

ECONOMIC BENEFITS OF UNIVERSAL PHARMACARE FOR BUSINESSES (2016)

Drug coverage in Canada is provided through an incomplete patchwork of private and public programs that varies across provinces. This fragmented system reduces access to medicines, diminishes drug purchasing power, duplicates administrative costs, and isolates pharmaceutical management from the management of medical and hospital care. It is needlessly costing Canadian businesses billions of dollars every year.

Inefficiencies of fragmented coverage

The fragmented nature of drug coverage in Canada costs businesses, taxpayers, and patients billions of dollars every year. First, lack of coverage means that many Canadians cannot afford to fill necessary prescriptions.

A 2015 Angus Reid Institute poll found 29% of British Columbia households reported they did not take medicines as directed because of cost.¹ This occurs because British Columbia's PharmaCare system provides benefits after patients have spent hundreds or thousands of dollars on medicines. This costs everyone because it results in worse health for patients and increased use of tax-financed medical and hospital care.

Fragmentation also means higher drug costs. Overall, Canadians spend 40% more on pharmaceuticals than the average of 14 comparable countries that offer universal, comprehensive drug coverage, including the United Kingdom, Germany, France, Australia, Sweden, and New Zealand. Thus, Canada is spending \$10-billion per year more than it would if it had a universal drug plan like those found in many comparable countries.

Heavy burden on business

The burden of Canada's incomplete and inefficient system of public drug coverage falls heavily on businesses, especially the small and medium-sized enterprises that comprise the backbone of Canada's economy. With rising costs of medications, many businesses are seeing their bottom lines erode and some find they simply cannot afford to provide insurance plans for their employees.

Small businesses are least likely to offer drug coverage and few entrepreneurs and independent contractors are covered by any drug benefit plan. This harms the efficiency of our economy because many Canadians are forced to choose where to work, based on access to insurance rather than aptitude and passion.

Money spent on private drug plans is not being spent well. Private sector analysts estimate that up to \$5 billion spent by Canadian employers on private drug benefits is wasted because private drug plans are not well positioned to manage drug pricing or the prescribing and dispensing decisions of health professionals.²

Dangers of a mandatory insurance system

As provincial health ministers hold discussions with their Federal counterpart, businesses are concerned about any additional costs to their employees, their insurance plans, and their bottom line. The biggest concern is that governments are considering making private drug coverage mandatory, as was done in Quebec in 1997.

The Quebec policy requires that all eligible employees be enrolled in a private drug plan. Rather than increase efficiencies, the policy further fragmented the system and generated the highest per capita costs in Canada.³

1 2015 Angus Reid. Prescription drug access and affordability an issue for nearly a quarter of all Canadian households. <http://angusreid.org/prescription-drugs-canada/>

2 2014 Drug Trend Report. Express Scripts Canada. 2015. <http://www.express-scripts.ca/research/drug-trend-reports>

3 2015, Mar-Andre Gagnon. Quebec-Style Pharmacare Program Won't Work for the Rest of Canada.

For 22 years prior to mandatory private drug insurance in Quebec, per capita spending on prescription drugs was approximately equal in Quebec and the rest of Canada. In the 19 years since their policy change, costs in Quebec have far outgrown the rest of Canada. Private employers and households in Quebec now spend \$200 per capita more on pharmaceuticals than employers and households in the rests of Canada.

In British Columbia, a Quebec-style system would cost employers and households an additional \$920 million annually if costs rose here as they did in Quebec.

Economies of a single-payer system

There is a better option. A universal, comprehensive public drug plan that was consistent throughout B.C. and across Canada would be a wise investment for B.C.’s economic prosperity. Research has shown that such a plan would reduce employer-sponsored drug costs in Canada by up to \$10.2 billion per year – a \$570 million annual savings for businesses in British Columbia alone.⁴ This would boost Canada’s labour market competitiveness.

A universal pharmaceutical program would be economically viable not only by taking advantage of the power of a single purchaser, but through the following:

- Reduction of administration costs for businesses and unions;
- Elimination of the need for tax subsidies to encourage employer funded benefit packages;
- Decreased direct emergency and acute care medical costs due to inappropriate or underuse of drug therapies; and
- Reduction of other health service costs.

Because of these increased efficiencies, a universal pharmacare program would increase government costs by only \$3.4 billion, \$2.4 billion of which could be financed by the reduced cost of private drug benefits for public sector employees. The 2015 Angus Reid Institute poll found that most taxpayers would support such a program, even if it required modest increase in taxes.⁵

Moving forward

As British Columbia joins health ministers across the country to discuss how best to control the costs of pharmaceuticals through bulk purchasing agreements and other strategies, caution is advised when choosing a program of delivery. It is tempting, and usually preferable to choose private suppliers over a provincially run program; however, in terms of cost effectiveness, the best strategy is one where pharmaceuticals are added to the universal health coverage of our Medicare system.

THE CHAMBER RECOMMENDS

That the Provincial Government and the Federal Government:

1. Work to develop a universal pharmaceutical program that will engender cost savings through bulk purchasing agreements and other cost-sharing strategies; and
2. Avoid off-loading costs of providing pharmaceutical coverage onto businesses through private insurance schemes per the Quebec model.

4 Morgan, SG, et al. Estimated cost of universal public coverage of prescription drugs in Canada. *Canadian Medical Association Journal* 2015. DOI:10.1503/cmaj.141564. Draft.

5 2015 Angus Reid. Prescription drug access and affordability an issue for nearly a quarter of all Canadian households. <http://angusreid.org/prescription-drugs-canada/>