

Intelligence MEMOS



From: Rosalie Wyonch
To: Canadian concerned about pharmacare
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Re: **QUEBEC'S PHARMACARE DIDN'T BREAK THE BANK**

One option for achieving universal prescription drug insurance coverage would see each province include drugs alongside doctors and hospital bills in the existing medicare system.

In my new [C.D. Howe Institute paper](#), I evaluate various options for implementing universal pharmacare to estimate the additional cost of providing drug coverage for people with no insurance.

Across provinces, expanding existing programs, similar to those currently available to seniors, children and low-income household, to cover the uninsured population would increase prescription drug expenditures by about 40 percent or about \$5.4 billion in 2020, though there is significant variation between provinces.

Provinces with larger populations of uninsured people would need to increase expenditures more than others to close gaps in existing insurance coverage. Similarly, if a province has an expansive formulary, extending coverage to the uninsured population is relatively more expensive on a per beneficiary basis than in provinces with less inclusive coverage.

Quebec, which has universal insurance, would face no cost. Alberta and Ontario would face the highest absolute increase in prescription drug expenditures, \$3 billion and \$900 million in 2020, respectively.

Another option exists, however. The provinces could institute a pharmacare program similar to the universal insurance model in Quebec – where enrollment in either public or private prescription drug insurance has been mandatory since 1997.

Quebec's Public Prescription Drug Insurance Plan includes a monthly deductible of \$19.90 per month and a copayment of 34.9 percent (\$0 deductible and no copayment for low-income seniors and children). In addition, people covered by public insurance in Quebec pay an annual premium as part of their annual income tax filing. In 2018, the maximum premium was \$641.50. Protection against catastrophic costs is provided by an upper ceiling on monthly copayments of \$90.58 per month or \$1,087 per year. About 40 to 45 percent of Quebec residents are covered under the public plan with the remaining 55 percent receiving insurance through their employer.

Premiums collected to fund the public drug insurance program cover about 30 percent of total public prescription drug expenditures in Quebec. This alternative provides another estimate of the potential costs of filling gaps in prescription drug insurance in Canada.

The estimated cost of implementing comprehensive prescription drug insurance similar to that available to select population groups in each province is higher than Quebec's experience. Across provinces, implementing Quebec's mandatory prescription drug insurance plan would cost about \$2.2 billion combined in 2020, 60 percent less than the estimate of extending comprehensive coverage to all uninsured individuals.

One of the reasons for this difference is that existing provincial programs predominantly cover seniors and children. The per capita cost of providing coverage to these age groups is higher than for working-age Canadians. This will result in estimates for extending existing comprehensive coverage programs to uninsured individuals that are likely slightly higher than they would be in reality.

Since Quebec's Public Prescription Drug Insurance Plan collects premiums from working-age and high-income enrollees to cover the costs of the plan, premiums are a proxy for the lower costs of providing coverage to those individuals and the savings that result from pooling risk across the entire population.

One important conclusion can be drawn from these estimates: universal prescription drug insurance is attainable without large increases in government spending. When Quebec implemented mandatory insurance coverage, expenditures on prescription drugs increased by about \$20 per person from 1996 to 1997. The premiums collected amounted to \$23.25 per person, resulting in a reduction in direct provincial spending on prescription drugs of about \$5 per person. Insurance premiums paid through income taxes are, effectively, revenue earmarked for prescription drug spending, and shouldn't be considered public savings per se. But, Quebec has achieved universal prescription drug insurance while maintaining public spending that is comparable to other provinces.

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