the current 25 percent federal share of health care spending should not be seen as a ceiling for federal contributions to a pan-Canadian pharmacare program. Rather, to ensure the successful implementation and sustainability of pan-Canadian universal pharmacare, the federal government must be willing to assume up to 50 percent of the overall costs. The figures used above demonstrate that they fall well within this parameter.

F. Timetable for action

Following the release of the PBO's costing analysis in October, 2017, the New Democrat Caucus introduced a motion in Parliament to initiate discussions with the provinces and territories no later than October 1, 2018 to implement a universal pharmacare program.

Unfortunately, the Liberals joined with the Conservatives to defeat this motion, 246 to 43.

The Liberal government argued that such a motion was "premature", occurring as it did before the release of this Committee's final report. Given this, the NDP notes that the recommendations of this Committee are now a sufficient basis to proceed with the immediate initiation of negotiations with the provinces and territories to implement universal pharmacare.

We therefore call on the Liberal government to act consistently with its words, and immediately begin negotiations with the provinces and territories upon the issuance of this report.

However, on February 27, 2018, the federal government announced that it will create an "advisory group" to launch yet further analysis and consultations on pharmacare. More disturbingly, speaking before the Economic Club of Canada the following day, Liberal Finance Minister Bill Morneau emphasized that the government isn't looking at universal approaches, but rather, they are seeking a strategy that "doesn't throw out the system that we currently have."

This is unacceptable.

On clinical, ethical, and economic grounds, universal public drug coverage has been recommended by national commissions and federal committees dating as far back as the 1940s. At least seven different royal commissions, national fora, Parliamentary committees, and citizen reference panels have studied this issue and recommended single-payer, universal pharmacare. Since its founding convention in 1961, the New Democratic Party has advocated for prescription drug coverage for all Canadians, regardless of their ability to pay. Even the 1997 Liberal election platform pledged to develop a "national plan and timetable for introducing universal public coverage for medically necessary prescription drugs."

Canadians don't need another study on universal pharmacare. Decades of deferral have harmed the health of Canadians and resulted in billions of dollars in waste. Further delays are unjustified and unacceptable.

Canadians can't afford to wait for universal pharmacare. They need action from their federal government. They need national leadership.

It's time.

G. List of Recommendations

The New Democratic Party of Canada recommends:

RECOMMENDATION 1

That the federal government work in partnership with the provinces and territories to replace Canada's current private and public patchwork coverage for prescription drugs with a single-payer, universal pharmacare program under the *Canada Health Act*.

RECOMMENDATION 2

That the federal government immediately commence negotiations with the provinces and territories to implement a pan-Canadian, single-payer, universal pharmacare program.

RECOMMENDATION 3

That, in its negotiations with the provinces and territories, the federal government assume up to 50 percent of the overall cost of a pan-Canadian single-payer, universal pharmacare system.

RECOMMENDATION 4

That the federal government, in partnership with the provinces and territories, develop a comprehensive, evidence-based national formulary managed by an agency that is arm's length from government, free of industry influence and political interference.

RECOMMENDATION 5

That there be no co-payments for formulary-covered pharmaceuticals as there is very strong evidence that even very small co-payments can prevent patients from filling their prescriptions.