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Today, actuaries play an important role in insurance organizations and governments, providing advice on everything from adequacy of reserves and risk assessment to stress testing related to future financial conditions. One of their main skills is to help assess and analyse complex financial problems involving multiple risks and uncertainties. As a result, they can provide important insights into key public and social challenges. One of these key public debates currently is the potential merit of a national pharmacare plan (NPP). It is not the role of the actuarial profession to advocate for any particular position on the merit or not of such a program, the extent of coverage, or the mix of public and private involvement. Rather, the Canadian Institute of Actuaries wants to ensure that the cost and funding implications of any potential plan design are fully understood by decision-makers. We believe it is timely to present a viewpoint that reflects our unique perspectives in this important public reflection.

**THE QUESTION ABOUT A NATIONAL PHARMACARE PLAN: IS THE PILL TOO HARD TO SWALLOW?**

A quick review of recent articles and studies on the topic suggests that significant savings could be achieved, drug coverage could be more comprehensive, and access to new drugs could be enhanced. So what are we waiting for? There are many important variables to take into consideration, which is what continues to fuel the debate. In reality, it all comes down to cost and design.

Drawing on our actuarial expertise, the Canadian Institute of Actuaries recommends the following:

## Public Position on a National Pharmacare Plan



1. Before a decision is made with respect to an NPP, the expected cost of the program should be assessed, considering alternative designs, and tested under a variety of scenarios.
  2. Funding approaches should also be considered and tested under various scenarios.
  3. The cost of the program should be reviewed at least every five years and every time a significant change to the program is being considered.
  4. The population to be covered (all citizens or a qualifying subset);
  5. The plan coverage (comprehensiveness of drug formulary, review process, including criteria, to add and delete drugs, etc.);
  6. The funding model (tax based, contributions from employers and individuals, copayments by individuals, income-testing provisions, etc.);
  7. The type of administration (single payer, private, and public, etc.);
  8. The clinical and economic decision process for the addition of new drugs (reference pricing by disease, maximum cost per patient per year, etc.); and
- Additionally, the design details for the NPP should be considered and identified up front. Key considerations should include the following:
1. The objectives of the NPP (access to drugs or manageable cost);



7. The entity responsible for negotiation of drug pricing (government only, or including private insurers).

While there have been several positions taken on the merit or the risk associated with the creation of an NPP, broader reflection and analysis needs to take place before reaching any conclusion. In addition, to ensure the long-term sustainability of such a program, any proposal should be evaluated in the context of other aspects of healthcare in Canada such as the following:

1. Growing cost pressures, especially on provincial healthcare budgets for covering existing services;
2. The continuing transition from acute to chronic care needs, with implications for expanded long-term care and mental health services; and
3. Future cost trend of drugs, especially biologic and rare disease drugs.

The merit of extensive upfront analytical work will be in ensuring the best decision about whether or not to proceed. If the decision is to implement an NPP, the upfront analysis will have laid the groundwork for the development of a long-term sustainable solution. This observation is evidenced by the fact that in the past, several government-sponsored programs originally designed to provide broad coverage have over time resorted to rationing or removal of covered services to ensure manageable cost increases. In the case of private insurance programs, there has been a tendency to pass through costs to plan sponsors and beneficiaries with similar reductions in coverage over time.

In an environment where many factors can influence the success of a program, the Canadian Institute of Actuaries strongly believes that if an NPP is to be implemented, its sustainability will depend on an objective and comprehensive assessment of the future cost and design of such a program. This assessment should take place before a final decision is made on the merit of such a program.

Actuaries are well positioned to help enhance the depth of the public debate on the merit of a national pharmacare plan for Canadians by replacing opinions with facts. Only then will decision-makers be able to determine whether or not the pill is too hard to swallow.

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**Disclaimer:** This public position does not necessarily represent the views of all members of the CIA.