

# Intelligence MEMOS



From: Rosalie Wyonch  
To: Canadians Concerned about Healthcare  
Date: December 5, 2019  
Re: **MYTH BUSTING: DRUG SPENDING, PRICES AND PHARMACARE**

Prescription drug prices and increased drug spending are hot topics these days. With new regulations to lower the price of drugs due to come into force in 2020 and a pharmacare debate unfolding, there's much to discuss.

But accurate information needs to form the basis of that discussion and there is much conflicting and confusing information about the current reality.

This memo examines the data on three aspects: the idea that prescription drug spending is growing unsustainably, that too many Canadians cannot afford medications they need, and that Canada pays **higher prices** than other wealthy nations.

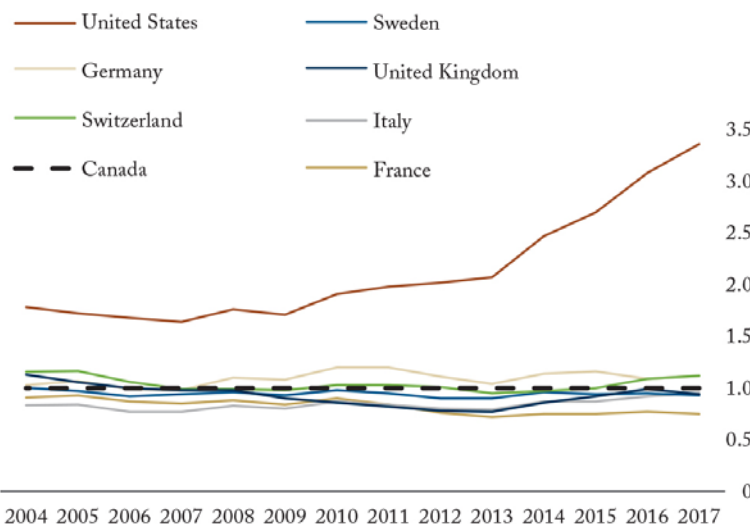
First, **prescription drug spending has been growing, but more slowly than other areas of health spending** and actually accounts for a decreasing proportion of total health spending. Over the period of 2010 to 2017, **total health spending** increased by 37 percent while prescription drug spending increased by 25 percent.

As a **percent of GDP**, spending on prescription drugs has decreased by 0.15 percentage points (from 1.66 percent to 1.51 percent of GDP). Total health spending has also decreased by 0.17 percent of GDP over the same period. While it is often said that **Canadians spend more on drugs than physician services** that statistic includes non-prescription drug spending – which generally is not covered by public prescription drug insurance. In 2017, spending on physician services was actually \$4.9 billion more than prescription drug spending.

Second, while there are certainly gaps in prescription drug insurance coverage, most Canadians have some coverage. About **1 in 5 households reported** that a family member had not taken prescribed medication due to cost and nearly 3 million Canadians said they were not able to afford at least one prescription in the past year. However, only about **11 percent** of Canadians do not have any prescription drug insurance and **about a quarter** received a benefit from a public drug program in 2017. In fact, despite a 17 percent increase in prescribed drug spending from 2010 to 2017, out-of-pocket expenditures declined marginally.

Third, while list prices for medications in Canada are higher than most comparator countries (except Germany, Switzerland and the US), they are in line with other developed nations (See Figure). In addition, public drug programs negotiate confidential discounts through the pan-Canadian Pharmaceutical Alliance. This means that drug prices, particularly those covered by public insurance plans, are likely not substantially different than peer countries (except the US). One of the main challenges for both public and private insurers is high-cost treatments. Canadians needing treatments costing upwards of \$10,000 annually represent **2 percent of beneficiaries of public drug insurance but account for more than a third of public drug spending**.

Figure 1: Average Foreign-to-Canadian Price Ratios for Patented Medicines



Improving access to necessary prescription medications will always be a priority for government. There are many individuals who lack sufficient coverage for prescription medications and suffer a lower quality of life, financial stress, or worsening of medical conditions requiring more extensive (and expensive) treatments in the future. But to address those gaps, it is important to understand the real challenges to achieving the goal: the fiscal pressure of high-cost treatments for relatively few beneficiaries and a lack of coverage for a minority of Canadians.

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Source: PMPRB Annual Report (2005 – 2017).