Intelligence MEMOS

From: Chris Bonnett

To: Pharmacare Watchers

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Re: THE PHOENIX OF NATIONAL PHARMACARE

The Liberal-New Democratic Party agreement last month contained four healthcare goals: Universal national pharmacare, an income-tested dental care program, a *Safe Long-Term Care Act* and intergovernmental cooperation to improve health outcomes.

Each is ambitious, especially in a three-year legislative timeframe, and achieving all four would be a monumental undertaking.

Pharmacare is arguably closest to implementation, and that's our topic.

The national pharmacare proposal has three steps: "Continuing progress towards a universal national pharmacare program by passing a Canada Pharmacare Act by the end of 2023 and then tasking the National Drug Agency to develop a national formulary of essential medicines and bulk purchasing plan by the end of the agreement."

None of this is new. The 2019 final report of the Advisory Council on the Implementation of National Pharmacare described legislation that, among other tasks, recommended tasks for a new Canadian Drug Agency transition office:

- Develop a national formulary beginning with essential medicines and evolving to a comprehensive list modeled after Quebec, and
- Negotiate prices and supply arrangements to ensure "the best deal and the lowest prices."

If the new legislation follows the Advisory Council advice, it would "…enshrine the [Canada Health Act] principles and national standards of pharmacare… and provide for a dedicated funding arrangement."

This proposal faces an inconvenient reality.

Private payers, mostly employers, spend more than $13 billion annually for prescription drug insurance. Those plans consistently earn high levels of satisfaction from more than 23 million Canadians. Private drug plans have become institutionalized, but are almost never considered in national drug policy and program decisions.

The most important problem remains a lack of good quality universal drug insurance. There are no precise numbers, but millions of Canadians experience drug costs that are too high relative to their incomes. Those people should be the targeted priority. Unfortunately, the Liberal-NDP agreement implies a cumbersome, fully public solution mismatched to the problem. The same high barriers conspire against progress, and there is still a long, hard road to walk between an announcement and implementation.

1. Federal reports during the last Liberal majority government assumed Ottawa would absorb essentially all prescription drug spending. Between fiscal 2019-20 and 2021-22, the federal deficit increased 255 percent to an estimated $140 billion, and federal debt increased 65 percent to $1,187 billion. Despite projected improvements, Ottawa may no longer have the fiscal room to support pharmacare.
2. There is no agreement from provincial or territorial governments to adapt their public drug plans to the requirements of any new federal Act, Agency or a new "bulk purchasing" plan. Getting the provinces to agree is essential but far from certain, and Quebec has consistently said it would opt out.
3. Estimated "savings" from both academic and government sources assuming a public single payer plan rely on dated and unrealistic assumptions. For example, the PBO assumed a universal 25-percent price reduction and did not account for $3.9 billion in private insurance spending that would no longer be eligible under a Quebec formulary.

Where does this leave us?

We have an unsolved and growing problem – inadequate drug insurance for many Canadians. Provincial and private drug plans have widely varying access and eligibility standards. Insular and outdated approaches to governance and risk sharing are already buckling, driven in part by rare disease drugs that already consume 10 percent of spending and have grown at a compound annual rate of 32 percent.

It is not clear if, or how quickly and completely the Liberal-NDP agreement might solve our drug insurance problem. At the moment, it appears that a public single payer national pharmacare plan has been resurrected. Advocates for that model can be expected to push hard.

Those favouring a universal mixed-payer model are largely outside the public policy tent. A social insurance approach is likely more feasible because it improves what already works for most Canadians, but a legitimate model has not been fully developed. A collaborative, constructive and rigorous position needs to be swiftly developed.

The emphasis now needs to be on getting things done. There are reasons why a public single payer plan has failed to launch on so many separate occasions since 1945. Pragmatism can fix this problem, but the policy window of opportunity will not stay open for long.

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