

To: The Honourable Ginette Petitpas Taylor, Minister of Health
The Honourable Bill Morneau, Minister of Finance

From: Dr. Eric Hoskins,
Chair, Advisory Council on the Implementation of National Pharmacare

Date: March 5, 2019

Re: **Interim Report of the Advisory Council on the Implementation of National Pharmacare**

Dear Ministers:

It is my pleasure to provide you with an interim report on the work of the Advisory Council on the Implementation of National Pharmacare.

Canada's universal, publicly funded health insurance system—known as medicare—is a source of national pride. It provides Canadians with access to medically necessary hospital and physician services without paying out-of-pocket. However, unlike hospital and physician services, prescription drugs are not covered by medicare except when used in hospitals. This has left a crucial part of effective health care inconsistently funded and unevenly available, leaving too many Canadians at risk of not getting the medication they need.

To address this issue, in Budget 2018, the federal government announced the creation of the Advisory Council on the Implementation of National Pharmacare (the Council) with the following mandate:

- To provide independent advice to the Minister of Health and the Minister of Finance on how to best implement national pharmacare in a manner that is affordable for Canadians and their families, employers and governments.

This interim report includes:

- An update on the Council's work to date;
- The Council's recommendations on core principles that we believe should underpin national pharmacare; and,
- Initial recommendations that are foundational in nature, or 'building blocks' of national pharmacare, and that can be acted upon immediately.

Overview of the Council's Engagement Process

The Council has made significant progress advancing the dialogue on national pharmacare. Since its launch in June 2018, the Council has engaged thousands of Canadians from across the country, benefitting from their insight and advice. There is a diversity of perspectives on how best to implement national pharmacare and the Council has welcomed and appreciated all viewpoints.

Council engagement activities included:

- Sixteen stakeholder roundtables conducted across Canada. Participants included patients and caregivers, healthcare providers, representatives of Indigenous organizations, government officials, industry, labour, employers and academics.
- Targeted engagement sessions with pharmacists, pharmacy owners, clinicians, representatives from the insurance and pharmaceutical sectors, Indigenous governments and representative organizations, healthcare providers and employers. Canadian academics and officials from other countries with pharmacare were also consulted during this process.
- Direct engagement with patients and patient advocates. The Council recognizes the importance of seeking advice from and understanding the perspective of people with lived experience and was determined to make them a key part of the engagement process. Patients and patient advocates were present at each of the Council's stakeholder roundtables, as well as at patient-specific roundtables. Council members also met with individuals and communities who self-identified as underinsured and uninsured, including members of vulnerable and marginalized populations, to ensure their voices were heard and their advice was given careful consideration.
- Community dialogue sessions or "town halls," open to the public. These dialogues were convened to hear more about what national pharmacare means to Canadians and to solicit the public's insight and advice.
- Online engagement that resulted in more than 150 written submissions received from organizations and individuals, and more than 15,000 questionnaire responses.

Provincial and territorial governments, with their wealth of experience and expertise in the management of public drug programs, have been and remain key partners in the Council's engagement process. The Council held bilateral meetings with health ministers and government officials in each province and territory. A reference group of provincial and territorial officials responsible for public drug plans was established to facilitate ongoing discussion and sharing of information throughout our mandate.

The Council met with Indigenous governments and organizations representing Indigenous peoples at both the national and regional levels. We were briefed by federal officials responsible for the Non-Insured Health Benefits (NIHB) Program, which provides drug coverage and other health benefits to First Nations and Inuit clients.

What We Heard

Throughout our discussions, the Council heard loud and clear that the current system of drug coverage in Canada is neither adequate nor sustainable over the long-term and leaves too many Canadians behind. Very few people advocated for the status quo. There was overwhelming support for taking action to address affordability and ensure that drug coverage is uniform across jurisdictions. There was broad agreement that national pharmacare should provide comprehensive, evidence-based drug coverage in a fair, responsible and sustainable manner.

Notwithstanding this consensus, there was significant variation in perspectives concerning how national pharmacare should be implemented and how to pay for its incremental costs. Approaches to national pharmacare supported during the engagement process included a model focused on expensive drugs (including those for rare diseases), a ‘fill the gaps’ approach targeting the uninsured and most vulnerable, and a single-payer public model (with coverage ranging from essential medicines to a more comprehensive formulary). A majority of participants supported using Canada’s progressive income tax system as the preferred source of incremental funds, although many also emphasized that substantial savings were expected to accrue to governments as national pharmacare would provide greater negotiating power leading to lower drug prices.

The Council’s Assessment of Challenges and Opportunities

During its public engagement, the Council heard repeatedly about the serious, often life-threatening consequences of Canadians not being able to afford needed prescription medicines. We also learned about the challenges facing both public and private drug plans, and about the complex and uneven pharmaceutical landscape in Canada. We heard many good suggestions concerning how to improve access to prescription drugs for Canadians. The Council also carefully considered the findings of the numerous studies and reports that have addressed national pharmacare, including the 2018 report of the House of Commons Standing Committee on Health.

The Council has identified three major challenges facing Canada with respect to prescription drug coverage, as outlined below:

1. Too many Canadians cannot afford the prescription drugs they need

- According to the 2016 Canadian Community Health Survey, approximately 20 per cent of Canadians (as many as 7.5 million people) report that they do not have prescription drug coverage. This likely reflects both people who have no coverage (the uninsured) and those who have inadequate coverage (the underinsured) – both of which are barriers to access. A study conducted by Angus Reid found that nearly 1 in 5 Canadians report that they or someone in their household has not taken their medicines as prescribed in the last year due to prohibitive cost.
- Even those with prescription drug coverage can face significant and often prohibitive out-of-pocket expenses, in the form of deductibles, co-payments and annual or lifetime maximums. Analysis of the 2016 Canadian Community Health Survey found that approximately 1 million Canadians have to choose between food and heat or a needed prescription. The survey found that affordability challenges are generally higher among women, Indigenous people, low-income individuals, young adults between 19 and 34, and those without any drug coverage.

- Council discussions with patients confirmed these affordability challenges and we heard countless stories of cost-related hardship leading to negative health outcomes.

2. Access to prescription drug coverage is inconsistent across jurisdictions and populations

- The majority of Canadians have access to some form of prescription drug coverage through Canada's patchwork of more than 100 public and 100,000 private insurance plans. However, patient eligibility and the depth of coverage varies dramatically, depending on factors such as age, income, employer, place of residence, medical condition and drug prescribed.
- As a result, there are significant inconsistencies in prescription drug coverage across and within jurisdictions, which particularly affect vulnerable populations, such as low-income individuals in precarious working arrangements.
- Because of this inconsistent access, too many Canadians are forced to go to great lengths to ensure they have drug coverage. For example, the Council heard from families with seriously ill children who moved across Canada solely to benefit from another province's more generous public drug plan. We also heard from employees who remained in unsatisfactory workplaces solely due to their reliance on their employer's prescription drug benefits.

3. Canada's spending on prescription drugs is unsustainable

- Prescription drug spending in Canada has grown significantly over the past few decades, increasing from \$2.6 billion in 1985 to \$34 billion in 2018, and anticipated to grow to more than \$50 billion by 2028.
- In fact, drug spending is now the second largest category of spending in Canadian health care, surpassing spending on physician services – only hospitals cost more. Canadians pay among the highest prices and spend more on prescription drugs than citizens of almost every other country in the world.
- Part of the challenge is rising drug prices and greater use of new high-cost drugs. Today, new brand-name drugs can cost thousands or tens of thousands of dollars per year. In 2017, Canadians with drug costs of \$10,000 or more represented 2 per cent of beneficiaries but accounted for more than one-third of public drug spending.
- Not only does this impose an unfair burden on Canadian families, but as new, high-cost drugs enter the market, the financial sustainability of both public and private drug plans is increasingly under pressure.
- The message from virtually every public and private prescription drug plan provider was the same: costs are rising at an unsustainable pace. Without reform the system will soon be at the breaking point.

In order to improve the health outcomes of Canadians, the Council's final report will address each of the above challenges and will recommend an approach to, and an implementation plan for, national pharmacare. There are, however, certain core principles and foundational elements that can be acknowledged now and where implementation can begin without delay, regardless of the pharmacare model chosen. They are described below.

Recommendations: Core Principles and Foundational Elements

The Council has identified initial **core principles** for successfully implementing national pharmacare, regardless of which specific approach is chosen.

Core Principles of National Pharmacare

In the Council's view, national pharmacare must:

1. Ensure that all Canadian residents have access to prescription drugs based on medical need, without financial or other barriers to access;
2. Ensure that coverage is portable and consistent across all jurisdictions;
3. Provide access to a comprehensive, evidence-based formulary, with special consideration for drugs for rare diseases;
4. Be designed and delivered in partnership with patients and citizens;
5. Be founded on strong partnership between federal, provincial and territorial governments and Indigenous peoples; and,
6. Include a robust pharmaceutical management system that promotes safety, innovation, value-for-money and the sustainability of prescription drug costs.

The Council's final report will detail the architecture of national pharmacare, together with an implementation plan, consistent with these principles. Regardless of which approach to national pharmacare is recommended, the Council believes that certain foundational elements are vital to ensure the successful implementation of national pharmacare. These **foundational elements**, outlined below, are the essential "building blocks" for any national pharmacare program.

Foundational Elements

The following recommendations are foundational to national pharmacare:

1. Create a national drug agency.
2. Develop a comprehensive, evidence-based national formulary.
3. Invest in drug data and information technology (IT) systems.

1. Create a national drug agency

The Council recommends that the federal government, in partnership with provinces and territories and Indigenous peoples, establish an arms-length agency to manage and oversee national pharmacare.

The Council believes that Canada needs a more efficient and consistent process for managing prescription drugs. Even in the absence of national pharmacare, we discovered that there would be significant benefit to consolidating many of the prescription drug-related functions currently being undertaken at various levels of government and in different entities. For national pharmacare to succeed in improving access, controlling costs, improving efficiency and coordination, and ensuring a more uniform national experience, the creation of a national drug agency is essential.

A national drug agency would act as a steward of national pharmacare and provide guidance and advice to governments. Among the activities of the national drug agency would be to:

- Conduct **health technology assessments** to evaluate the clinical evidence and value-for-money proposition of prescription drugs;
- Conduct **negotiations** with manufacturers on drug prices and terms of listing;
- Monitor the **real-world safety and effectiveness** of prescription drugs;
- Develop and manage a **national formulary** (see below); and,
- **Support prescribers and patients/citizens** to maximize best practices and appropriateness, and improve health outcomes.

National drug agency governance would need to be developed in full and equal partnership with provinces and territories, and such governance should include federal, provincial and territorial representation, as well as patients/citizens, clinical experts and others. Engagement between the federal government and Indigenous peoples, consistent with Canada's commitment to take a distinctions-based approach to co-development of policies and programs, will be required to determine how First Nations, Inuit and Métis would like to participate in the implementation, management and governance of national pharmacare.

2. Develop a comprehensive, evidence-based national formulary

The Council recommends that the federal government, in partnership with provinces and territories, Indigenous peoples, patients/citizens, and clinical and other experts, begin development of a comprehensive, evidence-based national formulary.

During its consultations, the Council heard strong support for the development of a comprehensive, evidence-based list of prescribed drugs – a national formulary – accessible to all Canadians.

Development and maintenance of a national formulary would be one of the key responsibilities of the national drug agency described above. This body would task an appropriate group of experts, harnessing

the existing expertise within jurisdictions, and include input from patients/citizens, clinical experts and plan administrators, among others, to develop a comprehensive evidence-based national formulary as a key foundation for national pharmacare.

A comprehensive national formulary would serve as the baseline for harmonizing coverage across Canada and would provide the framework for a consistent approach to drug approval, formulary listing and patient access.

The Council also recognizes the unique challenges of funding and accessing expensive drugs for rare diseases. Special consideration is needed to determine how to address these challenges to ensure a nationally consistent approach for these medications.

3. Invest in drug data and information technology (IT) systems

The Council recommends that the federal government invest the financial and other resources necessary to enable federal, provincial and territorial governments to strengthen drug data collection and enhance their drug-related information technology (IT) systems to meet the goals and objectives of national pharmacare.

National pharmacare will require a robust and coordinated information technology (IT) system, capable of tracking prescriptions from the doctor's office to processing and adjudicating drug claims at the pharmacy.

As a starting point, the federal government should work with provincial and territorial governments to provide funding so that they may leverage and build on existing IT infrastructure to develop a comprehensive data collection process that covers the entire spectrum of care, from electronic prescribing to real-time claims adjudication to dispensing to post-marketing data collection.

This infrastructure and data are critical to ensure better integration across all components of the health care system, for prescription drug plan management, and to improve post-market surveillance on drug safety and effectiveness. Altogether, this will help better ensure that patients are receiving the appropriate drugs for their condition at the right time.

Measures currently being undertaken by government to streamline drug approvals and lower drug prices for Canadians

The Council heard from many Canadians that timely access to necessary and affordable prescription drugs is vitally important to patients, their families and their care teams. We recognize that significant steps are being considered and taken to modernize and streamline the regulatory review process. For example, Health Canada continues to work with partners to align its regulatory reviews with health technology assessments so that innovative drugs can be listed by public drug plans sooner. Similarly, proposed federal measures to modernize the regulation of patented drug prices will help alleviate cost pressures on public and private drug plans.

Conclusion

The Council is in the process of completing its recommendations on national pharmacare and issuing its final report. The foundational elements highlighted above are essential components that must underpin any successful pharmacare program. In the coming weeks, the Council will finalize its advice to the Government in the form of a report and blueprint for the implementation of national pharmacare.

Ministers, it remains our privilege to carry out this important work on behalf of all Canadians. We look forward to issuing our final report on the implementation of national pharmacare in the coming months.

Yours sincerely, on behalf of Council members,

A handwritten signature in black ink, appearing to read "Eric Hoskins". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dr. Eric Hoskins
Chair, Advisory Council on the Implementation of National Pharmacare

CC:

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