

PHARMACARE: A PLAN FOR EVERYONE



OUR RECOMMENDATIONS

We are asking the federal government to create a universal prescription drug plan based on the following principles:

Universality: All Canadians must be entitled to the same level of pharmacare.

Accessibility: All Canadians must have reasonable access to the prescription medicines they need, regardless of their income, age or where they live. The plan must provide first dollar coverage, eliminating out-of-pocket payments such as co-payments and deductibles.

Comprehensiveness: Canada's pharmacare plan must have a comprehensive national formulary of medicines that ensures superior drug choice, safe and effective prescription drug use and the best value for money. The formulary should be evidence-based for best health outcomes and should be evaluated on an ongoing basis by an arms-length, publicly accountable, non-partisan oversight body.

Public administration: Canada's pharmacare plan must be both publicly administered and delivered.

Portability: The plan must follow Canadians no matter which province or territory they move to or live in.



Canada's pharmacare plan must be a single-payer program, replacing the current patchwork prescription drug system that involves several payers from governments, the private sector and individual Canadians.

The plan must be patient-centred, integrated with our universal health care system, and sustainable.

The federal government must protect Canada's pharmacare plan by refusing to ratify any trade agreements that result in higher prescription drug prices or that otherwise hinder our ability to provide universal pharmacare in any way.



PHARMACARE: THE UNFINISHED BUSINESS OF MEDICARE

Canada is the only developed country in the world with a universal health care program that does not include a universal prescription drug program.

The expensive patchwork prescription drug system we do have leaves millions of Canadians falling through the cracks.

Today, Canadians fill over half a million prescriptions a year, spending an estimated \$36.86 billion¹ on medicine – over five times what they spent 20 years ago.

Government spending covers less than half the cost of prescription medicine. Canada has the third lowest public prescription drug coverage among OECD nations – only the United States and Poland have lower levels of public prescription drug coverage.

One in ten (3.5 million) Canadians aren't taking the medication they need as prescribed because of cost², affecting one in five households. Many are splitting their pills, skipping days to stretch their prescriptions, sharing their medicines, or going deep into debt to pay for them. This has serious implications for peoples' health and additional costs for our health care system.

Our current patchwork, multiple-payer prescription drug system is not fair or equitable. Canadians are paying higher drug costs, and different dispensing fees and prices for the same medications. They have varying levels of prescription drug coverage and uneven access to prescription drugs.

AS OUR POPULATION AGES AND NEW AND MORE EXPENSIVE DRUGS ARE INTRODUCED, PRIVATE SECTOR EMPLOYERS AND INDIVIDUALS ARE UNDER INCREASING PRESSURE TO CONTAIN COSTS.

Since the 1960s, several studies on Canadian medicare have recommended including prescription drug coverage, notably the Hall Commission in 1964, the National Forum on Health in 1997, and the Romanow Commission in 2002.

1. Canadian Institute for Health Information (2017) Drug Spending at a Glance How much do Canadians spend on drugs? <https://www.cihi.ca/sites/default/files/document/nhex2017-drug-infosheet-1-en.pdf>
2. Michael R. Law, Lucy Cheng, Irfan A. Dhalla, Deborah Heard, Steven G. Morgan. The effect of cost on adherence to prescription medications in Canada. *CMAJ* January 16, 2012. *First published January 16, 2012, doi: 10.1503/cmaj.111270*



TOO MANY CANADIANS ARE FALLING THROUGH THE CRACKS

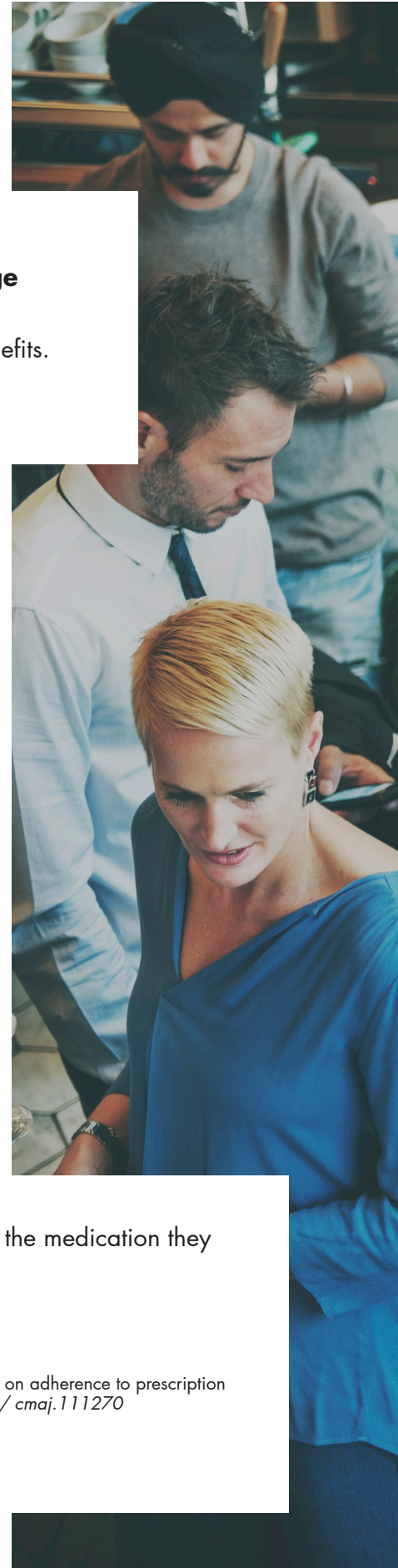
Millions of working Canadians have no private drug coverage

Millions of working Canadians do not have employer-funded medical benefits. That includes 5.4 million employed Canadians, and many of Canada's 2.8 million self-employed workers.

- Only 27 percent of part-time workers and 73 percent of full-time workers have employer-funded prescription drug coverage.
- Young workers are less likely to have private employer-funded prescription drug coverage. Only 26 percent of workers between 15 and 24 years old have health benefits coverage compared to 72 percent of workers between 25 and 64 years old.³
- Because most part-time workers are women, fewer women have employer-funded prescription drug plans.
- Low income workers often have little or no employer-funded health coverage.

Even charges as low as \$2 have been found to deter patients from taking the medication they need as prescribed.

3. Michael R. Law, Lucy Cheng, Irfan A. Dhalla, Deborah Heard, Steven G. Morgan. The effect of cost on adherence to prescription medications in Canada. *CMAJ* January 16, 2012 First published January 16, 2012, doi: 10.1503/cmaj.111270





One-in-five Canadians pay out of pocket for prescriptions

The only place where prescription drug costs are covered for all Canadians is in the hospital. Otherwise the federal government provides coverage for members of the RCMP and Armed Forces, veterans and Indigenous peoples. Provincial and territorial governments usually cover vulnerable Canadians like those 65 years and older, and social assistance and disability benefit recipients. They also provide catastrophic coverage for those who need medication that costs too much relative to their income.

**37 PERCENT OF CANADIANS
HAVE A CHRONIC HEALTH
CONDITION.⁵**

That leaves one-in-five Canadians paying out of pocket for prescriptions because they either do not have private health insurance plan or because the coverage they do have isn't adequate.

Even those with private employer-funded health benefit plans are paying more out of pocket because of ever-increasing co-payments and deductibles.

Numerous studies have linked the high costs of prescription drugs and related charges like deductibles and co-payments to patients not taking drugs as prescribed. Non-adherence to drug treatment disproportionately impacts low-income Canadians, including low-wage workers, Canadians on fixed low-income, youth who have "aged out" of their parents' or guardians' health benefit plans, and those stuck in precarious, part-time jobs.

Not surprisingly, research shows that low-income Canadians with chronic illnesses and without the coverage they need are less likely to adhere to their drug therapies.⁴ This is especially troubling given that 37 percent of Canadians have a chronic health condition.⁵

4. Kennedy J, Morgan S. A cross-national study of prescription nonadherence due to cost: data from the Joint Canada-United States Survey of Health. *Clinical Therapeutics* 2006;28(8): 121
5. 9000 Points of Care: Improving Access to Affordable Healthcare. <http://9000pointsofcare.ca/wp-content/uploads/The-Plan.pdf>.

OUR CURRENT SYSTEM IS COSTLY AND INEFFICIENT

Our multi-payer patchwork system has left Canada paying among the highest prescription drug prices in the world.

In 2015, Canada spent \$1,012 per capita on medications, ranking third in drug spending among 29 OECD countries. The OECD average drug spending per person was \$709.⁶

In 2015, Canada's prescription drug spending as a share of gross domestic product was the fifth highest among 31 OECD countries at 1.8 percent, compared to the OECD average of 1.4 percent.

In 2017, it is estimated that Canada will spend \$39.86 billion on prescription drugs, shared between government, at \$14.46 billion (36.3 percent), the private sector at \$12.1 billion (30.4 percent), and individual Canadians at \$13.3 billion (33.4 percent).⁷

Importantly, Canada spends more on prescription drugs because we pay higher prices for them, not because we buy more.⁸

In the late 1980s, the federal government introduced a law that provided stronger protection for both the patents and the prices of brand-name drugs. The goal was to encourage pharmaceutical companies to invest ten percent of proceeds from drug sales into research and

development. To date, they have only invested half that.

In 2013, Canada's pharmaceutical research and development-to-sales ratio ranked behind Italy, France, Sweden, USA, Germany and the United Kingdom. Meanwhile, in 2014, Canadians were left paying 35 percent more for brand-name drugs than the OECD average.⁹

NEW ZEALAND HAS A SINGLE-PAYER PHARMACARE SYSTEM, AND DESPITE HAVING A MUCH SMALLER POPULATION THAN CANADA PAYS 40 PERCENT LESS FOR BRAND-NAME DRUGS, AND 90 PERCENT LESS FOR GENERIC DRUGS.

The comparison is stark: For every 11.5 cents New Zealand pays for the seven of the most commonly used generic drugs made by Apotex, Canada pays \$1. For example, Amlodipine, a common blood pressure medicine, costs \$130 a year in Canada and \$10 a year in New Zealand, or 1,200 percent more. A year's supply of Amoxicillin, the generic antibiotic made by Apotex, costs \$32 in New Zealand and almost \$200 in Canada, or 500 percent more.

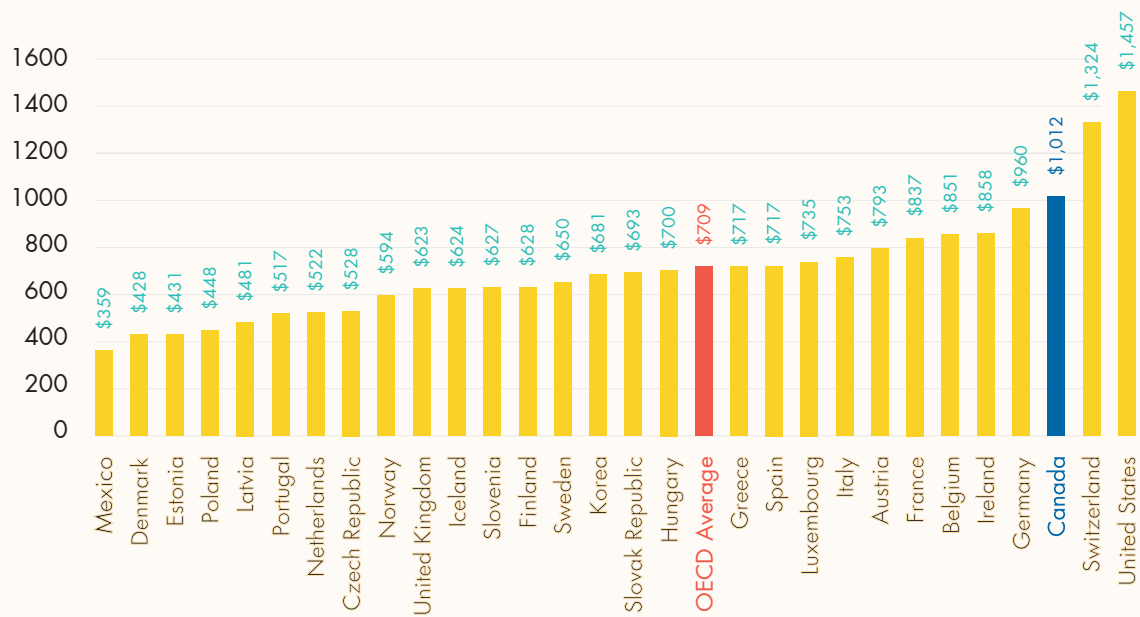
6. Canadian Institute for Health Information (2017) Drug Spending at a Glance How much do Canadians spend on drugs? <https://www.cihi.ca/sites/default/files/document/nhex2017-drug-infosheet-1-en.pdf>

7. Ibid.

8. <https://www.theglobeandmail.com/news/national/canada-one-of-top-pharmaceutical-spenders-on-oecd-list-report/article27086827/article27086827/>

9. PMPBR Guidelines Modernization Discussion Paper June 2016.

Total expenditure on drugs* per capita, Canadian dollar purchasing power parity, 29 selected OECD countries,† 2015



Notes: * Includes pharmaceutical goods and other medical non-durables. † These are the countries for which data was reported in 2015.
Source: Organisation for Economic Co-operation and Development. OECD Health Statistics 2017. 2017.

Other factors contributing to drug costs

Today, federal, provincial and territorial governments bulk-buy medications under the pan-Canadian Pharmaceutical Alliance, which, as of March 2017, had resulted in an estimated \$1.28 billion in combined annual savings.¹⁰ This very limited bulk purchasing model has saved money, but has only minimally lowered drug costs because government spending accounts for less than half of all prescription drug purchasing in Canada.

When the pan-Canadian Pharmaceutical Alliance negotiates savings for governments, pharmaceutical companies attempt to recover these losses by charging higher prices to pharmacies in the private sector. At the same time, pharmaceutical companies reward pharmacies with rebates for stocking their drug products.

Provinces have attempted to control drug rebates by setting generic drug prices at a low percentage of the equivalent brand-name drugs. This has eroded profits for pharmacies, which have recouped their losses by increasing dispensing fees. Dispensing fees vary from pharmacy to pharmacy, even among pharmacies in the same community. In some cases, dispensing fees can cost more than the prescriptions themselves.

Private insurers, who provide drug insurance plans to unions and employers, have no incentive to keep drug prices or dispensing fees down.

Health benefits company Express Scripts Canada found employer-funded private health insurance plans in Canada wasted more than \$3 billion a year between 2011 and 2015 by paying for unnecessary dispensing fees and expensive drugs when there were cheaper alternatives available. In addition, private insurers' administrative costs are 10 times greater than in the public sector.¹¹

IN SHORT, BECAUSE OF THE BUSINESS PRACTICES OF PHARMACEUTICAL COMPANIES, PHARMACIES AND PRIVATE INSURERS, WE ARE ALL PAYING BILLIONS MORE THAN WE HAVE TO. THE MONEY WE SAVE NOW THROUGH LIMITED BULK BUYING FOR GOVERNMENTS CAN'T MAKE UP FOR THAT COST.

Ultimately, employers, unions and individual Canadians end up paying more under this fragmented, inefficient, and expensive patchwork system.

10. The pan-Canadian Pharmaceutical Alliance. <http://www.pmprovincesterritoires.ca/en/initiatives/358-pan-canadi-an-pharmaceutical-alliance>

11. Law, Michael, et al. 2014. The increasing inefficiency of private health insurance in Canada. Canadian Medical Association Journal. Accessed September 30, 2016.





CANADA CAN'T AFFORD TO WAIT FOR PHARMACARE

An overwhelming majority – 91 percent – of Canadians believe our public health care system should include a universal prescription drug plan.¹² Several national health care commissions have recommended the same, along with the Canadian Medical Association, the Canadian Federation of Nurses Unions, Canadian Doctors for Medicare, the Federation of Canadian Municipalities, the Canadian Health Coalition, the Council of Canadians and the Canadian Labour Congress.

And Canada can't afford to wait. Two reports released in September 2017 demonstrate that a universal pharmacare plan will save Canada billions of dollars. The first, by the Canadian Centre for Policy Alternatives and Canadian Doctors for Medicare, estimates pharmacare would mean more than \$30 billion a year in savings for governments, the private sector and individual Canadians. Net savings would add up to almost \$11 billion a year.

A second, more conservative report released by the Parliamentary Budget Officer estimates net savings of \$4.2 billion a year, despite using Quebec's model – the most expensive in Canada – in its calculations. This report estimates that in 2015-16, spending on a universal pharmacare plan would have cost \$19.3 billion a year, compared to the \$24.6 billion our current patchwork system cost.

12. Angus Reid. Prescription drug access and affordability an issue for nearly a quarter of all Canadian households. <http://angusreid.org/prescription-drugs-canada/>



OUR CAMPAIGN: A PLAN FOR EVERYONE

Canada's unions are proud that we've successfully negotiated health insurance coverage for many of our members, but we believe anyone with a health card should have coverage for the medicines they need, regardless of their income, age or where they work or live.

That's why we've launched our campaign for universal pharmacare. For more information visit aplanforeveryone.ca.







Canadian Labour Congress

Congrès du travail du Canada