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

2014 Pre-budget Submission to the House of Commons Finance Committee

The Canadian Federation of Nurses Unions (CFNU), representing close to 200,000 nurses across Canada, thanks the Standing Committee on Finance for the opportunity to contribute to the 2015 federal budget through a pre-budget consultation submission.

EXECUTIVE SUMMARY

CFNU's submission is rooted in the dual goals of economic exigency and health care renewal. Our submission is focused on practical steps leading to universal pharmacare in Canada.

In '*A Roadmap to a Rational Pharmacare Policy in Canada*', a research paper published this year by the Canadian Federation of Nurses Unions authored by Dr. Marc-André Gagnon, the case is made for a universal pharmacare program providing clear recommendations to move Canada towards this goal. This submission is largely based on the research contained in this paper.

The evidence asserts that if Canada offered first-dollar coverage, a universal pharmacare program would generate savings of 10% to 41% on prescription drugs, representing savings of up to $ 11.4 billion per year. This would free up close to $900.00 per household for added provision of health care services[i]. In 2013, Canadians spent $29.3 billion on prescription drugs[ii] but a recent study shows that out-of-pocket expenses for prescription drugs are rising, particularly for those in the lower income groups.[iii]

Appended to this submission are four reforms that CFNU recommends the committee endorse. These reforms outline actions policy-makers could take towards implementing universal pharmacare. Acting on these reforms would lead to substantial cost reductions thereby freeing resources to meet current and emerging needs in health care.

This program would contribute to the containment of health care costs, and also improve quality, access, and health outcomes; thus contributing to the good governance of our public health care system.

We believe the current fiscal climate proves the necessity to move forward toward the long-sought aspiration of universal pharmacare. The Health Accord expired in 2014, this signalled the end in 2017 of the 6% annual increases in health transfers to the provinces, to be replaced by

minimum 3% increases with final numbers mirroring GDP growth. Provinces are anticipating reductions in federal transfers of $36 billion over 10 years from the previous agreement levels. CFNU believes that in this current economic climate, in order to enhance our public health care system, innovation and savings must be found to ensure better value and improved outcomes for health care spending.

This cost-sharing program would require federal, provincial and territorial collaboration. Universal pharmacare would allow Canada to build the institutional capacity needed to improve access, reduce costs, improve practices and ensure the longevity of our health care system. As the data shows, it would lead to equitable access to prescription drugs while generating important savings for the Canadian population. It would have very few impacts on taxpayers beyond an overall increase in net disposable income as prices reduce.

Adoption of these proposals would be a clear positive step that governments could take to free health dollars for needed investments. The evidence confirms that there is excessive health care spending on prescription drugs in Canada relative to comparable OECD countries and that implementing a pharmacare program similar to those that exist in other developed countries would allow us to reinvest into critical areas of our health care system such as focusing on senior care, health issues within our aboriginal communities and on the social determinants of health. CFNU believes that such retargeting of health dollars would be more fiscally sustainable, enhance economic growth while supporting families and helping vulnerable Canadians. Further, such investments in critical areas of health care would result in health care savings in the long-term, if properly implemented.

The CFNU is part of a growing consensus supporting a pragmatic roadmap for a national drug plan policy, along with the institutional capacities necessary to obtain and implement rational and appropriate pharmaceutical policies. A universal pharmacare plan would ensure better access to prescription drugs for all Canadians, foster needed reinvestment in our health care system, while increasing workers' disposable income. The evidence is clear: it's time governments heed the public's will by reforming prescription drug funding and delivery.

BACKGROUND

The need for universal pharmacare is one of the rare issues creating consensus among analysts from across the political spectrum and among Canadians – 78% of Canadians support universal pharmacare, and 82% support bulk purchasing to reduce the costs of prescription drugs.

The idea of universal pharmacare is not new to Canadians. As far back as 1964, the Royal Commission on Health Services recommended that a universal drug insurance plan be established for all Canadians. The National Health Forum in 1997 recommended universal drug coverage, and the 2002 Romanow Commission recommended catastrophic drug coverage as a first step.

In 2004, the Premiers agreed that no Canadian should suffer undue financial hardship in accessing necessary drug treatment, noting the federal government had made a formal

commitment to this priority. Premiers agreed that a national pharmaceutical program should immediately be established and that the federal government should assume full financial responsibility for a comprehensive drug plan for all Canadians, and be accountable for the outcomes.

The federal government in September of 2004 agreed to partner with the provinces and territories to develop and implement the national pharmaceuticals strategy and report on progress by June 30, 2006 as part of the Ten Year Plan to Strengthen Health Care. In 2008, the provincial and territorial ministers of health said publicly that they can't move forward on several key elements of a national pharmaceutical strategy unless the federal government is willing to take leadership and share costs. In the last ten years the federal government has not fulfilled any of the commitments on national pharmacare made in 2004, leaving the provinces to take the lead.

The Council of the Federation's (CoF) creation of a Pan-Canadian Pricing Alliance in Canada (PCPA) in 2010 (including all provinces except Quebec) was an important step to coordinate and streamline provincial negotiations. Through the PCPA and the Health Care Innovation Working Group (HCIWG) the provinces have achieved savings for all participating public drug plans totalling $150 million per year with a further $80 million per year being added though announced joint negotiations on a further 32 drugs. However, it has limitations since the coordination process within the Alliance remains challenging, especially in the absence of a national formulary and national engagement by the federal government.

There are precedents for implementing universal, publicly-funded pharmacare. This is the dominant standard among most OECD countries. The lack of drug coverage in Canada is an anomaly since medications are not integrated into our public health care system. Countries with integrated pharmaceutical coverage achieve better access to medicines and greater financial protection for the ill, at significantly lower cost than any Canadian provinces achieve. Canada and the United States rely heavily on private drug insurance and have higher overall expenditures than other OECD countries. Coverage is offered on the basis of where a person works or lives, not on the basis of medical needs.

Canada is second last among OECD countries in the provision of public drug insurance, only surpassing the United States. Our reliance on expensive private insurance for drug coverage only works for about 50% of the population. *"A Roadmap to a Rational Pharmacare Policy in Canada*" demonstrates how such a system is inefficient, inequitable, wasteful and unsustainable in the long run. It is inefficient because it is unable to adequately cover the whole Canadian population; inequitable because many Canadians pay amounts disproportionate to their income; wasteful because Canadians pay too much, needlessly, for patented or generic drugs; and it is unsustainable because governments are unable to contain cost increases.

The C.D. Howe Institute has endorsed the idea of a public and universal drug coverage plan. The Canadian Life and Health Insurance Association has called for urgent drug coverage reforms to ensure better public and private coverage. Provincial governments from coast-to-coast are

grappling with the issue of containing costs while ensuring access. And health care organizations are witnessing the direct impact that drug costs are having on their patients' health.

There is an emerging consensus about the necessity of reforming our drug policy. Health care organizations, such as CFNU, recognize that the $11.4 billion in annual savings offers an opportunity for reinvestment in the health care system on direct care resources. The current situation is untenable: more than 10,000 nurses graduate each year[iv], and yet, on hospital wards across the country staffing inefficiencies prevail. Nurses worked over 21.5 million hours of overtime in 2012 and this represented almost 12,000 FTE jobs[v]. Freeing health care dollars would allow us to match graduates with positions providing a long-term stability to our health human resources well into the future. There is a growing recognition of the urgent need for reform.

PROPOSED REFORMS

The following four reforms from '*A Roadmap to a Rational Phamacare Policy in Canada*' offer a clear way forward for policy makers:

Reform #1: Improve access to drugs by including prescription drugs in the public health care system.

Every Canadian should have adequate and equitable coverage for prescription drugs. A national pharmacare program must be offered to the entire Canadian population, whether organized nationally or provincially/regionally. Measures to diminish the impacts on public health insurance include: fixed co-payments (to be progressively eliminated); the social insurance principle (through pay deductions); pooling the risks ("good" and "bad"); and ending generous tax subsidies for private insurance.

Reform #2: Ensure equitable access to prescription drugs by establishing a national formulary.

Currently, Canadians' access to medications is dependent on their postal code. Provincial variability in access to prescription drugs is explained, in part, by the province's health budget and its power to negotiate with pharmaceutical companies to get confidential rebates called Product Listing Agreements (PLAs). Such a system is fundamentally inequitable. Therefore, the coverage offered to the entire population must be based on a national formulary.

Reform #3: Control costs by systematically resorting to bulk purchasing for patented and generic prescription drugs.

In the last three years, the main innovation to contain prescription drug costs in Canada has been the creation of a bulk purchasing agency, the Pan-Canadian Pricing Alliance, for some patented and generic drugs. Bulk purchasing is more efficient than increasing the number of PLAs (which often pit provinces against one another through whipsawing). Moreover, such an agency can help to ensure the safety of the supply through safety clauses in order to reduce drug shortages. To avoid indirectly taxing patients, deductibles and co-payments for patients

need to be eliminated or, if this is not achievable, only a fixed co-payment per prescription (rather than one based on the official price of the drug should be permitted).

Reform #4: Ensure the appropriate use of prescription drugs by assessing the safety and efficacy of medications.

The security and safety of medications remains a major issue in Canada. Prescription drug deaths are high: half of these drug deaths are due to medical errors; the other half are due to adverse effects. The recent creation of the Drug Safety and Effectiveness Network, by the Canadian Institutes of Health Research, is a good first step, but it is insufficient. We currently don't have data to analyze the security and safety of medications. To generate such data, a national formulary and a public and universal drug plan are essential since they permit the establishment of a complete database of drug usage in Canada.

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[ii] CIHI. (2014, March 6). *Generic drugs slow spending growth*. (press release) Retrieved from http://www.cihi.ca/CIHI-ext-portal/internet/en/document/types+of+care/pharmaceutical/release_06mar14

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[iv] Canadian Nurses Association (CNA). (2013, October 8). Problematic trends for registered nurse workforce, report reveals. (press release) Retrieved from http://www.cna-aiic.ca/en/news-room/news-releases/2013/problematic-trends-for-registered-nurse-workforce-report--reveals.

[v] Informetrica Limited (2013). *Trends in Own Illness or Disability-Related Absenteeism and Overtime among Publicly-Employed Registered Nurses — Quick Facts.* Report prepared by Informetrica Limited for CFNU. Retrieved from https://nursesunions.ca/report-study/absenteeism-and-overtime-quick-facts-2013