

Drug coverage in Canada

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The Canada Health Act, a framework to the Canadian Health System, covers medically necessary hospital, physician and limited long-term services but not prescription medications (Dewa, Hotch, & Steele, 2005). Countries similar to Canada in terms of the economy like Australia, Netherlands, New Zealand, Norway, Sweden, Switzerland and the United Kingdom have universal coverage of prescription medications while Canada does not provide such coverage (Squires, 2011). Prescription medications in Canada are paid for by the government drug plans, employer/ private insurance plans, and/or out-of-pocket as described here:

(a) *Federal drug benefit programs*: The federal government provides coverage to certain Canadians who are members of the eligible groups. Eligible groups include First Nations and Inuit, members of Canadian Armed forces, qualified veterans by Veteran Affairs Canada, and members of the Royal Canadian Mounted Police. These plans cover around one million individuals across Canada (Government of Canada, 2017).

(b) *Provincial drug benefit plans*: All provinces provide drug benefits to their eligible and uninsured residents for the eligible drugs. Overall, there are more than 100 public drug plans in Canada that fund around 42% of total pharmaceutical costs (Brandt, Shearer, & Morgan, 2018). To partially cover the cost for medications, all provinces use a combination of cost-sharing mechanisms such as premiums, copayments, co-insurance and deductibles. These terms are described in Table 1 (Demers et al., 2008).

Table 1. Types of out-of-pocket costs

<i>Deductible</i>	A deductible is a fixed amount or a percentage of income that must be paid by the beneficiary before the insurer pays the premium.
<i>Copayment</i>	A copayment is a flat fee and constitutes a portion of the prescription cost that is not compensated by the insurer but must be borne by the beneficiary/insured person
<i>Co-insurance</i>	Co-insurance is the share (a percentage) of the prescription costs that beneficiaries pay directly at the point of service.
<i>Premium</i>	A premium is defined as a fixed amount that an insured person or a beneficiary must pay to be eligible for the insurance program
<i>Dispensing fee</i>	Dispensing fee is a professional fee a pharmacy charges every time a prescription is filled.

The amount of out-of-pocket costs shared by individual Canadians vary by *age, medication costs, and income level*. It is to be noted that all provinces have different thresholds to define low-income and catastrophic drug costs, which results in different out-of-pocket costs paid by residents with similar age, income, and medication cost burden. Overall, deductibles are the most common form of cost-sharing mechanism across different provincial drug benefit plans and include annual amounts that patients pay for prescriptions before their provincial health

insurance begins to pay for covered/eligible services. Individuals pay co-insurance and copayments after they have paid deductible each time a prescription is filled. Most of the provincial drug plans also involve a dispensing fee which is usually paid by the individual, and is calculated depending on various factors, such as type of pharmacy, distance to pharmacy, type of services a pharmacist is providing, provincial policies, type of drugs, complexity of regimen etc. It usually ranges between \$6 to \$18 (with some exceptions) and charged every time a prescription is filled (Patented Medicines Pricing Review Board of Canada, 2018). Table 2 describes various provincial drug benefit programs, their names, the eligible groups and the cost-sharing mechanisms.

- All provinces have different plans for older adults (65 years or more) and those under 65 except Manitoba and British Columbia. Manitoba provides income-based coverage to individuals who are uninsured and bear substantial medication costs, regardless of age. British Columbia offers voluntary coverage to all British Columbia residents and poses income-based deductibles and co-insurance, regardless of age.
- Older adults with low-income receive full coverage in Quebec and have low or no cost-sharing regardless of medication cost burden except in Manitoba and British Columbia. They pay lower out-of-pocket costs for their prescription medications than seniors with high-income in Ontario, Saskatchewan, New Brunswick, and New Foundland and Labrador. There is no difference in cost-sharing between older adults with high and low-income in Alberta, Nova Scotia, and Prince-Edward-Island.
- Older adults with high-income pay the lowest out-of-pocket costs in Prince-Edward-Island, Alberta, and Saskatchewan, and highest in Quebec, followed by Manitoba, British Columbia, Nova Scotia, New Brunswick, Newfoundland & Labrador and Ontario.
- Individual with high-income, unless they have catastrophic drug costs, do not receive any provincial drug benefits except in British Columbia and Alberta, which provide voluntary drug coverage with cost-sharing based on income.
- Individuals with low-income can receive provincial drug benefits with income-based cost-sharing regardless of medication costs in five provinces - British Columbia, Quebec, Alberta, New Brunswick, Prince-Edward-Island. In other provinces- Ontario, Manitoba, Saskatchewan, Nova Scotia, Newfoundland and Labrador, they are eligible for provincial drug benefits only if they have catastrophic drug costs.
- Social or income assistance recipients enrolled under special programs receive full coverage in British Columbia, New Brunswick, Newfoundland and Labrador, Prince Edward Island and Saskatchewan. In other provinces, they pay lower amounts for their prescription medications than older adults and non-recipient of social assistance. Ontario has the lowest out-of-pocket costs for social assistance recipients. Ontario is followed by Nova Scotia and Quebec. Manitoba and Alberta have higher cost-sharing for social assistance /welfare recipients.
- Certain groups of people receive full coverage, also called as first-dollar coverage, based on their disease status. Some common diseases for which full coverage is provided include cystic fibrosis, cancer, organ transplant, HIV-AIDS, special needs children, schizophrenia, thalassemia, chronic renal disease, psoriatic arthritis, rheumatoid arthritis, and age-related macular degeneration.

(c) *Private health insurance*: The private plans are mostly provided by employers or purchased as supplementary or complementary insurance. Supplementary insurance includes coverage for additional health services that are not publicly covered. In contrast, the complementary health insurance complements coverage of government/social insured services by covering all or part of the extra costs not reimbursed otherwise (such as copayments) (Organization for Economic and Cooperative Development, OECD, 2019). Some of these private plans also provide family coverage. There are more than 100,000 private drug plans in Canada that cover approximately 60% of total Canadians and constitute around 36% of total spending on prescription drugs (Brandt et al., 2018).

(d) *Out-of-pocket*: These include the direct costs paid by the individuals in the form of premiums, deductibles, copayments, co-insurance, pharmacy dispensing fees and cash. National estimates suggest that 22% of total drug expenditures in Canada are out-of-pocket (Canadian Institute of Health Information, CIHI, 2018).

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