



CANADIAN FEDERATION
OF NURSES UNIONS
LA FÉDÉRATION CANADIENNE
DES SYNDICATS D'INFIRMIÈRES
ET INFIRMIERS

Pre-budget Submission to the House of Commons Finance Committee August 2, 2018

The Canadian Federation of Nurses Unions (CFNU) represents close to 200,000 frontline nurses and nursing students across Canada. For nearly two decades our members have advocated for the implementation of a national pharmacare plan for Canada. Every day nurses care for patients whose health deteriorates because they simply cannot afford the medications they need. Every day nurses also struggle to overcome strains in the health care system resulting from wasted dollars spent on inflated prescription prices. Meanwhile, millions of people in Canada go without access to coverage for basic medications, such as insulin, blood-thinners and antibiotics. Millions more have insufficient coverage through their employers, leaving them struggling to afford medications.

Universal pharmacare represents a rare opportunity for Canada to achieve both improved economic prosperity and better health for people. On behalf of our hundreds of thousands of frontline nurse members, the CFNU recommends that Budget 2019 set in motion first steps towards the implementation of a universal, single-payer pharmacare program. Pending the final recommendations from the Advisory Council on the Implementation of National Pharmacare, the first steps in Budget 2019 should include fiscal projections that include room for pharmacare, the establishment of an expert committee on evidence-based formulary development, and an examination of the feasibility of a federal *Pharmacare Act*. This institutional momentum would facilitate the task of full implementation of universal pharmacare in 2020.

Problems with the current system of drug coverage

Currently, the landscape of prescription drug coverage in this country leaves much to be desired. One in three Canadian workers do not have extended health benefits from employers.ⁱ This overwhelmingly affects lower-income workers, who struggle to afford medications and likely won't be covered by targeted public plans. Meanwhile, many of those who do have access to employer plans experience financial barriers such as costly co-payments or deductibles, and yearly or lifetime limits.ⁱⁱ Enormous inefficiencies are also accrued across a system with over 100,000 health benefit plansⁱⁱⁱ due to hefty administrative costs and profits ultimately paid for by workers and employers. Furthermore, increased cost pressures on employer benefit plans – driven primarily by prescription drug coverage – is forcing business to make tough choices to reduce the quality and quantity of their plans.^{iv}

Public plans in Canada also vary in composition and eligibility from province to province, leaving people in Canada with unpredictable coverage if they move. Premiums or co-pays also exist in many public plans, which can add cost barriers to patients with low incomes or high prescription drug needs.^v

The Business Support for National Pharmacare

Universal, single-payer pharmacare offers businesses many potential benefits. Currently, high and uncontrolled prescription drug prices put considerable pressure on the bottom lines of businesses, in particular small and medium-sized businesses (SMEs). The Conference Board of Canada recently generated data suggesting that Canadian businesses now pay on average \$8,330 in premiums for each full-time-equivalent employee per year.^{vi}

Canadian corporate giants are also feeling the pinch. Director of Compensation Programs at Canada's auto-part giant, Magna International, stated recently: "As the population ages and we see more and more chronic conditions, the cost of these medications is becoming significant... But I don't know how long it can be sustained [by employers]."^{vii} Businesses, including some of Canada's largest employers, are being forced to make tough choices to reduce the quality of benefits available to employees. This means that employees, ostensibly covered by private plans, could fall through the cracks of inadequate coverage.

The British Columbia Chamber of Commerce recently adopted a position in favour of universal pharmacare, following passionate advocacy by SMEs in that province. In 2016, members of the BC Chamber voted in favour of a resolution supporting the establishment of a universal, comprehensive public drug plan, stating that it would be "a wise investment for BC's economic prosperity."^{viii} In a position paper, the BC Chamber wrote that universal pharmacare would "reduce employer-sponsored drug costs in Canada by up to \$10.2 billion per year... [and] boost Canada's labour market competitiveness."^{ix}

Adding to the chorus, distinguished Canadian labour economist Jim Stanford writes:

One interesting factor supporting Canada's attractiveness as a site for mobile investment is the impact of our public health care system on international production cost comparisons. In the U.S. (our largest trading partner and closest competitor), employer-funded health care costs are a significant component of total labour expenses. High-quality private health insurance premiums can easily add \$20,000 (U.S.), or \$10 per standard work hour, to the cost of hiring a skilled worker or professional in the U.S. In Canada, in contrast, core health services are provided through the public health system – and funded primarily through taxes paid by Canadians.^x

Business leaders feel strongly that their members (SMEs in particular) aren't equipped to make decisions about formulary composition for private health benefit plans. As the CEO of the Surrey Board of Trade stated before HESA in 2016, "let businesses focus on running their businesses by putting the management of universal drug coverage... in the hands of those managing our universal health care system."^{xi}

For these reasons, and others, it should come as little surprise that 90% feel generally positive about the idea of a national pharmacare program.^{xii} With Canadian business on-side, universal, single-payer pharmacare offers a public policy path to future economic growth.

Economic impact of poor health

Canada's current patchwork system of prescription drug coverage leaves millions in Canada facing cost barriers to medically necessary prescriptions. With millions falling through the cracks, daily tragedies occur from avoidable morbidity and mortality caused by cost-related non-adherence to prescription drugs. These tragedies have an economic cost.

An astonishing number of Canadians die or fall ill each year because of financial barriers to prescription medications. For ischemic heart disease alone, up to 640 Canadians die each year because they cannot afford the medications needed to stay alive.^{xiii} The data in the same report estimates that up to 420 Canadians diabetics die each year. A further 70,000 Canadians experience health deterioration yearly because of cost-related non-adherence.^{xiv}

In addition to the ethical imperative to prevent these avoidable tragedies, these widespread instances of ill health undermine the productivity of Canada's workforce. The Canadian Diabetes Association estimates that the economic cost of diabetes alone in Canada will reach \$16.9 billion per year by 2020.^{xv} Other figures estimate the cost of cardiovascular disease at nearly \$30 billion per year by 2020.^{xvi}

Removing cost barriers to necessary medicines will improve labour force productivity. A healthier workforce means a more productive workforce.

Savings for Canadian health care

Cost-related non-adherence to prescriptions, and the resulting health deterioration, also take their toll on the fiscal sustainability of the health care system. In fact, there is evidence that over 5% of hospitalizations in Canada are the direct result of cost-related non-adherence to prescriptions.^{xvii} There is evidence that financial barriers to medications contributed to as many as 12,000 hospitalizations per year among Canadians with cardiovascular disease.^{xviii} These avoidable health incidents cost Canadian health care dearly.

Savings to the health care system under pharmacare would go beyond improvements to public health. Universal, single-payer pharmacare offers administrative efficiencies and a degree of purchasing power that simply cannot be achieved in our current multi-payer system. Canada has the third highest per-capita drug expenditure in the OECD, below only the US and Switzerland. We spend over 40% above the OECD average.^{xix} With over 100,000 health benefit plans^{xx}, it's no surprise that average prices are so much higher. Failing to bargain on behalf of the whole population results in the buyer's negotiating position being weak vis-a-vis the seller's. Conversely, a single-payer, publicly-accountable system in Canada promises to maximize the purchasing power on the buyer's side and save billions. We need only look to our comparator countries, such as the UK, Netherlands, Sweden and New Zealand, to witness the success of a single-payer system. These countries spend well below OECD averages for prescription medications.^{xxi}

According to peer-reviewed research by Canadian health economists, savings to health dollars would reach \$11 billion per year simply from single-payer, evidence-based procurement.^{xxii}

Canada's health care future

As our population ages, great fiscal and delivery challenges are appearing on the horizon for Canadian health care. Notably, the Canadian Medical Association has called^{xxiii} for an increase in federal transfers to provinces and territories to the tune of \$21 billion over a decade to meet the needs of seniors' care. Large-scale, system-wide reforms will be needed over the coming decades to preserve the quality of public health care in Canada. Our country needs better home care, better mental health care, decolonized Indigenous care, better long-term care, etc. Luckily, a universal, single-payer pharmacare plan pro-

vides a solution with the promise of substantial system-wide savings and the elimination of needless inefficiencies. Liberated resources through pharmacare could be reapplied to these sectors of health care in dire need of additional funding.

The transition to a universal pharmacare plan will not be easy. But with a demographic tidal wave rolling in, Canada no longer has the luxury of a wait-and-see approach. Bold action now to implement universal pharmacare will ensure that people in Canada and our health care system reap benefits for decades to come. It is therefore vital that Budget 2019 set in motion the aforementioned first steps towards the implementation of a universal, single-payer pharmacare program.

ⁱ Barnes, S., Anderson, L. (2015). *Low Earnings, Unfilled Prescriptions: Employer-Provided Health Benefit Coverage in Canada*. Wellesley Institute. Retrieved from <http://www.wellesleyinstitute.com/wp-content/uploads/2015/07/Low-Earnings-Unfilled-Prescriptions-2015.pdf>

ⁱⁱ Gagnon, M.A. (2014). *A Roadmap to a Rational Pharmacare Policy in Canada*. Canadian Federation of Nurses Unions. Retrieved from https://nursesunions.ca/wp-content/uploads/2017/05/Pharmacare_FINAL.pdf

ⁱⁱⁱ Advisory Council on the Implementation of National Pharmacare. (2018). *Towards Implementation of National Pharmacare: Discussion Paper*. Government of Canada. Retrieved from https://www.canada.ca/content/dam/hc-sc/documents/corporate/publications/council_on_pharmacare_EN.PDF

^{iv} Morgan, S. et al. (2015). *The Future of Drug Coverage in Canada*. Retrieved from http://pharmacare2020.ca/assets/pdf/The_Future_of_Drug_Coverage_in_Canada.pdf

^v Clement, F., Soril, L., et al. (2016). *Canadian Publicly Funded Prescription Drug Plans, Expenditures and an Overview of Patient Impacts*. Health Economics Group and Health Technology Assessment Unit, University of Calgary. Retrieved from <http://www.health.alberta.ca/documents/Health-Spending-PubliclyFundedDrugPlans-2016.pdf>

^{vi} Conference Board of Canada. (2015, November 9). *Providing Employee Benefits Continues to Be a Significant Cost for Employers* (press release). Retrieved from http://www.conferenceboard.ca/press/newsrelease/15-11-09/providing_employee_benefits_continues_to_be_a_significant_cost_for_employers.aspx

^{vii} Morgan, S. et al. (2015). *The Future of Drug Coverage in Canada*. Retrieved from http://pharmacare2020.ca/assets/pdf/The_Future_of_Drug_Coverage_in_Canada.pdf

^{viii} BC Chamber of Commerce. (2016). *Economic Benefits of Universal Pharmacare for Business*. Retrieved from <http://www.bcchamber.org/policies/economic-benefits-universal-pharmacare-businesses>

^{ix} Ibid.

^x Stanford, J. (2016). Editorial by Jim Stanford on pharmacare, written in a letter to the CFNU. Unpublished letter.

^{xi} Parliament of Canada. (2016, May 9). House of Commons. Standing Committee on Health. *Minutes of Proceedings*. 42nd Parliament, 1st session, meeting no. 10. Retrieved from the Parliament of Canada website: <https://www.ourcommons.ca/DocumentViewer/en/42-1/HESA/meeting-10/evidence>

^{xii} Hewitt, A. (2016). *Pharmacare in Canada*. Retrieved from http://www.aon.ca/surveys/rr/Aon_Pharm_2016_EN.pdf

^{xiii} Lopert, R., Docteur, E., Morgan, S. (2018). *Body Count: the human cost of financial barriers to prescription medications*. Canadian Federation of Nurses Unions. Retrieved from <https://nursesunions.ca/wp-content/uploads/2018/05/2018.04-Body-Count-Final-web.pdf>

^{xiv} Ibid.

^{xv} Canadian Diabetes Association. (2009). *An economic tsunami, the cost of diabetes in Canada*. Retrieved from <http://www.diabetes.ca/CDA/media/documents/publications-and-newsletters/advocacy-reports/economic-tsunami-cost-of-diabetes-in-canada-english.pdf>

^{xvi} Government of Canada. (2014). *Economic Burden of Illness in Canada, 2005-2008*. Retrieved from <https://www.canada.ca/content/dam/phac-aspc/migration/phac-aspc/publicat/ebic-femc/2005-2008/assets/pdf/ebic-femc-2005-2008-eng.pdf>

^{xvii} Iskadjian, M., Addis, A., Einarson, T. (2002). Estimating the Economic Burden of Hospitalization Due to Patient Non-Adherence in Canada. Abstract. *ResearchGate*. Retrieved from https://www.researchgate.net/publication/251647107_Estimating_the_economic_burden_of_hospitalization_due_to_patient_nonadherence_in_Canada

^{xviii} Lopert, R., Docteur, E., Morgan, S. (2018). *Body Count: the human cost of financial barriers to prescription medications*. Canadian Federation of Nurses Unions. Retrieved from <https://nursesunions.ca/wp-content/uploads/2018/05/2018.04-Body-Count-Final-web.pdf>

^{xix} Institute for Fiscal Studies and Democracy. (2018). *National Pharmacare in Canada Choosing a Path Forward*. Retrieved from <http://www.ifsd.ca/web/default/files/Presentations/Reports/18006%20-%20National%20Pharmacare%20in%20Canada-%20Choosing%20a%20Path%20Forward%20-%20CoF%20-%2017%20July%202018%20-%20Revised%20for%2020%20July%202018%20-%20For%20Printing.pdf>

^{xx} Advisory Council on the Implementation of National Pharmacare. (2018). *Towards Implementation of National Pharmacare: Discussion Paper*. Government of Canada. Retrieved from https://www.canada.ca/content/dam/hc-sc/documents/corporate/publications/council_on_pharmacare_EN.PDF

^{xxi} Institute for Fiscal Studies and Democracy. (2018). *National Pharmacare in Canada Choosing a Path Forward*. Retrieved from <http://www.ifsd.ca/web/default/files/Presentations/Reports/18006%20-%20National%20Pharmacare%20in%20Canada-%20Choosing%20a%20Path%20Forward%20-%20CoF%20-%2017%20July%202018%20-%20Revised%20for%2020%20July%202018%20-%20For%20Printing.pdf>

^{xxii} Morgan, S. et al. (2015). *The Future of Drug Coverage in Canada*. Retrieved from http://pharmacare2020.ca/assets/pdf/The_Future_of_Drug_Coverage_in_Canada.pdf

^{xxiii} Canadian Press. (2018, July 17). *Physicians urge Ottawa to pay another \$21-billion over decade for seniors health care*. Retrieved from <https://www.theglobeandmail.com/politics/article-physicians-urge-ottawa-to-pay-another-21-billion-over-decade-for/>