

Clearing the Air on Pharmacare

"We have estimated that it will cost an additional \$3.5 billion in 2022 to launch national pharmacare starting with universal coverage for essential medicines. As the national formulary grows to cover a comprehensive list of drugs, we estimate that annual incremental costs will reach \$15.3 billion in 2027." (Final Report of the Advisory Council on the Implementation of National Pharmacare, June 2019)¹

Polls have consistently ranked health care as a top priority for Canadians. Furthermore, a recent poll commissioned by Heart & Stroke Canada and the Canadian Federation of Nurses Unions and conducted by Environics Research showed that 90 percent of Canadians supported the idea of a national Pharmacare program.²

From a political perspective, the Liberals had long planned to make Pharmacare a differentiator between themselves and the Conservatives. Their long game included appointing Ontario's former Liberal Minister of Health, Dr. Eric Hoskins in 2018 to lead an Advisory Council to recommend an approach to national Pharmacare. Dr. Hoskins had just implemented OHIP+ in Ontario, a new (and popular) program to provide free prescription drugs with no co-pay and no deductible to any child and youth under the age of 25 at a cost to government of almost \$500 million.³

Since then, three things have happened: First, despite the popularity of OHIP+ and planned expansion to seniors, the Ontario Liberals were decimated in the 2018 Provincial Election. Among Doug Ford's first acts as the new Premier was to significantly scale back OHIP+ with little pushback from Ontarians.

Second, after consultation with stakeholders, the [Final Report of the Advisory Council on the Implementation of National Pharmacare](#) chaired by Dr. Hoskins recommended to move forward with national Pharmacare in a more cautious, step-wise fashion likely due to cost and to prevent a shock to a delicate drug ecosystem made up of brand name and generic pharmaceutical companies, pharmacies, distributors, provincial public payors, private insurers, health care professionals, researchers and of course, patients.

Third, in this Federal election, the NDP and Green Party, viewing this as a wedge issue among left of centre and progressive voters, have promised to move forward more aggressively with the implementation of Pharmacare while the Liberals have actually moved in the opposite direction. If the

¹ <https://www.canada.ca/en/health-canada/corporate/about-health-canada/public-engagement/external-advisory-bodies/implementation-national-pharmacare/final-report.html#summ>

² <https://globalnews.ca/news/5941124/pharmacare-poll-heart-and-stroke/>

³ <https://globalnews.ca/news/3410017/ontario-budget-2017-families-get-free-prescriptions-drugs-for-children-more-aid-for-students/>

polls are correct, and we are headed into a minority government situation, both the NDP and Green Party could leverage Pharmacare as a condition to support the Liberals.

Of course, Pharmacare can take many forms and there appears to be confusion around each of the parties' commitments on their proposed plans. After a careful examination of the platforms of each of the parties it's easy to see why. Let's clear the air and cut through the smoke and mirrors.

To help explain, and despite the Liberal credentials of its Chair, the Advisory Council's report is a useful guide because they had the full resources of the Federal government in the development of its costing assumptions and it serves as a frame of reference to help explain where the parties stand on national Pharmacare.

Final Report of the Advisory Council on the Implementation of National Pharmacare

The Advisory Council recommended the Federal government begin with a universal drug plan that would cover an "Essential Medicines List"⁴ and Rare Diseases Strategy that would cost an additional \$3.5 billion in 2022 compared to current provincial spending.

Over time, the universal program would cover all drugs included on a national formulary by 2027 with costs rising to \$15.3 billion compared to the status quo. Keep in mind 2027 could be beyond two full election cycles—October 2023 and possibly past the October 2027 election. Of course, the election of minority governments could significantly alter electoral timelines.

Unlike the initial OHIP+ model in Ontario, they recommended a co-pay for each medication—a \$2 co-pay for essential medicines and \$5 for other drugs along with a \$100 annual household deductible. It further recommended (#43) that the federal government cover all additional costs associated with implementing national Pharmacare.

Pharmacare would leverage a national formulary with drug prices negotiated by a new federal Agency, which would presumably mimic the role of the current Pan-Canadian Pharmaceutical Alliance (pCPA). The creation of the national formulary, the new Agency and the creation of a Rare Diseases Strategy were announced by the Liberals in the 2019 Federal Budget.

The Liberal Pharmacare Plan

With the step wise approach recommended by the Advisory Council, it allowed the Liberals (or any party) to indicate it was moving forward with national Pharmacare without having to move forward with national Pharmacare in its next term.

The Liberal plan for Pharmacare laid out in September stated: "we will take the critical next steps to implement national Pharmacare so that all Canadians have the drug coverage they need at an affordable

⁴ The report references two potential sources for an Essential Medicines List "World Health Organization's Model List of Essential Medicines (which has approximately 450 drugs) and the CLEAN Meds list (with 136 drugs) developed by clinician and researchers at St. Michael's Hospital in Toronto."

price. **Guided by** the Advisory Council on the Implementation of National Pharmacare, we will..”⁵ and then proceeds to list items that were already announced in the 2019 Federal Budget related to a new Canada Drug Agency, a national formulary and a rare diseases strategy.

The Liberals intend to make a “down payment” of \$6 billion over the four years of a renewed mandate, but it translates to only \$1.75 billion in year 2022-- only 50% of the \$3.5 billion required to implement an “Essential Medicines List” universal plan. Perhaps they are counting on cost sharing 50/50 with the provinces, (against Council recommendation #43), but the chances of Premiers Doug Ford and Jason Kenney adding to their expenditures for a new program are unclear. \$1.75 billion may barely be enough just to cover drugs for rare diseases. Even with the addition of \$500 million promised in the 2019 Budget, the growing cost of these drugs, with some approaching \$1 million per patient per year, has the potential to absorb this funding quickly. As Dr. Hoskins himself recently put it to the CBC “There's no question that more funds will be necessary to implement universal pharmacare,”⁶

But recall the Liberals would have until 2027...which helps to explain why Dr. Hoskins followed up with the CBC to clarify: “The commitment to the vision is there...And along the chosen path, whatever that is, more money will be required to get to full Pharmacare.”⁷ He could have also pointed out that the Liberal path is longer than he had recommended.

In the end, the Liberals committed to work with the provinces during the next mandate and without the needed funds, nor being time-bound to implement. “As part of our negotiations with the provinces and territories on renewed health care priorities, we will seek a mandate to design and implement universal Pharmacare, guided by the recommendations of the Advisory Council.”⁸ This fits well for a party that has already stretched its costed platform to the limit, with planned annual deficits of over \$20 billion.

The Conservative Plan

On Pharmacare, Conservative Leader Andrew Scheer has been quoted saying “it’s about the gap. It’s about the people who don’t have access to pharmacare,” implying, perhaps, he was interested in helping only those who currently pay out-of-pocket for prescription drugs. These may have been off-the-cuff comments, because in his party’s recently released platform there are no additional dollars allocated to drugs costs making it very clear they would not implement any form of national Pharmacare. Instead, Andrew Scheer has opted for a path towards a balanced budget within 5 years.⁹

The platform does acknowledge the challenges –or a gap-- for people with rare diseases and the costs of their drugs. The Conservative platform would keep the existing \$500 million per year allocated by the Liberals in the last federal budget towards drugs for rare diseases.

⁵ <https://2019.liberal.ca/wp-content/uploads/sites/292/2019/09/Investments-in-healthcare.pdf>

⁶ <https://www.cbc.ca/news/politics/pharmacare-hoskins-trudeau-liberals-1.5311601>

⁷ <https://www.cbc.ca/news/politics/pharmacare-hoskins-trudeau-liberals-1.5311601>

⁸ ibid

⁹ https://cpc-platform.s3.ca-central-1.amazonaws.com/CPC_Platform_8.5x11_FINAL_EN_OCT14_web.pdf

Even with 90 percent supporting some form of national Pharmacare, major movements toward a costly new government program that would necessitate new revenue sources, that potentially intrudes upon provincial jurisdiction and that is opposed by many in the private sector such as drug manufacturers and private insurance payors with serious concerns, simply does not fit with the Conservative brand.

The Conservatives make no apologies for this direction. As the experience in Ontario has shown, Doug Ford won the election without any reference to expansion of drug coverage. Although they haven't called out Pharmacare directly, Andrew Scheer is already framing the prospect of a Liberal-NDP coalition, and the potential increases in spending and taxes that could come along with it, as a choice "you cannot afford".¹⁰

The NDP Plan

The NDP has decided to take an aggressive approach to Pharmacare and are attempting to use it to differentiate themselves with the Liberals among progressive voters. NDP Leader Jagmeet Singh referenced Pharmacare seven times in the English language debate, while Justin Trudeau barely referenced it at all.¹¹ Given the NDP may use Pharmacare as a condition of supporting a Liberal minority government, it makes sense to better understand their position.

According to the NDP Platform and their submission to the Office of the Parliamentary Budget Officer (PBO), the NDP rejects the Advisory Council's stepwise approach and promises \$10 billion in 2020 for a full universal national Pharmacare program based on Quebec's drug formulary.¹² In addition, they have insisted on going further than the Advisory Council by not charging patients a co-pay and deductible except in the very narrow circumstance when a patient is dispensed a brand name drug when a generic equivalent is available.¹³

The use of the Quebec formulary is interesting. According to the Fraser Institute, the Quebec drug formulary is more generous than the formularies of other provinces. Quebec has 8,000 drugs on its formulary while Ontario has approximately 4,400. Quebec had listed 33.4% of all new drugs approved by Health Canada between the year 2008 and 2017 while other provinces had listed 25.6% of them.¹⁴

The major difference in costs for Pharmacare between the NDP platform and the Council's recommendations are likely the result of different assumptions used by the PBO. According to the

¹⁰ <https://globalnews.ca/video/6031743/federal-election-2019-scheer-says-liberal-ndp-coalition-something-you-cannot-afford>

¹¹ <https://www.macleans.ca/politics/federal-leaders-debate-full-transcript/>

¹² https://www.pbo-dpb.gc.ca/web/default/files/Documents/ElectionProposalCosting/Results/33232359_EN.pdf?timestamp=1571170166180

¹³ https://www.pbo-dpb.gc.ca/web/default/files/Documents/ElectionProposalCosting/Results/33232359_EN.pdf?timestamp=1571170166180

¹⁴ <https://www.fraserinstitute.org/studies/lessons-from-the-quebec-universal-prescription-drug-insurance-program>

Council's report: "While the council's model builds on the methodology used by the PBO, it is not identical and uses assumptions about the key drivers of prescription drug spending to project future drug costs. As a result, it includes the impacts of factors such as inflation, population growth and aging, and the arrival of new, more expensive drugs."¹⁵

To raise revenues for Pharmacare and other promises, the NDP has employed their traditional approach of focusing tax increases on the wealthy to offset much of the cost. The NDP's recently released fiscal plan points to \$35 billion in new spending with \$30.5 billion of new revenue that would result in a deficit of \$33 billion in 2020/21 --a "tax and spend" approach that provides fodder for the Conservatives who are striving for a majority.

The Green Party Plan

It is perhaps the most dramatic of the four platforms. The Green Party's plan is to upload the full cost of all provincial public drug programs in year 1 for a full cost of \$26 billion in 2020 while implementing a full national Pharmacare program. It is by far the largest expenditure in their costed platform. By year 4 (2024), they expect provinces to chip in more than 50% of the cost, or \$17 billion out of \$31 billion.¹⁶ While they would likely gain provincial support for taking drugs costs off their books in the first year, it remains highly unlikely the provinces would cost share over time. Would there be a reduction in federal health care transfers to make up the difference? It's a risky bet. It would be further risky to destabilize the current pharmaceutical system across Canada with a massive change in such a short period of time.

According to Dr. Hoskins "The Green Party shares what I would describe as overly ambitious intent to start in 2020. Which I think is fraught with challenges, if not risk...They (Green Party) would assume the full cost of what is currently being paid by the provinces and territories toward prescribed medicines...And that's not what we would recommend.¹⁷ In addition, their full Platform would result in a \$40 billion deficit in 2020-21.¹⁸

Conclusions

Both the NDP and Green Party's ambitious national Pharmacare plans are a product of their perceived low probability of forming government and they are using it to drive a wedge with progressive voters. Yet the prospect of the implementation of their Pharmacare plans, or a variation thereof, increases daily if it is used as leverage to support the Liberals in a minority government situation. The Liberal plan delays Pharmacare to a later date, past a four-year mandate to avoid tax increases, while the Conservatives are not pursuing a Pharmacare plan at all in order to balance the budget. The prospect of Pharmacare is still up in the air, but we hope we have cleared the air for our readers.

¹⁵ <https://www.canada.ca/en/health-canada/corporate/about-health-canada/public-engagement/external-advisory-bodies/implementation-national-pharmacare/final-report.html#6.1.1>

¹⁶ https://www.greenparty.ca/sites/default/files/green_platform_costing_-_02.10.2019.pdf

¹⁷ <https://www.cbc.ca/news/politics/pharmacare-hoskins-trudeau-liberals-1.5311601>

¹⁸ https://www.greenparty.ca/sites/default/files/green_platform_costing_-_02.10.2019.pdf