THE CAMPAIGN TO **CONTROL** CANCER

CAMPAGNE **D'ACTION** CONTRE LE CANCER

Spinning the Wheel

The High-stakes Game of Catastrophic Drug Coverage for Canadians

The Campaign to Control Cancer

MORE CONTROL. LESS CANCER.

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Executive Summary

A national catastrophic drug plan is critically needed in Canada. Over three million Canadians are unprotected against high drug costs. A wave of new targeted therapies is entering the market, offering promise in once-untreatable diseases but at prices beyond the reach of individual Canadians. The time has come for action.

Accountability needed

Canada's First Ministers committed to a catastrophic drug program in the Health Accords of 2003 and 2004:

> *"For individual Canadians and their families, Catastrophic Drug Coverage will help to ensure that no one will be denied access to necessary, very high-cost drugs based on where they live, or their ability to pay. No Canadian should suffer undue financial hardship for needed drug therapy." (Health Accord 2003)*

Yet, despite action by some provinces, the system remains inconsistent and in many areas inadequate.

A growing problem

The problem is large and growing. One in nine residents is not protected against high drug costs and this proportion increases each year (The Standing Senate Committee on Social Affairs, Science and Technology, 2002). Many new targeted therapies for severe illnesses are not automatically covered by the public health system because they are taken outside the hospital.

Many observers expect out-of-hospital costs of prescription drugs to grow for a number of reasons:

- *The cost of research and development of new drug therapies has risen rapidly as pharmaceutical companies tackle more challenging diseases and face more stringent drug approval processes around the world.*
- *The possibility of new genetically tailored drugs, applicable to a small number of patients suffering with chronic degenerative conditions, that are potentially extremely effective and also enormously costly.*
- *Changes in medical practice and new technology have replaced some hospital-based treatment with home care, which is now being provided for a number of conditions that require high-cost drug therapies.*

The net effect is that many Canadians now incur high levels of prescription drug costs that were inconceivable only a few years ago. (The Standing Senate Committee on Social Affairs, Science and Technology, October 2002)

Time to act

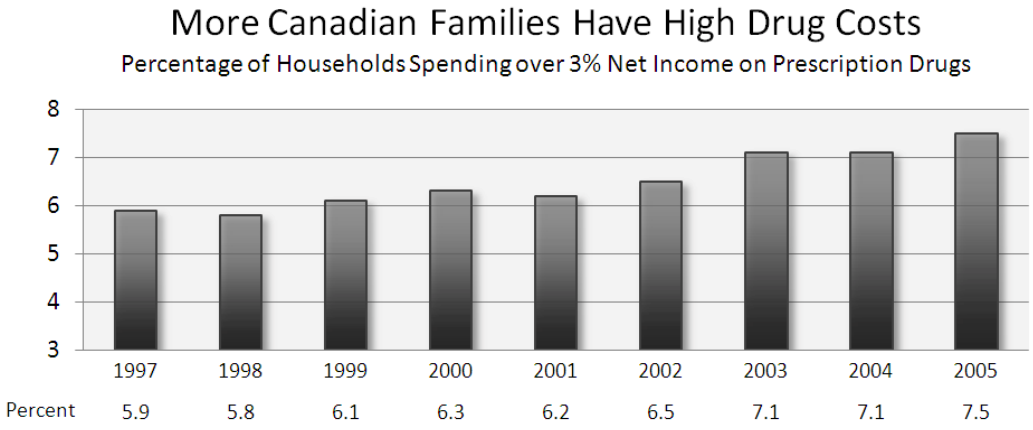
Although there remain concerns, our history of cooperation has shown that these are surmountable. The time for government to seize the opportunity of ensuring access by all Canadians to life-saving therapies is now.

1. Why Do Canadians Need a Catastrophic Drug Plan?

Canadians need a catastrophic drug program because the high costs of drugs, particularly specialized therapies, have grown beyond the financial reach of individual families.

How many Canadians are vulnerable to catastrophic drug costs?

One in thirteen Canadians now pays over three per cent of their income on out-of-pocket drug costs – the threshold defined by The Standing Senate Committee on Social Affairs, Science and Technology (The Standing Senate Committee on Social Affairs, Science and Technology, 2002) as catastrophic. This proportion has grown steadily over the past decade and will continue to do so as the population ages.



Source: Statistics Canada. Table 109-5012 - Household spending on prescription drugs as a percentage of after-tax income, Canada and provinces, annual, CANSIM.

An equivalent number of Canadians are unaware that they are exposed to high drug costs. The same Standing Committee report stated that *"11% of Canadians are at substantial risk of significant financial hardship from high prescription drug expenses paid out of their own pockets".* Six hundred thousand Canadians had no prescription drug insurance at all.

Which Canadians are at risk?

Certain groups of Canadians are potentially vulnerable to high drug costs. People who need drugs that are taken at home are not automatically covered by the public health system. Half of all new cancer drugs, for example, are taken orally and cost between $6,000 and $70,000 a year. Even for patients with private insurance, a typical 20% co-payment can easily amount to thousands of dollars.

Other Canadians are at risk because of their ability to pay. Those living with a serious medical condition are unlikely to find affordable insurance and many have reduced incomes because of their disease. Seniors, the self-employed, people working in part-time or seasonal jobs, and the unemployed are particularly at risk (Millar, 1999).

Which provinces provide catastrophic coverage?

There is no consistency or national standard of coverage by the public drug plans sponsored by the provinces, territories and federal government.

The following table shows a comparison of eligibility for catastrophic drug coverage and assigns a rating based on the proportion of the population covered. The cost burden is also compared by calculating the out-of-pocket expenditure for a high-cost drug for an average family. Canadians need a catastrophic drug program because the high costs of drugs, particularly specialized therapies, have grown beyond the financial reach of individual families.

Table 1: Public catastrophic coverage across Canada

	Eligibility		Cost Burden	
	Universal	Eligibility Rating	Cost of $20,000 Drug Expense	Cost Burden Rating
BC	Yes	◆	$0 cancer; $3,056 non-cancer	◉
AB	Yes	◆	$0 cancer; $792 non-cancer	●
SK	Yes	◆	$0 cancer; $8,689 non-cancer	◉
MB	Yes	◆	$3,121	◉
ON	Yes	◆	$2,855	◉
QC	Yes	◆	$1,497	●
NB	No	◇	$20,000	○
PE	No	◈	$20,000	○
NS	Yes	◆	$11,077	○
NL	Yes	◆	$7,640	◉
YK	No	◈	$250*	●
NT	No	◈	$0*	●
NU	No	◈	$20,000	○
Federal	No	◆	$0	●

Legend for ratings:

Eligibility	**Cost Burden as percentage of $20,000 drug paid out-of-pocket.**	
◆ = universal; ◈ = seniors & low income and/or chronic diseases; ◇ = low income seniors and social assistance only.	● = < 10%; ◉ = 10-50%; ○ = > 50%.	*Cost calculations based on a median family income ($76,400), a dependent spouse and two children.*

** Assumes that the drug is required for one of the many chronic diseases specified for coverage.*

The Campaign to Control Cancer believes that these inequities are not just. Canadians should have access to high-cost drugs needed to treat severe illnesses regardless of where they live and their ability to pay. A national catastrophic drug program would remove many of these disparities.

The coming tsunami of high-cost drugs

The need for catastrophic drug coverage has become urgent as a wave of new and expensive targeted therapies puts growing pressure on drug budgets across the country. Biotechnology and oncology drugs are growing two to three times as fast as overall drug costs (IMSHealth, 2008) and this trend is expected to accelerate in the future.

2. Principles and Practices for a Catastrophic Drug Program

Although it is clear that a national catastrophic drug coverage plan is needed, its implementation offers challenges in program design and cost control. The following issues illustrate the complexities involved and point towards potential solutions.

Principles

The following principles, developed by the Health Charities Coalition of Canada in its position statement on the National Pharmaceuticals Strategy (NPS)[1], are aligned with those of the federal NPS and of many health professional and patient groups. These may provide guidance in addressing some of the challenges inherent in implementing a catastrophic drug plan, as outlined below.

Transparency
Inclusiveness
Accountability
Affordability
Equity
Evidence-based

Challenges

- **Balancing access and affordability.**
  A catastrophic drug plan must be affordable not only to patients but to payers. Effective intermediary processes such as drug evaluation systems linked to clinical guidelines must be in place (Deber, 2008).
- **Pharmaceutical management systems to control costs.**
  Canada already has instituted the core building blocks to control costs and promote equity. The National Prescription Drug Utilization Information System, the Canadian Optimal Medication Prescribing and Utilization Service, the Common Drug Review and the Joint Oncology Drug Review are now in place. The Canadian Partnership Against Cancer has begun developing national clinical guidelines that will improve appropriate prescribing of cancer drugs and provide consistency across the country.
- **Drug prices.**
  Prices of new targeted pharmaceutical products are often several fold higher than those of the older drugs they replace, for reasons outlined earlier in this report. Higher prices for new drugs accounts for about half of the growth in drug costs (the other half is due to increased utilization). Strategies to increase value, such as negotiation of bulk purchasing discounts, could be complemented by imaginative approaches implemented in other countries, such as “pay for performance” or working collaboratively to take costs out of the drug development process.

[1] http://www.healthcharities.ca/position_statements.html

- **Defining "reasonable" coverage.**
  As yet, there is no gold standard of coverage, however portraying the fairness of drug coverage in terms of income is consistent with economic notions of financial equity in healthcare (Wagstaff, 2000) and with recent provincial trends toward income-based pharmacare. The Standing Senate Committee on Social Affairs, Science and Technology (2002) suggested that no Canadian should be obliged to pay out-of-pocket prescription drug expenses that exceed three per cent of family income. Although this figure can be used as a working standard of coverage, it should also be remembered that disincentives for adherence to drug therapy are created by deductibles of any kind (Morgan, 2004).

- **Who pays?**
  It is reasonable to expect that the additional expense of mounting a catastrophic drug program would be shared among Canadians. The Canadian people already have shown their willingness to share costs to achieve universality, affordability and equity. In Quebec, for example, prescription drug insurance is mandatory and all residents pay a premium to achieve universal coverage. Public drug plans are now moving towards universal, income-based systems, the costs of which are shared by all residents. Although it is clear that a national catastrophic drug coverage plan is needed; its implementation offers challenges in program design and cost control. The following issues illustrate the complexities involved and point towards potential solutions.

3. Action Is Needed Now

Canadians have waited more than two years since the promised implementation of a national catastrophic drug program. Politically, support is aligned and expectations are set. Canada is ready. The government that turns this promise into a reality will set a milestone in Canadian health policy.

Canadians are aware that a catastrophic drug program is overdue. A July 2008 Globe and Mail column decried government's inaction:

> *"In the 2003 federal-provincial health accord, Canadians were promised a National Pharmaceuticals Strategy, one whose cornerstone is a plan to protect Canadians against catastrophic drug costs. Five years later, the NPS remains a good idea mired in a bureaucratic bog, and millions of Canadians are suffering unnecessarily - financially, physically and emotionally - as a result..." (Picard, 2008)*

The Health Council of Canada weighed in with its own criticism (Health Council of Canada, June 2008), as did the Canadian Policy Research Networks in April (MacAdam, 2008) The latter also noted strong endorsement across the country for a catastrophic drug plan.

Indeed, support is widespread and active. The Canadian Health Coalition raised public awareness in late 2007 through a series of cross-country public meetings which received broad news media coverage. Major health charities such as the Canadian Cancer Society, the Canadian Diabetes Association and the Multiple Sclerosis Society of Canada have actively advocated for a catastrophic drug coverage program.

All major political parties are on record as supporting catastrophic drug coverage.

Our Proposal

The Campaign to Control Cancer further supports the recommendations proposed by the Standing Senate Committee on Social Affairs, Science and Technology of October 2002. These are briefly outlined below and presented in detail in Appendix A.

Specifically, the federal government should establish a catastrophic drug program and funding should be contingent on implementation of the program by the provinces and territories within their existing public and private systems of drug coverage.

Standing Committee's Proposal for a Catastrophic Prescription Drug Insurance Plan

The Committee's proposal calls for the federal government to take over responsibility for 90% of prescription drug expenses that exceed a certain limit that qualifies them as "catastrophic."

For all eligible plans, the federal government would agree to pay:

	Federal Government	Provincial / Territorial plan or a private supplementary plan.
For Individuals for whom the combined total of their out-of-pocket expenses and the contribution that a province/territory incurs on their behalf exceeds $5000 in a single year	90% of all prescription drug expenses over $5,000.	10% of all prescription drug expenses over $5,000.
For Individual private supplementary prescription drug insurance plan members for whom the combined total of their out-of-pocket expenses and the contribution that the private insurance plan incurs on their behalf exceeds $5,000 in a single year.	90% of prescription drug expenses in excess of $5,000	10% of all prescription drug expenses over $5,000.

In order to be eligible to participate in this federal program:

- *Provinces/territories would have to put in place a program that would ensure that no family of the province/territory would be obliged to pay more than 3% of family income for prescription drugs;*
- *Sponsors of existing private supplementary drug insurance plans would have to guarantee that no individual plan member would be obliged to incur out-of-pocket expenses that exceed $1,500 per year; this would cap each individual plan member's out-of-pocket costs at either 3% of family income or $1,500, whichever is less.*

The Campaign to Control Cancer requests the following steps be taken:

- *Commitment by F/P/T governments to move forward on a Catastrophic Drug Coverage. This would include publication of milestones and a date of completion to which governments would be held accountable.*
- *Inclusion in the platform of each federal and provincial/territorial party an explanation of how Catastrophic Drug Coverage would be implemented.*
- *Engagement with the patient advocacy community and other stakeholders in the development of a Catastrophic Drug Coverage plan.*

It is of critical importance that Canada's political leaders take action now to ensure that:

> *"... no one will be denied access to necessary, very high-cost drugs based on where they live, or their ability to pay. No Canadian should suffer undue financial hardship for needed drug therapy." (Health Accord 2003)*

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Appendix A

Proposed Model for a Catastrophic Drug Coverage Program

The Standing Senate Committee on Social Affairs, Science and Technology proposed the following model for catastrophic drug coverage in Canada. The notes below are drawn from Chapter 7 of the Committee's October 2002 report.

Goals

The goal of the plan is that no Canadian individual or family is exposed to undue financial hardship as a result of having to pay all, or even a significant fraction, of the costs of extremely expensive and/or prolonged prescription drug treatments. This is entirely consistent with the basic public policy objectives underpinning the system of public health care insurance in Canada.

Approach

The Committee's proposed plan builds on, rather than replaces, Canada's extensive current systems of provincial prescription drug coverage and private supplementary drug insurance plans. The plan depends on the injection of new federal money into expanding available coverage in ways that will protect Canadians against undue financial hardship resulting from severe or catastrophic prescription drug expenses.

Framework

Specifically, the Committee's proposal calls for the federal government to take over responsibility for 90% of prescription drug expenses that exceed a certain limit that qualifies them as "catastrophic." The federal government should establish criteria and conditions that private and provincial/territorial public plans would have to meet to be eligible to receive this federal assistance.

In order to ensure uniformity of coverage throughout the country, and in order to be able to control which drugs are eligible to be covered under this program, it will also be necessary to establish a national drug formulary.

How the plan would work for beneficiaries of provincial/territory plans

To qualify for federal assistance, provinces/territories would have to put in place a program that would ensure that residents of the province/territory would never be obliged to pay out-of-pocket more than 3% of their family income for prescription drugs.

The federal government would agree to pay 90% of prescription drug expenditures in excess of $5,000 per year (combined total of individual out-of-pocket expense and provincial plan coverage).

The participating provincial/territorial governments would have to pay 10% of the cost that exceeded $5,000. The province/territory would also have to cover any shortfall arising from capping beneficiaries' out-of-pocket expenses at 3% of household income.

How the plan would work for beneficiaries of private insurance plans

To qualify for federal assistance, sponsors of private supplementary prescription drug insurance plans would have to guarantee that no individual plan member would be obliged to incur out-of-pocket expenses that exceed $1,500 per year. (These expenses would be a combination of premium or deductible, plus any co-payment amounts.)

For plans that meet this criterion, the federal government would then agree to pay 90% of prescription drug costs in excess of $5,000 for individual plan members whose total prescription drug costs exceed $5,000 per year, with the plan paying the remaining 10%. Thus, each individual plan member's out-of-pocket costs would be capped at either 3% of family income or $1,500, whichever is less. Private supplementary drug plans would retain responsibility for drug expenses up to $5,000.

Benefits for patients

The net result of this new program would be that no one would ever be obliged to pay more than 3% of their family income for prescription drugs. Those who are members of a private plan that participates in the federal program would never pay more than $1,500 or 3% of their family income for prescription drugs, whichever is lower.

Benefits for provinces/territories

For the provinces and territories, the Committee's plan is structured so that the federal government provides financial assistance for some coverage that all provinces / territories already offer, such as paying the costs of catastrophic prescription drug expenses of seniors and people on social assistance. The federal contribution would therefore free up provincial money and enable provinces to pay for whatever improvements to provincial prescription drug plans are required to put in place the guarantee that no resident incurs out-of-pocket costs in excess of 3% of his/her income.

Furthermore, it shifts the onus from the provinces to the federal government to deal with the increasing incidence of very high (catastrophic) drug costs attributable to escalation in the cost of drugs themselves and the introduction of new, more sophisticated, and particularly expensive drug therapies.

Benefits for private insurers

The Committee's proposal would also help ensure the long-term sustainability of private supplementary drug insurance plans for those that agree to cap their members' out-of-pocket expenses at $1,500 per year. It would remove the spectre of extreme volatility in plan costs due to catastrophic drug expenses. Moreover, potential plan sponsors who have hesitated to adopt supplementary prescription drug benefit plans in the past out of fear of potentially facing catastrophic drug costs may now be more inclined to introduce them. This is particularly important for small and new businesses, enabling them to offer more competitive benefits packages to prospective employees than would otherwise be possible.

How much would the plan cost?

It is estimated that implementing this federal initiative to protect all Canadians against catastrophic prescription drug costs would cost approximately $500 million per year.

Which drugs would be covered?

In order to implement its plan to protect Canadian individuals and families from catastrophic prescription drug costs in a uniform and equitable manner across the country, it will be necessary to establish a national drug formulary.

The establishment of a national drug formulary could lead the way to the creation of a single national buying agency – one that covers all provincial/territorial/federal jurisdictions. The substantial buying power of such an agency would strengthen the ability of public prescription drug insurance plans to negotiate the lowest possible purchase prices from drug companies.

Given the plan to protect Canadians against catastrophic prescription drug costs, a national drug formulary would mean that all Canadians would receive comparable coverage and access to drugs regardless of where they lived.

It would also enable the funders of the program to exercise control over which drugs were eligible for coverage. The Committee believes that, since the federal government will be funding 90% of the cost, it is essential that the federal government be at the table when these decisions are made. Moreover, given the potential for exponential growth in the costs of new drug therapies, the funders of the program will have to agree jointly which drugs are covered under the plan.

Example of coverage by province/territory

The following table illustrates the breakdown of payments by individuals, public drug plans and the federal government. The same scenario is used as earlier in this paper: a $20,000 annual drug cost for a (non-cancer) drug incurred by an individual in a family earning the average Canadian household income of $76,400 and who is not insured privately.

Calculation:

- *drug cost = $20,000*
- *3% of average family net income of $76,400 = $2,292*
- *federal share = 90% of expenses > $5,000 = 90% of $15,000 = $13,500*
- *province or private insurer share = total cost – fed share – patient share = $20,000 - $13,500 - patient payment*

Catastrophic Drug Plan Allocation of $20,000 Drug Expense

	Current Plan		***Catastrophic Plan***			***Difference from Current Plan*** *(bracket indicates savings)*		
	Patient	**Prov/Terr**	**Patient**	**Prov/Terr**	**Federal**	**Patient**	**Prov/Terr**	**Federal**
BC	$3,056	$16,944	$2,292 (3%)	$4,208	$13,500	($764)	($12,736)	$13,500
AB	$792	$19,208	$792 (premium)	$5,708	$13,500	$0	($13,500)	$13,500
SK	$8,689	$11,311	$2,292 (3%)	$4,208	$13,500	($6,397)	($7,103)	$13,500
MB	$3,121	$16,879	$2,292 (3%)	$4,208	$13,500	($829)	($12,671)	$13,500
ON	$2,855	$17,145	$2,292 (3%)	$4,208	$13,500	($563)	($12,937)	$13,500
QC	$1,497	$18,503	$1,497 (premium)	$5,003	$13,500	$0	($13,500)	$13,500
NB	$20,000	$0	$2,292 (3%)	$4,208	$13,500	($17,708)	$4,208	$13,500
PE	$20,000	$0	$2,292 (3%)	$4,208	$13,500	($17,708)	$4,208	$13,500
NS	$11,077	$8,923	$2,292 (3%)	$4,208	$13,500	($8,785)	($4,715)	$13,500
NL	$7,640	$12,360	$2,292 (3%)	$4,208	$13,500	($5,348)	($8,152)	$13,500
YK	$250	$19,750	$250 (deduct.)	$6,250	$13,500	$0	($13,500)	$13,500
NT	$0	$20,000	$0	$6,500	$13,500	$0	($13,500)	$13,500
NU	$20,000	$0	$0	$6,500	$13,500	$0	($13,500)	$13,500
Fed Plan	$0	$20,000	$0	$6,500	$13,500	$0	($13,500)	$13,500