

## Patience For Now: No Universal Pharmacare Just Yet

- Finance Minister Morneau and Health Minister Petitpas Taylor released an interim report of the Advisory Council on the Implementation of National Pharmacare. The Council, chaired by former Ontario Minister of Health Dr. Eric Hoskins, was tasked in Budget 2018 with exploring options for a national pharmacare program to improve the accessibility and affordability of prescription drugs in Canada. Today's report sheds little light on what this might look like.

### NOTHING ON THE TABLE YET

The interim report calls for a "robust pharmaceutical management system that promotes safety, innovation, value-for-money and the sustainability of prescription drug costs." Nothing is *off* the table in terms of options at this stage, according to Dr. Hoskins. They call for the establishment of a national drug agency, but otherwise, nothing is *on* the table at this stage.

### A COSTLY PROPOSITION

Health care costs are rising across the country as the population ages. The report says annual prescription drug spending will continue to grow rapidly to more than \$50 billion by 2028 from \$34 billion in 2018. Consumers, for the most part, bear the brunt of these costs. A universal approach could provide aggregate cost savings to Canadians in the order of \$4 billion per year according to Parliamentary Budget Office (PBO) estimates (in a [2017 report](#)), with savings from factors such as a stronger government bargaining position on drug prices and generic drug substitution.

However, the fiscal burden would shift to governments. Universal coverage would be expensive in any format. The PBO estimated that the net cost of a comprehensive national pharmacare would run in the order of \$20 billion per year even after savings.

### WHO CAN PAY?

Provincial governments are facing fiscal challenges. Many are taking necessary, but difficult, steps to consolidate their balance sheets against a backdrop of waning growth. In this context, the interim report notes inconsistencies in access to prescription drug coverage across jurisdictions and populations as a key near-term challenge.

The federal government has a more comfortable fiscal position heading into Budget 2019 despite headwinds from waning growth. But the magnitude, complexity, and permanency of the spend will require sober thought including creative (and circumscribed) funding arrangements across government jurisdictions, private players, and consumers.

No party alone can bear the full fiscal cost of a universal pharmacare plan.

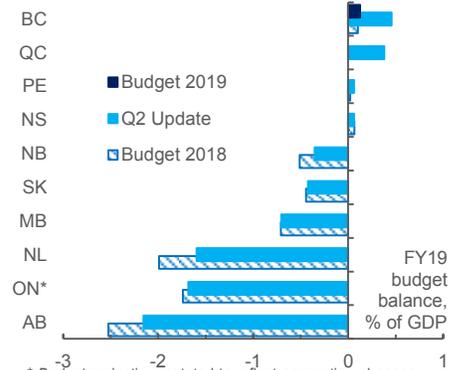
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Chart 1

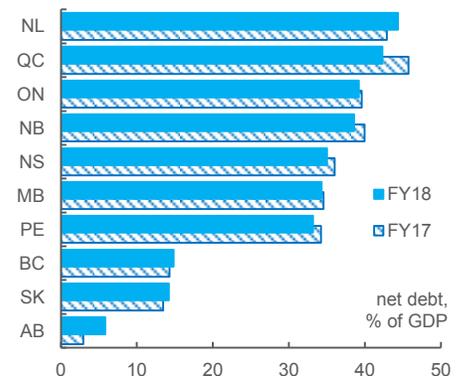
### Accelerated Fiscal Repair



\* Budget projection restated to reflect accounting changes from Province's Independent Financial Commission of Inquiry. Sources: Scotiabank Economics, Budget Documents.

Chart 2

### Provincial Debt Burdens



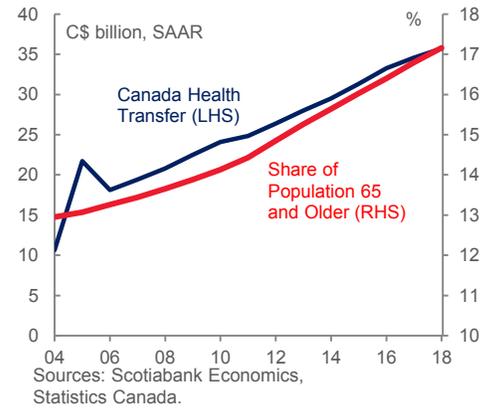
Sources: Scotiabank Economics, Budget Documents, Fiscal Reference Tables (Department of Finance Canada).

**WHAT TO EXPECT IN BUDGET 2019**

It would be premature to commit financing to a universal pharmacare plan in the upcoming federal budget absent a fulsome debate to inform its format and cost-sharing arrangements. Furthermore, it would put a substantial dent in the federal government’s fiscal forecasts while providing no immediate benefit to the consumer.

The government could announce the creation of a national drug agency with a national formulary in Budget 2019. It would be consistent with a government intent on driving data-driven, evidence-based decisions and would signal its commitment to the broader objectives of a universal pharmacare plan ahead of looming elections.

**Chart 3**  
**Health Care Costs Rise as Population Ages**



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