

## Overview

Janssen believes that every Canadian deserves equitable access to the most appropriate medicines for their needs, but current drug programs are not always meeting this goal. This is a barrier to healthcare that needs to be addressed. New policies and programs should be developed by governments to ensure that all Canadians can access the medicines they need to effectively treat their particular healthcare needs.

Improving this system does not necessitate a complete overhaul of the current system. Studies show that most Canadians have affordable access to the drugs that they require. Addressing the needs of the remaining population can be met in a fiscally responsible way through the implementation of new strategic policies and programs specifically aimed at this demographic.

In this submission, Janssen is proposing 5 key principles to consider as the Advisory Council on the Implementation of National Pharmacare (the Advisory Council) deliberates on its recommendations to the federal government.

**1. The primary policy goals of a national pharmacare system should be:**

- Improving access to medically necessary medicines
- Ensuring timely access to innovative treatments
- Improving health outcomes

**If reducing cost is the government's primary driver, access to medically necessary medicines will be reduced.**

- 2. A national pharmacare plan should maintain the existing public/private system but create greater access to medically necessary medicines for all Canadians. The current system works for the vast majority of Canadians. An improved system should focus on patients for whom no or limited coverage exists.**
- 3. Canadians should not lose access to the medicines they currently have access to through their existing plans.**
- 4. Public programs should continue to be administered by provincial and territorial governments, not by a singular federal entity. While guiding principles can be set out by the federal government, the delivery of health care is constitutionally the responsibility of individual provinces and territories. Any pharmacare system must respect the constitutional division of powers between the federal and provincial/territorial governments.**
- 5. Any new pharmacare program should be fiscally responsible to the taxpayers of Canada.**

It is important to note that stakeholders in this debate are proposing a wide range of solutions ranging from a national single-payer system to maintaining the status quo. Janssen believes that there are solutions that:

- address concerns from all stakeholders,
- maintain current levels of access to medicines for those who have coverage,
- improve access for Canadians who have inadequate or no coverage, and
- make these changes in a fiscally responsible manner.

By enacting the pharmacare policies and programs outlined in this submission, the priorities of the majority of stakeholders will be addressed.

## Defining the Problem

While there are conflicting reports on the number of uninsured and underinsured Canadians, most research has shown that this issue is limited to less than 10 per cent of Canadians. Examples include:

1. A 2007 study found that approximately 1 in 10 Canadians did not take their medicines as prescribed because of cost issues.<sup>1</sup>
2. A report from the Canadian Health Policy Institute noted that “out of a population of almost 36.3 million people in 2016, nearly 23.2 million Canadians were covered under a private drug plan and over 13.1 million Canadians were covered under a public drug plan.” The report notes gaps in access to drugs “are best explained not by uninsured people, but rather by under-insured drug costs, which this study has shown are in large part due to exposure to cost-sharing under existing public drug plans.”<sup>2</sup>
3. According to a 2017 Conference Board of Canada report, 94.8% of Canadians currently have coverage for prescription drugs and less than 1% of Canadians cite cost as a reason for not taking their prescriptions properly.<sup>3</sup>

So, while there is discrepancy in the data to define the exact number of Canadians with inadequate or no coverage for medicines, the majority of Canadians do have some form of coverage for medications in the current system. This is important context, as some rhetoric and media focus can make lack of pharmaceutical coverage in Canada seem like a much larger issue, thereby requiring a much broader solution. However, this should not negate the fact that even a relatively small number of Canadians being unable to access the medicines they need is an issue that needs to be addressed.

Through the Advisory Council’s review of pharmacare options, recommendations should be aimed at improving the current system by continuing the pieces that work and building new policies and programs with the provinces and territories to ensure that all Canadians have access to the medicines they need, without cost being a barrier. By implementing new policies and programs that address ongoing inequities in access, but not entirely rebuilding the existing system, Canadians would see improved access to necessary medicines and ensure that everyone is able to maintain the level of access they currently expect.

## Recommendations for consultation questions

Janssen has the following recommendations for the Advisory Council, as responses to the questions posed in the discussion paper [Towards Implementation of National Pharmacare](#).

### Who should be covered under national pharmacare?

All Canadians should have access to medically necessary medicines without cost being a barrier. Any system put in place should address this goal, by keeping in place the aspects of the current system that are working well for Canadians while improving access for those who do not have adequate coverage.

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<sup>1</sup> Law, M. R., L. Cheng, I. A. Dhalla, D. Heard, and S. G. Morgan. "The Effect of Cost on Adherence to Prescription Medications in Canada." *Canadian Medical Association Journal* 184, no. 3 (2012): 297-302. doi:10.1503/cmaj.111270.

<sup>2</sup> Skinner, Brett J. "Prescription Drug Plan Coverage 2016: How Many Canadians Were Insured, Under-insured or Uninsured?" *Canadian Health Policy*, June 18, 2018. Canadian Health Policy Institute.

<sup>3</sup> Sutherland, Greg, and Thy Dinh. "Understanding the Gap: A Pan-Canadian Analysis of Prescription Drug Insurance Coverage." *The Conference Board of Canada*, December 2017.

### **How should national pharmacare be delivered?**

A national pharmacare plan should maintain the current public/private system and create a new program that will improve access for those who currently are uninsured or underinsured.

This would keep in place existing private drug plans, and supportive health and wellness programs, that Canadians have come to rely on through their employers, pensions or student plans. Maintaining and improving access to medically necessary medicines in a fiscally responsible manner should be paramount – Canadians should not lose access to medicines they currently have access to today as this policy takes shape.

There are several ways this can be accomplished, two of which are outlined later in this submission.

### **Which drugs should be covered as part of a national pharmacare plan?**

Patients and physicians should have the best possible access to medications and be able to choose the drugs that provide the best treatment for the individual patient based on her/his particular needs.

Maintaining patient and physician choice of medicines should be an underlying value that supports the design of any new pharmacare policy or program. For this reason, it is important that current private drug insurance plans stay in place because they typically provide more choice than public plans, and are much quicker to cover new innovative therapies. For example, a recent report by the Canadian Health Policy Institute noted that *“of the 479 new drugs approved by Health Canada from 2008 to 2017, 87% (419) were covered by at least one private drug plan compared to 46% (218) that were covered by at least one public plan, as of June 30th, 2018... Averaged across all years studied, private drug plans took 142 days to cover new drugs compared to 449 days for public drug plans.”*<sup>4</sup>

Choice is important to Canadians. A recent survey from the Canadian Pharmacists Association found that 74 per cent of respondents were concerned that universal pharmacare would replace their current private prescription drug plan with a public plan that would have fewer choices.<sup>5</sup>

### **How much variability across different drug plans or jurisdictions should there be in the list of drugs covered by national pharmacare?**

Equality in access to drugs should be a core principle for any new pharmacare program. This said, when creating these programs, a key goal should be ensuring that Canadians do not lose access to medicines that they have access to today. Therefore, when discussing equality of access for all Canadians, the focus needs to be on policies that raise the level of coverage for all, not diminishing coverage to the lowest common denominator in order to save costs.

It is important for the federal government to acknowledge the constitutional responsibility of provinces and territories to deliver health care by enacting pharmacare policies and programs that maintain provincial and territorial autonomy over the formularies for their own citizens, as medical needs and priorities may be different in each region.

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<sup>4</sup> "Coverage of New Medicines in Public versus Private Drug Plans in Canada 2008-2017." *Canadian Health Policy*, August 20, 2018. Canadian Health Policy Institute.

<sup>5</sup> *National Pharmacare in Canada A Survey of Canadian Attitudes towards Developing a National Pharmacare Program*. Report. Canadian Pharmacists Association. July 2015. [http://www.pharmacists.ca/cpha-ca/assets/File/pharmacy-in-canada/Pharmacare Survey Results\\_July 2015.pdf](http://www.pharmacists.ca/cpha-ca/assets/File/pharmacy-in-canada/Pharmacare Survey Results_July 2015.pdf).

The Government of Canada should continue to work with the pan-Canadian Pharmaceutical Alliance (pCPA), as one of the goals of this alliance is to “improve consistency of coverage criteria across Canada.”<sup>6</sup> The pCPA has had several successes related to this goal since its inception. We support the pCPA’s work to continue leveling the playing field across provincial and territorial public drug plans in this regard.

**Should patients pay a portion of the cost of prescription drugs at the pharmacy (e.g., co-payments or deductibles)?**

No one should be denied access to medically necessary medicines because they do not have the financial means to afford them. While reasonable co-payments and/or deductibles should be considered, income testing should be applied prior to the application of any co-payments and deductibles to ensure that Canada’s most vulnerable citizens receive access to the medicines that they need without cost being a barrier.

**Should employers, which currently play a significant role in funding drug coverage for their employees, continue to do so (either through contributions to a private plan or through a public plan)?**

Existing coverage which Canadians have through their employers should remain in place. This will ensure that no one loses coverage to the medically necessary medicines currently covered by these plans. Maintaining private coverage also gives government payers more ability to cover more medicines for the patients who are uninsured or underinsured. Removing private payers from the drug insurance system will essentially and unnecessarily transfer a large amount of costs from the private sector to taxpayers.

In addition, private plans choose to cover the cost of medicines for a variety of reasons that public plans do not consider. These include keeping workforces healthy, using the quality of the plan as a recruitment tool, ensuring the plan considers differing workforce demographics and an organization’s values.

An example of a category of drugs that often have better coverage under private plans than public plans are medications used in the area of mental health. Private plans often approve and cover new mental health drugs quickly as they help keep staff healthy and productive. Because of the highly individualized nature of these drugs, new entries in this space are often either delayed or rejected by public plans, citing a lack of improved efficacy over previously approved drugs. This can be misleading, as these drugs may work quite well for one individual while not for another. For example, between 2004 and 2015, the Common Drug Review (CDR) provided negative recommendations for 76.2% of mental health drugs reviewed, while only providing negative recommendations for 48.5% of non-mental health drugs in the same period.<sup>7</sup>

Private insurers are more likely to cover new medicines than public plans and 64% of private plans cover all medicines approved by Health Canada if patients meet appropriate criteria.<sup>8</sup> Therefore, private plans play an important role in providing drug coverage to a large number of Canadians, where public plans are unable or unwilling to do so.

Private plans are affordable for all sizes of businesses, whether small, medium, or large, because of industry pooling systems which share the costs of insurance across a larger pool of potential beneficiaries. The most substantial concern is related to high cost medicines, often for rare diseases. A public/private

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<sup>6</sup> “The Pan-Canadian Pharmaceutical Alliance.” Canada’s Premiers. September 12, 2018. <http://www.canadaspremiers.ca/pan-canadian-pharmaceutical-alliance/>.

<sup>7</sup> Tran K, Rawson NSB, Skinner BJ. “HTA decisions and access to mental health treatments in Canada’s public drug plans.” *Canadian Health Policy*, February 7, 2017. Canadian Health Policy Institute.

<sup>8</sup> Mapol Drug Reimbursement Monitor Report, August 2018

cost sharing model for these high cost medicines should be explored to ensure the affordability and sustainability of private drug plans.

Additionally, to examine the private insurance market, a prospective versus retrospective analysis should be utilized. Private insurers are new to utilizing product listing agreements (PLA's) making a retrospective analysis inaccurate. Most insurers have entered into PLA's for biologic medications. The private market has started to negotiate PLA's independent of the pCPA to achieve maximum savings for themselves and public payers.

## Single-payer vs. multi payer pharmacare systems

### Why not single-payer?

While single-payer pharmacare can appear to be an appealing public policy direction, the assumptions being used to drive the narrative forward are problematic. These assumptions often include:

- A large number of Canadians do not have adequate coverage for the medicines they need
- A single payer system will be more efficient
- A single payer system will result in decreased costs for medicines in Canada, due to increased buying power
- Many new medicines are no more effective than older medicines

As noted previously, studies show that at least 90 per cent of Canadians have access to the medicines that they need.<sup>9</sup> Creating a single-payer pharmacare system by recreating a system that works for most people would be counterproductive. A single-payer, limited public formulary would also reduce access to drugs for the majority of Canadians. These access issues should be addressed through new targeted public programs and education campaigns to better inform Canadians of the drug coverage already available to them.

Additionally, there is no evidence to show that a single-payer system would be more efficient. While the current mixed system does include administration and overhead costs to operate each discreet funding entity, a single public system would require these same resources to be transferred from the private system to the public system, as they would be serving not only the people currently accessing public coverage, but the influx of new people needing access. This would likely necessitate more taxpayer-funded resources, not less.

Janssen also cautions against the assumption that moving to a single-payer system will save money. While the Parliamentary Budget Office (PBO) estimates that the overall cost of implementing a single-payer system would save \$4.2 billion through bulk purchasing of drugs<sup>10</sup>, this calculation does not take into account the savings that have already been realized through the pCPA. These existing savings include \$3 billion over five years on generic drugs<sup>11</sup> and savings on brand name drugs. For example, the Auditor General of Ontario stated that the public drug plan is receiving discounts of 28% on brand name medicines.<sup>12</sup> Additionally, in the implementation of a single-payer system, at least \$7.3 billion that is

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<sup>9</sup> Sutherland, Greg, and Thy Dinh. "Understanding the Gap: A Pan-Canadian Analysis of Prescription Drug Insurance Coverage." *The Conference Board of Canada*, December 2017.

<sup>10</sup> *Federal Cost of a National Pharmacare Program*. Report. September 28, 2017. [http://www.pbo.dpb.gc.ca/web/default/files/Documents/Reports/2017/Pharmacare/Pharmacare\\_EN\\_2017\\_11\\_07.pdf](http://www.pbo.dpb.gc.ca/web/default/files/Documents/Reports/2017/Pharmacare/Pharmacare_EN_2017_11_07.pdf).

<sup>11</sup> Grant, Kelly. "To Avoid Open Bidding, Generic-drug Makers Cut Prices outside Quebec." *The Globe and Mail*. January 29, 2018.

<sup>12</sup> Office of the Auditor General of Ontario. *Annual Report 2017*. 476-526.

currently spent by the private sector on drug coverage<sup>13</sup> would need to be assumed by government. This is not fiscally responsible. To do this it would require either a tax increase that 70% of Canadians are opposed to,<sup>14</sup> or an unsustainable increase to the federal deficit.<sup>15</sup>

The ability of patients and physicians to choose the most effective medicine to treat an individual patient must continue if we want to sustain and build upon the strengths of our current healthcare system. A single-payer pharmacare system would impose a much smaller formulary for reimbursement, based on current experience with public formularies. No two people are alike, and no two patients are alike. In many cases one medicine will work better for one patient than another. A patient should be able to access the best medicine available to meet their particular needs. A national formulary seriously threatens this concept as experience has demonstrated that access to medicines differs substantially between the public and private systems.

Finally, implementing a single-payer national pharmacare system would require the full support of all of Canada's provinces and territories, as health is the responsibility of the provincial/territorial governments. While Premiers are supportive of the idea of improving access to medically necessary medicines, concerns about the delivery and cost of a national, single-payer pharmacare system have been raised in a recent Communique from the Council of the Federation<sup>16</sup>. In this document it states that "*provinces and territories must retain responsibility for the design and delivery of public drug coverage... [and] federal pharmacare funding must be long-term, adequate, secure, flexible and take into consideration present and future cost pressures.*" These concerns suggest a national, single-payer system is neither feasible nor a logical solution to improving access to necessary medicines for Canada.

### **Why multi-payer?**

Janssen believes that improving access to necessary medicines, ensuring timely access to innovative treatments and improving health outcomes should be the primary reason for creating a national pharmacare system. The best way to ensure this is to maintain existing public and private drug plans, while implementing targeted policies and programs that guarantee the uninsured and underinsured will get access to the medicines they need.

This system is a fiscally responsible option and would not require any new revenue streams or increased taxes.

In the next section, Janssen has outlined two potential options that allow for existing drug coverage to stay in place while creating more equitable access for Canadians. These options would also allow Canadians to keep their current private insurance plan coverage, providing them and their physicians with the widest span of choices for their medical treatment. These options would also allow for provinces and territories to maintain the leadership and operations of public drug programs, in keeping with their constitutional responsibility for the delivery of health care in their respective jurisdictions.

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<sup>13</sup> *Federal Cost of a National Pharmacare Program*. Report. September 28, 2017. [http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2017/Pharmacare/Pharmacare\\_EN\\_2017\\_11\\_07.pdf](http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2017/Pharmacare/Pharmacare_EN_2017_11_07.pdf).

<sup>14</sup> *Federal Cost of a National Pharmacare Program*. Report. Angus Reid Institute. July 15, 2015.

<sup>15</sup> Blatchford, Andy. "Taxes Will Rise If Canadians Want National Pharmacare, Says Former Budget Watchdog." *CBC News*(Canada), July 15, 2018.

<sup>16</sup> "FINAL COMMUNIQUE." Canada's Premiers. July 23, 2018. <http://www.canadaspremiers.ca/final-communique/>.

## Options for consideration

As part of the Advisory Council's deliberations on approaches to a national pharmacare plan, Janssen is proposing two potential options for consideration by the government. These two options would help achieve the goal of improving access to medically necessary medicines while maintaining much of the existing public/private payer model that currently is in place and works for most Canadians in a fiscally responsible way.

### **1. Expand automatic eligibility for existing public drug programs to all Canadians who do not have private coverage**

Eligibility requirements and costs for public drug programs vary considerably across the country. As a first step towards improving access to necessary medicines, all Canadians who do not have access to a private drug plan should be made eligible for their respective public drug plans. Under this option, all Canadians would be automatically enrolled in a public drug program, unless they have private drug coverage.

Additionally, as many Canadians are already eligible for a public drug program, but are unaware, governments should undertake public education campaigns to ensure that all Canadians are fully aware of the coverage available to them. Given the relatively small number of Canadians that do not have any form of coverage, health transfers from the federal government to cover these additional patients would be much smaller than the cost of a single federal payer system.

While studies show that most Canadians have access to a public or private drug plan, barriers to accessing these plans still exist. The Canadian Health Policy Institute argues that cost-sharing mechanisms such as deductibles and co-pays are a significant barrier to access to medically necessary medicines.<sup>17</sup> These fees require patients to pay a standardized amount, a percentage of the drug cost, or a percentage of their household income before being eligible for drug coverage. These costs lead to some Canadians not utilizing public drug plans and forgoing their use of medically necessary medicines.

To rectify this, Janssen recommends that lower cost, income tested, co-pays and deductibles be applied to public drug plans. Having patients become responsible for a portion of the costs will help offset the costs of public drug programs, but should be applied in a way that does not create financial barriers to access. Research should be undertaken specific to each jurisdiction to determine what reasonable co-pays could be, so as to not disincentivize patients from filling prescriptions. Costs should be set to a sliding scale, based on household income, and at a rate which is reasonable for an individual to pay. These costs would also act as an incentive for proper prescribing practices by physicians and for proper utilization of medicines by patients.

Public drug programs should cover a broad spectrum of medicines, from high-use medicines in areas such as diabetes and heart disease, as well as newer medicines for rare diseases. This would allow for Canadians to access the medicines that they need, no matter the cost.

In addition to these steps, the Advisory Council should consider recommending limits on co-pays to drugs purchased through private drug plans (which could be income tested), as well as recommending regulations to prohibit insurers from imposing yearly or lifetime caps on drug spending for individual patients.

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<sup>17</sup> Skinner, Brett J. "Prescription Drug Plan Coverage 2016: How Many Canadians Were Insured, Under-insured or Uninsured?" *Canadian Health Policy*, June 18, 2018. Canadian Health Policy Institute.

## **2. Require all Canadians to purchase drug insurance from either a public or private insurer if they do not have existing drug coverage**

A comprehensive way to increase access to medically necessary medicines, while not recreating the parts of the system that work, would be to adopt a system that requires all Canadians to have drug insurance, such as the model adopted by Quebec. This can be achieved through private insurance or a public insurance program. Different from our first proposal, this option would necessitate individuals to actively sign up for a public drug plan, rather than being automatically enrolled. This option would also allow governments to implement premiums for coverage, which we would recommend be income tested.

This system would allow for the continuation of existing private plans, so Canadians can maintain access to all the medicines they currently have access to. It would also extend reasonably priced public drug insurance to those who are not currently covered by another plan.

Additionally, addressing two criticisms of the existing Quebec system (high premiums and high drug prices) would ensure more affordable access to medicines for those who currently cannot afford it and drive towards system sustainability. Specifically:

1. Premiums and co-pays for government-run drug plans should be income tested. This will ensure that those with lower incomes will not be asked to pay more than they can afford.
2. The pCPA's work should continue to ensure that all provinces and territories pay the same price for the same drug. This will continue to remove inequities in how much each province pays for each drug.

Implementing this system should not substantially add to governments' financial burden as the majority of costs would be covered through the cost of purchasing insurance.

Adopting a system that requires all Canadians to have drug insurance, but addresses the challenges noted above, would further ensure that all Canadians have access to the medically necessary medicines they need while not removing the existing plans that currently work for most Canadians.

## **How can the pharmaceutical industry be a part of the solution?**

Janssen believes that the sustainability of Canada's health system should be paramount in any new policies or programs related to universal pharmacare. There are several ways in which the pharmaceutical industry could help governments achieve sustainability while moving forward with an approach to improve coverage for all Canadian. These could include:

1. Continued collaborations with the pCPA to ensure the prices of medicines are value-based. The pharmaceutical industry has a long history of collaborating with provincial payers on addressing costs and healthcare sustainability.
2. The industry has substantial experience in data collection and data analysis systems related to appropriate prescribing of medications. The industry could work with governments to further improve these systems, resulting in patients receiving better care by getting the right drug at the right time and less costs to the healthcare system. These systems could also help track patient outcome data.
3. Continued focus on patient outcomes and healthcare sustainability through patient support programs.



## Moving forward

As the Advisory Council deliberates on which recommendations to bring forward to the federal government, it will be important to remember that while we work together to ensure access to medicines for all Canadians, most Canadians have access to the medicines they need through either public or private drug plans in the current system. Tearing down a system that works for most Canadians would be counterproductive. Recommendations should advise the government to maintain the parts of the system that work well, while focusing on guaranteeing that no Canadians are left behind with no or limited drug coverage.

By adhering to the positions outlined in this submission, Canadians would see improved access to medically necessary medicines, in a fiscally responsible way that does not impose greater financial burden on taxpayers.