Intelligence MEMOS

From: Rosalie Wyonch

To: Pharmacare Watchers

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Re: **Pharmacare Reset: Get the Best Value for the Public Dime**

A "fill the gaps" approach for pharmacare that minimizes disruption for the approximately 27 million Canadians with existing private coverage and fiscal liability for the public sector was the consensus conclusion of an August C.D. Howe Institute policy workshop.

This stance reflected both fiscal realities and recognition that private plans typically offer significantly broader range of drugs and faster access to innovative treatments than public programs.

Along with the Canada Drug Agency reports on a national procurement strategy and formulary due this fall, the federal government should clarify its intentions for the future of pharmacare policy. Current legislation should be reformed to support mixed universal coverage models to improve the fiscal sustainability and flexibility for provincial autonomy in expanding coverage.

The current framework is more expensive than expected. The three provinces and one territory with bilateral pharmacare agreements with Ottawa represent only 18 percent of the Canadian population, but eat up 65 percent of allocated federal funding. Only 35 percent of the budget remains for bilateral agreements with all remaining provinces. It is simply unrealistic for universal first-dollar coverage to be achieved with the current federal budget spending plans.

The funding can't be carved out of existing health budgets either. The vast majority of health budgets consist of predetermined legacy commitments and existing program delivery costs, leaving minimal discretionary spending for strategic initiatives.

The urgency of a challenge tends to drive strategic health spending initiatives, and expansions to drug insurance must be considered against the opportunity costs to other essential services, including primary care access, surgical capacity, and diagnostic services.

In the broader government context, healthcare represents the largest category of public spending and must be considered in balance with other public programs, such as education and justice. Little budget discretion and little room to grow the budget significantly constrain health ministers and policymakers in further expansions to public health programs.

Provinces have reason to be skeptical of time-limited federal funding commitments since programs are rarely removed, even if federal funding stops. For example, Alberta's experience provides insights into program evolution and political sensitivities surrounding benefit modifications. Alberta's legislative framework encompasses seniors' coverage, universal access plans requiring enrollment and premium payments, and income-tested premium support programs. There is significant political resistance to benefit changes, particularly affecting seniors who constitute influential voting constituencies, resulting in minimal policy adjustments since 1994 despite changing economic circumstances.

With pharmacare, provinces have more reason for skepticism than usual: The existing federal budget falls short, is time limited, and the government has provided mixed signals about its commitment to further expansions through bilateral agreements.

Approximately 27 million Canadians currently possess private drug coverage, with 88 percent of those with a benefits plan placing value on having access to their existing coverage, and 84 percent recognize significant cost savings through their plans. The private sector has been paying for a growing share of Canada's total prescription drug spending over time and spent about $16.5 billion in 2024.

Given that a relatively small minority of Canadians lack access to prescription drug coverage (and might need access to prescriptions that are not related to diabetes or contraception) and limited fiscal capacity for new health spending at the provincial or federal level, a fill-the-gaps approach of expanding coverage to the uninsured is a practical solution.

Expanding existing provincial programs to cover uninsured people or implementing a Quebec-style universal coverage program would achieve the goal of universal coverage with minimal market disruption, minimal disruption for patients with existing coverage and minimal additional public prescription drug spending.

The full workshop report can be found here.

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