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National pharmacare in Canada: Considerations & implications for interested parties

Preface

This paper was originally released in February 2024, prior to the announcement by the Government of Canada that an agreement was met to table a national pharmacare plan with the introduction of Bill C-64. The legislation laid out the first phase of a proposed national pharmacare program, including establishing foundational principles to allow universal single-payer access to contraception and diabetes medications. Further, the government indicated its intention to work with the provinces and territories to remove barriers to access and improve affordability and appropriate use of prescription drugs. Bill C-64 further laid the groundwork for the newly established Canadian Drug Agency (CDA) to institute a national formulary and develop a bulk-purchasing strategy.

The government subsequently released the 2024 federal budget (in April), in which it was reiterated that the first phase of a universal pharmacare plan would focus on providing coverage for contraception and diabetes medications. The government also announced plans to establish a fund to support access to diabetes devices and supplies, with details to be disclosed after discussions with provincial and territorial partners. The intent is to implement these measures through existing provincial and territorial pharmacare programs, with new federal funding aimed at expanding and enhancing, not replacing, current public drug benefit programs. To support this launch, Budget 2024 proposed a provision to Health Canada of $1.5 billion over five years, starting in 2024–25.

Although these initial steps offer clues to future plans for a pharmacare program in Canada, several questions remain. Key among them is how existing drug programs (both public and private) and interested parties will work in tandem to enhance and deliver better access to drugs and medical devices/supplies in Canada—and ultimately, better health outcomes for Canadians.

Executive summary

Canada is the only OECD country with universal public health coverage but without a publicly funded drug program, more often referred to as national pharmacare. The topic of national pharmacare has surfaced many times over the decades and is currently under intense debate. This paper explores implications of a pharmacare program, its scope, coverage, and eligibility model, as well as trade-offs involved, while highlighting impacts on key interested parties. It provides some crucial considerations for how pharmacare could be implemented in a multi-jurisdictional landscape; however, it does not delve into the merits or faults of universal health care models.

Canada's prescription medication expenditure in 2021 was approximately $37 billion, with public coverage accounting for 43% of that total ($16.1 billion), private insurance accounting for 37% ($13.6 billion), and out-of-pocket payments accounting for 20% ($7.4 billion). The total prescription expenditures in Canada saw a compound annual growth rate of 5.6% between 2015 and 2021.

Current approaches to public drug programs vary across provincial and territorial jurisdictions, each with their own eligibilities, coverages, and cost-sharing mechanisms. In this paper, we examine provincial examples (British Columbia, Ontario, and Quebec) along with international standards (France, the United Kingdom, and the United States) to highlight potential approaches that could be helpful for Canada to consider before embarking on a national public drug program. The program models across these jurisdictions can be categorized by any one of the following:

1. Predominantly universal single-payer systems
2. Distinct public- and distinct private-payer systems
3. Mixed public/private systems, where public regulations require private plans to provide a minimum level of coverage and aim to limit out-of-pocket costs

We also examine pharmacare from the lens of multiple interested parties affected by a pharmacare program. For one, key interested parties—including patients and their families, pharmacies, pharmaceutical manufacturing companies, insurance providers, provincial and territorial governments, and the federal government and its agencies—are expected to be considerably affected by a pharmacare program.

The implications for these interested parties will depend on the specific pharmacare model adopted—either full public coverage, which would provide every Canadian with substantially similar drug coverage and is akin to the universal single-payer system noted in other jurisdictions, or a fill-in-the-gaps model, which would provide coverage for those Canadians who do not have private coverage or may not be eligible for public programs. The latter approach is similar to what was observed in other jurisdictions where there is an interplay between public and private plans. Under this latter model, alignment of public plans could result in considerable efficiencies and cost savings across Canada.

The proposal for a national pharmacare program signifies a notable leap forward in our country's discourse on patient access to prescription drugs and such a program's overall role in the health care system. Understanding the intricacies of various potential pharmacare delivery models can help all interested parties and the federal government adopt a thoughtful approach to planning their strategic and operational priorities in the near- and long-term, while helping to ensure the health needs of all Canadians remain at the forefront.

Introduction

The path to pharmacare in Canada is currently one of the country's most hotly debated issues. Canada is the only OECD country that has universal public health coverage (i.e., a single-payer model) without a universal publicly funded drug program.[1] The health system faces numerous challenges, including the ongoing introduction of high-cost innovative medications, an aging population, and an increase in the prevalence and incidence of disease. These challenges are expected to persist and intensify in the coming years, and—combined with constrained fiscal capacity across health care systems and a mismatch in supply and demand of clinical staff—will continue to mount pressure on decision-makers.

Over the past six decades, five separate commissions have recommended expanding universal public health coverage to include universal access to prescription medications, with the aim of improving access for all Canadians—particularly those of low and modest income—and of helping to address the continuing escalating costs of prescription medications. In 2023, the federal government committed to implementing a national pharmacare program, which would require several system changes and has left many interested parties questioning what this would mean for them.

The scope of a universal pharmacare program, its coverage and eligibility model, and the trade-offs involved must be carefully considered. This paper provides Canadian and international examples of public drug-coverage models and outlines some of the implications of a universal model on key interested parties.

What would need to be true to meet the ambitions of a national pharmacare plan:

- Improved access for all Canadians, including improved prescription-adherence rates
- A funding model that ensures the program is fiscally sustainable
- Interested party alignment on roles
- Improved buying power, resulting in lower overall drug costs
- An innovative market that drives research and development in the field

Why the focus on pharmacare, and why now?

Currently across Canada, there are more than 100 public drug plans managed by federal, provincial, and territorial governments, with several thousand private drug plans in place. National pharmacare would lead to a consolidation/rationalization of drug plans, resulting in opportunities to streamline processes and garner monetary and non-monetary efficiencies—ultimately benefiting Canadians, who by and large would see improved access and reduced out-of-pocket costs.

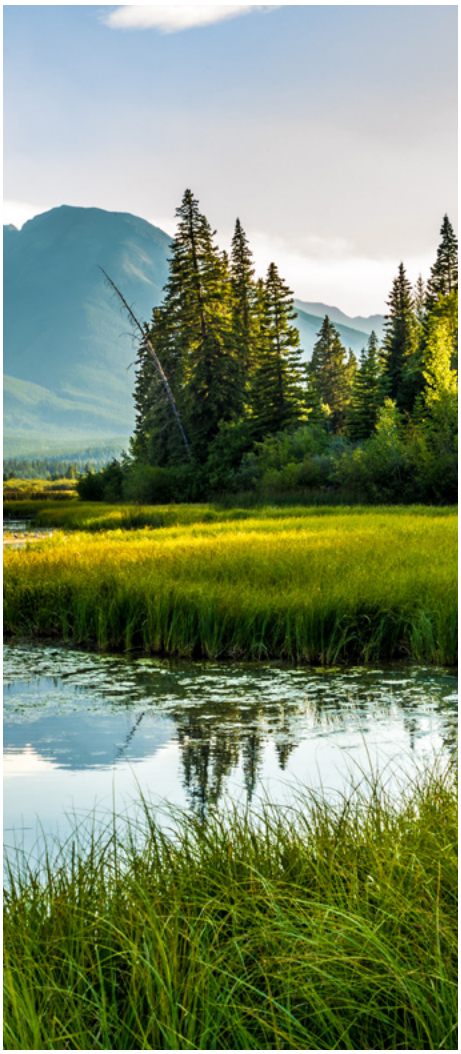
In 2021, Canada's total expenditure on prescription medications was close to $37 billion, which includes public coverage amounts reaching $16.1 billion (43% of total expenditures, mainly for seniors and lower-income Canadians), private insurance amounts nearing $13.6 billion (37% of total expenditures, mainly through employers and private coverage), and out-of-pocket payments approaching $7.4 billion (20% of total expenditures).[2,3] Due to increased demand for prescription medications and a significant rise in the number of high-cost drugs, Canada's spending on prescription drugs has grown from $2.6 billion (adjusted for inflation), or 0.5% of the gross domestic product (GDP), in 1985 to $37.2 billion, or 1.7% of GDP, in 2023.[4] Total prescription expenditures in Canada saw a compound annual growth rate of 5.6% between 2015 and 2021.[5]

The demand for prescription medication is expected to continue to increase as Canada's population continues to grow, Canadians continue to age, and the incidence and prevalence of disease in Canada continue to rise. Any forward-looking plan must balance desirability with feasibility and sustainable viability for future generations.

The March 2022 Liberal/NDP Supply and Confidence Agreement included passing a Canada pharmacare act by the end of 2023, developing a national formulary of essential medications,[6] and establishing a bulk-purchasing plan by the end of the arrangement, which is expected to be in June 2025. While timelines have been adjusted, given other federal-government priorities, this remains an area in which near-term changes are expected.

The 2023 *Fall Economic Statement* released by the federal government suggests that there are budget limitations for new programs such as pharmacare, as Canadians worry about the affordability of other daily essentials and are grappling with the housing crisis. Therefore, despite ongoing efforts by the Liberal and NDP parties to reach an agreement on legislation, challenges persist due to financial constraints. These challenges raise concerns about the feasibility and timelines of implementing a universal pharmacare program.[7]

As of this paper's writing, the revised deadline to present a pharmacare bill to Parliament that has been negotiated between the Liberal and NDP parties is March 1, 2024,[8] and the Supply and Confidence Agreement is at risk.



Current coverage approaches in Canada

Eligibility, coverage, and cost-sharing models (e.g., those with deductibles, copayments, and contributions) of publicly funded drug programs vary across provincial and territorial jurisdictions. While these programs provide eligible citizens with drug coverage, there are differences that greatly affect both access and costs. Any future national drug-coverage program introduced in Canada should consider existing models as potential baselines for universal coverage.

British Columbia

Residents have access to **universal, income-based, public coverage** and can select any number of 12 plans to help them pay for prescription medications and medical supplies. For most plans, people must be enrolled in the province's Medical Services Plan (MSP). Once the MSP is secured, Fair PharmaCare—the principal plan among the 12 public options—can help BC residents pay for many prescription drugs and dispensing fees, as well as some medical devices and supplies. A deductible (i.e., the amount that citizens need to spend each year on eligible prescription costs before Fair PharmaCare starts to help with these costs) is calculated based on income. The less one earns, the lower the deductible, and therefore, the more the support provided by the program.

Ontario

The Ontario Drug Benefit (ODB) program provides **public coverage for certain population groups or via a needs-based approach**. Eligible individuals include: those under 25 years of age without private drug coverage, those over 65 years of age, recipients of social assistance (Ontario Works or Ontario Disability Support Program), residents of long-term-care homes and homes for special care, people receiving home care, and those who have high drug costs relative to their income. Under the ODB program, eligible individuals pay a copayment, based on their income, for each eligible prescription drug they receive. Those with high drug costs relative to their income can apply for coverage via the Trillium Drug Program.

Quebec

Quebec's general drug insurance program (known as RGAM) provides a **mixed public/private** system, ensuring the public has a minimum level of coverage for pharmaceutical services and medications. The plan covers those older than 65 years of age, social assistance recipients, and those who are not eligible for or do not have a private group insurance plan with an employer. Private plans are required by the provincial government to provide basic coverage—i.e., coverage that is at least equivalent to that of the public plan.

International approaches

In addition to the previously noted Canadian examples, various international approaches may be considered as models for a universal public drug program. The following analysis aims to provide an overview of international public models and is designed to offer a high-level perspective on a potential Canadian version. Aspects that may be unique to or differ in Canada (e.g., going through the drug approval process, establishing drug prices, establishing and managing drug formularies, determining eligibility) and the complex interplay between them should be contended with when building and deploying any Canadian national pharmacare program.

France

Overview and key features

- France established universal health protection on January 1, 2016, covering health care costs, including drugs, for individuals who work or reside in the country on a stable and regular basis.[9]
- Drug reimbursement is contingent upon inclusion in the drug formulary—the list of drugs that are reimbursable by the public health care system—and must be prescribed by a registered medical professional.
- The drug reimbursement model ensures universal access to essential medications with high coverage levels, limiting out-of-pocket expenses and protecting against financial hardship related to health care costs.
- Essential medications, typically those with established therapeutic benefits, have higher levels of reimbursement, while non-essential or less-proven medications have lower reimbursement rates.

Private insurance for drug coverage in France

- Private insurance, often referred to as a *mutuelle*, complements the public health care system. These policies can cover expenses not fully reimbursed by the public system, such as copayments and the cost of medications that may not be on the official list.

United Kingdom

Overview and key features

- In primary care, any medicinal product commercially available in the United Kingdom is, in principle, eligible for reimbursement. The main exceptions to this rule are products the National Health Service (NHS) places on the "denylist" (i.e., drugs that have been reviewed and then have been deemed unsafe, seen as ineffective for some or all patients, or are not cost-effective in primary care) in its Drug Tariff (the list of drugs eligible for reimbursement in primary care, updated monthly), and products for which the NHS has placed conditions on reimbursement.
- Prescription Prepayment Certificates (PPCs) enable individuals to pay a fixed fee for a defined period, granting them access to their medications without additional charges, thus safeguarding against significant out-of-pocket expenses. The current prescription charge is UK£9.65 per item.
- In Scotland, Wales, and Northern Ireland, NHS prescriptions are provided free of charge. In England, exemptions to prescription charges are available based on factors including age, socio-economic status, and health conditions.
- The NHS employs cost-sharing mechanisms to heighten patient awareness and accountability regarding prescribing costs, thus discouraging unnecessary prescription-drug consumption
- Various exemptions and PPCs are in place to support patients within specific age groups and socio-economic statuses, ensuring accessibility for those in need.

Private insurance for drug coverage in the United Kingdom

- Private health insurance in the United Kingdom can provide coverage for medications not covered by the NHS (i.e., those on the denylist, which includes 18 drugs as of October 2023),[10] as well as for additional health care services such as dental and optical.

United States

Overview and key features

- The US health care system does not provide universal coverage and can be defined as a mixed system, where publicly financed government Medicare and Medicaid health coverages coexist with privately financed market coverage (i.e., private health insurance plans).
- While both federal and state health care plans (Medicare and Medicaid) offer coverage for prescription drugs, compared with other high-income countries, the United States spends the most per capita on prescription drugs.[11] This is largely due to unregulated drug pricing and inability to negotiate pricing or listing agreements with manufacturers. On January 1, 2023, a new prescription drug law took effect, empowering Medicare to directly negotiate prices with manufacturers for certain high-cost brand-name drugs.
- Medicare beneficiaries can opt for outpatient prescription-drug coverage, which is administered through private plans in partnership with the federal government, thus providing an additional coverage option.

Private insurance for drug coverage in the United States

- Private insurance companies in the United Sates offer a range of prescription-drug coverage options, often through employer-sponsored plans or individual policies. These plans can allow for a broader array of medications and may cover additional expenses not included in government programs. In 2017, total US retail prescription-drug spending was US$333 billion. For all payers, private health insurance accounted for the largest share of drug spending, at 42%, followed by Medicare at 30% and Medicaid at 10%. Patient out-of-pocket costs represented 14% of total retail drug spending.[12]

Takeaways

These provincial, national, and international examples illustrate a range of approaches to realizing comprehensive drug coverage. Each approach reflects unique considerations of reimbursement models, cost-sharing mechanisms, and eligibility criteria, all which provide valuable insights for Canada's potential implementation of a national pharmacare program. The programs found across these different jurisdictions can be encapsulated in three distinct categories, each with its unique attributes and operational mechanisms:

A) **Universal single-payer system:** This model represents a comprehensive approach wherein the majority of claims and costs are covered by public plans. It's a system that aims to ensure accessibility for all citizens irrespective of their financial capabilities or health/drug needs.

B) **Distinct public- and private-payer system:** This model introduces a nuanced approach wherein coverage is determined by defined eligibility criteria such as age, needs-based assessments, and out-of-pocket costs. Here, certain populations are covered by public plans, while others secure coverage through private plans or pay for prescription medications directly out of pocket. This system offers a blend of public and private participation, allowing for a diversified approach to drug coverage.

C) **Mixed public/private system:** This model presents a balanced blend of public and private participation. Here, public regulations mandate private plans to provide minimum levels of coverage and strive to limit out-of-pocket costs. This system fosters a co-operative environment between public and private entities, aiming to provide comprehensive coverage while also mitigating the financial burden on individuals.

Each model presents a unique approach to the delivery of a pharmacare program, offering a range of possibilities for interested parties to consider. A universal single-payer system is, as the name implies, a full public-coverage model, whereas the other two systems offer fill-in-the-gaps approaches.

1. Different models imply different levels of spending on pharmaceuticals per capita: In both the universal models we considered (i.e., France and the United Kingdom), health and pharmaceutical spending were lower (US$766 per capita in France and US$517 per capita in the United Kingdom),[13] while in the mixed system we examined (i.e., the US model), spending was higher (US$1,432 per capita). This can partly be explained by the former two's centralized public bargaining processes leading to lower spending on drugs, whereas the United States currently does not have such bargaining processes. In Canada, with our three distinct models, a version of a predominantly universal single-payer system (i.e., British Columbia) has per capita costs of $235; in Ontario, a distinct public- and private-payer system, per capita costs are $495; and in Quebec, a mixed public/private system, per capita costs are $544. These differences can partly be explained by formulary design, dispensing practices, cost-sharing mechanisms, and other population demographics.[14]

2. A notable trade-off for models with lower levels of health care and pharmaceutical spending (i.e., France and the United Kingdom) is longer wait times for approving new drugs' reimbursement eligibilities due to lengthier processes, such as price setting for these new drugs. Although this may be considered a risk to a universal pharmacare model, France and UK data indicate it may not have a significant effect on important indicators of overall population well-being such as average life expectancy.[15]

3. Canada should evaluate the effectiveness of various provincial, national, and international models by conducting a comprehensive analysis of existing plans. This assessment could analyze the impact of introducing new drugs into the country, any impacts on key interested parties, and the financial savings (or costs) across all interested parties. Most importantly, it should monitor impacts on health outcomes of Canadians (e.g., life expectancy, health-adjusted life years, and disability-adjusted life years).

Key parties

While many interested parties will no doubt be affected by a universal pharmacare program, this paper targets the following subsets to show potential impacts and considerations of such a program:

- Patients and families
- Pharmacies
- Pharmaceutical manufacturing companies
- Insurance providers
- Provincial and territorial governments
- Federal government and federal agencies

Key parties
Patients and families

The implementation of a universal pharmacare program holds significant implications for patients and families across Canada. It has the potential to reshape access to medications and affect the health care landscape. By increasing access to medications, patients and families without public or private coverage could experience improved overall health outcomes and equity.[16] It was noted that, in 2020, 1.1 million Canadians were not eligible for drug prescription coverage.[17]

In a survey conducted in 2021, 21% of adults in Canada reported not having prescription insurance to cover medication costs.[18] Non-adherence to medications due to cost was reported by 17% of people without insurance coverage, a proportion almost 2.5 times higher than those with coverage (7%).[19] New data from Statistics Canada, released in January 2024, indicates that women and racialized Canadians have less access to insurance coverage, resulting in disproportionate rates of non-adherence and adverse health outcomes.[20] Improved access to medication can also help prevent hospitalizations and emergency-room visits, which can be costly[21] both for patients and the health care system as a whole.

While there are many possible approaches to pharmacare in Canada, it is crucial to examine the potential outcomes and considerations under the two potential models: full public coverage, which would provide every Canadian with substantially similar drug coverages, and a fill-in-the-gaps model, which would provide coverage for those Canadians who do not have private or public coverage.

Under a system with full public coverage, patients and families stand to benefit from improved access to medications without bearing a significant financial burden. Nevertheless, it is essential to acknowledge that concerns may arise regarding potential wait times for specific novel medications, which then may introduce potential limitations on choice (e.g., concerns due to limited medications that may be listed on a national drug formulary).

With a fill-in-the-gaps model, patients and families without public or private coverage would be given improved access to medications. Some of the challenges with a fill-in-the-gaps approach are that it may lead to inequalities and differences with existing public and private programs, and it could limit Canada's ability to consolidate buying power to negotiate better drug prices and introduce yet another drug plan.

Indigenous communities

A successful implementation of a national pharmacare program necessitates a collaborative approach, particularly with Indigenous organizations and groups. It is critical that the government consults and meaningfully partners with Indigenous communities to determine the communities' perceived system gaps and desired outcomes. Recognizing nationhood, autonomy, and health practices that are unique to Indigenous communities is an essential step toward fostering an inclusive and effective health care system.

Existing discrepancies between provincial formularies and the federal Non-Insured Health Benefits program (NIHB) formulary present a considerable challenge. The introduction of a new pharmacare plan may exacerbate these discrepancies, potentially hindering individuals from accessing the drugs they need. This could inadvertently create a divide in health care access across different groups of people in Canada. Therefore, there should be an upfront focus on user journeys to address and mitigate these discrepancies in the design and implementation of a new program.

In addition, a national pharmacare program should consider the inclusion of alternate and traditional therapies in the national formulary. This would help ensure more comprehensive coverage, catering to the diverse health care needs and preferences of the population in Canada. By adopting this holistic approach, the program could ensure that all of Canada's communities have access to the health care products and services they require.

Key parties
Pharmacies

Pharmacies play a pivotal role in ensuring patients have safe and reliable access to the medications they require.

With the full public-coverage model, pharmacies are poised to undergo substantial shifts in their operational dynamics. This may include streamlining billing and reimbursement processes, ultimately contributing to a more efficient workflow. With an anticipated surge in patient volume, pharmacies will likely experience an upswing in prescription volumes. Consequently, this heightened demand may necessitate adjustments in inventory management to help ensure a seamless supply chain, and may require modifications to staffing levels to help ensure patients can be adequately cared for. It is worth noting that, while this model may enhance prescription volumes, pharmacies may be faced with downward pressure on their margins, as reimbursements offered by a federal program may be less than those from existing public or private drug plans.

With a fill-in-the-gaps model, pharmacies can continue to play a vital role in providing medications to patients. Patients who previously did not have public or private coverage would now benefit, and as such (and similar to the full public-coverage model), pharmacies could anticipate a surge in patient volumes and prescriptions.

Regardless of the model introduced, pharmacies would need to contend with and adhere to potential new regulations that govern prescriptions dispensed to eligible patients (e.g., pricing and reimbursement requirements, exception processes, and documentation guidelines).

Key parties

Pharmaceutical manufacturing companies

Pharmaceutical manufacturers play a critical role in ensuring the availability of medications in the country.

One of the key objectives of a pharmacare plan, mainly under the full public-coverage model, is to consolidate Canada's buying power in order to negotiate more competitive prices with industry.[22] While lower costs may seem like a worthwhile objective, this outcome can also negatively affect Canada's attractiveness as a market—especially given it is a relatively small market to begin with and, as such, may not have the required leverage to attract novel therapies at prices lower than seen in other markets around the world (e.g., pharmaceutical sales in Canada have a 2.1% share of the global market).[23] However, the heightened demand for medications could stimulate overall sales, potentially mitigating some of the downward pricing pressures. Canada would need to find the right balance to ensure optimal negotiated pricing while not deterring the entry of innovative medicines.

Under a public plan, prioritizing lower-cost generic drugs may further lead to diminished revenues for manufacturers of brand-name products. Canada has announced renewed interest in developing its generic manufacturing industry supported by the bio-manufacturing department at Innovation, Science, and Economic Development Canada.

High-volume contracts with manufacturers of generics, serving as lower-cost substitutions, may offer opportunities to increase revenues for these companies. Under a fill-in-the-gaps model, drug manufacturers would likely continue to experience the current public and private dynamics, specifically when seeking formulary listings and negotiating product-listing agreements.

Depending on the level of coverage and the formulary of drugs, manufacturers of brand, generics, biologics, and subsequent-entry biologics may need to adapt their market strategies to accommodate the nuances of public- and private-coverage offerings. This highlights the importance of flexibility and adaptability in the pharmaceutical industry in response to the evolving landscape of national pharmacare.

Key parties
Insurance providers

The impact of a national pharmacare program on the insurance industry is contingent upon the specific pharmacare model adopted. Pharmacare has the potential to bring about significant changes, potentially altering the role and relevance of insurance providers and others that support the industry.

In the context of full public coverage, insurance providers will no doubt experience a decrease in demand for private drug coverage. This may necessitate strategic shifts in their business models, including diversification of offerings and a heightened focus on supplementary health services not covered by public programs. There is also potential for substantial job displacement in the industry across Canada, which may be an unintended consequence of a universal pharmacare program.

Some critics of pharmacare have pointed to the fact that most public formularies cover a narrower list of medications than do private plans, and worry that pharmacare may limit patient access to prescription medications. However, with a full public-coverage model, insurance providers would assume a complementary role in the health care system, providing coverage for medications not covered by the public program.

With a fill-in-the-gaps model, a notable impact on insurance providers would be the risk that existing customers begin to opt out of their drug-plan coverages. Employers that currently offer benefit plans under an employer-sponsored drug plan may determine that it is more cost-effective to cancel or lapse on current policies and let their employees seek coverage under a federal model. It is unclear at this time how the federal government envisions funding a federal program, either one that offers full public coverage or one that fills in the gaps. However, should a new employer tax be an option, employers may evaluate the costs versus benefits of their existing drug coverages from insurance carriers against a potential net new-tax expense.

Key parties
Provincial and territorial governments

As integral partners in the implementation of this initiative, provincial and territorial governments would play a crucial role in helping to ensure effective delivery, accessibility, and financial sustainability of pharmacare and its integration into the local health system.

Provincial and territorial governments would need to collaborate closely with the federal government to facilitate the seamless implementation of a pharmacare system and ensure that existing programs are not redundant. This may include aligning formularies, eligibility criteria, deductibles and copayments, and income thresholds, as well as other considerations to reduce disparities and help ensure equitable access. Moreover, governments may deliberate over the possibility of relinquishing their provincial programs, such as initiatives by the pan-Canadian Pharmaceutical Alliance (pCPA), in favour of a federally administered system, or potentially entering into cost-sharing agreements with the federal government, recognizing that some provinces/territories have greater fiscal constraints and therefore greater motivations.

Reduction in system spending
At the provincial and territorial levels, one of the facets expected to be affected by greater medication access is system-wide health care spending. For example, improved access to diabetes medications should lower acute- and chronic-care costs associated with the condition. Ensuing improved health status may also reduce the cost of social services and financial-assistance programs. Enhanced access to drugs for all Canadians holds the potential to drive systemic efficiencies and improve access to data and data sharing, leading to optimized resource allocation for provinces and territories.

Requirement for funding equity
Provincial and territorial governments are likely to advocate for equitable federal funding, considering factors such as population size and demographics, existing drug-program infrastructures, and unique drug-program dynamics specific to each province. This helps ensure funding allocations are tailored to the individual needs and circumstances of each jurisdiction. Additionally, provinces may seek adjustments to the Canada Health Transfer as part of the negotiation process. By contrast, in exchange for additional directed funding, the federal government would seek to impose parameters on the use of funds to ensure the objectives of the program are met.

The engagement of provincial and territorial governments in a national pharmacare program underscores the pivotal role of these governments in shaping the program's success and effectiveness. Their contributions are instrumental to realizing such a program's objectives of public administration, accessibility, comprehensiveness, universality, and portability for all Canadians, key pillars of Canada's universal health care program. Continued effective engagement by these interested parties would remain pivotal through the implementation phase of pharmacare.

Key parties

Federal government and federal agencies

The establishment of a national pharmacare program along with its associated governance, processes, and procedures has the potential to induce change across various levels of government and their associated agencies. It is expected that the federal government will play a lead role in establishing program standards and aligning funding to achieve these standards. Federal agencies, such as the Canadian Drug Agency (CDA), the Canadian Agency for Drugs and Technologies in Health (CADTH),* and the Patented Medicine Prices Review Board (PMPRB), are likely to serve as drivers of the successful execution and management of a national pharmacare program. Their responsibilities would encompass the program's conceptualization and maintenance (e.g., drug formulary design, eligibility, copay/co-insurance, cost-management principles), negotiation of drug prices, and safeguarding of its fiscal viability and long-term sustainability. Furthermore, existing drug programs under federal jurisdiction (e.g., NIHB, Veterans Affairs Canada's Prescription Drug Program, Interim Federal Health Program) would also require evaluation, as they would offer competing access to that of any new pharmacare program.

Collaborative efforts with provincial and territorial governments and Indigenous organizations and communities would be pivotal for ensuring the program's efficacy and widespread accessibility.

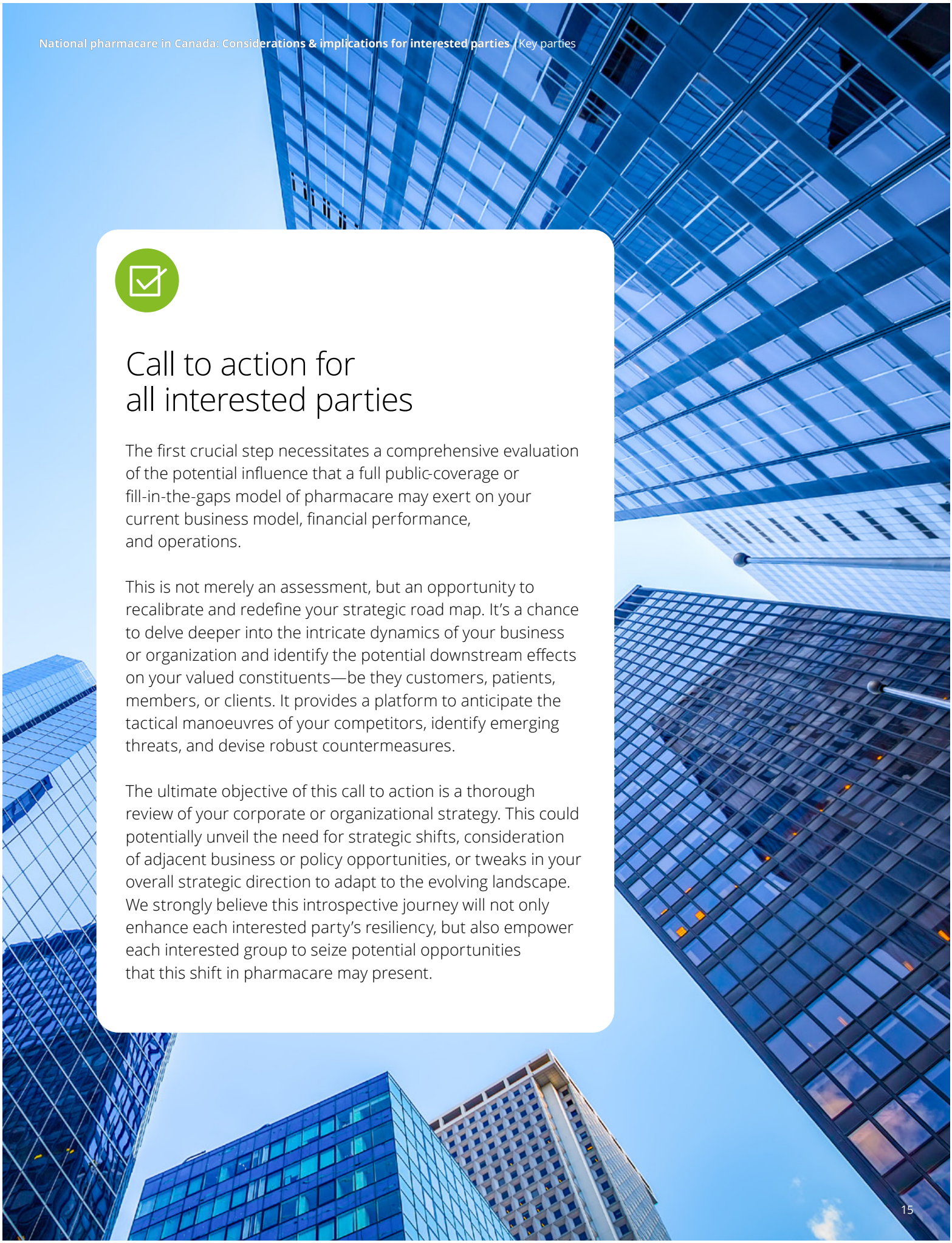
Risk of drug shortages: Bulk-purchasing arrangements and exclusive tendering contracts can result in lower prices, but can also reduce competition. This may also limit access if a vendor's actions or a market disruption leads to monopolies or limited options for drug suppliers. This could potentially jeopardize the availability of critical medications, posing a significant concern for patient care and public health.

Management of drug costs: A range of strategies can be deployed to control pharmaceutical expenditures. These may include proactive negotiations with pharmaceutical companies to secure favourable pricing, fostering the adoption of generic drugs and subsequent-entry biologics (e.g., mandatory generic substitutions or biologic switching), ensuring access to the right drug at the right time (e.g., prior authorization), and advocating for prescribing cost-effective treatments first whenever feasible (e.g., step therapy).

Drug system governance: Effective management of the clinical assessment, pricing, price negotiations, and formulary placement of medications necessitates that the federal government allocate sufficient resources and establish robust governance frameworks. This involves delineating clear roles and responsibilities for existing entities and ensuring coordinated efforts.

Canada already has several national organizations involved in medication management—Health Canada, CADTH, PMPRB, and to a certain extent, the other federally funded pan-Canadian health organizations. There are also multiple organizations across various provincial and territorial ministries of health. While collectively these organizations have been essential in safeguarding Canada's health/drug ecosystem, there are redundancies. Successfully implementing pharmacare would require some difficult decisions and strategic choices to integrate and align these entities so that they could work more efficiently and effectively.

*As announced by the Government of Canada in December 2023, CDA will incorporate and expand on CADTH's expertise in the pharmaceutical sector.



Call to action for all interested parties

The first crucial step necessitates a comprehensive evaluation of the potential influence that a full public-coverage or fill-in-the-gaps model of pharmacare may exert on your current business model, financial performance, and operations.

This is not merely an assessment, but an opportunity to recalibrate and redefine your strategic road map. It's a chance to delve deeper into the intricate dynamics of your business or organization and identify the potential downstream effects on your valued constituents—be they customers, patients, members, or clients. It provides a platform to anticipate the tactical manoeuvres of your competitors, identify emerging threats, and devise robust countermeasures.

The ultimate objective of this call to action is a thorough review of your corporate or organizational strategy. This could potentially unveil the need for strategic shifts, consideration of adjacent business or policy opportunities, or tweaks in your overall strategic direction to adapt to the evolving landscape. We strongly believe this introspective journey will not only enhance each interested party's resiliency, but also empower each interested group to seize potential opportunities that this shift in pharmacare may present.

Conclusion

The proposal for a national pharmacare program in Canada is a significant milestone in the evolving narrative of our nation's health care landscape. This initiative, anchored in the principle of universal access to medications, has ignited interest and debate across a diverse spectrum of interested parties in Canada. At the core of this discussion is the health of all Canadians, as well as the aim to increase access to prescription medications and reduce overall drug and program costs for all interested parties.

The potential implementation of such a program represents prospective opportunities and complexities, necessitating meticulous analysis and strategic foresight. The transformative potential of a national program, regardless of the specific model selected, could significantly alter the dynamics of health care delivery in Canada, underscoring the importance of comprehensive assessment and thoughtful planning.

Navigating this proposed shift requires an in-depth grasp of the intricacies of various potential pharmacare delivery models. This understanding would equip interested parties and the federal government with the ability to adopt a balanced, informed, and tactical approach to charting their operational and strategic priorities. This careful planning would address immediate operational needs while also allowing those involved to consider the potential long-term sustainability and strategic implications of such a program.

This brings us to the call to action previously noted: All interested parties should actively engage in a judicious evaluation process. This would be not just an assessment but an opportunity to redefine and potentially recalibrate strategic road maps in response to a proposed pharmacare program. It's a chance to anticipate potential downstream effects on valued constituents and foresee possible actions of competitors, identify emerging threats, and devise robust countermeasures.

The proposal of a national pharmacare program represents a significant point of discussion in Canada's health care landscape. It's an opportunity for all of us—interested parties and the federal government alike—to convene, engage in this important dialogue, and contribute to the ongoing evolution of health care in Canada.

Interested in learning more?

Please reach out to our team.

Debra Sandomirsky
Partner and National Leader,
Life Sciences & Healthcare
dsandomirsky@deloitte.ca

Vivian Eberle
Senior Consultant,
Strategy and Business Design
vieberle@deloitte.ca

Atul Goela
Senior Manager,
Strategy and Business Design
agoela@deloitte.ca

Margaux Philippon
Consultant,
Strategy and Business Design
mphilippon@deloitte.ca

Elyse Banham
Manager,
Strategy and Business Design
ebanham@deloitte.ca

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