

2-2021

## The Fate of Pharmacare in Canada

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### Citation of this paper:

Vemannagari, Sheetal and Wang, Winnie, "The Fate of Pharmacare in Canada" (2021). *All Reports*. 10.  
[https://ir.lib.uwo.ca/all\\_reports/10](https://ir.lib.uwo.ca/all_reports/10)

# The Fate of Pharmacare in Canada

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Nationalized pharmacare has been a topic of discussion for Canada since the 1960s. It has been recommended by [five](#) national commissions, including Justin Trudeau's Advisory Council in 2019.

However, over the past year, the need for universal pharmacy coverage has become more urgent than ever. The outbreak of COVID-19 early last year shut down entire segments of the Canadian economy, causing over [three million](#) job losses. Despite government benefits, millions of Canadians were left without work-related pharmacare, and reduced income.

## The Need

Even before the pandemic, [one in five](#) Canadians went without pharmaceutical coverage, making Canadians three times more likely to skip prescriptions than comparable countries with universal health care. [Three million](#) Canadians skip out on prescriptions, and one million Canadians cut food or heat spending to afford their medication.

The World Health Organization (WHO) has recognized that [access to medication is a human right](#), yet the price of medications in Canada acts as a large barrier to accessibility. [In 2015](#), one-quarter of Canadians couldn't afford their medications, and 69% of Canadians disagree that the current system is adequate.

Accessibility is also dependent on [income levels, age, and location](#). An economic shift to greater part-time, contract, and self-employed workers leaves more citizens without benefits. Only [27%](#) of part-time employees have health benefits, disproportionately affecting women and those of low-income.

**Drugs are Canada's [second-largest](#) healthcare expenditure**, after hospitals. Amongst OCED countries, Canada joins the United States and Switzerland to be the biggest per-capita spenders on prescription drugs. This cost is rising every year and [threatens the sustainability](#) of drug programs. **Currently, [Canada pays](#) the third-highest prices globally for prescription medicines**, with 70% of Canadians relying on private insurance plans and over 20% relying on public drug plans. [7.5 million Canadians](#) have no access to public or private drug coverage.

In March of 2020, the [House of Commons unanimously supported](#) a motion presented by MP Don Davis calling on the federal government to implement the Advisory Council's recommendations on National Pharmacare.

Trudeau's [advisory body](#) found that a lack of pharmacare has actually cost the country's health system billions of dollars in extra visits to hospitals. **Covering medication costs for diabetes, heart disease, and chronic respiratory conditions resulted in 220,000 less ER visits and 90,000 fewer annual hospitalizations, for yearly savings of \$1.2 billion.** [Access to essential medications](#) might also keep Canadians healthy in times of crises and economic downturn, especially in light of COVID-19. There are also estimates that a universal pharmacare plan would save Canadians [\\$5 billion more](#) than it would cost the government in the long-term.

**Why does Canada have such large gaps in coverage, despite its excessive spending on pharmacare?** The answer can be found by looking at other countries' pharmaceutical coverage systems.

## Comparison to Other Countries

To some Canadians, the idea of universal pharmacare may seem radical. However, to the rest of the world, Canada's lack of coverage is more ridiculous of an idea. In fact, Canada is the [only](#) country in the world to offer universal healthcare without pharmacare.

Canada relies on a patchwork of private and public drug plans, diffusing purchasing power over many players. **This diffusion results in a drug expenditure of over [50% more](#) than countries with universal pharmacare payments.** Countries like Britain, Australia, and New Zealand demonstrate how collective purchasing power can enable lower drug prices. Studies show that this can lead to savings of [\\$5 billion](#) in Canada.

## Implementation: Spending

In addition to commissioning an Advisory Council to investigate this issue last year, Prime Minister Justin Trudeau has also planned to [begin](#) implementing Universal Pharmacare in 2020, before the pandemic hit. **The federal government has already committed [\\$500 million](#) annually as a pathway for funding expensive drugs.**

The current plan calls to begin implementation by giving provinces the option to opt in, and having the federal government pay for incremental costs.

While [many seniors](#) can access their prescriptions for free or for a lower cost, provincial and federal governments will have to work together to address the aging population in Canada. It is estimated that there will be [9.5 million seniors by 2030](#), accounting for 23% of Canadians, with the average life expectancy at birth rising to 86.2 years and 82.9 for women and men, respectively, by 2036.

According to Trudeau's pharmacare [advisory council](#), universal pharmacare would result in the following cost savings:

- **A reduction of total annual drug spending of \$5 billion**
- A reduction of annual prescription drug costs to businesses and employees of \$16.6 billion
- **“Out-of-pocket” drug cost reduction of \$6.4 billion to families**
- A \$750 annual per-employee saving for businesses
- Average annual savings of \$350 per family

The plan would total an extra whopping **public cost of \$15.3 billion by 2027**, raising questions about such a program’s feasibility. The advisory council recognizes the challenges in greater taxation, and instead recommends finding the funding for pharmacare by adjusting the current budget. However, a lack of direction pointing to funding is likely to result in greater debt spending. The current Liberal government is struggling to balance its budget as it is (having [failed a campaign promise](#) to achieve a balanced budget by 2019). It is unclear where the Federal government would expect to find the extra funds to support pharmacare.

The policy’s feasibility is also highly dependent on how Canada adapts to COVID-19 and its priorities for post-pandemic economic recovery. Considering that the federal deficit is expected to hit [\\$381.6 billion by March 2021](#), citizens may resist the idea of further spending. Despite this, the government may not have a choice but to implement some type of temporary pharmacare plan. The amount of work shortages and closed businesses has impacted citizens’ access to private drug insurance, and spending may be justified given the Prime Minister’s urging to [spend whatever is necessary until the pandemic is over](#).

## Implementation: Stakeholders

A national pharmacare plan would be complex to implement, with the [political parties and stakeholders having different points of view](#). The Bloc Quebecois and the Conservative Party of Canada are concerned that a national pharmacare plan would violate provincial jurisdiction as provinces are responsible for healthcare delivery. However, the NDP argue that they want to provide a framework for provinces to negotiate with the federal government instead of the federal government being fully responsible for the delivery of pharmacare. Meanwhile, Health Minister Patty Hadju says that the current government will "ensure that we have a national pharmacare plan so that every Canadian can access drugs no matter what their circumstances."

Should [Bill C-213, An Act to enact the Canada Pharmacare Act](#) pass, the federal government would also be expected to negotiate with provinces to reach an agreement; implementation would be highly complex. Moreover, with a current minority government, the Liberals will have to ensure that they have support from one other party for pharmacare to become legislation.

The implementation of a national pharmacare plan could also be beneficial for employers and business, as they would no longer have to pay for prescription drug coverage. [On average](#), a worker is expected to save \$100/year in plan premiums, while a business owner is expected to

save \$750 yearly per employee. [Experts also argue](#) that pharmacare offers a better chance for citizens to save through more effective bargaining from a national employer.

## Conclusion

At the end of the day, it is unquestionable that equitable access to pharmacare is required now, more than ever. With all of its gaps, the current system contributes to the inflation of Canada's already sky high drug prices, making both public and private pharmaceutical coverage unsustainable. More and more Canadians are being left without access to the critical drugs they need.

The country's response to the pandemic demonstrates the ability for all levels of government to cooperate. However, the plan's public price tag of \$15 billion calls to question its feasibility. With universal pharmacare successfully provided at cheaper costs by countries such as Britain, Australia, and New Zealand, one must wonder whether Canada can be using its funds more effectively.