

Pharmacare: Is There a Pill for That?

The Canadian Institute of Actuaries believes all Canadians should have access to affordable prescription drugs. Canadians currently have varying levels of prescription drug coverage under a mix of public and private plans. Yet, some are still unable to afford certain medications. And some have no coverage at all.

The Government of Canada is considering potential options for universal drug coverage, such as a single-payer federal Pharmacare program. We agree that no Canadian should be left without prescription drug coverage. However, we believe the best way to achieve increased health outcomes across the country is through a Canada-wide framework with elements managed by the federal government, provincial/territorial governments, and private insurance. It would enable:



Pooling of costs at the highest level where risk can be better absorbed



Negotiating prices using the greater weight of the whole country



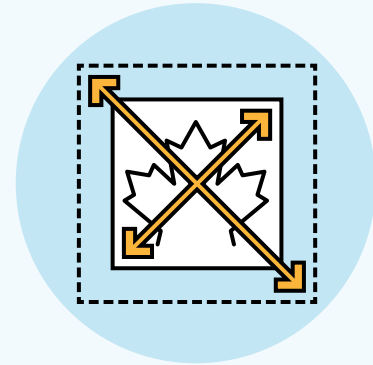
Making sure that all Canadians can access the same medicines, fairly and equitably



In an actuarial context, prescription drug coverage for all Canadians is very appealing. We anticipate that such a framework would enhance life expectancy and, more importantly, would enhance *healthy* life expectancy. We anticipate improved worker productivity, longer labour force participation, and more economic growth. And we see less use of more expensive elements of our limited health care resources such as hospitals.

We believe the introduction of a prescription drug framework does not need to mean wholly replacing what we have now with something new. The current private and public programs are working well in many ways; a new framework should focus on helping them work better together and on filling the gaps. Our proposed structure would also cost taxpayers significantly less than the proposal in the Hoskins Report.

Proposed framework



Provincial flexibility

+ Provinces and territories should be afforded the flexibility to design their own public prescription drug plan and create a structure for the coordination of their public plan with the existing private drug insurance marketplace.



Oversight

+ An overseeing body comprised of decision-makers from federal, provincial/territorial, and private plans and other relevant experts should be established to negotiate drug prices on behalf of all public and private plans across Canada. This body should also explore how to implement optimal evidence-based prescribing and public health alternatives to pharmaceuticals.



Coverage

- + A national formulary should be established by the overseeing body, to define the core and specialty medicines that will be covered.
- + Both public and private plans should cover, at a minimum, all drugs included in the national formulary, to guarantee consistency across the country. Any plan could be allowed to cover drugs beyond those listed in the formulary if they wish.
- + The cost borne by the patient as deductible, coinsurance, or copayments should be limited to an affordable amount.



Insurance and reinsurance

- + Private plans should continue to cover costs up to a certain limit based on each plan's risk appetite, using a mix of self-insurance, insurance, and reinsurance. Industry organizations could continue to share costs across insurers.
- + Provincial and territorial plans should cover up to a certain limit of an individual's aggregate costs.
- + The federal government should pay for costs beyond the defined limit.
- + High-cost drugs on the national formulary, including those for orphan diseases, should be reinsured by the federal government on an individual basis for both public and private plans. They would first have to be listed in the formulary based on evidence of efficacy and negotiated price.
- + There would be no premiums for this federal reinsurance.





This framework would offer two clear advantages to the provinces/territories and employers: their total costs would be capped by the basic coverage limit (after which the federal reinsurance kicks in), and the volatility of the costs would be much lower, that is, year-to-year costs would be more predictable. For the federal government, this framework gives them a level of participation and a say in how it is run. For individuals, their costs would simply be covered, and they would not need to be involved in any level of reinsurance.

Any new framework should be introduced in stages to bring refinements and improvements over a number of years for greater sustainability as the framework matures and as costs and savings are better defined and projected.

We urge convening a task force of medical professionals, pharmaceutical experts, insurance leaders, private plan sponsors, government representatives, and actuaries to identify more accurate, consistent data on the costs and potential savings of the framework, and to perform a financial analysis over a long-term horizon.

Looking ahead by, for example, 20 years, this task force would explore and clarify projected changes in prescription drug needs as the population ages; changes in treatments that will be available and their costs; and the different costs and savings currently cited by varying sources.

We believe a well-managed prescription drug framework can result in lower overall costs and better health outcomes and contribute to the long-term economic recovery from COVID-19. The pandemic has shone a bright light on problems in our health care system. Investments today in the system – including prescription drug coverage – would benefit both today’s Canadians and the generations to come.



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