

OPINION: PHARMACARE

A universal pharmacare plan that saves billions

Imagine a plan to provide all Canadians with prescription drug coverage.

By MICHAEL MCBANE

OTTAWA—Imagine a plan to provide all Canadians with prescription drug coverage. Imagine such a plan would cost Canadians billions less than we are currently spending on prescription drugs. Finally, imagine a federal government that actually believed in medicare and in expanding it to include prescription drugs. Well, two out of three is a good start.

Last week the Canadian Centre for Policy Alternatives and l'Institut de recherche et d'informations socio-économiques released a groundbreaking study showing that a national drug insurance plan could save Canadians up to \$10.7-billion a year.

Prof. Marc-André Gagnon's study, *The Economic Case for Universal Pharmacare*, finds Canadians could save between 10 per cent and 42 per cent—up to \$10.7-billion—of total drug expenditures. And it shows current federal pharmaceutical policies are a total failure: many Canadians do not have equitable access to medicines; Canada is

the world's third most expensive country for brand-name drugs; the cost of artificially high prices for new brand-name drugs far exceeds any benefits; and the whole system is unsustainable because we currently cannot control the growth of drug costs.

Current federal policies deliberately inflate drug prices in order to attract jobs in the pharmaceutical industry and R&D spending. The study shows that the cost of these policies far exceeds the benefits to Canadians from having a domestic pharmaceutical industry. After he left office, Brian Mulroney was awarded a gold medal by the brand-name drug industry in recognition of this multi-billion-dollar benefit to them.

The so-called "innovative" pharmaceutical industry in Canada claims that its investment in research and development justifies high drug prices for new drugs. But the fact is, a whopping 59 per cent of the gross expenditures of patented drug companies on pharmaceutical R&D in Canada are tax subsidies and come indirectly from the public purse. The brand-name drug industry in Canada spends three times more

money on marketing and promotion than it does on R&D. In Canada, the R&D-to-sales ratio is a pathetic 7.5 per cent. France's R&D-to-sales ratio is twice that of Canada and their prices are at least 10 per cent lower.

As the Gagnon Report says, Canada's health research and innovation strategy is irrational: it is organized around large public subsidies for private sector R&D, but net company R&D funding is marginal.

In light of these important findings, it is time to change our failed industrial policies. It is not credible for the Harper government to claim that prescription drugs are a provincial responsibility. The federal government has extensive and exclusive responsibilities for pharmaceuticals including: drug safety, drug approvals, drug advertising, drug pricing, and drug patents. Further, it administers six drug insurance plans (First Nations and Inuit, RCMP, military, veterans, prisons, and public servants).

The federal government's industrial policy results in: (a) artificially inflated prices for new drugs through the Patented Medicines Prices Review Board; (b) regula-



Photograph by Jake Wright, *The Hill Times*

Healthcare talk: Federal Health Minister Leona Aglukklaq, pictured with Conservative MP Royal Galipeau on Parliament Hill.

tions that further delay access to cheaper generic drugs; (c) negotiations with the European Union for a further extension of patent monopolies for brand-name drugs; (d) systematic violations of the prohibitions on direct-to-consumer advertising of prescription drugs, resulting in false advertising and higher sales of higher-priced versions of existing medicines. Finally, if all this isn't bad enough, Ottawa then offloads about 96 per cent of the resulting excessively high drug bills onto provinces, territories, employers and the sick.

The Gagnon Report puts a price tag on how much waste, public subsidies, and profiteering in the pharmaceutical industry is costing Canadian taxpayers and consumers. The report documents the failed federal industrial policies as well as the disastrous health policy consequences. At least eight million Canadians are suffering as a result of federal pharmaceutical policy because

they are denied access to affordable prescription drugs.

The report's conclusion is that Canadians cannot afford not to have universal pharmacare because it will save money and cover everyone in the country, regardless of where they live or work.

You can't claim, as the Fraser Institute does, to be concerned about rising healthcare expenditures and then let the 800-pound gorilla in the healthcare system (the pharmaceutical industry) do whatever it wants.

It's time for the federal government to change an industrial policy that is an economic failure, and that causes so much pain and suffering.

Read the study, *The Economic Case for Pharmacare*, at www.PharmacareNow.ca. It is a game changer.

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