



Renewing Health Care FOR PATIENTS

Update on Pharmacare Pressures

September 18th, 2002

Honourable Colin Hansen
Minister of Health Services



Renewing Health Care FOR PATIENTS

What is Pharmacare?

- ➔ Subsidizes prescription drugs and designated medical supplies for BC residents.
- ➔ Not governed by the Canada Health Act; Federal government does not contribute.
- ➔ Started 1974; now costs over \$700M per year.
- ➔ Most generous province in Canada – covers 53% of drug costs compared to Canadian average of 43%



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Cross-Canada Drug Plan Coverage: Public Portion

BC	53%
Quebec	48%
Manitoba	45%
Saskatchewan	45%
Newfoundland	43%
Canadian Average	43%

Alberta	39%
Ontario	39%
Nova Scotia	37%
New Brunswick	28%
Prince Edward Island	27%



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Who's covered?

- ➔ Seniors
- ➔ Income assistance families
- ➔ Long-term care patients
- ➔ Chronic disease patients -cystic fibrosis, HIV-Aids, mental health patients
- ➔ All non-senior families are insured against "catastrophic" drug bills of over \$2,000 per year



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Why Pharmacare

- ➔ Since the start of Medicare, the role of drug therapy has substantially increased and the number of drugs available has increased manyfold
- ➔ For many diseases, drugs have reduced the need for acute care and hospitalization (e.g. ulcer surgery, hospitalization for pneumonia)



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How does it work?

- ➔ Drugs: listing subject to scientific review and cost-benefit analysis

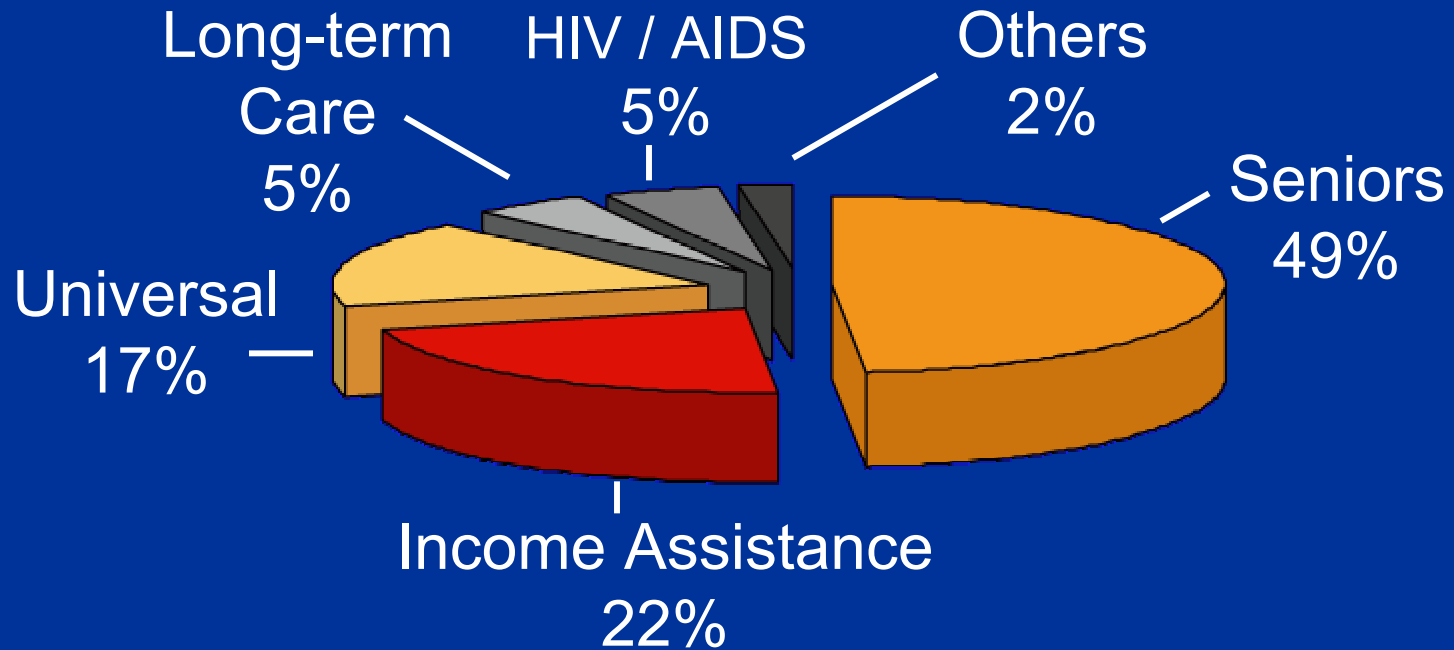
Benefits/Subsidies

- ➔ Step 1: Deductible (like an insurance policy)
- ➔ Step 2: Co-payment (patient pays part of Rx cost)
- ➔ Step 3: Ceiling (maximum a patient would pay per year)



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Pharmacare's Plans (2001/02)





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Pharmacare not sustainable without changes

➔ **Rising Costs**

- Fastest growing part of health care costs
- Crowding out ability to list new drugs and also other vital health services

➔ **Growing Unfairness / Inequalities between groups**



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What do costs depend on?

- ⇒ Drug prices
- ⇒ Number of drugs listed (some new drugs very expensive)
- ⇒ Number of prescriptions (Rx) per person
- ⇒ Aging population – multiple impacts:
 - There are more seniors;
 - They're living longer;
 - They have more chronic illness
 - They need more drugs.



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Pharmacare Growth 1990's

Total Spending 147%

Cost per Rx 63%

Number of Rx 51%

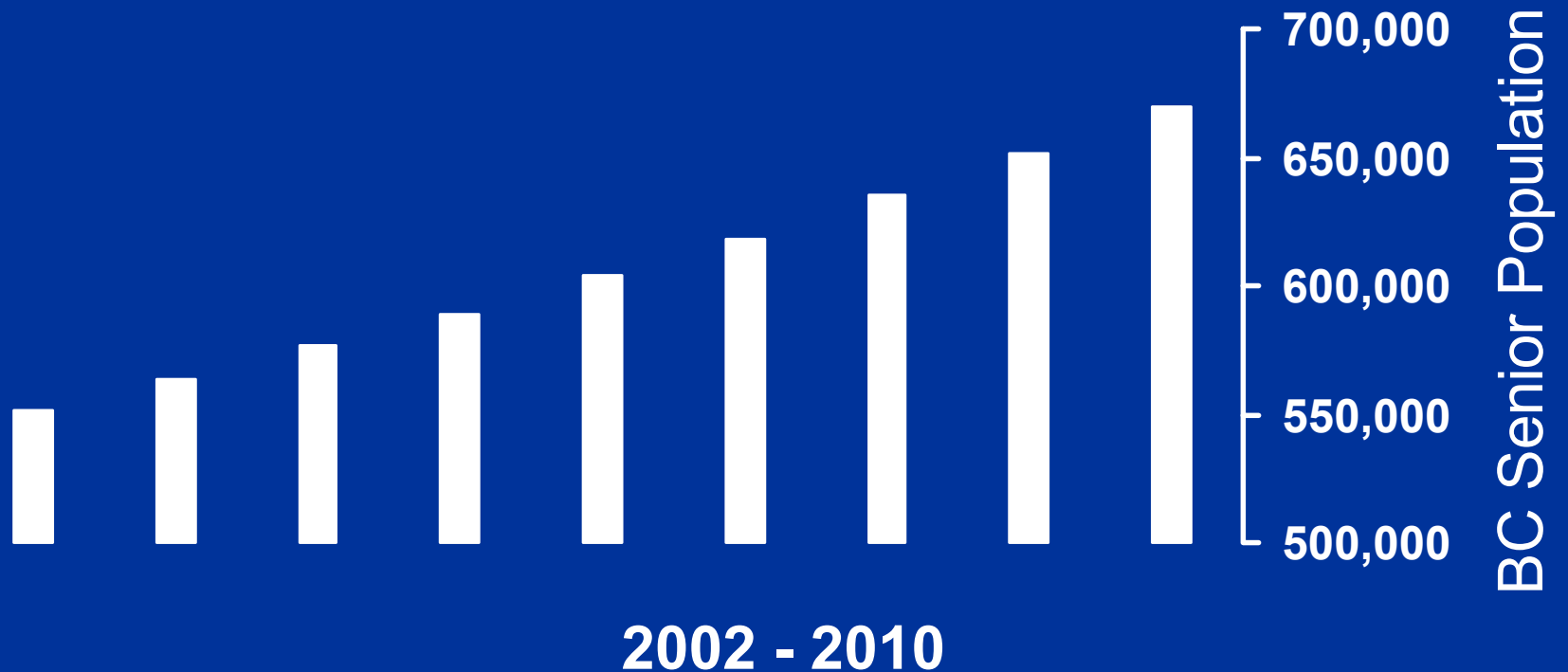
Beneficiaries 40%

BC Population 18%



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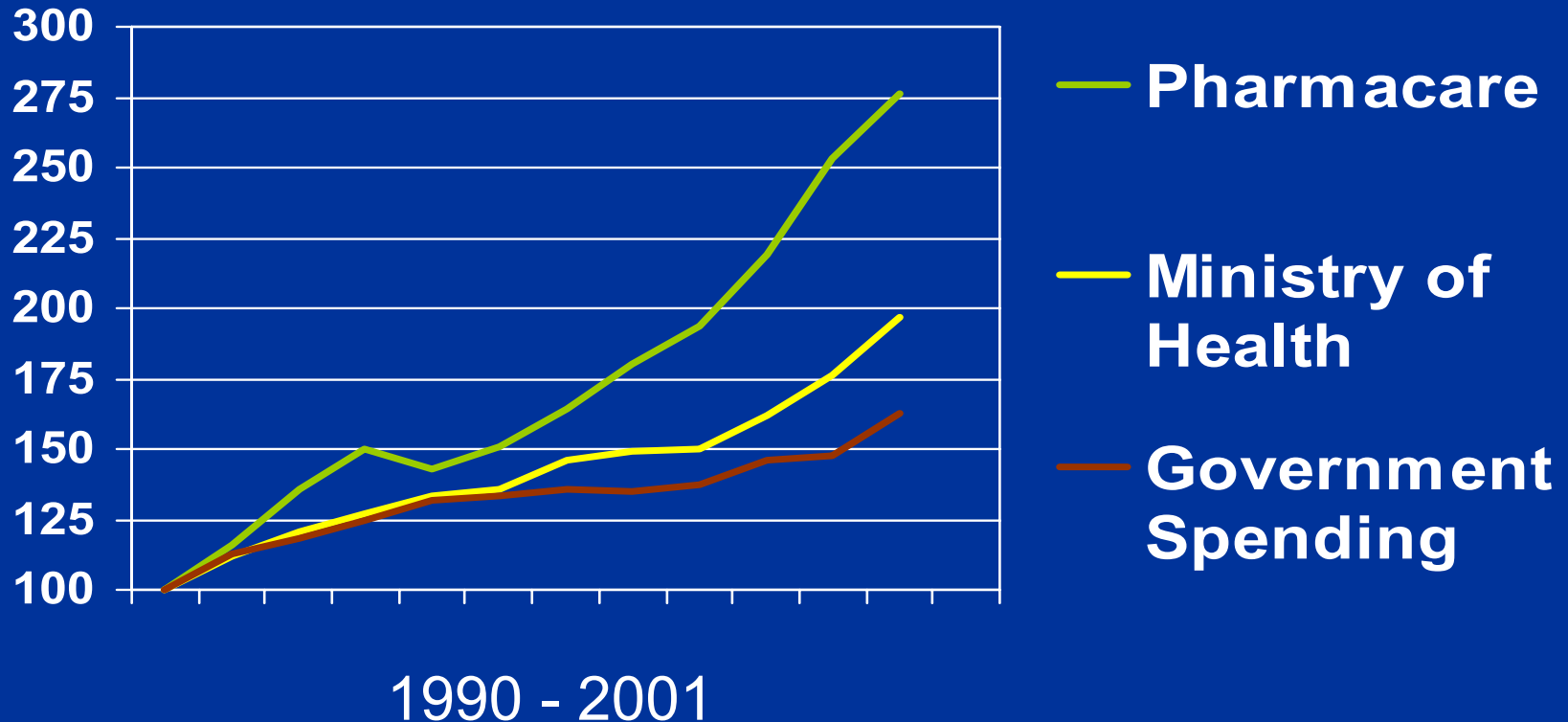
Our Aging Population





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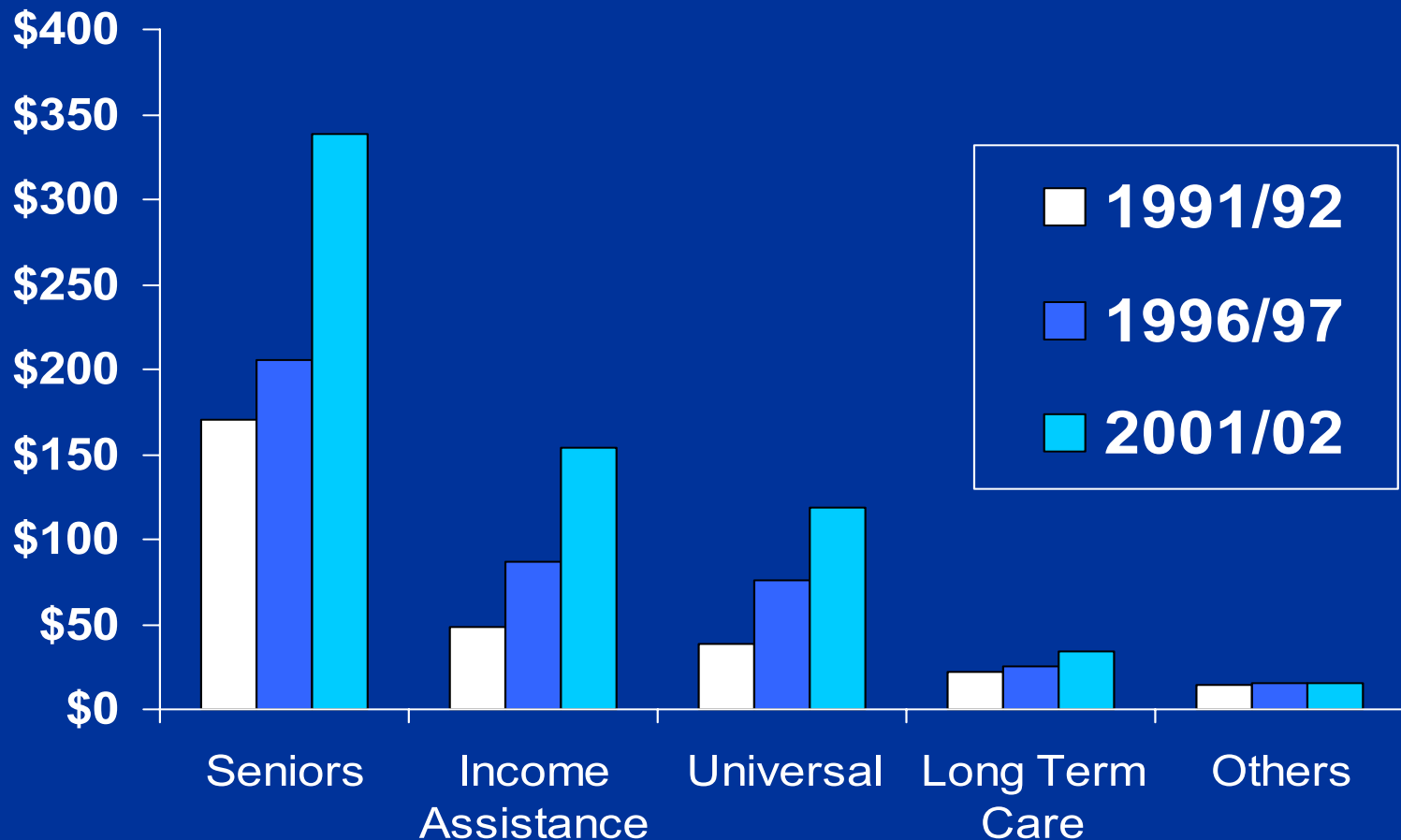
Costs have doubled since 1998





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Expenditure Growth by Plans/Groups





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Inequalities between groups

Plan	Deductible	Co-Payment	Ceiling
Low Inc. Seniors	-	\$10/Rx	\$200
Other Seniors	-	\$25/Rx	\$275
Low Inc. under 65	\$800	-	\$800
Others under 65	\$1,000	30%	\$2,000



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Example - Barbara

- ➔ **Barbara, 36, is a single mom earning \$28,000/year as a receptionist**
 - She has no extended medical insurance and does not qualify as low-income.
 - Her 8 year old daughter suffers from juvenile diabetes and asthma and needs **\$2,000 drugs and supplies** per year
 - Barbara must pay the deductible of \$1,000 plus \$300 in co-payments, a total of \$1,300 per year

- ➔ **Pharmacare pays \$700 = 35% of Barbara's family drug costs**



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Example - Fred & Ethel

- ⇒ **Fred and Ethel** are unable to work and are on CPP disability benefits. Together they have an annual income of **\$23,000/year**.
- They are under 65 and qualify as low-income. They don't have extended medical coverage
- Ethel has arthritis, obstructive lung disease and anemia. They require **\$2,000 in drug therapy** per year
- They would pay \$800
- ⇒ **Pharmacare pays \$1,200 or 60% of their drug costs**



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Example - Stan & Val

- ⇒ **Stan and Val**, both over 65, are retired professionals. They have pension income of **\$56,000 per year**.
- Both have hypertension and Val also has lung and breathing problems. Together they need **\$2,000 for drugs** per year
- They pay up to \$25/prescription, to their maximum annual contribution of \$550
- ⇒ **Pharmacare pays \$1,450 or 73% of their drug costs**



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Summary - \$2,000 drugs

⇒ Barbara – \$28,000 income – pays \$1,300

⇒ Fred & Ethel – \$23,000 income – pay \$800

⇒ Stan & Val – \$56,000 income – pay \$550



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Principles

- ➡ BC should stay at Canadian average
- ➡ Benefits should be focused on low income families whether seniors or 'working poor'
- ➡ Universal "catastrophic" insurance remain and special programs should be reviewed



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Long-term Solutions to Pharmacare challenges

- ➔ Appropriate prescribing
- ➔ Avoidance of drug misuse
- ➔ Better prevention and management of chronic disease.
- ➔ Manage drug prices



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