# Report of the Advisory Committee on Health Benefits:

# An Insurance Plan for Prescription Drugs for Uninsured New Brunswickers

Prepared for ESIC Board of Directors

Final Report

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## Foreword

In the New Brunswick Social and Economic Inclusion Plan: “Overcoming Poverty Together”, the business, non-profit and government sectors, together with citizens, committed to implementing a series of priority actions aimed at poverty reduction. One of these actions is to develop a prescription drug program for uninsured New Brunswickers. On behalf of the Advisory Committee on Health Benefits of the Economic and Social Inclusion Corporation, it gives me great pleasure to place before you the Committee’s report on the development of an Insurance Plan for Prescription Drugs for Uninsured New Brunswickers.

Much has been said in the press over the years about the need for "Catastrophic Drug Plans". A review of the many articles on the subject suggests that many people believe that what is needed is a plan that covers extremely expensive drugs. However, there are many families facing financial challenges because the cost of their drugs, even though none are extremely expensive, is beyond their ability to pay.

The mandate of the Committee was to develop a mechanism to provide a prescription drug plan to all uninsured New Brunswickers. The Committee believes that the issue of extremely expensive drugs impacts a small percentage of families. The Committee therefore focused on developing plan options tailored to the needs of all 70,000 uninsured families in New Brunswick, including those who need expensive drugs.

In this report, we present four plan options that provide help to families, according to their different financial circumstances, whether the drugs they need are extremely expensive or not. However, it would be fiscally irresponsible, and the plan unaffordable, if it covered all prescription drugs available on the market. The plan options the Committee has developed will cover those drugs that qualify after an evidence-based expert review. This type of review is common practice for all government-sponsored and many private drug plans in Canada.

The Advisory Committee is convinced that the four options put forward in this report offer a practical made-in-New Brunswick solution that will provide meaningful help to uninsured New Brunswickers, within our collective ability to pay.

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Members of the Advisory Committee on Health Benefits include:

- Dennis Furlong, Dalhousie (Chair)
- Juanita Black, Saint John
- Mike Blanchard, Bath
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- Althea Arsenault, ESIC
- Greg Caines, Morneau Shepell
- Leanne Jardine, Department of Health
- Stéphane Leclair, ESIC
- Heidi Liston, Department of Health
- Bill MacKenzie, Social Development
- Lori Park, Social Development
- Howard Slaney, Morneau Shepell
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I would also like to thank all the groups and organizations including the public who have participated in our consultation process and submitted briefs. These are mentioned in Section 3 of the report.

## Executive Summary

On April 16, 2010, the *Economic and Social Inclusion Act* established the New Brunswick Economic and Social Inclusion Corporation (ESIC) to lead and coordinate the implementation of the province's poverty reduction plan "Overcoming Poverty Together". The Advisory Committee on Health Benefits was formed on January 18, 2011 to assist ESIC with:

1. The development of a vision and dental plan for low-income New Brunswick children. This has been completed and implemented as the *Healthy Smiles, Clear Vision* program.

2. The development of a mechanism to provide a prescription drug plan to all uninsured New Brunswickers. This is the subject of this report.

To arrive at a solution that would adequately address the needs of uninsured New Brunswickers, the Committee proceeded as follows to develop the Insurance Plan for Prescription Drugs for Uninsured New Brunswickers ("the Insurance Plan"):

- The Committee reviewed the drug coverage available across the country and discovered that all provinces and territories share many of the same challenges. Prescription drugs are often the best and most cost-effective treatment for many conditions and are increasingly used in place of other interventions. But as the use of prescription drugs has grown, so has the financial burden of rising drug costs on individual Canadians, employers, insurers, and Government.[1,2] Drug expenditures are consuming an increasing amount and proportion of health care dollars, and the costs are escalating three times faster than the rate of inflation.[3] This information is presented in more detail in Section 2.

- The Committee reviewed the characteristics of the uninsured population in New Brunswick using data from the Canadian Community Health Survey. This Statistics Canada sample survey indicated that about 20% of New Brunswickers, or about 70,000 families do not have prescription drug insurance. It also confirmed that uninsured families were broadly similar to insured families except for the fact that they tend to have lower incomes and the highest level of education attained is generally lower. Further analysis indicated that families without prescription drug insurance, as a whole, spend between $120 and $150 million on prescription drugs each year. This analysis also showed that many of these families face significant financial hardship associated with the cost of prescription drugs. This information is presented in more detail in Section 2.

- The Committee also reviewed the relevant public drug plans in place across Canada, and concluded that none of these plans offered a complete solution that fit the unique context of the "Overcoming Poverty Together" initiative. The Committee noted, however, that it could use some elements of the plans in other provinces as a foundation for its Insurance Plan options. This part of the development process is also presented in Section 2.

- The Committee formulated a preliminary direction for its Insurance Plan options, but also had several important questions about the best way to meet the needs of uninsured New Brunswickers. The Committee's questions were discussed with stakeholders in a series of consultation meetings in March and April of 2012. In addition, the Committee received and reviewed 35 written submissions during the consultation process. The feedback from the public and stakeholders strongly supported the Committee's preliminary thinking, and helped shape the Insurance Plan options presented later in this report. Based on a review of the feedback from the consultation process, the Committee was able to identify important concepts to guide the choice of Insurance Plan options. A summary of the consultation process is presented in Section 3.

- Before finalizing its Insurance Plan options, the Committee conducted a high-level analysis of the potential financial consequences associated with the different options to ensure that each would provide a fiscally responsible and financially sustainable solution. The Insurance Plan framework and options including supporting analysis are presented in Section 4.

- The conclusion appears in Section 5. It includes the benefits of a new Insurance Plan for New Brunswickers, as well as a number of observations that the Committee made that were deemed important enough to bring to the attention of Government. In particular, the feedback from the consultation process highlighted the need to assist New Brunswickers who have prescription drug insurance but still face financial challenges due to high drug costs. The Committee believes that the options presented in this report could be adapted to address this issue.

Based on an assessment of the information available and the feedback from the consultation process, the Committee believes that a broad sharing of costs could be achieved by requiring the participation of all 70,000 uninsured families in a **mandatory insurance plan for prescription drugs with a premium.** This would allow the costs of prescription drugs to be redistributed across the 70,000 families, so that the prospect of a family facing significant financial hardship would be eliminated for the families participating in the plan. Furthermore, this could be financed primarily by the 70,000 families themselves through payment of premiums.

More specifically, the Committee believes that:

1. The Insurance Plan should have a **premium** calculated to fully recover the expected costs of the plan, and that every individual or family enroled in the plan should be required to pay a premium, subject to a **subsidy** that reflects the individual's or family's ability to pay.

2. The Insurance Plan should be **mandatory** for all New Brunswickers who do not have a drug insurance plan, and that there should be no barriers to access such as medical exams, exclusion of pre-existing conditions, or waiting periods.

3. In addition to paying a premium, **plan members should also share in the costs** by making a payment at the pharmacy (e.g. deductible and/or copayment) towards each prescription. **Two options** for calculating the payment at the pharmacy are presented in Section 4 of the report.

4. There should be **no maximum limit** on the amount of financial assistance that the Insurance Plan would provide to a Plan member.

5. Families whose incomes are below the thresholds described in Section 4 should receive a **100% subsidy** of their premium. The **subsidy would be phased out** gradually for higher levels of income, as described in the two subsidy options presented in Section 4. The **same percentage subsidy should also apply to the dollar limits** used in calculating the payment at the pharmacy, as described in Section 4.

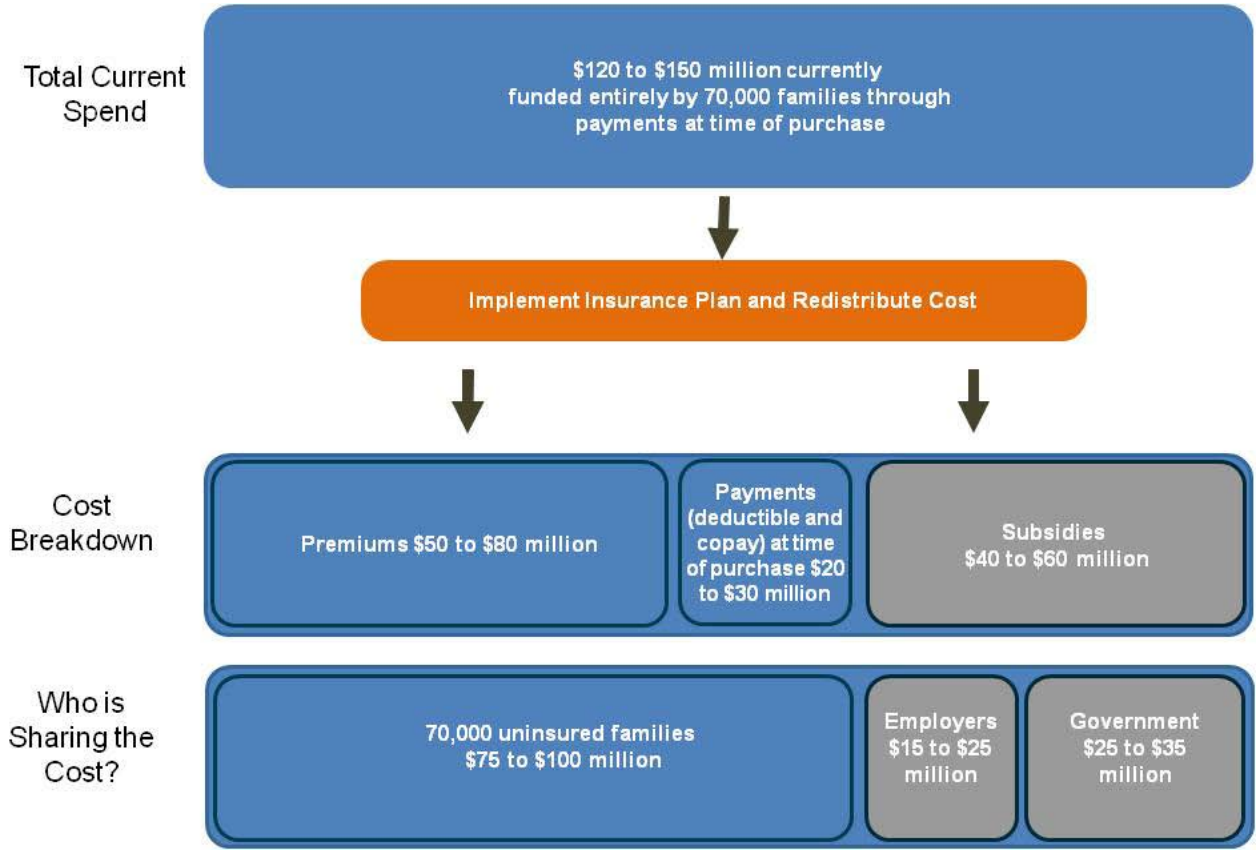
6. The current evidence-based process for determining which drugs are listed as eligible benefits on the formulary for Government-sponsored drug plans (e.g. New Brunswick Prescription Drug Program) should be used for the new Insurance Plan.

7. The terms of the Insurance Plan should be reviewed regularly to ensure that it continues to meet its goal of providing affordable insurance for prescription drugs to New Brunswickers. In particular, any flat dollar amounts must be reviewed annually and adjusted, to reflect increases in drug costs and utilization.

The Committee's analysis indicates that the Insurance Plan would redistribute costs much more evenly across the 70,000 uninsured families, and that about two-thirds of the cost would be borne by the families themselves. The remaining costs would be covered by the subsidies mentioned above. These would be funded by both Government and employers who do not provide prescription drug coverage to some or all of their employees. The Committee believes that the investment by Government and employers would provide substantial benefits associated with all New Brunswickers having access to the prescription medications they need.

The Committee's analysis is illustrated in the following diagram:

Figure 1 - Drug Plan Framework




It should be noted that the figures in the above diagram are illustrative only, and ranges cannot be added together because they include multiple Insurance Plan options. These figures need to be subject to careful analysis as part of the decision on the Insurance Plan options presented in this report.

The determination of the premium, the calculation of the amounts to be paid at the pharmacy and other elements of the Insurance Plan are described in detail in Section 4 along with the rationale for their selection. A summary of these items appears in the table below:

**Table 1 - Insurance Plan Design Elements**

| Insurance Plan Design Elements | |
|---|---|
| Premium | Calculated to fully recover the costs of the Insurance Plan. |
| Coverage | Mandatory for uninsured New Brunswickers<br>No medical exam required<br>No waiting period |
| Payments at Pharmacy | Two options:<br><br>Option 1: an annual deductible of $250 for a single person, or $500 for a family combined with a 20% copayment, subject to a maximum copayment of $20.<br><br>Option 2: no deductible, but with a 30% copayment, subject to a maximum copayment of $30. |
| Maximum Assistance | No annual or lifetime maximum limit on the amount of financial assistance or benefits that the Insurance Plan will provide to a Plan member (individual or family). |
| Subsidy | The same percentage subsidy would apply to the premium, the deductible, and the $20 and $30 copayment maximums mentioned above, except that the subsidized copayment maximums would not go below $5.<br><br>Families that qualify for the *Healthy Smiles, Clear Vision* program (e.g. income level below $15,571 for single individual, income level below $31,142 for family of four) would receive 100% subsidy.<br><br>Two options for phasing out the subsidy:<br><br>Subsidy A: zero subsidy for a single person with an income above $24,250, and for a family of four with an income above $43,230.<br><br>Subsidy B: zero subsidy for a single person with an income above $26,360, and for a family of four with an income above $47,450. |
| Drugs Covered | Follow the same evidence-based process used for existing Government-sponsored drug plans. |
| Plan Reviews | Terms of the Insurance Plan must be reviewed regularly, and any flat dollar amounts adjusted for increases in drug costs and utilization. |

The two options for determining the payments to be made at the pharmacy can be combined with the two options for phasing out the subsidy to provide four options for Government to consider, as follows:

- Option 1-A (with deductible and lower subsidy)
- Option 1-B (with deductible and higher subsidy)
- Option 2-A (no deductible and lower subsidy)
- Option 2-B (no deductible and higher subsidy)

The Committee believes that with the participation and collaboration of individuals, employers and Government to ensure the success of a made-in-New Brunswick solution, the Insurance Plan options will provide meaningful help to all uninsured New Brunswickers and contribute to the province's poverty reduction plan "*Overcoming Poverty Together*".

# 1 Introduction

## 1.1 Mandate of the Advisory Committee on Health Benefits

On April 16, 2010 the *Economic and Social Inclusion Act* was passed in the Legislature. The Act established the New Brunswick Economic and Social Inclusion Corporation (ESIC) to lead and coordinate the implementation of the province's poverty reduction plan "*Overcoming Poverty Together: The New Brunswick Economic and Social Inclusion Plan*" and to ensure the delivery of anti-poverty initiatives at the community level.

The vision of *Overcoming Poverty Together* is as follows:

> *"Through the collaboration of government, business and non profit sectors, people living in poverty and individual citizens, all men, women and children in New Brunswick shall have the necessary resources to meet their basic needs and to live with dignity, security and good health. Furthermore all New Brunswickers shall be included as full citizens through opportunities for employment, personal development and community engagement."*

Three advisory committees were formed by the Economic and Social Inclusion Corporation to work on some of the more complex action items in New Brunswick's fight against poverty. They are the Health Benefits; Social Assistance Reform; and Social Enterprise and Community Invest Funds Advisory Committees.

The mandate of the Advisory Committee on Health Benefits ("the Committee") is to:

1. Develop a vision and dental plan for all low-income New Brunswick children, and
2. Develop a mechanism to provide a prescription drug plan to all uninsured New Brunswickers.

The Government has committed to a made-in-New Brunswick prescription drug plan to help New Brunswickers afford the drugs they need by fairly subsidizing costs based on individual ability to pay. The drug plan should address the needs of the many different families who require drug coverage, and provide an approach to funding that is both affordable in the short term and sustainable in the long run.

## 1.2 Advisory Committee Process and Approach

The Advisory Committee on Health Benefits began meeting in January of 2011 and decided that, due to the complexity of developing a prescription drug plan, the initial focus would be on developing a dental and vision plans for New Brunswick children in low-income families. Reports on the development of the dental and vision plans were delivered in June of 2011 and the *Healthy Smiles, Clear Vision* program was implemented on September 1, 2012.

From July 2011 to November 2012, the Committee focused on the second component of its mandate, to develop a mechanism to provide a prescription drug plan to all uninsured New Brunswick residents. The summer and fall of 2011 were spent reviewing and analyzing public drug plans in New Brunswick and other Canadian provinces and working on the preliminary drug plan design. During the winter and spring 2012, the Committee focused on planning the consultations with key stakeholder groups, developing background material and launching a website titled “Drug Plan for Uninsured New Brunswickers” where the public and stakeholders had the opportunity to share their views online. Over the spring and summer 2012, the Committee reviewed the input received to inform the development of four plan options with supporting analysis. During the fall of 2012, the Committee concentrated on presenting the results of its work on the new insurance plan for prescription drugs for uninsured New Brunswickers (“Insurance Plan”) in a report.

The Committee’s report reflects the feedback from the consultations, particularly the need to balance the role of the individual, employers, and Government to ensure the success of the Insurance Plan that is both socially and fiscally responsible.

Refer to Appendix H for a Glossary of terms used in this report.

# 2 Development Process

## 2.1 Background

### Drug Coverage in Canada

Drug coverage outside of hospitals does not fall under the provisions of the *Canada Health Act*. Instead, the provision and administration of public drug programs is the responsibility of the provinces and territories. There is no national plan or legislation that governs the design or delivery of these public drug programs. As a result, the structure and level of public drug coverage vary widely across the country, at the discretion of the individual provinces and territories.

In the 1970s, provincial governments started to recognize that the rising costs of prescription drugs could represent an increasing financial burden on those with low or fixed incomes. Consequently, each province began offering drug coverage to certain sectors of the population least able to afford the cost of drugs, primarily seniors and social assistance clients. These plans have evolved over the years to the point where only Prince Edward Island and New Brunswick have fairly large portions of the population that are uninsured and do not have access to a government-sponsored drug plan.

In addition, employers, unions and professional associations across the country offer drug insurance plans that vary significantly in terms of eligibility, benefit payment structures and drugs eligible for coverage. These private plans are a significant source of drug coverage in Canada. However, depending on the design of the plans, some families may find that they have payments to make at the pharmacy that they cannot afford.

Public and private plans face similar issues and challenges, these issues and challenges are discussed in more detail in Appendix A. The most significant ones are highlighted below:

- According to the Canadian Institute for Health Information (CIHI), drug expenditures are consuming an increasing amount and proportion of health care dollars, and the costs are escalating three times faster than the rate of inflation. On average, spending on drugs represented 9.5% of total health expenditures in 1985 and 16.5% in 2010.[3] This is also observed in provincial public drug plans where, on average, the costs have more than doubled in the last 10 years.
- The rising cost and utilization of prescription drugs is continuing to put financial pressure on both public and private drug plans and is demanding more spending by Canadians, either through their taxes, their premiums, or from their own pockets.[1]
- Each year, Health Canada approves many new drugs. New drugs may be more expensive, but not always more effective, than existing drugs that treat the same conditions.[4]

- More people are living with chronic diseases such as diabetes, high blood pressure and respiratory disorders, and need long-term treatment with prescription medication to manage their condition.[5,6,7,8]
- Many conditions that used to be treated in hospital are now treated at home because of advances in technology and drug therapy.[9]
- Many patients do not fill a prescription because of cost. According to one study, 21% of Canadians with the lowest income report not filling a prescription because of cost, compared with only 2% of those with the highest income.[10]

A variety of policies and initiatives are used by both public and private drug plans to manage costs and encourage appropriate utilization of prescription drugs and plan benefits. These include:

- Contributions by plan members to the cost of the plan through premiums, deductibles, or copayments.
- Restricting covered drugs to those that have undergone an evidence-based review process.
- Approving the coverage of higher cost medications only after lower cost alternatives have proven ineffective.
- Drug pricing regulation (e.g. reference-based pricing, lower generic drug prices).

These strategies have been successful at slowing the growth of drug plan spending, but they are not enough to generate the funds required to pay for a new drug plan for uninsured New Brunswickers. Few plans have been able to reverse the increasing trend other than for brief periods.

## 2.2 Current Situation in New Brunswick

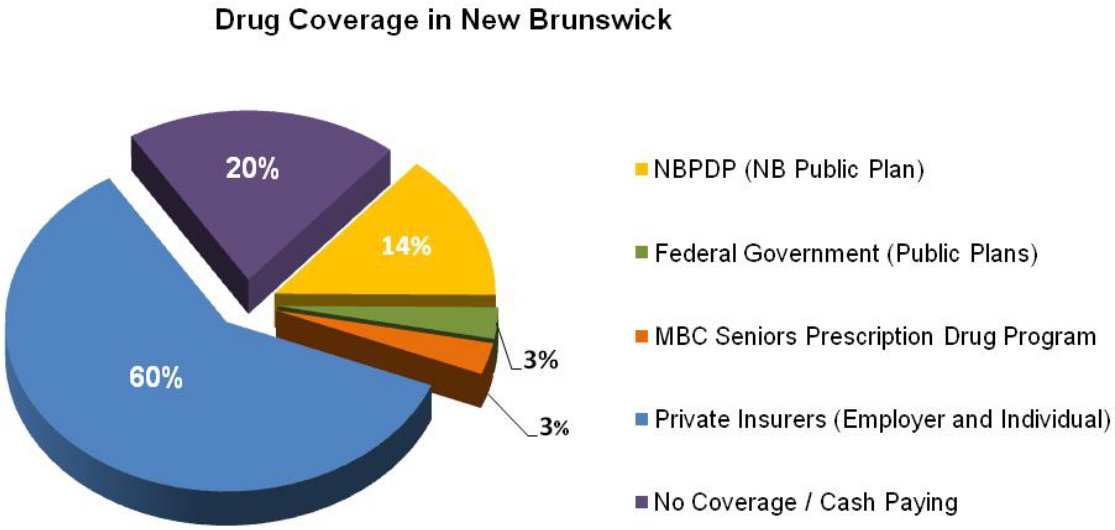
### Drug Coverage in New Brunswick

According to Statistics Canada, approximately 750,000 people live in New Brunswick. Of the total population, about 80% of residents have public or private drug coverage as follows:

- Approximately 60% are covered through private third-party insurance (e.g. Medavie Blue Cross, SunLife, Manulife, Great West Life, Desjardins, etc.)
- Approximately 14% are covered under the Government sponsored New Brunswick Prescription Drug Program (NBPDP).
- Approximately 3% are covered through the Medavie Blue Cross (MBC) Seniors Prescription Drug Program, which is available for New Brunswick seniors who do not qualify for NBPDP coverage (i.e. they do not receive the Guaranteed Income Supplement (GIS) or their annual income exceeds the qualifying threshold).
- Approximately 3% are covered through the Federal Government funded programs, which provide drug benefits to Aboriginal Canadians, veterans, members of the military and the RCMP, prisoners in federal correctional facilities and refugees.

The remainder (or approximately 20% of New Brunswick residents) has no drug coverage and represents about 70,000 families (refer to Appendix B for more information on the uninsured population).

Figure 2 - Drug Coverage in New Brunswick



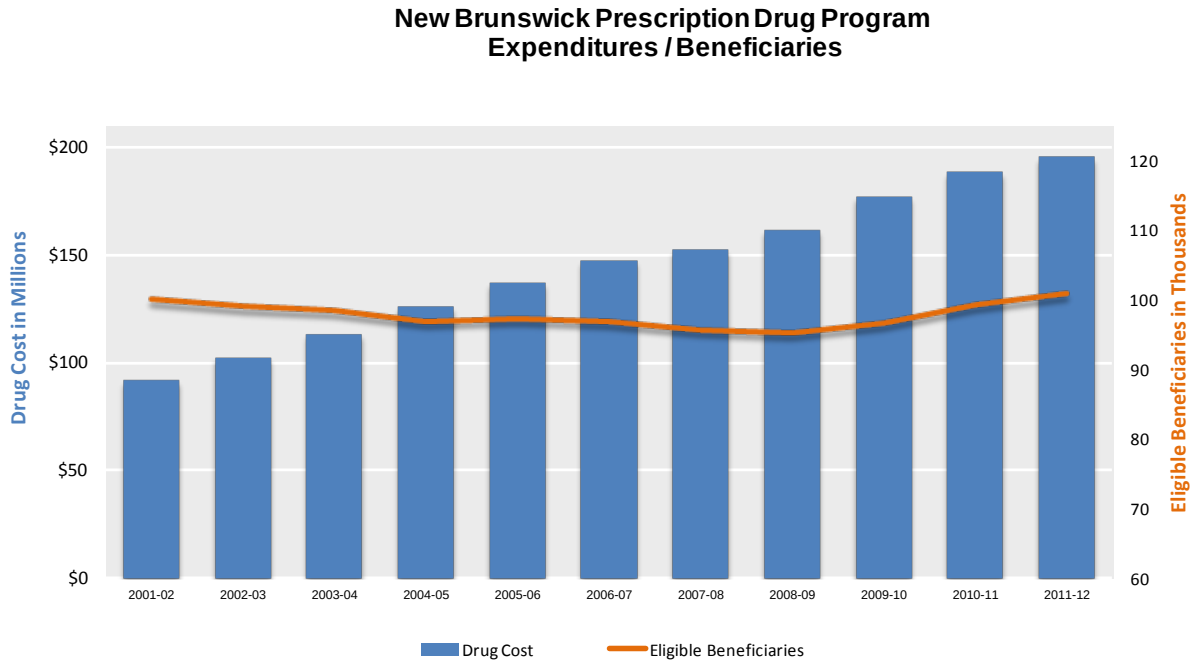
## New Brunswick Prescription Drug Program (NBPDP)

The NBPDP, which is publicly funded, provides subsidized drug coverage for approximately 100,000 residents (14%). These include:

- Low-income seniors who receive the Guaranteed Income Supplement (GIS) or who qualify for coverage based on annual income
- Residents of nursing homes
- Clients of the Department of Social Development
- Individuals with certain medical conditions.

In 2011-12, total NBPDP expenditures were $195.6 million. Although the number of NBPDP beneficiaries has remained relatively stable over the past 10 years, the costs have more than doubled during this time. Spending increases are mainly the result of increases in drug use and the use of new drugs. The number of prescriptions filled per beneficiary has increased each year as has the prescribing of new drugs which tend to be more expensive than existing drugs.

**Figure 3 - NBPDP Expenditures and Beneficiaries**



**NBPDP Formulary and Drug Review Process**

The NBPDP covers a broad range of drugs, which are listed in the NBPDP Formulary. However, similar to other public drug plans and many private drug plans, not all drugs on the market are covered.

All drugs considered for coverage under the NBPDP and other public drug plans are subject to a standard review process. The drug review process helps ensure that the drugs that are covered are safe and effective and provide good value for money.

Drug Review Processes

1. Health Canada – Market Authorization

   Before a manufacturer can sell a new drug product in Canada, it must submit the required scientific evidence to Health Canada for review and approval. Health Canada evaluates a drug's safety, efficacy (compared to placebo) and quality. The cost of the drug or how it compares to other available therapies is not considered.

   Once Health Canada approves the product for sale in Canada, a Notice of Compliance (NOC) and a Drug Identification Number (DIN) for the product are issued.

2. Common Drug Review – Formulary Submission, Review and Recommendation

   Approval of a product for marketing by Health Canada does not automatically mean that it will be listed as a benefit by drug plans. After Health Canada issues an NOC, in order for a drug to be considered for funding under federal, provincial and territorial drug plans, a manufacturer must file a submission to the national Common Drug Review (CDR). The CDR is managed by the Canadian Agency for Drugs and Technologies in Health (CADTH), which is funded by the federal, provincial and territorial governments.

   The CDR conducts objective, rigorous reviews of the clinical and cost effectiveness of drugs, and provides formulary listing recommendations to all of the publicly funded drug plans in Canada (except Québec). Unlike Health Canada, CDR reviews the clinical and cost effectiveness of the drug compared to alternative therapies, looks at whether the drug improves health outcomes and provides good value to the health care system.

   Each drug is reviewed by the Canadian Drug Expert Committee (CDEC), an independent advisory body composed of individuals with expertise in drug therapy and drug evaluation. CDEC makes recommendations to the participating federal, provincial, and territorial publicly funded drug plans on whether a drug should be listed as a benefit on their formularies. The committee's approach is evidence-based, and the advice reflects medical and scientific knowledge, and current clinical practice.

   Although most new drugs are reviewed by CDR, certain drugs are outside of the CDR mandate and are reviewed through other common drug review processes.

- Atlantic Common Drug Review

  The Atlantic Expert Advisory Committee reviews drugs that do not fall under the national CDR mandate and provides formulary-listing recommendations to the publicly funded drug plans in Atlantic Canada. For example, this Committee reviews new strengths and formulations of old drugs, drugs that are currently listed in the Formulary to determine if the benefit status needs to be updated and drug class reviews.

- pan-Canadian Oncology Drug Review (pCODR)

  The pCODR Expert Review Committee provides an evidence-based review of all cancer drugs (used in hospitals and community) and a formulary listing recommendation to drug plans. It is a collaborative effort between provincial/territorial drug plans, provincial cancer agencies, CADTH and the Canadian Partnership Against Cancer (CPAC).

3. Drug Plans – Formulary Listing Decision

   After a formulary listing recommendation is issued, drug plans review the recommendation and evaluate the impact of adding the drug to their formularies. Various factors are taken into consideration in making a formulary listing decision. These include the drug plan's mandate, jurisdictional priorities, the budget impact and financial resources.

**Demographics of the Uninsured Population**

The Committee conducted an analysis of the demographics of the New Brunswick population without prescription drug insurance. This analysis is based on data from the Canadian Community Health Survey (CCHS). The CCHS is a Statistics Canada cross-sectional survey that collects information related to health status, health care utilization and health determinants for the Canadian population. The CCHS data was collected in 2011 from a sample size of approximately 2,500 New Brunswickers.

According to CCHS, approximately 20% of New Brunswickers (or 70,000 families) have no drug coverage, as discussed earlier.

A comparative analysis of the population with and without drug coverage was conducted using the CCHS data. In general, the following summarizes how the uninsured compares to the insured population:

- Income level is generally lower in the uninsured population
- Family size generally gets larger with increasing income in both populations
- Age groups are comparable in both populations
- Highest education attained is generally lower in the uninsured population
- The majority are employed or self-employed in both populations
- Self-perceived health status is comparable in both populations

In summary, the characteristics of the uninsured population are not appreciably different from the insured population in New Brunswick. Family size tends to get larger with increasing income in both populations; age distribution is generally similar, as is self-perceived health status. In addition, a majority in both groups report being employed or self-employed. Only income and highest education attained are generally lower in the uninsured population. This is valuable information as it supports the insurability of this group based on risk-sharing principles and estimated cost projections for drug usage. Additional information on the demographics of the uninsured and insured populations appears in Appendix B.

**Key Issues Created by the Gap in Drug Coverage in New Brunswick**

The Committee estimates that uninsured families in New Brunswick pay $120 to $150 million per year in prescription drug costs, which amounts to an average of $1,700 to $2,100 per family. Although some families can afford these amounts, others cannot. Furthermore, there is a wide variation in the amounts paid by different families, ranging from just a few dollars a year to tens of thousands of dollars. For families with higher costs, this represents a significant financial burden relative to their income level. For some, they are faced with the difficult choice between putting food on the table and taking necessary medications.

The fact that a significant percentage of the New Brunswick population does not have access to drug coverage has created a number of issues.

- Uninsured individuals may not be in a position to afford the prescription drugs they need to keep their families healthy and to protect them in the event of a serious illness.
- The cost of drugs is a significant financial burden for people who are already sick and have no access to drug coverage without medical underwriting.
- Individuals who would like to return to New Brunswick may choose to reside in another province with better drug coverage.
- Small employers that cannot afford drug coverage for their employees may be at a disadvantage in attracting workers.
- Companies that are considering establishing operations in New Brunswick may choose another province where residents have access to public drug insurance.

Even among those who have private drug insurance, the amount payable at the pharmacy can be substantial. For example, it is not unusual for a private plan member to pay 20% of the prescription drug costs at the pharmacy at time of purchase. For plans that do not have a maximum contribution amount, a drug costing $30,000 per year can amount to $6,000 payable at the pharmacy by the plan member.

The health and financial impacts of doing nothing are significant. New Brunswick has a large percentage of its population living with one or more chronic diseases that result in high costs to the health care system. This underlines the importance of providing uninsured New Brunswickers access to the medications they need to effectively manage their health.

## 2.3 Overview of Provincial Drug Plans

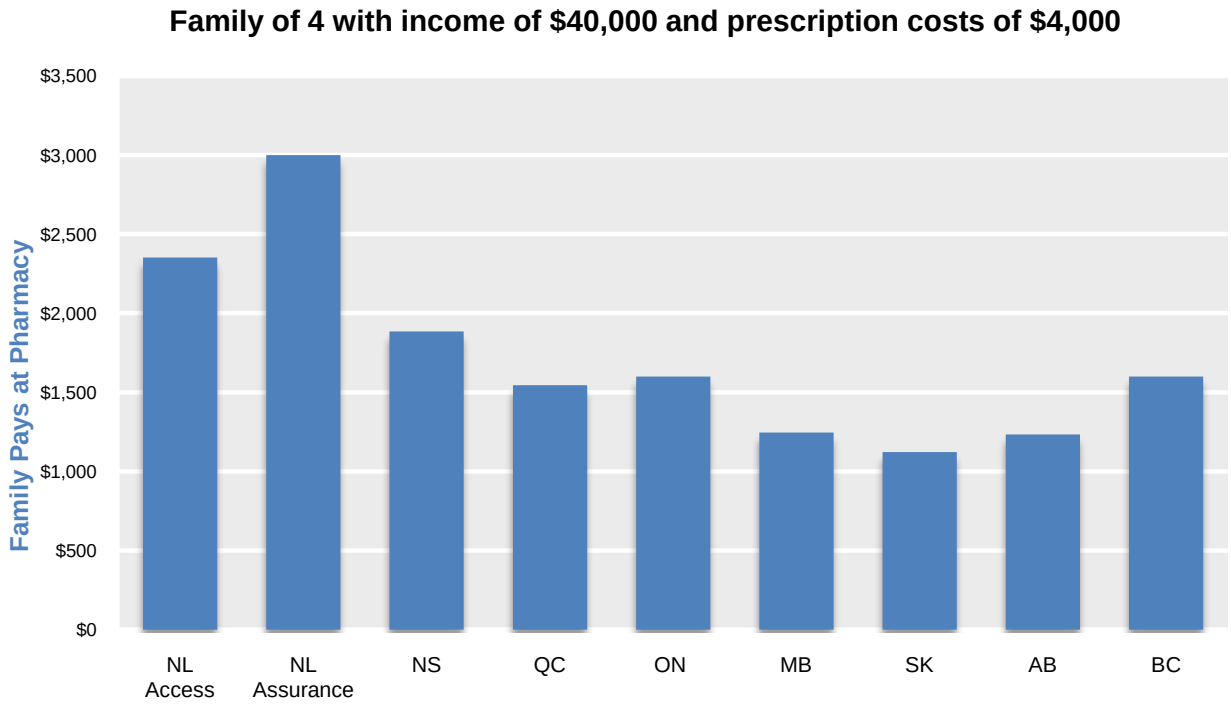
A discussion of the characteristics of public drug plans in place across Canada that are most relevant to the development of plan options for New Brunswick is included in this section. More detail on the relevant provincial public drug plans is presented in Appendix C.

At a high level, the provincial public drug plans can be divided into two categories:

- Premium-paying plans that are similar to **insurance plans** available in the private sector. However, unlike private sector plans, the premium is adjusted to partially reflect ability to pay. Alberta and Québec both have premium-paying plans.
- Non-premium-paying plans that appear to be designed primarily as **social programs** with benefits that depend on income and usually family size. These plans are in place in the remainder of the provinces, with the exception of New Brunswick and PEI, where large portions of the population do not have access to prescription drug coverage.

The non-premium-paying plans require payments to be made at the pharmacy that can be quite substantial. A study of provincial drug plans discussed that no non-premium-paying plan could be defined as comprehensive public drug coverage. The authors commented that the majority of Canadian households would bear a substantial financial burden if faced with significant medical need.[11] For example, in Nova Scotia, a family of four with an income of $40,000 would pay the first $1,356 in prescription drug costs themselves with no assistance from the Nova Scotia plan. After that, the family would pay 20% of the cost at the pharmacy. However, the family would not be required to pay in any one year more than $3,565 in total. The calculations used to determine the amounts payable at the pharmacy are different from one province to the next. Therefore, the only way to compare the plans is to examine how much a family with a certain income and an assumed amount of prescription drug costs would pay in each jurisdiction. For the sample family described above, with annual prescription drug costs of $4,000, the amount payable at the pharmacy in each province is shown in the following chart. Refer to Appendix F for a number of examples of payments at the pharmacy in the different provinces for various family situations.

Figure 4 - What a Sample Family Would Pay at the Pharmacy




The above chart shows that the sample family would pay slightly less at the pharmacy in Québec, Ontario or British Columbia than in Nova Scotia, and significantly less in Manitoba, Saskatchewan and Alberta. It also shows that the sample family would pay significantly more in Newfoundland and Labrador than in Nova Scotia. However, the important thing to note is that, although these plans provide some help, the family must pay at the pharmacy a very substantial portion of the $4,000 in drug costs. This is because these plans are essentially designed to help the small percentage of families with the very highest drug costs. Because these plans require no premiums from plan members, they can be very expensive for Government to fund, and if implemented in New Brunswick, might only help about 10% of the 70,000 uninsured families. Any effort to help a significantly larger proportion of the uninsured families would result in substantially higher costs to Government if the same type of plan were implemented.

Based on the detailed information on the relevant provincial public drug plans presented in Appendix C, the Committee made the following observations:

- The majority of the plans require the family to pay a fairly high level of costs at the pharmacy before the plan provides any assistance. The Committee saw this as a potential barrier to access for many families and inconsistent with the poverty reduction initiative.

- The Nova Scotia plan requires families to pay 20% of prescription drug costs even after they have paid 100% of costs up to the level required to qualify for assistance. The corresponding figure for British Columbia is 30%. The 20% and 30% figures are useful to establish a range for the formula to be used for calculating payments to be made at the pharmacy.
- None of the non-premium-paying plans places a limit on the total amount of financial assistance that would be provided to a family.

The Committee used these observations to guide the choice of plan options presented later in this report.

With respect to the premium-paying plans in Alberta and Québec, the Committee noted that the **Alberta** plan is **voluntary** whereas the **Québec** plan is **mandatory.**

Voluntary insurance plans are exceedingly rare in the private sector unless specific conditions are in place to make them financially sound. This is because buyers of the drug plan, who are not motivated primarily by the need to insure for future health risk, will often make purchase decisions based on how the potential benefit compares to the premium paid. Examples of insurance where the buyer is motivated primarily by the need to insure the risk are life insurance and home insurance. In these examples, the potential loss is so large that a broad range of buyers will purchase the insurance. However, the insurer will still typically do some form of underwriting to make sure that the voluntary nature of the purchase does not result in the majority of purchasers being high risk. As an example, a medical exam or home inspection may be required.

In the case of a prescription drug plan, purchases are generally not primarily motivated by the need to insure future health risk. Instead, many potential buyers delay purchasing coverage because they do not appreciate the risk they are taking, and expect to be able to acquire coverage when they need the plan the most, and when the benefits are likely to exceed the premium. If this is allowed, as it is in the Alberta plan, costs are likely to escalate over time as high cost families buy into the plan and lower cost families potentially drop out as the premium increases to support the higher cost. The primary mechanism for dealing with this financial reality is to discount the premium charged to purchasers. This motivates more families to buy the coverage because the benefits are more attractive when the price is lower. However, this can be an expensive way for Government to provide coverage to those who need it, because the discount will only have its intended impact if it represents a material amount of money to all potential purchasers. This, of course, means that Government must fund a significant discount for all purchasers, whether or not their financial circumstances actually indicate the need for a discount.

Based on the analysis of the Alberta plan, the Committee determined that, if it pursued a solution based on a premium-paying plan, it would be inclined towards a mandatory plan in order to have a sound financial basis for the plan.

In Québec, there is legislation that makes it mandatory for all residents to be covered by prescription drug insurance and obligates all private group plans to fulfill minimum conditions regarding the coverage they provide and the financial participation they require of the persons they insure. In addition, private group plans are prevented from separating drug coverage from other extended health benefits.

The Committee also noted that both Québec and Alberta provide a subsidy of the premium based on family income. In the case of Alberta, the subsidy is 30% for those who meet the required conditions. However, in Québec, the subsidy varies considerably according to income level and family size. The Committee noted that, if it pursued a solution based on a premium-paying plan, it would be inclined to explore a subsidy based on the Québec approach because it is more finely tuned to ability to pay. This is also supported by our analysis of the uninsured population in Appendix B and the need to vary the subsidy by income level and family size

Finally, the Committee noted that the Québec plan requires payment at the pharmacy of 32% of the prescription drug costs (or copayment) after the family first pays a deductible of $195 per adult ($390 for a couple). The corresponding figures for Alberta are 30% of costs (up to a maximum of $25) for the copayment after the family pays the first $50 of costs (or deductible) themselves.

**Important Learnings**

After reviewing and analyzing the relevant public drug plans across the country, the Committee agreed that a plan designed as a social program without a premium might not be the best solution for New Brunswick for the following reasons:

- The Committee's mandate was born out of the poverty reduction initiative. The relevant public plans in place across the country, particularly in the Atlantic region, require substantial payments at the pharmacy and in some cases create significant financial barriers for residents to access prescribed drug treatments.
- This type of drug plan would not facilitate the transition of clients of Social Development to the workforce unless significantly more financial assistance were provided than is typical in public drug plans across the country. However, that would greatly increase the cost of the program to Government, and likely result in providing financial assistance to families who do not really need it.

Furthermore, the Committee agreed that a voluntary plan would likely prove to be costly and unsustainable. The Committee noted, however, that it could use some elements of the relevant public drug plans in other provinces as a foundation for the New Brunswick Insurance Plan options. In addition, the Committee felt that the solution should ensure that every New Brunswick resident has access to the prescriptions drugs they need at a cost they can afford as an individual/family, and at a cost that we can afford as a province.

## 2.4 Critical Success Factors

Based on the review presented in the previous section and further discussions at its meetings, the Committee identified five critical success factors to provide a context for discussions with stakeholders during the consultation process presented in the next section. The five critical success factors are summarized below:

1. **Focus on Overcoming Poverty**
   The need for a mechanism to provide drug coverage to uninsured New Brunswickers was born out of the New Brunswick Social and Economic Inclusion Plan: "Overcoming Poverty Together". The mechanism to provide drug coverage must therefore:

   (a) Help prevent New Brunswickers from experiencing financial hardship or falling into poverty because of medical conditions that require drug therapies, and

   (b) Help New Brunswickers work their way out of poverty by providing them with access to drug coverage that some employers do not offer.

   Because this focus is different from that adopted by other Provinces in developing their public drug plans, the proposed solution is also different from most other Provinces.

2. **Adherence to Insurance Principles**
   The Committee reached a preliminary agreement prior to the consultations that this new drug plan needed to be an insurance program with a premium as opposed to a social program funded primarily by Government. This new plan should be based on sound insurance principles to ensure that the plan is cost effective and financially sustainable. These insurance principles can be implemented either by creating barriers to access for unhealthy individuals, or by requiring broad participation of the target population to pay premiums to fund the cost of the plan.

   In an insurance plan, similar to the private insurance model, there is broad participation to distribute the cost among the plan members through the payment of premiums. The premium amount is usually set to cover the total expected costs of the insurance plan. This ensures that the plan is financed by a broad participation of the individuals and families that will benefit from it. The premium is a predictable amount that each individual or family pays that allows them to have a substantial portion of their prescription drug costs paid by the plan, and protects them against the risk of much higher prescription drug costs in the future than they might anticipate. The individual or family is still required to pay a small portion of the prescription drug costs at the pharmacy at time of purchase. This effectively distributes the risks and the costs among all the plan members (individuals and families) enroled in the plan.

3. **Fair and Equitable Access**
   The plan must ensure fair and equitable access to drug coverage for all New Brunswickers. The plan must help residents afford the prescription drugs they need while providing peace of mind and financial security to keep New Brunswick families healthy and protect them from future health risks.

4. **Fair Redistribution of Costs**
   The plan should avoid significant new expenditures. It needs to focus on a more equitable way of funding the $120 to $150 million of annual costs paid at the pharmacy by about 70,000 uninsured New Brunswick families.

5. **Ability to Pay**
   A redistribution of costs will mean that plan members will continue to share in prescription drug costs as part of the plan design. As a result, there is a risk that some New Brunswickers could not afford to use the plan. Therefore, the plan must recognize the ability to pay of different family sizes at different income levels.

# 3 Summary of Consultations

## 3.1 Consultation Approach

The Committee and staff planned consultations with key stakeholder groups, developed background material and launched a website titled “Drug Plan for Uninsured New Brunswickers” at http://www2.gnb.ca/content/gnb/en/corporate/promo/a_drug_plan_for_uninsurednewbrunswickers.html where the public and stakeholders had the opportunity to share their views online.

In addition, four in-person consultation sessions were held in March and April 2012 with the following groups:

Health Professionals

Organizations that participated in the Health Professional session on March 23rd:

- New Brunswick Medical Society (NBMS)
- New Brunswick Pharmacists’ Association (NBPA)
- Nurses Association of New Brunswick (NANB)

Patient Advocacy Groups

Organizations that participated in the Patient Advocacy session on March 24th:

- Best Medicines Coalition
- Canadian Cancer Society New Brunswick Division
- Multiple Sclerosis Society of Canada
- New Brunswick Catastrophic Drug Stakeholder Group
- New Brunswick Lung Association
- Parkinson Society Maritime Region

Business Community (Employers)

Organizations that participated in the Business Community session on the morning of April 27th:

- Agricultural Alliance of N.B.
- Association of University of New Brunswick Teachers
- Atlantic Provinces Trucking Association
- Canadian Federation of Independent Business
- Conseil économique du N.-B.
- Fredericton Chamber of Commerce
- Human Resources Association of N.B.
- New Brunswick Federation of Labour
- Union of Municipalities of N.B.

Private Health Insurers

Organizations that participated in the Private Health Insurers session on the afternoon of April 27th:

- Canadian Life and Health Insurance Association
- Assumption Life
- Johnson Insurance
- Manulife Financial
- Medavie Blue Cross
- Sun Life

In addition, a total of 35 submissions were received online. Twelve of the submissions were from the public and 23 from the following organizations:

- Association acadienne et francophone des aînées et aînés du Nouveau-Brunswick
- Best Medicines Coalition
- Canadian Cancer Society New Brunswick Division
- Canadian Diabetes Association
- Canadian Federation of Independent Business
- Canada Life and Health Insurance Association
- Canada's Research-Based Pharmaceutical Companies
- Crohn's and Colitis Foundation of Canada
- Fredericton Chamber of Commerce
- Kidney Cancer Canada
- Le Front commun pour la justice sociale
- Multiple Sclerosis Society of Canada
- NB Catastrophic Drug Stakeholders Group and NB Health Charities Alliance
- New Brunswick Lung Association
- New Brunswick Medical Society
- New Brunswick Nurses Union
- New Brunswick Pharmacists' Association
- New Brunswick Union of Private and Public Employees
- Nurses Association of New Brunswick
- Parkinson Society Maritime Region
- The Arthritis Society
- The Heart and Stroke Foundation of New Brunswick
- Vibrant Communities Saint John

## 3.2 Stakeholders Views on Important Questions

The following seven important questions to consider when developing a new insurance plan for prescription drugs were presented to the stakeholder groups and the public:

1. Should all New Brunswickers be required to have a drug plan?
2. How would we pay for what we need?
3. What deductibles, copayments and maximums should the plan include? Should these vary by level of income? How?
4. Should the plan have a premium? Should the premium vary by level of income? How?
5. How should the plan deal with individuals who have pre-existing medical conditions?
6. Should there be a waiting period after enrolment before benefits become available? How long?
7. How should employers be involved? Should they be required to continue their current drug plans? What happens if they don't?

New Brunswick residents and all stakeholders were encouraged to submit input on how to best provide a drug plan for uninsured New Brunswickers. Input was welcomed on the seven questions above or any other information discussed in the background material included on the website.

The majority of the respondents were in favour of the following preliminary drug plan design elements:

**Table 2 - Preliminary Drug Plan Design Elements**

| Preliminary Drug Plan Design Elements | |
|---|---|
| Coverage | Mandatory for uninsured New Brunswickers<br>No medical evidence<br>No waiting period |
| Premiums | The drug plan should have a premium |
| Cost Sharing | The drug plan should include financial participation from the plan members in the form of a deductible or copayment, but there should be no annual or lifetime maximum limit on the financial assistance provided to plan members as benefits from the drug plan |
| Subsidies | The premium, deductible and copayment should vary by level of income and family size |
| Employers' Drug Plans | Employers should be required to continue providing their drug plans |

The most significant concern raised in written responses was the source of funding of the plan. For example, the following feedback was received:

- "This means that Government would need to fund the program, in addition to reasonable premiums, deductibles and maximums, through existing revenue by allocating resources from areas of lesser priority. While the small business sector is interested in a healthy and productive workforce, it is unable to shoulder another tax."
  *- Canadian Federation of Independent Business*
- "The Fredericton Chamber of Commerce supports the concept of a drug plan for uninsured New Brunswickers, but we do not wish to see small business owners made responsible for the cost of the plan and feel that solutions for payment of the plan can be found through such options as copayments, deductibles and premiums".
  *- Fredericton Chamber of Commerce*

However, most respondents acknowledged that a premium would be necessary, and suggested that it must be affordable. For example:

- "Yes, the plan should have a premium. The New Brunswick Medical Society believes that all participants must pay an income tested premium to access the program. We believe that making a personal financial contribution is critical to the success of the program and increases personal commitment to effectively managing program costs. Further, we believe that personal financial capacity must be a consideration when determining the premium paid by users of the program."
  *- New Brunswick Medical Society*
- "Recommendation 3: That the plan should have a premium based on ability to pay and adjusted for different income levels."
  *- New Brunswick Nurses Union*
- "Residents should pay a premium to be covered by the program and the program would be mandatory for those without a private insurance plan. The premiums would be determined based on the resident's net annual household income."
  *- Multiple Sclerosis Society of Canada*
- "The goal of the program should be to remove financial barriers for New Brunswickers in need of medications. Premiums may be part of that solution, but only if they are affordable."
  *- NB Catastrophic Drug Stakeholders Group and NB Health Charities Alliance*

These positions were confirmed in consultation meetings where participants indicated that they believed that public reaction to a mandatory plan with a premium would be positive if the premium is reasonable and affordable.

Furthermore, many respondents strongly supported the other Insurance Plan design elements. For example:

- "The industry is supportive of requiring mandatory coverage. If individuals could opt out of buying insurance, those individuals with existing high prescription drug costs would all choose to purchase insurance coverage, whereas those without high drug costs would likely choose to opt out of buying coverage until they needed coverage. This outcome would result in an insurance pool disproportionately comprised of "bad" risks, and, therefore from a financial perspective, would not be sustainable".
  *- Canadian Life and Health Insurance Association*
- "The New Brunswick Medical Society believes that the program must be managed in the same way that a private sector insurance agency would manage a similar program. All New Brunswickers who are uninsured must participate in this program in order to leverage the benefits of full participation in the program for all users. We also believe that some consideration must be given to an individual's ability to pay. The program should not create economic hardship for individuals participating in the program.
  *- New Brunswick Medical Society*
- "A true insurance plan requires the participation of all stakeholders in order to be sustainable."
  "If a consumer participates financially in the process, they are more interested in pursuing more cost effective treatment."
  *- New Brunswick Pharmacists' Association*
- "Yes, all New Brunswickers should be required to have drug coverage. Insurance plans are most sustainable and cost effective based on the size of their membership. If an option was available only those that are sick would be members."
  *- Heart and Stroke Foundation of New Brunswick*
- "The Canadian Cancer Society New Brunswick reiterates that all New Brunswickers should have access to provincially-funded prescription drug coverage regardless of pre-existing medical conditions. To exclude these people would be unacceptable, especially considering they are often excluded from private health insurance programs."
  *- Canadian Cancer Society New Brunswick*
- "NBNU feels there should be no waiting period after enrolment in the provincial plan."
  *- New Brunswick Nurses Union*
- "To ensure the economic viability of the public plan, it will need to be funded in part through the financial participation of citizens in the program and the financial participation of employers with a health tax and a reduction in drug costs via a health promotion program focused on the prevention of diseases prevalent in the province." [Translation.]
  *- Common Front for Social Justice*
- "Recommendation 8: That all employers be involved in some form of cost sharing in the provincial prescription drug program."
  *- New Brunswick Nurses Union*

- "The Advisory Committee on Health Benefits must consider that deductibles and copayments may result in some individuals and families being unable to afford to access the program. In these cases, subsidies will be necessary."
  *- Canadian Cancer Society New Brunswick*
- "Employers who do not presently offer a prescription drug program to their employees should be required to contribute to the provincial program. Employers benefit from healthy employees and they have a duty to contribute to the program in a fair and equitable manner. We believe these requirements should be in place for full-time, part-time and temporary employees."
  *- New Brunswick Medical Society*

In summary, there was strong support for a mandatory plan with reasonable premiums; the financial participation of the individual based on ability to pay; and that the cost of the plan should be shared by individuals, employers and Government.

## 3.3 Proposed Concepts for the Insurance Plan for Prescription Drugs

After analyzing the relevant public drug plan landscape across the country and taking into account the consultation feedback, the Committee developed the following broad concepts to guide a made-in-New Brunswick insurance plan for prescription drugs for uninsured residents:

- An insurance plan with a premium, similar to the private insurance model, to protect New Brunswick families from future health risks at a shared cost the province can afford.
- A mandatory plan for all residents without drug coverage. This will ensure a broad based participation, spread the cost to fund the Insurance Plan and protect all residents.
- The cost should be shared by individuals/families, employers and Government. All businesses / employers will want to participate financially in providing drug coverage for their employees to help spread the costs and contribute to the poverty reduction plan.
- Incentives for responsible utilization based on the financial participation of the individual/family, similar to the private insurance model, with an affordable deductible and/or copayment at the pharmacy.
- The financial participation of the individual/family will be based on ability to pay. Subsidies will be provided to help lower income individuals/families.
- The drugs covered as benefits by the Insurance Plan will be evidence-based from expert advisory committees' reviews and recommendations consistent with the current process for the Government-sponsored plans in New Brunswick.
- The terms of coverage (premium, deductible and copayment) must be reviewed regularly to continue to cover the full costs of the Insurance Plan and ensure the Insurance Plan remains sustainable in the future.

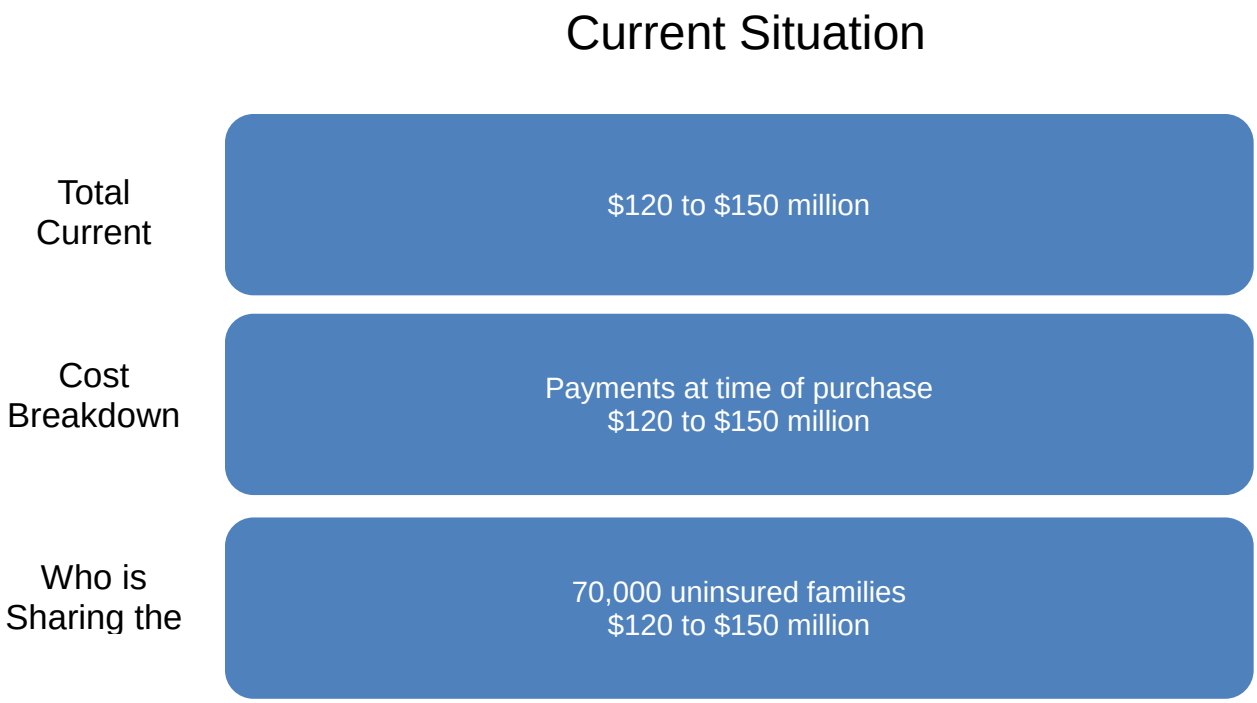
The Committee believes that the consultations indicated strong support for these concepts.

# 4 New Insurance Plan for Prescription Drugs

## 4.1 Framework of the Insurance Plan for Prescription Drugs

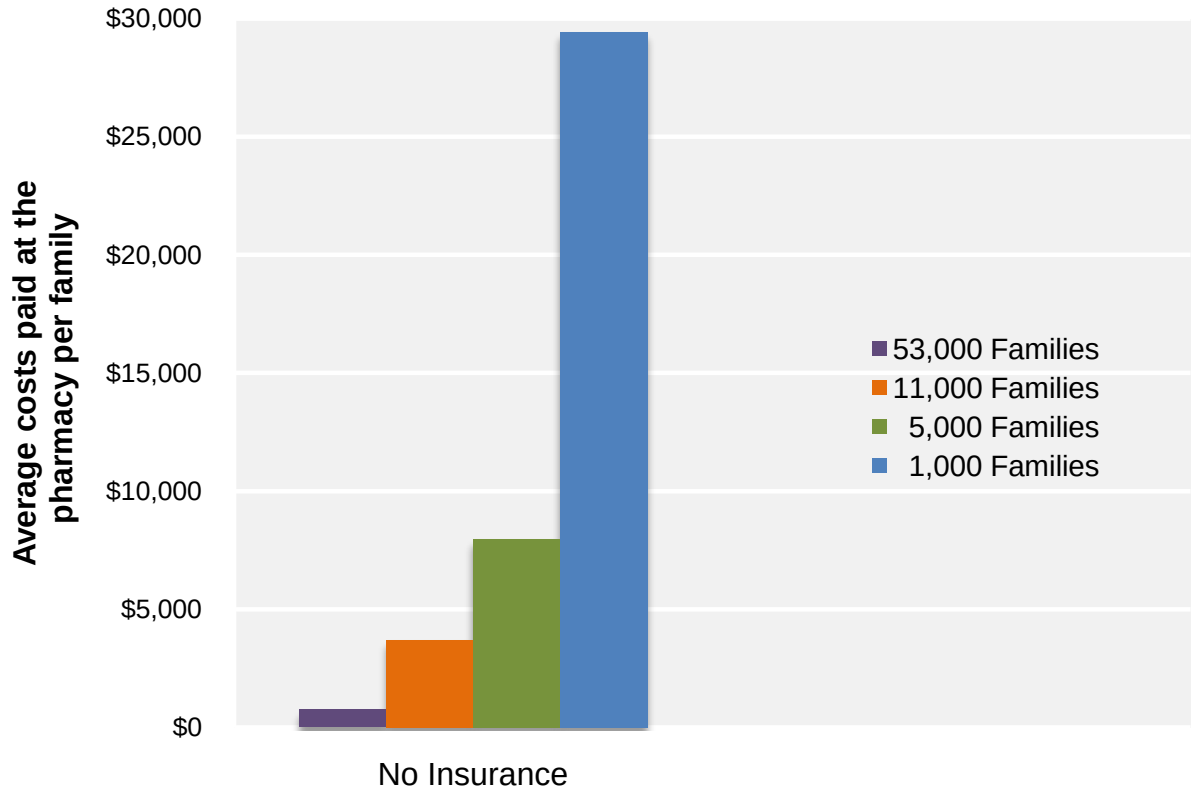
The Committee estimates that approximately 20% of new Brunswickers, or about 70,000 families, do not have a drug insurance plan. The Committee also estimates that these families currently pay $120 to $150 million per year in prescription drug costs. This can be illustrated with the following diagram:

Figure 5 - How Costs are Currently Shared




The amount paid today by each family varies significantly from nothing to thousands of dollars a year, and can vary significantly from year to year. To illustrate the degree of variation in costs, the following chart contains some observations about the average costs for the 70,000 uninsured families:

Figure 6 - Average Costs Paid at the Pharmacy per Family without Insurance

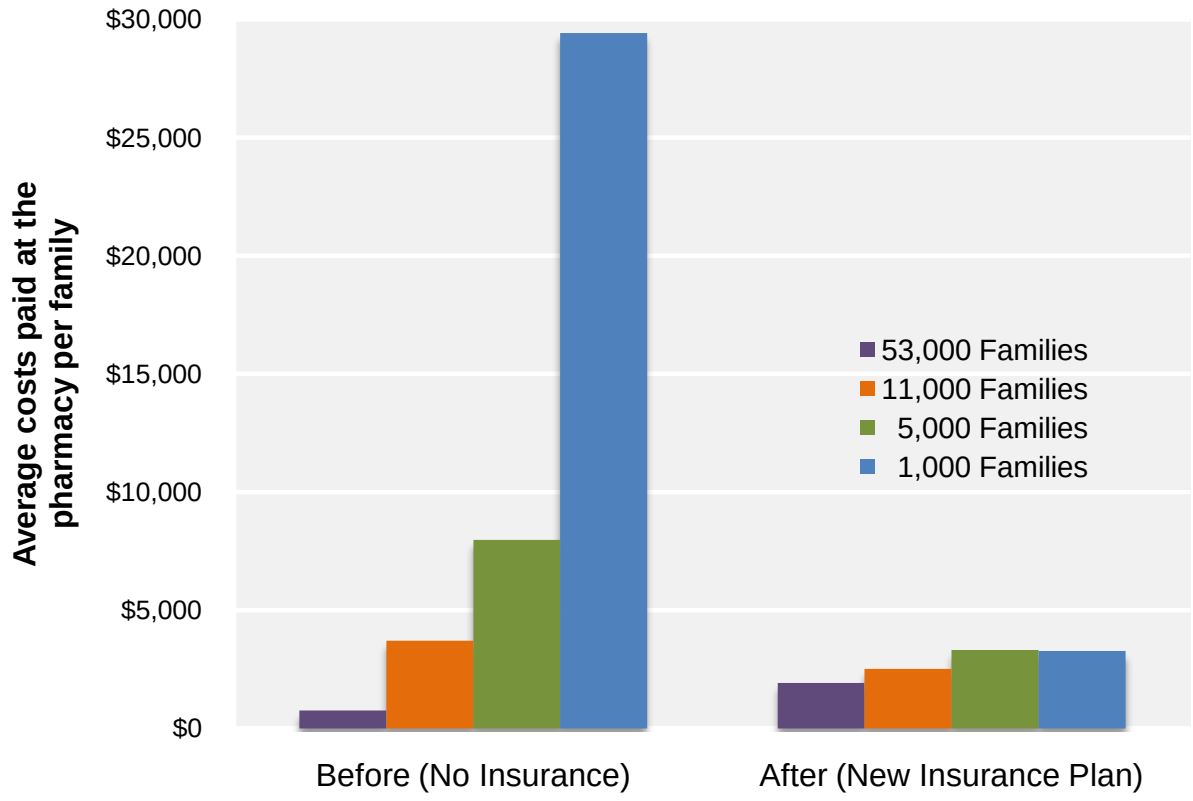



The above chart shows that there are uninsured families with prescription drug costs that represent a very significant financial burden. For some, they are faced with the difficult choice between putting food on the table and taking necessary medications.

As noted in Section 2, one critical success factor identified by the Committee is a fair redistribution of costs to allow those who are experiencing financial difficulty to be supported by those who can afford to pay. The Committee determined early in its deliberations that a social program would not necessarily result in a fair redistribution of costs. This is because social programs are usually financed from general tax revenues, and are provided to beneficiaries at little or no apparent cost after the deductible has been met. The Committee felt there would be two major problems with such an approach. First, it would not be fair to ask people (taxpayers) who already have prescription drug insurance to pay both for the cost of their own insurance and for the cost of the 70,000 families who do not have insurance. Second, if there were little or no apparent cost to the families, there would not be much incentive to utilize the plan responsibly, which could lead to unsustainable cost increases.

The Committee determined that an **insurance plan** would be the most effective way to achieve a fair redistribution of costs. In a well-designed insurance plan, a **premium is charged that is equal to the total expected costs of the plan**. This ensures that the plan is financed by the families who will benefit from it. The premium is a predictable amount that each individual or family pays that allows them to have a substantial portion of their prescription drug costs paid by the plan, and protects them against the risk of much higher costs in the future than they might anticipate. The individual or family is still required to pay a small portion of the costs at the pharmacy at time of purchase. This broad participation by all 70,000 families effectively spreads the risks and costs across all the families enroled in the plan. The following chart shows what the distribution of costs for the 70,000 uninsured families would look like if they were all enroled in a typical insurance plan for prescription drugs:

Figure 7 - Average Costs Paid at the Pharmacy per Family before (without Insurance) and after (with the new Insurance Plan)




A quick review of the chart demonstrates that the uninsured families' costs have been significantly reduced. However, many of these uninsured families would still be under significant financial pressure even at this lower level of costs. Because of this, the Committee believes that a **subsidy** will need to be offered to some families so that they can afford the premium and the portion of costs that they must pay at the pharmacy at time of purchase. The Committee further believes that this subsidy should be **based on ability to pay**.

With the exception of the subsidy just mentioned, the Insurance Plan would be self-funded, i.e. paid for by premiums from Plan members. The Committee does not believe it would be appropriate to ask these same Plan members to fund the subsidy for those Plan members who cannot afford to pay. If that were done, we would be asking 20% of the population to fund the subsidy, so the financial burden of the subsidy would be five times as much as it would be if the funding were spread more broadly across the full New Brunswick population. Furthermore, the uninsured population tends to have lower incomes than people who have private prescription drug insurance through their employment. The uninsured population would therefore have more difficulty funding the subsidy. Finally, it would seem odd not to require insured New Brunswickers to fund part of the subsidy simply because they are fortunate enough to have drug insurance. Based on this reasoning, the Committee believes that **funding for the subsidy should be as broad as possible** so that the funding does not represent a significant burden to any individual, family or employer.

A case can be made that New Brunswick employers who do not provide drug coverage to some or all of their employees should be asked to fund some of the subsidy. Although the majority of New Brunswick employers provide drug insurance plans to their employees and their families, there are some who either do not provide plans at all, or who do not provide plans to certain categories of employees, such as casual, temporary, part-time or seasonal employees. If an Insurance Plan is provided by the Government, and the subsidy funded only by Government, many employers might see a financial advantage in terminating their plans in favour of the subsidized Government Insurance Plan. The amount of the financial advantage would depend both on the amount of subsidy available and the costs of the employer plans. Employers with lower income employees, who would usually get the larger subsidies, and/or with high cost plans, would have the greatest incentive to terminate their existing plans. Plan terminations in either of these situations would shift significant costs towards the Government Insurance Plan. One way to remove the incentive to terminate a plan would be to require a contribution from employers who do not provide a drug insurance plan to some or all of their employees. The contribution would both create an incentive to keep existing employer private group drug plans in place, and provide part of the funding for the subsidy.

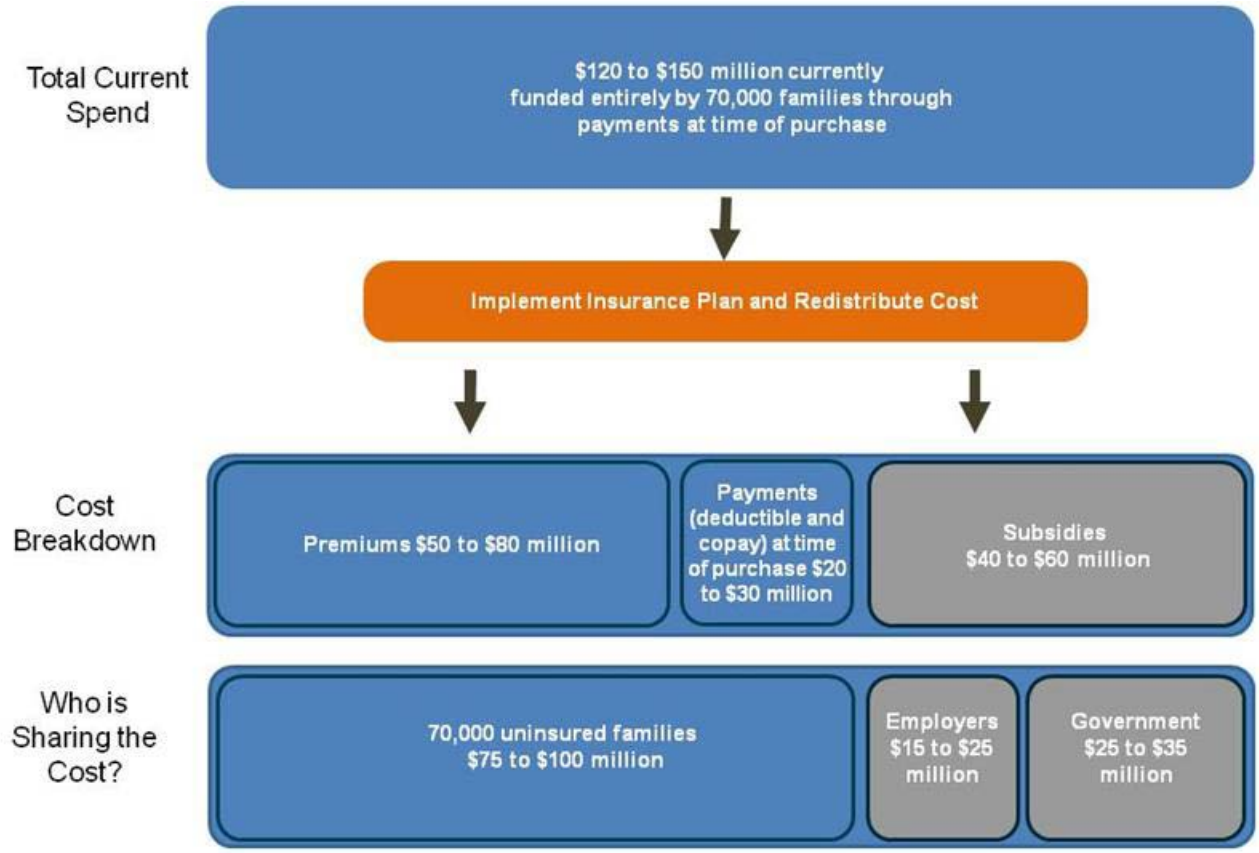
The Committee believes that employers are an important partner in reducing poverty, and that a contribution from employers to the Insurance Plan could provide substantial benefits associated with employees having access to the prescription medications they need. Additional benefits to employers include reduced employee turnover and attrition, reduced employee lost days of work, maintained health and productivity of employees, and guaranteed access to drug coverage for early retirees.

The remainder of the subsidy would have to be funded by Government. The Committee believes that this amount would be somewhere between $25 and $35 million. However, these figures should be subject to careful analysis as part of the decision on the Insurance Plan options presented in this report.

The following general framework illustrates how the current total spend of $120 to $150 million dollars for prescription drugs paid by uninsured families will be re-distributed with the

introduction of the new Insurance Plan. The new Insurance Plan will redistribute costs much more evenly across the 70,000 families enroled in the plan:

Figure 1 - Drug Plan Framework




It should be noted that the figures in the above diagram are illustrative only, and ranges cannot be added together because they include multiple Insurance Plan options. These figures need to be subject to careful analysis as part of the decision on the Insurance Plan options presented in this report.

However, the diagram does provide a reasonable indication of what the financial impact of a new insurance plan might be. For example, the diagram shows that uninsured families themselves provide approximately two-thirds of the funding with premiums, and payments at the pharmacy at time of purchase. However, because some families simply cannot afford to pay the full premium and the full amount of the required payments at time of purchase, a subsidy must be provided to help these families. This implies a transfer of funding responsibility away from a subset of the population who is experiencing financial difficulty as a result of high drug

costs relative to income to another segment of the population that the Committee believes can afford to help, and in many cases will want to help.

Before proceeding to a more detailed examination of how this Insurance Plan would work, it is worth considering whether this transfer of funding responsibility will be acceptable to those who will be asked to assist uninsured families who cannot afford to pay. We will first consider the impact of requiring a premium for the Insurance Plan. One could argue that it is not necessarily fair to require families with lower prescription drug costs to pay for those with higher costs. But Canada is a society where the more fortunate take pride in helping the less fortunate, particularly when their health and potential survival are at stake. Furthermore, it is impossible to predict what the future will bring. An individual or family that appears to be paying "more than its share" for the Insurance Plan this year could find itself needing significant support from the Insurance Plan in a future year. Over a long period of time, most families will likely receive total benefits that are similar to the premiums they pay. In addition, they will have peace of mind because the premiums are predictable, as opposed to drug costs that can be highly variable, and occasionally become unmanageable.

It is likely that Government will be required to cover around 20% to 25% of the cost of the program, at an estimated cost of $25 to $35 million. The Committee believes that this expenditure would be well received given the substantial benefit associated with having all uninsured New Brunswickers covered by an Insurance Plan that makes necessary medications affordable for everyone. In particular, it is likely that there would be fewer visits to physicians, emergency rooms, and reduced hospitalizations because all New Brunswickers would be able to fill their prescriptions, and take their medication as prescribed. Furthermore, it would be reasonable to conclude that there would be broad support for Government to fund the subsidies that would make the Insurance Plan affordable for all New Brunswickers and contribute to the province's poverty reduction plan "*Overcoming Poverty Together*".

In the rest of this section, we will examine in more detail the funding of the Insurance Plan, and other aspects of its operation.

The above discussion should make it clear that the Committee believes that:

1. **The Insurance Plan should have a premium that is calculated to fully recover the expected costs of the Insurance Plan, and that every individual or family enroled in the Insurance Plan should be required to pay a premium, subject to a subsidy that reflects the individual's or family's ability to pay.**

The Committee also noted that the majority of stakeholders expressed support for a premium-paying plan, although some indicated that a premium should only be charged if this proves to be necessary to ensure broad support for the Insurance Plan.

The Committee also considered the question of how to keep the Insurance Plan affordable and sustainable in the long run. Insurance plans in the private sector are usually kept affordable and sustainable using one of two methods. The first is to create barriers to access that reduce the

cost of the plan. Such barriers involve medical exams, exclusion of pre-existing conditions, waiting periods, and other techniques. The second is to require that a very large majority of eligible plan members join the plan so that the costs of the plan can be spread as broadly as possible. During the consultations, there was almost unanimous support for a plan without barriers to access. Furthermore, stakeholders overwhelmingly supported the idea that the plan should be mandatory. Many stakeholders pointed out that people underestimate the importance of having a drug insurance plan, and that if it were optional, too large a proportion of the population would choose not to enrol at the onset, and exert pressure to be allowed to join the plan later once their prescription drug costs become unaffordable. Allowing this would be both unfair to those who do enrol, and could make the plan unsustainable in the long run. As a result, the Committee believes that:

2. **The Insurance Plan should be mandatory for all New Brunswickers who do not have a drug insurance plan, and that there should be no barriers to access.**

In the above Insurance Plan Framework, it is estimated that $20 to $30 million of the prescription drug costs would be funded by payments made at the pharmacy. This can be accomplished by requiring that Insurance Plan members pay a deductible, a copayment or both. A deductible is an amount that a Plan member must pay towards the cost of prescription drugs before any assistance becomes available from the Insurance Plan. A copayment is a percentage of the prescription drug cost that the Plan member must pay each time he or she fills a prescription. To illustrate how these work, consider a plan with a $500 deductible and a 20% copayment. The Plan member will receive no assistance from the plan until he or she has paid a total of $500 of prescription drug costs at the pharmacy in a year. Once that amount has been paid, the Plan member will pay 20% of the costs of each prescription, and the Insurance Plan will pay 80% of the costs.

To determine the appropriate amount of the deductible and/or copayment to include in the Insurance Plan options to be considered by Government, the Committee examined plans available across Canada and noted the following:

- It is not unusual for a private sector plan to have a 20% copayment.
- It is not common for a private sector plan to have a deductible.
- Deductibles are very common in government-sponsored plans, and can reach very high levels. For example, in Nova Scotia, a family of four with an income of $40,000 would have to pay about $1,400 in prescription drug costs a year before the plan would provide any assistance.
- Typical copayments in government-sponsored plans are either 20% or 30%, with Québec being the exception at 32%. In addition, some government-sponsored plans with high deductibles have zero or minimal copayments.

The Committee was not in favour of a high deductible because this would represent too large a barrier to access for many families, particularly given the focus in its mandate on overcoming poverty. The Committee examined the level of deductibles applicable across Canada at various

levels of income and determined that a deductible near the low end of the range should be included in one of the Insurance Plan options. It further concluded that a plan with a deductible should have a copayment near the bottom of the range for government-sponsored plans (i.e. 20%). The Committee also felt that an Insurance Plan option without a deductible should be examined. In this case, the copayment should be near the top of the range for government-sponsored plans (i.e. 30%). Based on this reasoning, the Committee believes that payments made at the pharmacy should be determined using one of the following two Insurance Plan options:

3. **Options for payments made at the pharmacy:**

   **Option 1: a deductible of $250 a year for a single person, and $500 a year for a family, combined with a copayment of 20%.**

   **Option 2: no deductible, but with a copayment of 30%.**

The Committee also observed that both private and government-sponsored plans limit the amount the plan member must pay at the pharmacy. The limits vary widely, but are generally between $15 and $25 for government plans. Because some of these amounts have not been updated in many years, the Committee felt it might be appropriate to consider a range of $20 to $30. The Committee therefore believes that payments made at the pharmacy by the individual or family should be subject to a limit as follows:

4. **The payment to be made at the pharmacy should be limited to a maximum copayment amount of $20 for Option 1, and $30 for Option 2.**

The Committee also considered the question of whether or not there should be a limit on the total amount of financial assistance or benefits that would be provided by the Insurance Plan. The stakeholders who addressed this question were strongly against a limit on the assistance to be provided by the Insurance Plan, primarily because this would mean that the Insurance Plan would stop helping the Plan member (individual or family) when they needed it most. The Committee agreed with this position and believes that:

5. **There should be no annual or lifetime maximum limit on the amount of financial assistance or benefits that the Insurance Plan will provide to a Plan member (individual or family).**

In the above Insurance Plan Framework, it is estimated that uninsured New Brunswickers could afford to fund about two-thirds of the costs of their prescription drugs through premiums and payments made at the pharmacy. However, the financial circumstances of some families would not permit them to pay the full premium nor the full amount of the payment at the pharmacy. As a result, these families need a subsidy to offset some or all of these costs according to their ability to pay. In its work on the *Healthy Smiles, Clear Vision* program, the Committee used a "Market Basket Measure" to define poverty for the purpose of determining which families would have access to dental and vision benefits fully subsidized by Government. The details of the development of this measure are shown in Appendix D. To be consistent with the conclusions reached in that analysis, the Committee believes that:

6. **Families whose incomes are below the Market Basket Measure thresholds should receive a 100% subsidy of their premium. By way of example, this means that a single individual with an income below $15,571 would receive a 100% subsidy. Similarly, a family of four with an income below $31,142 would also receive a 100% subsidy.**

As discussed earlier, the subsidy provided should reflect the individual's or family's ability to pay. Therefore, the subsidy should be reduced as an individual's or family's income increases. The Committee examined various provincial programs that adjust premiums and/or subsidies according to an individual's or family's ability to pay, as well as the work conducted by the Federal/Provincial/Territorial Ministerial Task Force on the National Pharmaceuticals Strategy. The Committee observed that there was a broad range of formulas in use, and that the British Columbia formula for its medical services plans would generate subsidies near the low end of the range, whereas, the Québec formula for its drug plan premium would generate subsidies near the high end of the range. Based on this analysis, the Committee believes that premium subsidies should be phased out gradually based on one of the following two options:

7. **Options for phasing out the premium subsidy:**

   **Subsidy A: for a single person with an income above $24,250, and for a family of four with an income above $43,230.**

   **Subsidy B: for a single person with an income above $26,360, and for a family of four with an income above $47,450.**

Options for family sizes and income levels are shown in Appendix E.

Having defined the key elements of the funding of the Insurance Plan, the Committee then examined in more detail the issue of affordability for various families with different incomes and different levels of prescription drug costs. It concluded that the deductible of $250 or $500 mentioned as Option 1 (in 3 above) would represent a significant barrier to access for some families, and in fact, it might prevent them from ever using the Insurance Plan. Furthermore, it concluded that the maximum payment at the pharmacy of $20 or $30, (mentioned in 4 above), might prevent some families from filling a prescription for an expensive drug. As a result, the Committee felt that these amounts also needed to be subsidized. Although it would be possible to consider various formulas for these subsidies, the Committee felt that it would add too much complexity to the Insurance Plan if different formulas were used to determine subsidies for different purposes. As a result, the Committee believes that:

8. **Both the deductible mentioned as Option 1 (in 3 above), and the maximum payment to be made at the pharmacy for a single prescription should be subsidized using the same formula for the premium subsidy (described in 6 and 7). However, the payment at time of purchase for a single prescription should not go below $5, after taking into account the subsidy.**

With respect to the $5 limit mentioned above, the Committee noted that under the NBPDP, Social Development clients have a $4 payment at the pharmacy per prescription for adults. The Committee felt that the Insurance Plan options should not have a payment at the pharmacy that would be lower than that available to Social Development clients, and therefore a minimum $5 would be appropriate at this time.

The Committee also considered the issue of what drugs should be on the list covered by the Insurance Plan. (This list is usually called a "formulary".) It noted that existing Government-sponsored drug plans already have in place an evidenced-based process for determining which drugs are listed on the formulary. This process relies heavily on reviews and recommendations from the Expert Advisory Committees. The Committee sees no reason why a new Insurance Plan should not follow a similar process. It therefore believes that:

9. **The current process for determining which drugs are listed on the formulary for Government-sponsored drug plans should be used for the new Insurance Plan.**

As noted in 1 above, the Committee believes that the Insurance Plan should have a premium that is calculated to fully recover the expected costs of the Insurance Plan. To ensure that the premium continues to cover expected costs as conditions change, it will need to be recalculated each year, and certain design elements reviewed to ensure that they remain consistent with conditions at the time. In particular, certain flat amounts such as the deductible mentioned as Option 1 (in 3 above), the maximum amount payable at the pharmacy (mentioned in 4), the income limits for subsidy (mentioned in 6 and 7), and the $5 minimum limit (mentioned in 8) should be reviewed each year to ensure that they are adjusted to reflect increases in drug costs and utilization. In summary, the Committee believes that:

10. **The terms of the Insurance Plan must be reviewed regularly to ensure that it continues to meet its goal of providing affordable insurance for prescription drugs to New Brunswickers. In particular, any flat dollar amounts must be reviewed annually and adjusted to reflect increases in drug costs and utilization.**

The above points are summarized in the table on the next page.

Table 1 - Insurance Plan Design Elements

| Insurance Plan Design Elements | |
|---|---|
| Premium | Calculated to fully recover the costs of the Insurance Plan. |
| Coverage | Mandatory for uninsured New Brunswickers<br>No medical exam required<br>No waiting period |
| Payments at Pharmacy | Two options:<br><br>Option 1: an annual deductible of $250 for a single person, or $500 for a family combined with a 20% copayment, subject to a maximum copayment of $20.<br><br>Option 2: no deductible, but with a 30% copayment, subject to a maximum copayment of $30. |
| Maximum Assistance | No annual or lifetime maximum limit on the amount of financial assistance or benefits that the Insurance Plan will provide to a Plan member (individual or family). |
| Subsidy | The same percentage subsidy would apply to the premium, the deductible, and the $20 and $30 copayment maximums mentioned above, except that the subsidized copayment maximums would not go below $5.<br><br>Families that qualify for the *Healthy Smiles, Clear Vision* program (e.g. income level below $15,571 for single individual, income level below $31,142 for family of four) would receive 100% subsidy.<br><br>Two options for phasing out the subsidy:<br><br>Subsidy A: zero subsidy for a single person with an income above $24,250, and for a family of four with an income above $43,230.<br><br>Subsidy B: zero subsidy for a single person with an income above $26,360, and for a family of four with an income above $47,450. |
| Drugs Covered | Follow the same evidence-based process used for existing Government-sponsored drug plans. |
| Plan Reviews | Terms of the Insurance Plan must be reviewed regularly, and any flat dollar amounts adjusted for increases in drug costs and utilization. |

## 4.2 Proposed Options for Government to Consider

Section 4.1 describes two options for determining the payment to be made at the pharmacy (see Options 1 and 2 in item 3, and two options for phasing out the subsidy (see item 7). These options can be combined to provide four options for Government to consider as follows:

- **Option 1-A**: an annual deductible of $250 for a single person, and $500 for a family, combined with a copayment of 20% to a maximum of $20, with a subsidy phased out at $24,250 of income for a single person, and at $43,230 of income for a family of four.

- **Option 1-B**: an annual deductible of $250 for a single person, and $500 for a family, combined with a copayment of 20% to a maximum of $20, with a subsidy phased out at $26,360 of income for a single person, and at $47,450 of income for a family of four.

- **Option 2-A**: no deductible, but with a copayment of 30% to a maximum of $30, with a subsidy phased out at $24,250 of income for a single person, and at $43,230 of income for a family of four.

- **Option 2-B**: no deductible, but with a copayment of 30% to a maximum of $30, with a subsidy phased out at $26,360 of income for a single person, and at $47,450 of income for a family of four.

Appendix F contains illustrations of payments at the pharmacy for various family situations under each of the above four options. These illustrations make it clear that these four options provide meaningful assistance to the families concerned, and compare favourably with other provincial plans.

In considering the relative merits of the four proposed Insurance Plan options, it is important to note that a deductible at the suggested level results in no benefits for individuals/families whose drug costs are less than the deductible in any given year. On the other hand, it should also result in a somewhat lower premium. It should also be noted that a deductible adds complexity to a plan, and can be very confusing to plan members. For example, a plan member may fill a prescription in January and get no assistance from the plan, then fill the same prescription in April and have 80% of the cost paid by the plan. To add to the complexity, many provincial plans with deductibles have converted these to a monthly basis to reduce the barrier to access that they can cause. This greatly increases confusion among plan members because the help they get from the plan for the same prescription can change from one week to the next. Unless a deductible is set at a very high level, the impact on the premium may not be enough to offset the many issues raised in this paragraph.

In considering the amount of the subsidy to provide, this is largely a question of balancing the needs of uninsured New Brunswickers with the willingness of other New Brunswickers and New Brunswick employers to fund those needs. The Committee estimates that Subsidy B will cost about 10% more than Subsidy A. Another issue to consider is whether or not the subsidy facilitates the transition of Social Development clients to the workforce. A Social Development client who enters the workforce at a low enough level of income would receive a 100% premium

subsidy. However, once he or she reaches the level of income where the subsidy starts to phase out, about 10% of any increase in income would be required to offset the reduction in the subsidy, if Subsidy B is used. The corresponding figure is 15%, if Subsidy A is implemented. Finally, it is worth noting that New Brunswickers who are currently insured through their employer's group plan will not qualify for a subsidy, however it is important to note that employers typically pay 50% of the employee's premium amount.

# 5 Conclusion

The Committee believes that each of the Insurance Plan options presented in this report offer a practical made-in-New Brunswick solution that will provide meaningful help to uninsured New Brunswickers, within our collective ability to pay. The specific benefits that the Committee anticipates from the implementation of any one of the Insurance Plan options are summarized in this section. In addition, this section concludes with a number of important observations for Government.

## 5.1 Benefits of a New Insurance Plan for Prescription Drugs

There are many benefits to providing an Insurance Plan to all uninsured New Brunswickers, including benefits to individuals and families, benefits to employers, benefits to society and benefits to the health care system:

Benefits to Individuals and Families:

- All New Brunswickers will have the peace of mind of knowing that they have access to prescription drugs now and in the future.
- The Insurance Plan will help prevent New Brunswickers from experiencing financial hardship or falling into poverty because of medical conditions that require drug therapies.
- The Insurance Plan will help New Brunswickers work their way out of poverty by providing them with access to drug coverage that some employers do not offer.
- The Insurance Plan will remove barriers to access prescribed drug treatments, which should result in improved health outcomes and positive effects on quality of life.

Benefits to Employers:

- Improve the ability to recruit new employees.
- Reduce employee turn-over and attrition.
- Reduce employee lost days of work.
- Maintain the health and productivity of employees.
- Provide early retirees with guaranteed access to drug coverage.

Benefits to Society and the Health Care System:

- Provide better opportunities and remove financial barriers to access drug coverage for people who are moving from social assistance to employment.
- Ensure continuity of care from the hospital to outpatient/community setting.

- Reduce visits to hospital emergency rooms, and reduce frequency and duration of hospitalizations.
- Improve patient outcomes and quality of life.

## 5.2 Additional Observations

In the course of the Committee's discussions and consultations with stakeholders, a number of issues were identified that were deemed important enough to bring to the attention of Government. These are listed below and further discussed in Appendix G:

Implementation Issues:

- Legislation
- Further Consultation
- Cost Estimates for Budgets
- Timing of Implementation
- Process for Collection of Premiums and Employer Contributions
- Hiring of Plan Administrator and Department Support Staff
- Detailed Plan Rules and Provisions
- Development of Communication Plan
- Enrolment of Plan Members
- Impact on NBPDP

Insurance Plan Coverage and Cost Issues:

- Ongoing Management of Costs
- User-Friendly, Efficient and Effective
- High Drug Costs relative to Income
- Under-Insured New Brunswickers

## Appendix A - Overview of Drug Coverage in Canada

Canada does not have a national plan for covering the costs of prescription drugs. Instead, a number of public and many private drug insurance plans exist. There are 19 publicly funded drug plans in Canada (10 provincial, 3 territorial, and 6 federal).[1] In addition, there are tens of thousands of private drug insurance programs offered by employers, unions and professional associations across the country that cover employees and their families. These plans vary significantly in terms of eligibility, benefits payment structures and drugs eligible for coverage.

Drug coverage outside of hospitals does not fall under the provisions of the *Canada Health Act*. Instead, the provision and administration of public drug programs is the responsibility of the provinces and territories. There is no national plan or legislation that governs the design or delivery of these public drug programs. As a result, the structure and level of public drug coverage vary widely across the country, at the discretion of the individual provinces and territories.

In the 1970s, provincial governments started to recognize that the rising costs of prescription drugs could represent an increasing financial burden on those with low or fixed incomes. As a result, each province began offering drug coverage to certain sectors of the population least able to afford the cost of drugs, primarily seniors and social assistance clients.

Provincial drug plans have evolved over the years. Today, four provinces offer some form of universal program (British Columbia, Saskatchewan, Manitoba and Québec). The other six provinces have targeted drug plans for certain beneficiary groups. Of these, four provinces (Alberta, Ontario, Nova Scotia, and Newfoundland and Labrador) also have a plan for uninsured residents or to assist those with high drug costs in relation to income. Two provinces (New Brunswick and Prince Edward Island) have a large percentage of the population without access to drug coverage. A study of provincial drug plans discussed that even among the various types of coverage offered, that there was no income-based program that could be defined as providing comprehensive public drug coverage. The authors commented that the majority of Canadian households would bear a substantial financial burden under the cost-sharing structure of existing public plans if faced with significant medical need.[11]

Private plans are a significant source of drug coverage in Canada. These work-based drug plans also vary in structure and level of coverage. More than half of Canadians with private coverage have plans that protect against high drug costs. However, for the remainder the amount payable at the pharmacy can be substantial. For example, it is not unusual for a private plan member to pay 20% of the prescription drug costs at the pharmacy at time of purchase. For plans that do not have a maximum contribution amount, a drug costing $30,000 per year can amount to $6,000 payable at the pharmacy by the plan member.

The issue of reasonable access to prescription drug coverage is not unique to New Brunswick; it is a concern for all Canadians. Over the last decade, access to prescription drug coverage has been an important focus of a number of national reports and initiatives including The Kirby

Report in 2002[12], The Romanow Report in 2002[13], the First Ministers' Accord in 2003[14] and the National Pharmaceuticals Strategy in 2004.[15]

In 2007, with the National Pharmaceuticals Strategy work coming to an end, Nova Scotia (NS) and Newfoundland and Labrador (NL) expanded their government sponsored programs to provide access to drug coverage for previously uninsured residents as follows (also refer to Appendix C for more details):

- Nova Scotia implemented "Family Pharmacare" to assist residents who did not have drug coverage or were experiencing high drug costs not covered by their private insurance. The combined impact of the annual deductible and the percentage copayment can amount between 5% and 35% of income.
- Newfoundland and Labrador implemented the following two plans:
    - the "Access Plan" for low-income ($42,870 or less) families. Under this plan copayment amounts can range between 20% and 70% of total prescription costs.
    - the "Assurance Plan" for those who have high drug costs relative to their income. If the annual family income is over $150,000, coverage is not available.

New Brunswick and Prince Edward Island are the only provinces where fairly large portions of the population are uninsured and there is no government sponsored drug coverage for residents who cannot obtain drug coverage without medical underwriting.

**Key Issues for Drug Coverage in Canada**

The following points present key issues for drug coverage in Canada:

- Inequity: Although more jurisdictions have made prescription drugs more accessible and somewhat more affordable to their residents in the last few years, the system is still inequitable across the country. In addition, the levels of coverage offered by existing programs vary significantly from one province to the next.[16]
- Out-of-hospital prescription drugs: With the changes in medical practice since the introduction of Medicare, out-of-hospital prescription drugs have become an integral part of the health care system. Acute conditions that used to be treated in hospital are now treated at home because of advances in technology and drug therapy.[9]
- Increasing proportion of Canadians likely to face high drug expenses: The increased use of prescription medications to treat illness has meant that there has been a rise in the amount that Canadians spend on those drugs. The rapid rise in costs coupled with the aging population is bound to lead to an increase in the proportion of Canadians facing higher drug costs.[9]
- Rise in prescription costs leads to negative health outcomes: Some studies have demonstrated that increased out-of-pocket costs for prescription drugs have resulted in negative health outcomes. Older patients were less likely to fill their prescriptions when they had to pay for them. This resulted in increases in their rates of hospital admissions, emergency care and visits to physicians.[17]

The following results were reported in a 2010 survey by the Health Council of Canada on "How do Canadians Rate the Health Care System"[10] and support the previous key issues:

- About 10% of Canadians report not filling a prescription or skipping a dose due to cost. This percentage has gone up from 8% in 2007.
- Canadians with private insurance are less likely to not fill a prescription due to cost (7% compared with 15% for those without private insurance).
- 21% of Canadians with the lowest income report not filling a prescription because of cost, compared with only 2% of those with the highest income.

Non-adherence includes not filling a prescription, not renewing a prescription, or trying to make an existing prescription last longer and has been linked to increased health system costs.[18,19] In February 2012, the Canadian Medical Association Journal[20] published that the out-of-pocket expenses for medications lead 1 in 10 Canadians to fail to follow instructions for their prescription medications, particularly people with low-income, and people who do not have insurance coverage for prescription drugs.

A previous study published in 2009 looked at cost-related non-adherence in insured and uninsured populations in the US and Canada. The incidence of cost-related non-adherence was found to be 23% in the US, 8% in Canada, and only 4.4% in Québec. The authors concluded that the mandatory nature of drug coverage in Québec was the most effective in removing barriers at the point of filling prescriptions.[19] While it might be expected that drug expenditures are slightly higher per capita in Québec compared to the national average, interestingly hospital, physician, and other health professional per capita expenditures are lower.[21]

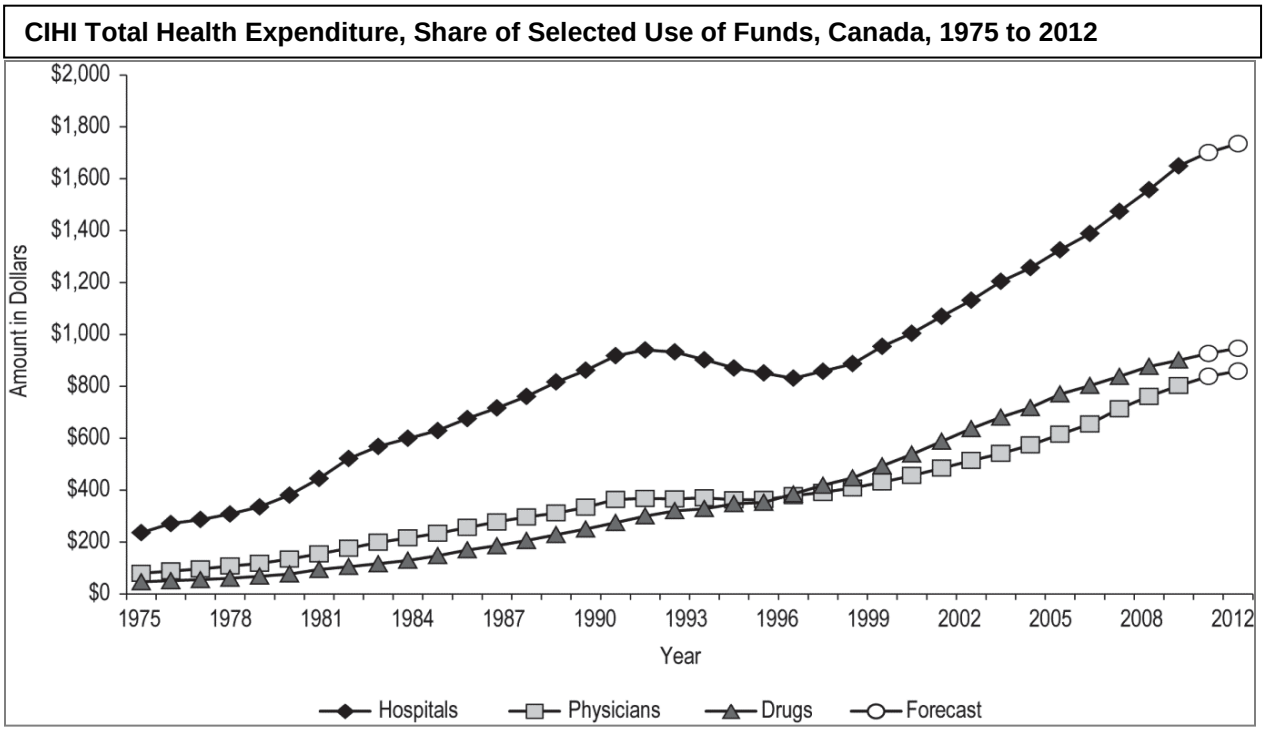
**Increasing Drug Costs**

Prescription medications are often the best and most cost-effective treatment for many conditions, and are increasingly used in place of other interventions. But as the use of prescription drugs has grown, so has the financial burden of rising drug costs on individual Canadians, employers, insurers, and governments.[1,2]

- According to the Canadian Institute for Health Information (CIHI),[3] drug expenditures are consuming an increasing amount and proportion of health care dollars, and the costs are escalating three times faster than the rate of inflation. Over the past two decades, pharmaceuticals have been one of the fastest-growing components of health system spending in Canada. Spending on prescription medications in Canada by governments, private insurers, and individual Canadians grew at an average annual rate of 10.6% between 1985 and 2005, compared with total health spending, which grew at an average annual rate of 6.5%. Drug expenditures' share has been increasing since the mid-1980s, and it has accounted for the second-largest share since 1997, after hospital spending. On average, spending on drugs represented 9.5% of total health expenditures in 1985 and 16.5% in 2010. This is also observed in provincial public drug

plans where, on average, the costs have more than doubled in the last 10 years (see figure below).

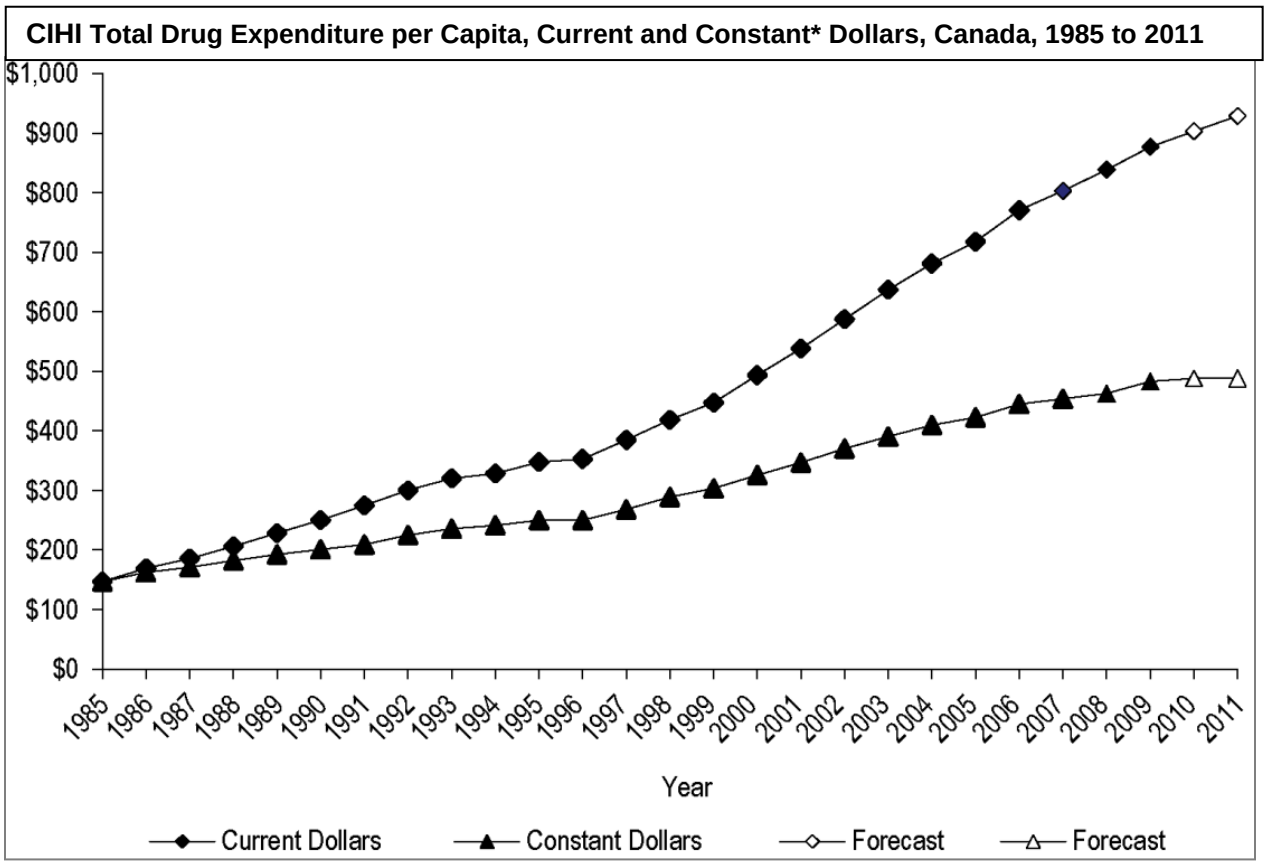
Figure A.1 - CIHI Total Health Expenditures




According to CIHI,[21] per capita drug expenditure trends are similar to those of total drug spending. Total drug expenditure increased from $147 per capita in 1985 to $901 in 2010 (see figure below).

In 2010, Canadians spent $901 per person on drugs. Per capita spending on drugs in the provinces is forecast to have ranged from $702 and $849 in British Columbia and Manitoba, respectively, to $1,116 and $1,139 in New Brunswick and Nova Scotia, respectively. Per capita spending on drugs in the territories is forecast to have ranged from $672 in Nunavut to $809 in Yukon.

Figure A.2 - CIHI Total Drug Expenditure per Capita




Furthermore, Canadians and their governments pay more than many other Western countries for prescription medications. This includes both brand name and generic drugs.[2]

The rising cost and utilization of prescription drugs is continuing to put financial pressure on both public and private drug plans and is demanding more spending by Canadians, either through their taxes, their premiums, or from their own pockets.[2]

It is clear that this situation cannot be sustained over the long term. Provinces and territories are increasingly required to reallocate resources from other health spending to cover the growth of drug costs. Prescription drug costs are also seen as crowding other public sector spending priorities.

## Drug Plan Challenges

As previously mentioned, the cost of prescription drugs has been rising at a much higher rate than other components of the health system and is a significant challenge to the long-term sustainability of publicly funded drug plans.

The rapidly rising cost of prescription drugs is a serious concern to all Canadian provinces, including New Brunswick. The challenges faced by all drug plans, and which drive drug costs include:

- Increased use of prescription drugs: Patients are being treated with a greater number of medications[17,22] and new drug therapies are being developed for medical conditions previously treated by other means.[4,17]
- More new drugs: Each year, Health Canada approves many new drugs. New drugs may be more expensive, but not always more effective, than existing drugs that treat the same conditions.[4]
- Increase in chronic disease: More people are living with chronic diseases such as diabetes, high blood pressure and respiratory disorders and need long-term treatment with prescription medication to manage their condition.[5,6,7,8]
- Expectations of public, patients and health care professionals:
    - Expectation that once a drug is approved by Health Canada it should be covered by provincial drug plans and a lack of understanding for the need of drug plans to evaluate cost in addition to efficacy and safety.[23]
    - Direct to consumer advertising by drug companies, in magazines, on television and the Internet, promotes prescription drugs for many health problems.[24]
- Changing demographics: The province's population is aging; this may mean more residents need government's assistance to pay their prescription costs.[25,26]
- Changes in treatment: More health care services are delivered on an outpatient basis. This means fewer drugs are covered through hospital funding and more are covered by provincial drug programs.[1]

### Management Policies and Initiatives

A variety of policies and initiatives are used by both public and private drug plans to manage costs and encourage appropriate utilization of prescription drugs and plan benefits.

Drug cost management strategies (as outlined below) can slow the growth of drug plan spending but not enough to fund a new drug plan for uninsured New Brunswickers. Few plans have been able to reverse the increasing trend other than for brief periods. The following are examples of cost management initiatives adopted by many Canadian jurisdictions, including New Brunswick:

- Contributions by plan members to the cost of the plan through premiums, deductibles, or copayments.
- Restricting covered drugs to those that have undergone an evidence-based review process.
- Approving the coverage of higher cost medications only after lower cost alternatives have proven ineffective.
- Drug pricing regulation (e.g. reference-based pricing, lower generic drug prices)

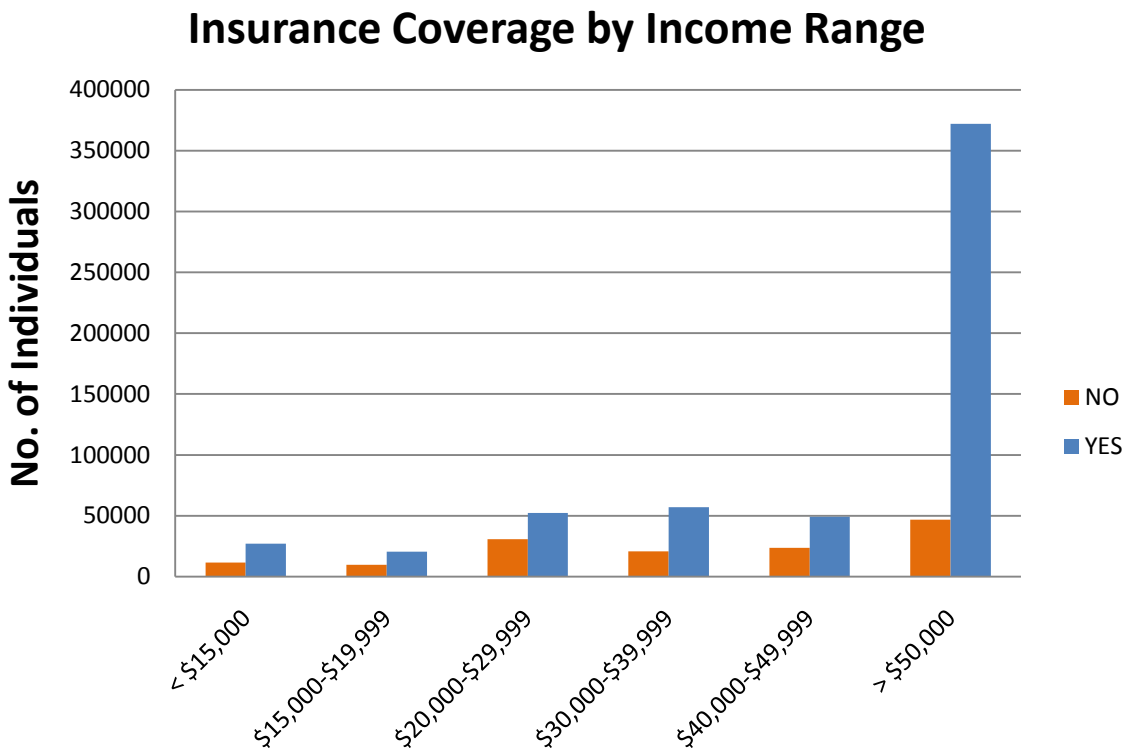
All drug plans limit the drugs that are covered. The defined list of eligible drug benefits is commonly called a Formulary. Most drugs listed in the NBPDP Formulary are "regular" benefits which are reimbursed based on a prescription. However, certain drugs are restricted and require prior authorization in order to be reimbursed. The drugs listed as Special Authorization benefits have specific criteria, which must be met. Some of the reasons that a drug may be restricted are if there are effective, less costly alternatives listed as regular benefits; there is a high potential for inappropriate or significant off-label use (i.e. use for a different medical condition than the drug was originally approved for); the cost impact to the drug program of an unrestricted listing is significant; or there are safety considerations.

## Appendix B - Demographics of the Uninsured Population

The Canadian Community Health Survey (CCHS) data collected by Statistics Canada for 2011 from approximately 2,500 New Brunswickers were analyzed to describe the uninsured population. In particular, responses related to income, age, family size, education, and employment status were compared between those reporting to have insurance coverage for prescription drugs versus those who did not.

Based on the CCHS sample, it was estimated that approximately 20% of New Brunswickers reported having no insurance coverage for prescription drugs. This represents about 70,000 families. When insurance coverage was looked at based on income, it was noted that the number of individuals with coverage increases along with increasing family income. The majority with incomes over $50,000 have insurance, see Figure B.1 below. When examined separately, a much higher proportion of the insured population (64%) had an income greater than $50,000, compared to the uninsured population (33%). This suggests that up to 2 out of 3 families without drug coverage could potentially qualify for some amount of subsidy depending on the Insurance Plan option adopted.

**Figure B.1 - Insurance Coverage by Income Range**

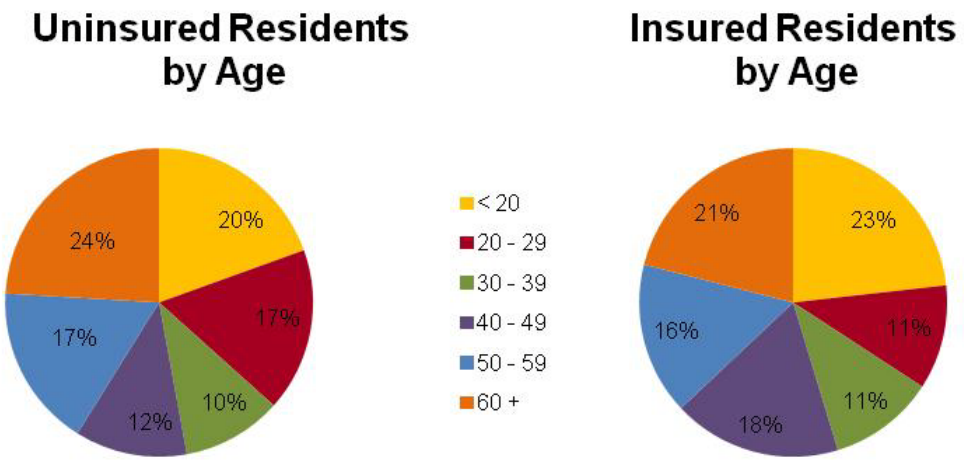


When family size was accounted for, it was noted that family size tended to increase along with increasing income in both populations. Looking solely at the uninsured population, a higher proportion of smaller family size (family size of 1 and 2) was observed in income ranges less than $30,000 than in income ranges over $30,000, see Figure B.2 below. This supports the rationale for varying the subsidy amount by both income and family size.

**Figure B.2 - Families without Coverage by Income Level and Family Size**

The uninsured and insured populations were found to be fairly comparable with respect to age, see Figure B.3 below. This is an important finding as age is a significant factor in projecting costs and determining premiums for drug insurance programs. The proportion of uninsured individuals in the 60 and over age group was slightly higher than in the insured population (24% vs. 21%), with a similar finding in the younger 20-29 age group (17% vs. 11%). A slightly lower proportion was found in the under 20 and 40-49 age groups, 20% vs. 23%, and 12% vs. 18%, respectively. In general, 1 in 3 young adults in their 20s, and 1 in 5 seniors had no drug coverage, while adults in their 30s and 40s were more likely to have drug coverage.

**Figure B.3 - Drug Coverage by Age Group**

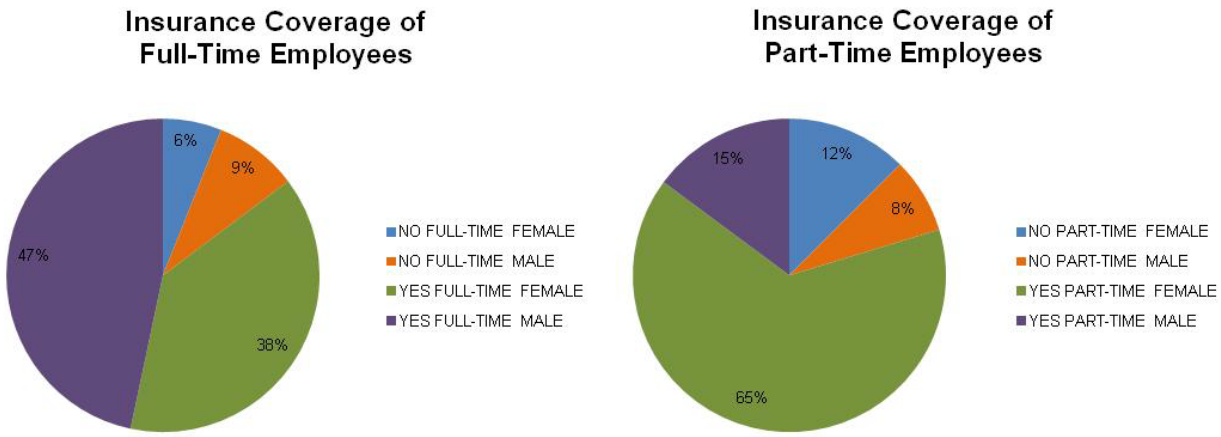


Analysis of education categories revealed that drug coverage increased with level of education attained. Approximately 74% and 84% reporting having graduated from secondary, and post-secondary education programs, respectively, also reported having drug insurance coverage. This may be reflective of type of employment and access to employer sponsored/private coverage. However, when drug coverage was looked at based on employment status, a large proportion of individuals without coverage reported being either employed (55%) or self-employed (10%). By comparison 74% of the insured population reported being employed and 4% reported being self-employed. A slightly larger percentage of the uninsured population relied primarily on some form of retirement income (21% vs. 17%). See Figure B.4 below.

**Figure B.4 - Drug Coverage by Main Income Source**

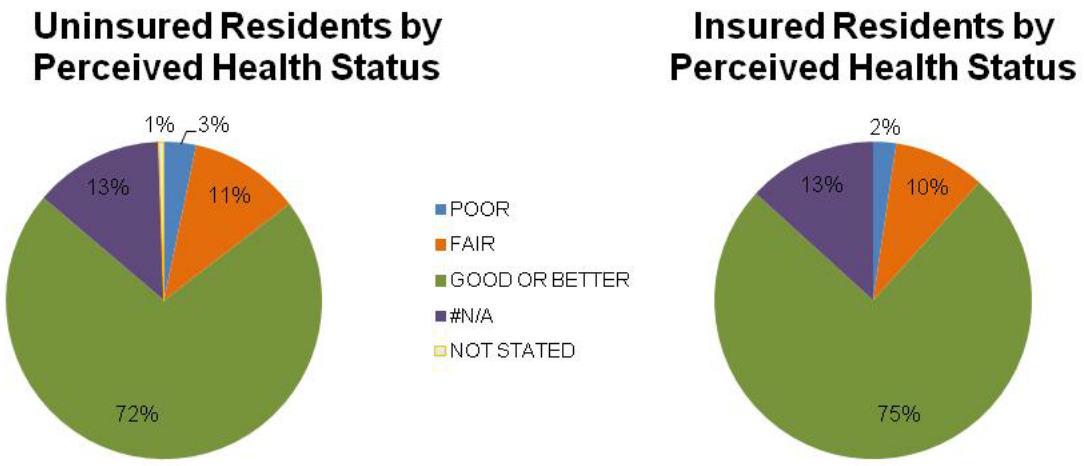
Analysis of employment type demonstrated that a greater proportion of those with drug coverage worked full-time (85%) vs. part-time (80%). Given the high rate of those working part-time who reported having drug coverage, further investigation was undertaken to understand this observation, see Figure B.5 below. Findings showed that 65% of individuals working part-time were female with drug coverage. It was assumed that this group either had coverage through an employer or through a spouse. In addition, there were more females working part-time without drug coverage (12%) compared to men working part-time without coverage (8%).

**Figure B.5 - Drug Coverage by Employment Type**



A final topic of comparison was on self-perceived health status. It was of value to find that reporting of a rating of good or better with respect to health status was comparable in the uninsured and insured populations, 72% vs. 75%, respectively. In addition, those reporting their perceived health as fair or poor were similar, see Figure B.6 below. This finding is important as it suggests that the two populations are not dissimilar with respect overall self-perceived health status, and therefore drug usage could be expected to be comparable.

**Figure B.6 - Drug Coverage by Perceived Health Status**




In summary, the characteristics of the uninsured population are not appreciably different from the insured population in New Brunswick. Family size tends to get larger with increasing income in both populations; age distribution is generally similar, as is self-perceived health status. In addition, a majority in both groups report being employed or self-employed. Only income and highest education attained are generally lower in the uninsured population. This is valuable information as it supports the insurability of this group based on risk-sharing principles and estimated cost projections for drug usage.

# Appendix C - Details of Provincial Public Drug Plans

## Overview

In Canada the provision and administration of public drug programs is the responsibility of the provinces. The structure and level of drug coverage vary widely across the country, at the discretion of individual provinces.

This appendix outlines the different public drug plans in each province and provides additional information on the relevant drug plans across the country (from east to west) that were reviewed and analyzed by the Committee.

In addition, there is a summary of the Committee's observations at the end of each provincial section.

**Newfoundland and Labrador**

The Newfoundland and Labrador Prescription Drug Program provides financial assistance in the purchase of eligible prescription medications for those who reside in the province. There are five main plans under the program:

*Seniors*

- The 65Plus Plan (for lower income seniors 65 and older)

*Social Assistance*

- The Foundation Plan
- The Access Plan (see below)

*Disease Specific*

- The Select Needs Plan (for Cystic Fibrosis and Growth Hormone Deficiency)

*High-Cost to Income / Income-Based*

- The Assurance Plan (see below)

The relevant drug plans reviewed by the Committee include the Access and Assurance plans which are described further below:

The **Access Plan** gives individuals and families with low incomes access to eligible prescription medications. The amount of coverage is determined by net income level and family status.

Table C.1 - NL Access Plan Deductible and Copayment

| Drug Plan | Eligibility/Deductible | Copayment |
|---|---|---|
| Access Plan: Low-income residents | • families with children, including single parents, with net annual incomes of $42,870 or less;<br>• couples without children with net annual incomes of $30,009 or less<br>• single individuals with net annual incomes of $27,151 or less. | Between 20% and 70% of total prescription costs, depending on income level and family status. |

Examples of copayment percentages for the Access Plan:

**Table C.2 - NL Access Plan Examples of Copayment Percentages**

| Singles | | Couples With No Children | | Families with Children | |
|---|---|---|---|---|---|
| Family Income Amount | Copayment Amount | Family Income Amount | Copayment Amount | Family Income Amount | Copayment Amount |
| Under 18,557 | 20.0% | Under 21,435 | 20.0% | Under 30,009 | 20.0% |
| 19,000 | 22.5% | 22,000 | 23.3% | 31,000 | 23.9% |
| 20,000 | 28.3% | 23,000 | 29.1% | 32,000 | 27.7% |
| 21,000 | 34.1% | 24,000 | 35.0% | 33,000 | 31.6% |
| 22,000 | 40.0% | 25,000 | 40.8% | 34,000 | 35.5% |
| 23,000 | 45.8% | 26,000 | 46.6% | 35,000 | 39.4% |
| 24,000 | 51.6% | 27,000 | 52.4% | 36,000 | 43.3% |
| 25,000 | 57.5% | 28,000 | 58.3% | 37,000 | 47.2% |
| 26,000 | 63.3% | 29,000 | 64.1% | 38,000 | 51.1% |
| 27,000 | 69.1% | 30,000 | 69.9% | 39,000 | 55.0% |
| 27,151 | 70.0% | 30,009 | 70.0% | 40,000 | 58.8% |
| 27,152 | 100% | 30,010 | 100% | 41,000 | 62.7% |
| or higher | Not qualified | or higher | Not qualified | 42,000 | 66.6% |
| | | | | 42,870 | 70.0% |
| | | | | 42,871 | 100% |
| | | | | or higher | Not qualified |

The **Assurance Plan** offers protection for individuals and families against high drug costs relative to income, whether be it from the cost of one extremely high cost drug or the combined cost of different drugs.

Table C.3 - NL Assurance Plan Eligibility and Copayment

| Drug Plan | Eligibility | Copayment |
|---|---|---|
| Assurance Plan: Residents with high drug costs relative to their income | Depending on income level, annual out-of-pocket eligible drug costs will be capped at either 5, 7.5 or 10 per cent of the net family income:<br>• Those with net incomes up to $39,999 will pay a maximum of 5% of their net income for eligible drugs.<br>• Those with net incomes of $40,000 up to $74,999 will pay a maximum of 7.5 % for eligible drugs.<br>• Those earning $75,000 up $149,999 will pay a maximum of 10% of their net income for eligible drugs. | Depends on income level and drug cost. |

The Assurance Plan does not cover families with income over $150,000.

The following table summarizes the Committee's observations:

Table C.4 - Summary of Committee's Observations for NL Plans

| Summary of Committee's Observations for NL Access and Assurance Plans |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• Requires financial participation from the plan members in the form of a copayment<br>• No annual or lifetime maximum limit on the amount of financial assistance provided to plan members<br>• No waiting period or medical evidence required for coverage<br>• Member contribution varies by level of income and family size |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• Copayment of total prescription costs for some families is high (up to 70% for the Access Plan, and up to 99% for the Assurance Plan) and creates a barrier to access to necessary medications<br>• Families making $150K and over cannot access the plan, despite have high drug costs<br>• Voluntary enrolment resulting in high cost to Government to cover a small number of families |

Refer to the following website for more information:
http://www.health.gov.nl.ca/health/prescription/nlpdp_plan_overview.html

**Prince Edward Island**

Prince Edward Island offers a number of drug programs for their residents. The programs consist of various drug plans for different beneficiary groups. PEI does not have a relevant drug plan for the Committee to consider.

*Seniors*

- Seniors Drug Cost Assistance Program (for seniors 65 years and over)

*Social Assistance*

- Children-in-Care Program
- Financial Assistance Program

*Disease Specific*

- AIDS/HIV Program
- Cystic Fibrosis Program
- Diabetes Program
- Erythropoietin Program
- Growth Hormone Program
- Hepatitis Program
- High Cost Drug Program (for Ankylosing Sondylitis, Cancer, Crohn's Disease, Diabetes, Multiple Sclerosis, Pulmonary Hypertension, Psoriatic Arthritis, Rheumatoid Arthritis, Wet Age-Related Macular Degeneration)
- High Cost Crohn's Disease Program
- Home Oxygen Program
- Immunization Program
- Intron A-Interferon Program
- Meningitis Program
- Phenylketonuria (PKU) Program
- Quit Smoking Program
- Rabies Program
- Rheumatic Fever Program
- Sexually Transmitted Diseases Program
- Transplant Program
- Tuberculosis Program

*Other*

- Nursing Home Program
- Institutional Pharmacy Program
- Community Mental Health Program
- Nutrition Program.
- Family Health Benefit Program (helps low-income families with children with the cost of prescription medications)

The following table summarizes the Committee's observations:

**Table C.5 - Summary of Committee's Observations for PEI Plans**

| Summary of Committee's Observations for PEI Drug Programs |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• N/A |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• Fragmented multiple disease-state programs<br>• Family Health Benefit program only covers children and dependant students (<25 years) leaving low income parents uninsured |

Refer to the following website for more information:
http://www.healthpei.ca/index.php3?number=1026180&lang=E

**Nova Scotia**

Nova Scotia provides assistance to eligible residents through various programs to help pay for prescribed medications and supplies as follows.

*Seniors*

- Seniors' Pharmacare Program (for seniors 65 and older), see below

*Social Assistance*

- Department of Community Services - Pharmacare Benefits
- Family Pharmacare Program

*Disease Specific*

- Diabetes Assistance Program
- Drug Assistance for Cancer Patients

*High-Cost to Income / Income-Based*

- Family Pharmacare Program , see below

The relevant drug plans reviewed by the Committee include the Nova Scotia Family Pharmacare and the Seniors' Pharmacare Program which are described further below:

The **Nova Scotia Family Pharmacare Program** is a provincial drug plan designed to help Nova Scotians with the cost of prescription drugs. The program offers protection against drug costs for families who have no drug coverage; or against high drug costs relative to income.

Beneficiaries include permanent residents who have a valid Nova Scotia health card and are not receiving drug coverage through another Nova Scotia public drug program.

**Table C.6 - NS Family Pharmacare Deductible and Copayment**

| Family Pharmacare | Deductible | Copayment |
|---|---|---|
| NS Family Pharmacare | An annual family deductible, based on family income and size, must be completely paid before reimbursement begins. | 20% of the cost of prescriptions, to an annual maximum copayment based on family income and size. |

The combined impact of the annual deductibles and the percentage copayment can amount to 5% to 35% of income for Nova Scotia residents, depending on their income.

Examples of NS Family Pharmacare deductibles:

Table C.7 - NS Family Pharmacare Deductible

| Adjusted Annual Family Income Range | Annual Deductible as a Percentage of Adjusted Annual Family Income | Annual Deductible |
|---|---|---|
| Less than $10,000 | 1.0% | $0 to <$100 |
| $45,000 to < $50,000 | 5.0% | $2,250 to $2,500 |
| $65,000 to < $67,000 | 10.0% | $6,500 to $6,700 |
| $81,000 to < $83,000 | 15.0% | $12,150 to $12,450 |
| $98,000 and over | 20.0% | $19,600 and over |

Examples of NS Family Pharmacare copayments:

Table C.8 - NS Family Pharmacare Copayment

| Adjusted Annual Family Income Range | Annual Copayment Maximum as a Percentage of Adjusted Annual Family Income | Annual Copayment Maximum |
|---|---|---|
| Less than $10,000 | 4.0% | $0 - $400 |
| $40,000 to < $50,000 | 9.5% | $3,800 to $4,750 |
| $60,000 to < $70,000 | 12.0% | $7,200 to $8,400 |
| $80,000 to < $90,000 | 14.0% | $11,200 to $12,600 |
| $90,000 and over | 15.0% | $13,500 and over |

The **Nova Scotia Seniors' Pharmacare Program** is a provincial drug insurance plan that helps seniors, who qualify for the Program, with the cost of their prescription drugs. The program offers protection against drug costs for families who have no drug coverage; or, have high drug costs relative to income.

Beneficiaries include permanent residents at least 65 years of age who have a valid Nova Scotia health card and are not receiving drug coverage through another public or private drug plan.

Seniors contribute to the Seniors' Pharmacare Program in two ways – by paying a premium and by paying a copayment. Both have an annual maximum.

NS Seniors' Pharmacare premiums: Effective February 2011, the maximum annual premium a senior would pay is $424.

Table C.9 - NS Seniors' Pharmacare Premium

| Category of Beneficiary | | Annual Premium |
|---|---|---|
| Single Seniors | Annual income below $18,000 | No premium (subsidized 100%) |
| | Annual income between $18,000 and $24,000 | Reduced premium |
| Married Seniors | Joint annual income below $21,000 | No premium (subsidized 100%) |
| | Joint annual income between $21,000 and $28,000 | Reduced premium |

The NS Seniors' Pharmacare copayment is 30 per cent of the total cost of each prescription. Note that all seniors have to pay a copayment, even when the premium is reduced. Effective February 2011, the maximum annual copayment is $382.

The following table summarizes the Committee's observations:

Table C.10 - Summary of Committee's Observations for NS Plans

| Summary of Committee's Observations for NS Family Pharmacare |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• Requires financial participation from the plan members in the form of a deductible and copayment<br>• No annual or lifetime maximum limit on the amount of financial assistance provided to plan members<br>• No waiting period or medical evidence required for coverage<br>• Member contribution varies by level of income and family size |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• The requirement of complete payment of the annual deductible before reimbursement begins creates a barrier to access to necessary medications<br>• Out-of-pocket costs for some families is high (up to 35% of income) and creates a barrier to access to necessary medications<br>• Voluntary enrolment resulting in high cost to Government to cover a small number of families |

Refer to the following website for more information:
http://novascotia.ca/health/pharmacare

**New Brunswick**

The New Brunswick Prescription Drug Program (NBPDP) provides prescription drug benefits to eligible residents of the province. The program consists of various drug plans each designed to meet the specific needs of various beneficiary groups:

*Seniors*

- Senior Beneficiary Group (Plan A) (for seniors 65 and older)

*Social Assistance*

- Adults in Licensed Residential Facilities (Plan E)
- Social Development Clients (Plan F)
- Children in Care of Minister of Social Development (Plan G)

*Disease Specific*

- Cystic Fibrosis (Plan B)
- Multiple Sclerosis (Plan H)
- Organ Transplant Recipients (Plan R)
- Persons with Human Growth Hormone Deficiency (Plan T)
- HIV/AIDS (Plan U)

*Other*

- Nursing Home Residents (Plan V).

Refer to the following website for more information:
http://www.gnb.ca/0051/0212/index-e.asp

**Québec**

Québec has only one public drug plan, the Public Prescription Drug Insurance Plan (Régime public d'assurance médicaments) administered by la Régie de l'assurance maladie du Québec (RAMQ). In Québec everyone must be covered by prescription drug insurance. Only those persons who are not eligible for a private plan may register for the Public Prescription Drug Insurance Plan. The Public Prescription Drug Insurance Plan was set up in 1997 to cover all Quebecers who are not eligible for a private plan. This single public drug plan provides coverage for the different beneficiary groups as follows:

*Seniors*

- Public Prescription Drug Insurance Plan (for seniors 65 and older)

*Social Assistance*

- Public Prescription Drug Insurance Plan (recipients of social assistance, and recipients of last-resort financial assistance, e.g. holders of a claim slips).

*High-Cost to Income / Income-Based*

- Public Prescription Drug Insurance Plan

The Québec Public Prescription Drug Insurance Plan is the relevant drug plan reviewed by the Committee which is described further below:

The **Public Prescription Drug Insurance Plan** is a government insurance plan offering basic drug coverage. This public plan provides reasonable and equitable access to prescription drugs for all residents without private coverage regardless of their financial situation.

Premiums (effective July 1, 2012): vary from $0 to $579 per adult per year, based on the net family income, for all persons under 65 years of age who do not have access to a private drug plan and persons over 65 who receive 0% to 93% of GIS. Revenue Québec collects the premiums when residents file their annual income tax return.

**Table C.11 - QC Insurance Plan Premium**

| Category of Beneficiary | Annual Premium (when filing the income tax return) |
|---|---|
| Adults aged 18 to 64 not eligible for a private plan | From $0 to $579 |
| Persons aged 65 or over – No GIS | From $0 to $579 |
| Person aged 65 or over – 1% to 93% of GIS | From $0 to $579 |

In addition to premiums, financial participation of persons insured under the Public Prescription Drug Insurance Plan includes deductibles and copayments depending on their ability to pay (effective July 1, 2012):

**Table C.12 - QC Insurance Plan Deductible, Copayment, and Maximum Contribution**

| Category of Beneficiary | Deductible per Month | Copayment per Prescription | Maximum Monthly Contribution | Maximum Annual Contribution |
|---|---|---|---|---|
| Persons 18-64 years not eligible for private insurance | $16.25 | 32% of costs | $82.66 | $992 |
| Seniors not receiving GIS | $16.25 | 32% of costs | $82.66 | $992 |
| Seniors receiving between 1% and 93% of GIS | $16.25 | 32% of costs | $50.97 | $612 |
| Seniors receiving between 94% and100% of GIS | $0 | $0 | $0 | $0 |
| Income Security Recipients | $0 | $0 | $0 | $0 |
| Holders of claim slips | $0 | $0 | $0 | $0 |

When a person reaches their maximum monthly contribution they can obtain their insured drugs free of charge until the end of the month.

The following individuals are also covered and are not required to pay the annual premium or any contribution when purchasing prescription drugs:

- Seniors receiving between 94% and100% of GIS
- Social assistance (e.g. income security) clients
- Recipients of last-resort financial assistance (e.g. holders of claim slips)

Premiums, deductibles and copayment do not apply to children under 18 or full-time student under 25 living with their parents.

In Québec, there is legislation that obligates all residents to be covered by prescription drug insurance, whether by private group insurance or by the public plan administered by the RAMQ. There is also legislation that also obligates all private group plans offering prescription drug insurance to fulfill minimum conditions regarding the coverage they provide and the financial participation they require of the persons they insure. In addition, private group plans are prevented from separating drug coverage from other extended health benefits.

The following table summarizes the Committee's observations:

Table C.13 - Summary of Committee's Observations for QC Insurance Plan

| Summary of Committee's Observations for QC Public Prescription Drug Insurance Plan |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• Legislated mandatory coverage so costs are spread out and protects all residents<br>• Annual premium collected through the tax system<br>• Requires financial participation from the plan members in the form of a monthly deductible and copayment<br>• No annual or lifetime maximum limit on the amount of financial assistance provided to plan members<br>• No waiting period or medical evidence required for coverage<br>• Member contribution varies by level of income and family size |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• Premiums, deductibles and copayments do not apply to children under 18 or full-time student (<25 years) living with their parents, regardless of family income<br>• Premium, deductible and copayment waived for some groups, providing no incentive for responsible utilization<br>• Set maximum annual out-of-pocket contribution, providing little incentive for responsible utilization once reached |

Refer to the following website for more information:
http://www.ramq.gouv.qc.ca/en/citoyens/assurancemedicaments/regimepublic/regimepublic.shtml

**Ontario**

The Ontario Public Drug Programs Division of the Ministry of Health and Long-Term Care is responsible for the delivery of the Ontario's public drug programs which include the following programs:

*Seniors*

- Ontario Drug Benefit (ODB) Program (for seniors 65 and older)

*Social Assistance*

- Ontario Drug Benefit (ODB) Program (financial assistance recipients through Ontario Works or the Ontario Disability Support Program)

*Disease Specific*

- Special Drugs Program (SDP)
- New Drugs Funding Program (NDFP) for Cancer Care
- Inherited Metabolic Diseases (IMD) Program
- Respiratory Syncytial Virus (RSV) Program for High-Risk Infants
- Visudyne Program

*Other*

- Ontario Drug Benefit (ODB) Program (resident of Long-Term Care Home, residents of Home for Special Care or residents enroled in the Home Care Services)

*High-Cost to Income / Income-Based*

- The Trillium Drug Program (TDP)

The Ontario Trillium Drug Program is the relevant drug plan reviewed by the Committee which is described further below:

The **Trillium Drug Program** (TDP) is an annual provincial government program for residents of Ontario who have a valid Ontario health card and spend a large part of their income on prescription medications. The TDP provides benefits for certain prescription drugs when drug costs for a household are higher than approximately 4% of the total household net income. Residents can apply if they have no private drug insurance coverage or if drug costs are only partially covered by private insurance.

Deductible: The deductible is approximately 4% of the total household income and is calculated annually, based on the number of people in the household and the combined net incomes. The deductible is spread out over the program year, which begins August 1st of one year to July 31 of the following year, and becomes due at the start of each quarter. When the prescription purchases equal the amount of the deductible for that quarter, the TDP coverage begins.

Copayment: After the deductible is paid for the quarter, a recipient will be asked to pay up to $2 per prescription for an eligible drug product.

The following table summarizes the Committee's observations:

**Table C.14 - Summary of Committee's Observations for the ON Plan**

| Summary of Committee's Observations for ON Trillium Drug Program |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• Requires financial participation from the plan members in the form of a deductible and copayment<br>• No annual or lifetime maximum limit on the amount of financial assistance provided to plan members<br>• No waiting period or medical evidence required for coverage |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• Applies when drug costs for a household are higher than ~4% of the total household net income<br>• Applies a flat $2.00 copayment per prescription once the deductible has been reached, providing little incentive for responsible utilization<br>• Voluntary enrolment resulting in high cost to Government |

Refer to the following website for more information:
http://www.health.gov.on.ca/en/public/programs/drugs/programs/programs.aspx

**Manitoba**

Manitoba Health provides drug benefits for eligible Manitobans. This provincial drug benefits program is known as "Pharmacare". Pharmacare is available to all eligible residents, regardless of disease or age, with high drug costs relative to income.

A number of different types of drug plan coverage are provided including

*Seniors*

- Pharmacare Program

*Social Assistance*

- Employment and Income Assistance

*Disease Specific*

- CancerCare Manitoba
- HIV/AIDS (under the Pharmacare Program)

*Other*

- Personal Care Home Drug Program
- Palliative Care Drug Access Program

*High-Cost to Income / Income-Based*

- Pharmacare Program

The Manitoba Pharmacare Program is the relevant drug plan reviewed by the Committee which is described further below:

Manitoba **Pharmacare** is a drug benefit program for eligible Manitobans, regardless of disease or age, whose income is seriously affected by high prescription drug costs. The Pharmacare coverage is based on both the total family income and the amount a family pays for eligible prescription drugs. The total family income is adjusted to include a spouse and the number of dependents, if applicable.

To qualify for benefits, residents must be eligible for Manitoba Health coverage, not have their prescriptions paid through provincial, federal or private drug insurance programs and have eligible prescription drug costs exceeding the Pharmacare deductible.

The annual Pharmacare deductible is determined for each family unit on the basis of annual total family income (reduced by an adjustment of $3,000 for a spouse and for each child under the age of 18 years, where applicable).

Table C.15 - MB Pharmacare Deductible

| Adjusted Total Family Income | Pharmacare Deductible Rate (2012/2013) |
|---|---|
| Less than or equal to $15,000 | 2.81% |
| Greater than $15,001 and less than or equal to $21,000 | 3.99% |
| Greater than $21,001 and less than or equal to $29,000 | 4.03% - 4.38% |
| Greater than $29,001 and less than or equal to $40,000 | 4.41% |
| Greater than $40,001 and less than or equal to $47,500 | 4.79% - 5.01% |
| Greater than $47,501 and less than or equal to $75,000 | 5.08% |
| Greater than $75,001 and less than or equal to $100,000 | 6.36% |
| Greater than $100,001 | 6.36% |

In 2007 Manitoba introduced the Deductible Installment Payment Program for Pharmacare. This payment program is an option for eligible residents to help them pay their Pharmacare deductible in monthly installments. This option is expected to help reduce financial hardship where eligible drug costs are a significant part of the monthly family income.

Pharmacare provides 100% financial assistance for eligible prescription drugs once a pre-set deductible is met.

The following table summarizes the Committee's observations:

Table C.16 - Summary of Committee's Observations for MB Plan

| Summary of Committee's Observations for MB Pharmacare |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• No annual or lifetime maximum limit on the amount of financial assistance provided to plan members<br>• No waiting period or medical evidence required for coverage<br>• Member contribution in the form of a deductible varies by family income and family size |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• Requires financial participation from the plan members in the form of a montly deductible **only** (2.81%-6.26% of adjusted total family income)<br>• Once the deductible has been reached,100% of drug costs are covered, providing no incentive for responsible utilization<br>• Universal but not mandatory resulting in high cost to Government |

Refer to the following website for more information:
http://www.gov.mb.ca/health/pharmacare/index.html

**Saskatchewan**

Saskatchewan residents with valid Saskatchewan Health coverage may be eligible for coverage under Saskatchewan Health's Drug Plan. A number of different types of drug plan coverage are provided including

*Seniors*

- Seniors Drug Plan (for residents 65 years and older)

*Social Assistance*

- Saskatchewan Assistance Plan (SAP)

*Disease Specific*

- Saskatchewan Aids to Independent Living (SAIL)
- Saskatchewan Cancer Agency
- HIV/AIDS

*Other*

- Family Health Benefits
- Children's Drug Plan
- Saskatchewan Workers' Health Benefits Program
- Emergency Prescription Drug Assistance
- Palliative Care

*Income-Based Program*

- Special Support Program

The Saskatchewan Special Support Program is the relevant drug plan reviewed by the Committee which is described further below:

The **Special Support Program** is designed to help those whose drug costs are high in relation to their income. This income-based program also helps spread the prescription drug costs out evenly over the entire year.

The annual deductible is based on the annual adjusted family income. Income adjustments are made by deducting $3,500 per dependent under 18. Additional assistance are available for lower-income families.

The family copayment is determined by the amount that the family drug costs exceed 3.4 per cent of the adjusted combined family income.

Out-of-pocket expenses are capped at 3.4 per cent of adjusted family income.

The following table summarizes the Committee's observations:

Table C.17 - Summary of Committee's Observations for SK Plan

| Summary of Committee's Observations for SK Special Support Program |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• Requires financial participation from the plan members in the form of a deductible and copayment<br>• No annual or lifetime maximum limit on the amount of financial assistance provided to plan members<br>• No waiting period or medical evidence required for coverage<br>• Member contribution in the form of a deductible varies by family income and family size |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• The copayment is determined by the amount that family drug costs exceed 3.4% of adjusted family income.<br>• Once a cap of 3.4% of adjusted family income has been reached, 100% of drug costs are covered, providing no incentive for responsible utilization once cap is reached<br>• Universal coverage but not mandatory resulting in high cost to Government |

Refer to the following website for more information:
http://www.health.gov.sk.ca/drug-plan-benefits

**Alberta**

All Albertans have access to prescription drug benefits through the Alberta government-sponsored drug program. The province of Alberta provides access to drug coverage through various drug plans for specific patient groups as follows:

*Seniors*

- Coverage for Seniors (for residents 65 years and older and their dependants)

*Social Assistance*

- Income Support
- Alberta Adult Health Benefit
- Assured Income for the Severely Handicapped
- Alberta Child Health Benefit

*Disease Specific*

- Alberta Health Services Outpatient Cancer Drug Benefit Program
- Province Wide Services for transplant patients, HIV/AIDS patients, and others who require high cost drugs (e.g. cystic fibrosis, human growth hormone, primary pulmonary hypertension, and wet age-related macular degeneration).
- Multiple Sclerosis (MS) Drug Coverage
- Rare Diseases Drug Coverage Program

*Other*

- Non-Group Prescription Drug Coverage
- Palliative Care Drug Coverage

The Alberta Non-Group Coverage is the relevant drug plan reviewed by the Committee which is described further below:

The **Non-Group Prescription Drug Coverage** is a voluntary health plan sponsored by the government and available to Alberta residents under age 65. This plan ensures that all Albertans have access to an economical supplementary health benefits program which provides coverage for a variety of health related services not covered by the Alberta Health Care Insurance Plan (AHCIP).

Beneficiaries include all residents of Alberta under the age of 65 years, registered with the Alberta Health Care Insurance Plan (AHCIP), who have not opted out of the plan and are not in arrears (not owing past premiums).

Premiums: The premium rates set by the Alberta government for the non-group coverage program are low in comparison to the market rates charged by private programs to Albertans. Subsidized rates are available to those who qualify, based on information in their income tax.

Table C.18 - AB Non-Group Premium

| Monthly Premiums | Full Premiums (as of July 2010) | Subsidized Premiums (as of July 2010) |
|---|---|---|
| Single | $63.50/month | $44.45/monthly |
| Family | $118/month | $82.60/monthly |

Premiums subsidy is based on taxable income as follows:

Table C.19 - AB Non-Group Premium Subsidy

| Category | Income |
|---|---|
| Single | Less than $20,970 |
| Family – no children | Less than $33,240 |
| Family – with children | Less than $39,250 |

Deductible: An annual deductible of $50 is applied in a benefit year

Copayment: The subscriber pays 30% of the cost of prescriptions for drugs listed on the Alberta Health and Wellness Drug Benefit List, up to a maximum of $25 for each drug prescribed.

Maximum Benefits: The program provides up to $25,000 in coverage per subscriber in each benefit year, although this limit may be raised on an exceptional basis.

The following table summarizes the Committee's observations:

Table C.20 - Summary of Committee's Observations for AB Plan

| Summary of Committee's Observations for AB Non-Group Coverage |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• Annual premium<br>• Premium subsidy varies by level of income and for families with or without children<br>• Requires financial participation from the plan members in the form of a low deductible ($50) and copayment (30% per prescription with a $25 maximum)<br>• No waiting period or medical evidence required for coverage |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• No subsidy provided for the deductible and copayment<br>• Annual mamixum benefit of $25,000 (coverage beyond maximum considered on a case-by-case basis)<br>• Voluntary enrolment resulting in high cost to Government |

Refer to the following website for more information:
http://www.health.alberta.ca/services/prescription-program.html

**British Columbia**

All residents of British Columbia who are enroled in the Medical Services Plan (MSP) and meet residency requirements are eligible to receive drug benefits under one of the provincial plans. BC PharmaCare helps all British Columbians with the cost of eligible prescription drugs and designated medical supplies. It provides reasonable access to drug therapy through various drug plans for specific patient groups and/or services as follows:

*Seniors*

- Fair PharmaCare Plan – Enhanced Assistance (for residents 73 years of age or older, born in 1939 or before)

*Social Assistance*

- Plan C – Recipients of BC Income Assistance

*Disease Specific*

- Plan D – Cystic Fibrosis
- Plan X – Antiretroviral Medications through the BC Centre of Excellence in HIV/AIDS

*Other*

- Plan B – Permanent Residents of Licensed Residential Care Facilities
- Plan F – Children in the At Home Program
- Plan G – No-Charge Psychiatric Medication Plan
- Plan M – Medication Management Services
- Plan P – BC Palliative Care Drug Plan
- Plan S – Nicotine Replacement Therapies under the Smoking Cessation Program

*High Cost to Income / Income-Based*

- Fair PharmaCare Plan – Non-Senior (for residents under 73 years of age, or born after 1939)

The BC Fair PharmaCare plan is the relevant drug plan reviewed by the Committee which is described further below:

The **BC Fair PharmaCare** plan provides financial assistance for eligible prescription drug costs and designated medical supplies to BC residents (individuals and families) who need it the most, based on their net family income.

Beneficiaries include persons (including those 65 years of age or older), who have lived in BC for at least 3 months, who have effective Medical Services Plan of BC (MSP) coverage, and have filed an income tax return for the relevant taxation year. Access is based on beneficiaries' ability to pay.

The BC Fair Pharmacare plan has different contribution or cost-sharing structure for Non-Seniors and Seniors born in 1939 or earlier as follows:

Fair PharmaCare Plan for Non-Seniors (born in 1940 or later):

Deductible:

- none if the net family income is less than $15,000
- 2% of net income if net annual family income is between $15,000 and $30,000
- 3% of net income if net annual family income is over $30,000.

Copayment: 30% of eligible prescription drug costs, once the deductible is reached.

Family maximum:

- 2% of net income if net annual family income is less than $15,000
- 3% of net income if net annual family income is between $15,000 and $30,000
- 4% of net income if net annual family income is over $30,000.

**Table C.21 - BC Fair PharmaCare Deductible, Copayment, and Family Maximum**

| Fair PharmaCare Plan (for Non-Seniors) | | | | |
|---|---|---|---|---|
| Net Annual Family Income | Family Deductible | Copayment | Portion Pharmacare Pays (once deductible reached) | Family Maximum (after which 100% of costs are covered) |
| Less than $15,000 | None – government assist with drug costs immediately | 30% of eligible prescription drug costs | 70% of eligible prescription drug costs | 2% of net income |
| Between $15,000 and $30,000 | Equal to 2% of net income | 30% of eligible prescription drug costs | 70% of eligible prescription drug costs | 3% of net income |
| Over $30,000 | Equal to 3% of net income | 30% of eligible prescription drug costs | 70% of eligible prescription drug costs | 4% of net income |

Fair PharmaCare Plan – Enhanced Assistance for Seniors born in 1939 or earlier:

Deductible:

- none if the net family income is less than $33,000
- 1% of net income if net annual family income is between $33,000 and $50,000
- 2% of net income if net annual family income is over $50,000.

Copayment: 25% of eligible prescription drug costs, once the deductible is reached.

Family maximum:

- 1.25% of net income if net annual family income is less than $33,000
- 2% of net income if net annual family income is between $33,000 and $50,000
- 3% of net income if net annual family income is over $50,000.

**Table C.22 - BC Fair PharmaCare – Enhanced Assistance Deductible, Copayment, and Family Maximum**

| Fair PharmaCare Plan – Enhanced Assistance (for Seniors born in 1939 or before) | | | | |
|---|---|---|---|---|
| Net Annual Family Income | Family Deductible | Copayment | Portion Pharmacare Pays (once deductible reached) | Family Maximum (after which 100% of costs are covered) |
| Less than $33,000 | None – government assist with drug costs immediately | 25% of eligible prescription drug costs | 75% of eligible prescription drug costs | 1.25% of net income |
| Between $33,000 and $50,000 | Equal to 1% of net income | 25% of eligible prescription drug costs | 75% of eligible prescription drug costs | 2% of net income |
| Over $50,000 | Equal to 2% of net income | 25% of eligible prescription drug costs | 75% of eligible prescription drug costs | 3% of net income |

The following table summarizes the Committee's observations:

**Table C.23 - Summary of Committee's Observations for BC Plan**

| Summary of Committee's Observations for BC Fair Pharmacare Program (for non-seniors) |
|---|
| **Key elements considered valuable for uninsured residents and/or sustainable for NB:**<br>• Requires financial participation from the plan members in the form of a deductible and copayment (30%)<br>• No annual or lifetime maximum limit on the amount of financial assistance provided to plan members<br>• No waiting period or medical evidence required for coverage<br>• Member contribution in the form of a deductible varies by family net income |
| **Key elements considered less feasible for uninsured residents and/or unsustainable for NB:**<br>• The requirement of complete payment of the annual deductible before reimbursement begins creates a barrier to access to necessary medications<br>• Once spending limits of 2%-4% of net family income have been reached, 100% of drug costs are covered, providing no incentive for responsible utilization<br>• Universal coverage but not mandatory resulting in high cost to Government |

Refer to the following website for more information:
http://www.health.gov.bc.ca/pharmacare/

# Appendix D - Market Basket Measures

## Background

The Market Basket Measure (MBM) of low income was designed by a working group of Federal, Provincial and Territorial officials between 1997 and 1999. Its initial purpose was to complement the existing Statistics Canada measures of low income, the Low Income Cut-offs (LICOs) and the Low Income Measure (LIM) in monitoring the impact of the National Child Benefit and associated programs on the incidence, depth and persistence of low income among children. However, it was developed as a low income measure for all age groups.

The "value added" of the MBM was to provide a more intuitive and transparent measure of low income based on a basket of goods and services representing a modest, basic standard of living. The MBM also provides a measure more sensitive to regional differences in living costs, particularly for shelter and transportation, than the LICOs and the LIM.

The MBM is based on the cost of a specific basket of goods and services representing a modest, basic standard of living. It includes the costs of food, clothing, footwear, transportation, shelter and other expenses for a reference family of two adults aged 25-49 and two children (aged 9 and 13). It provides thresholds for a finer geographic level than the LICO, allowing, for example, different costs for rural areas in the different provinces. These thresholds are compared to disposable income of families to determine low income status. Disposable income is defined as the sum remaining after deducting the following from total family income: total income taxes paid; the personal portion of payroll taxes; other mandatory payroll deductions such as contributions to employer-sponsored pension plans, supplementary health plans, and union dues; child support and alimony payments made to another family; out-of-pocket spending on child care; and non-insured but medically prescribed health-related expenses such as dental and vision care, prescription drugs, and aids for persons with disabilities.

## How are MBM thresholds calculated?

The MBM thresholds are calculated as the cost of purchasing the following items:

- A nutritious diet as specified in the 2008 National Nutritious Food Basket.
- A basket of clothing and footwear required by a family of two adults and two children.
- Shelter cost as the median cost of a two- or three-bedroom unit including electricity, heat, water and appliances.
- Transportation costs, using public transit where available or costs associated with owning and operating a modest vehicle where public transit is not available.
- Other necessary goods and services.

(Source: Human Resources and Skills Development Canada, 2010)

## NB Population Measurements

Below is a summary of MBM thresholds for New Brunswick populations based on the 2009 MBM threshold calculations for the reference family of two adults and two children.

**Table D.1 - 2009 MBM Thresholds for NB Populations**

| Region | MBM Threshold |
|---|---|
| Rural area | $30,638 |
| Population less than 30,000 | $32,005 |
| Population 30,000 to 99,999 | $31,518 |
| Fredericton | $31,752 |
| Saint John | $30,512 |
| Moncton | $30,425 |

Note: To convert to other family sizes, divide the above values by 2 (the square root of the reference family size of four persons) and then multiply by the square root of the desired family size. The table below illustrates the MBM threshold for different family sizes:

**Table D.2 - 2009 MBM for NB by Household and Community Size**

| 2009 MBM for New Brunswick by Household and Community Size | | | | | | |
|---|---|---|---|---|---|---|
| | Rural | Less than 30,000 | 30,000 to 99,999 | Fredericton | Saint John | Moncton |
| 1 person | $ 15,319 | $ 16,003 | $ 15,759 | $ 15,876 | $ 15,256 | $ 15,213 |
| 2 people | $ 21,664 | $ 22,631 | $ 22,287 | $ 22,452 | $ 21,575 | $ 21,514 |
| 3 people | $ 26,533 | $ 27, 717 | $ 27,295 | $ 27,498 | $ 26,424 | $ 26,349 |
| 4 people | $ 30,638 | $ 32,005 | $ 31,518 | $ 31,752 | $ 30,512 | $ 30,425 |

## Proposed MBM Thresholds for Eligibility as Defined in the Vision/Dental Program

In order to calculate MBM income thresholds to assess eligibility for the Vision/Dental program, the following may be considered:. If we choose one MBM income threshold measurement for the entire province:

- It would not be necessary to have different MBM thresholds for different regions or populations within the province, greatly simplifying the process.
- We first need to select a starting point MBM measurement that would then be used to calculate MBM income thresholds for various family sizes.

The following “blended MBM” thresholds for eligibility are proposed (Note: the MBM reference family size is 2 adults, 2 children):

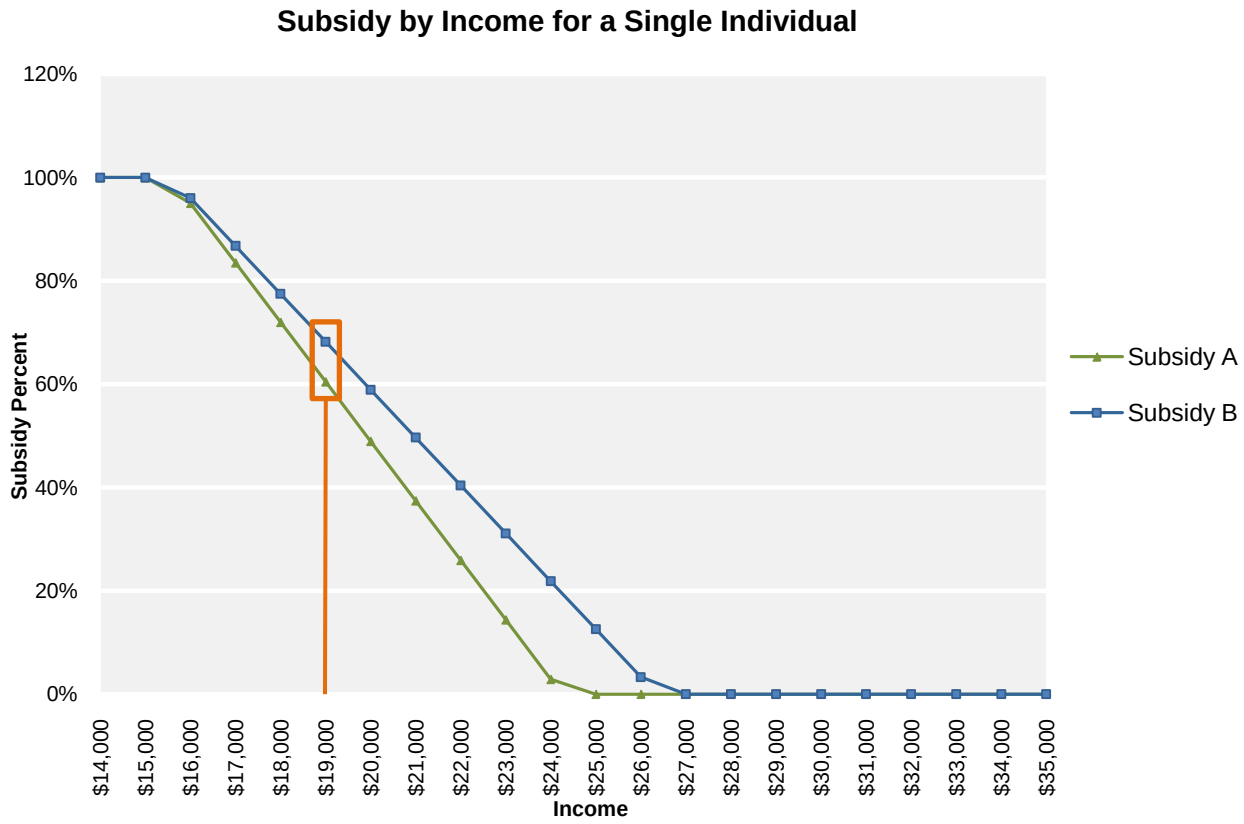
**Table D.3 - NB Blended MBM Thresholds**

| Family Size | Blended MBM |
|---|---|
| 1 | $15,570 |
| 2 | $22,020 |
| 3 | $26,969 |
| 4 | $31,141 |
| 5 | $34,817 |
| 6 | $38,140 |

## Appendix E - Subsidy Levels for Different Family Sizes

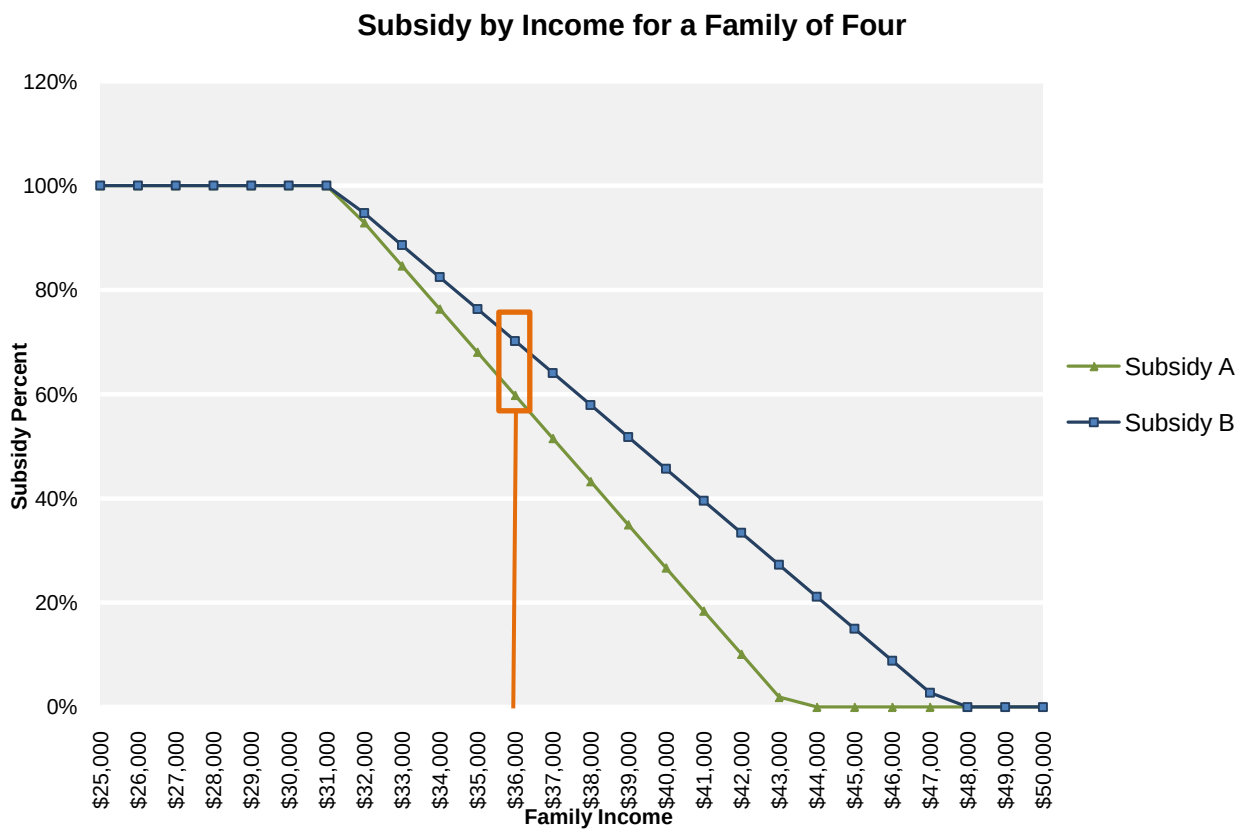
The following charts show the percentage subsidies applicable to single individuals and families of four based on the two options for phasing out the subsidies presented in the body of the report.

Figure E.1 - Subsidy by Income for a Single Individual




As an example, the above chart shows that a single individual earning $19,000 per year would receive a subsidy of 60% under option A, and 68% under option B.

Figure E.2 - Subsidy by Income for a Family of Four




As an example, the above chart shows that a family of four earning $36,000 per year would receive a subsidy of 60% under option A, and 70% under option B.

## Appendix F - Examples of Payments at the Pharmacy

The details of provincial drug programs differ significantly from one jurisdiction to the next. As a result, it is difficult to compare the programs except by using specific examples. The following charts show the amounts payable at the pharmacy for five various family situations. For each situation, the amount payable at the pharmacy is compared across the provinces, and the four New Brunswick Insurance Plan options presented in the report.

Figure F.1 - Family Example #1

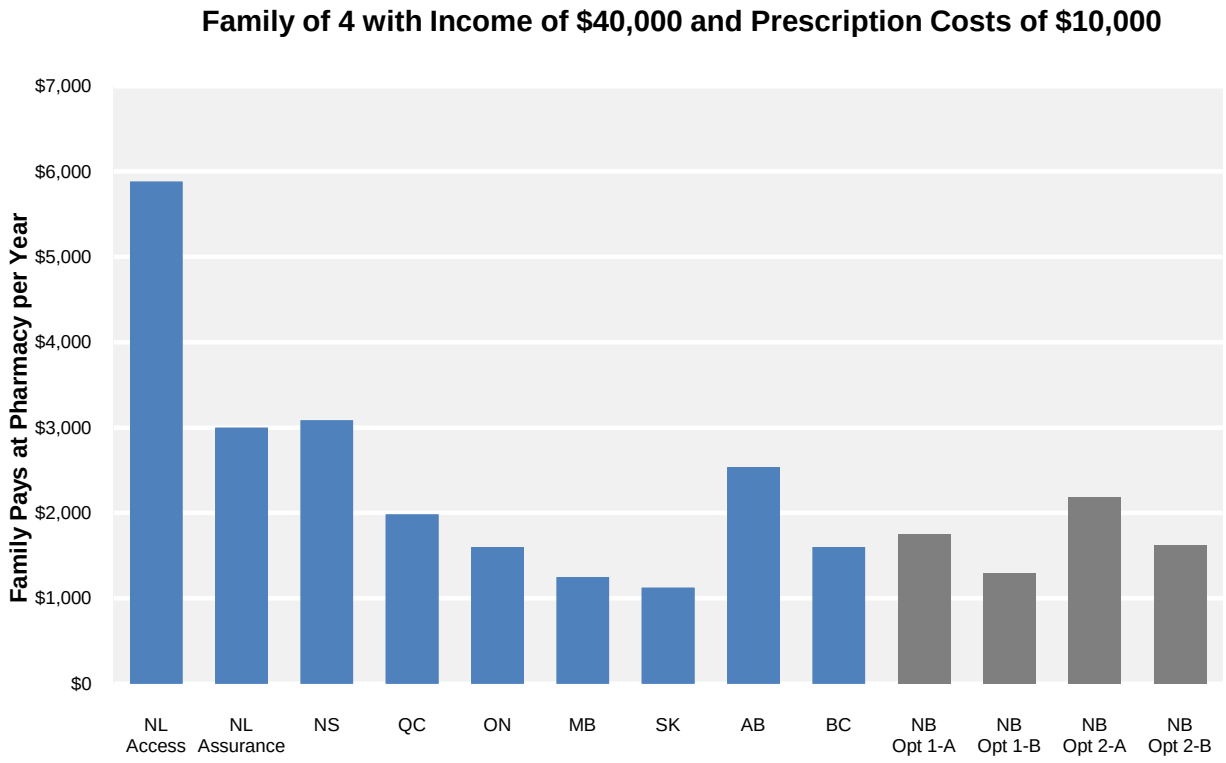


Figure F.2 - Family Example #2

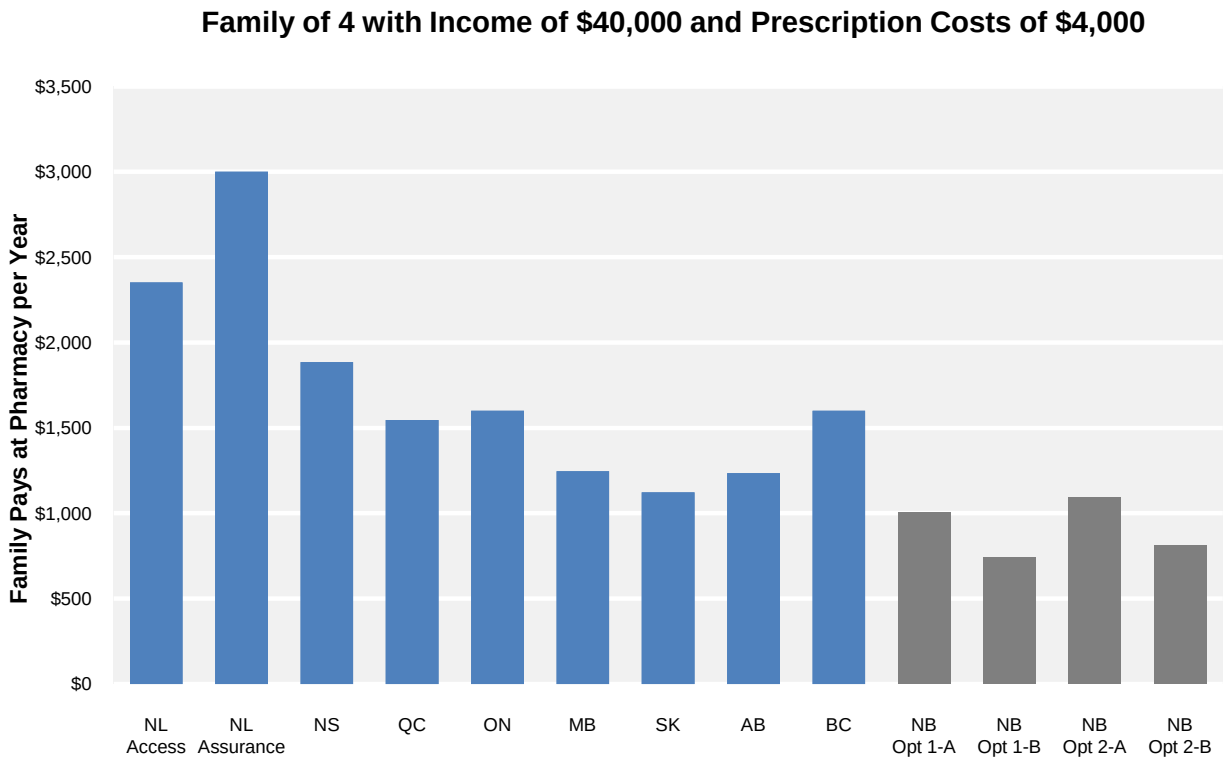


Figure F.3 - Family Example #3

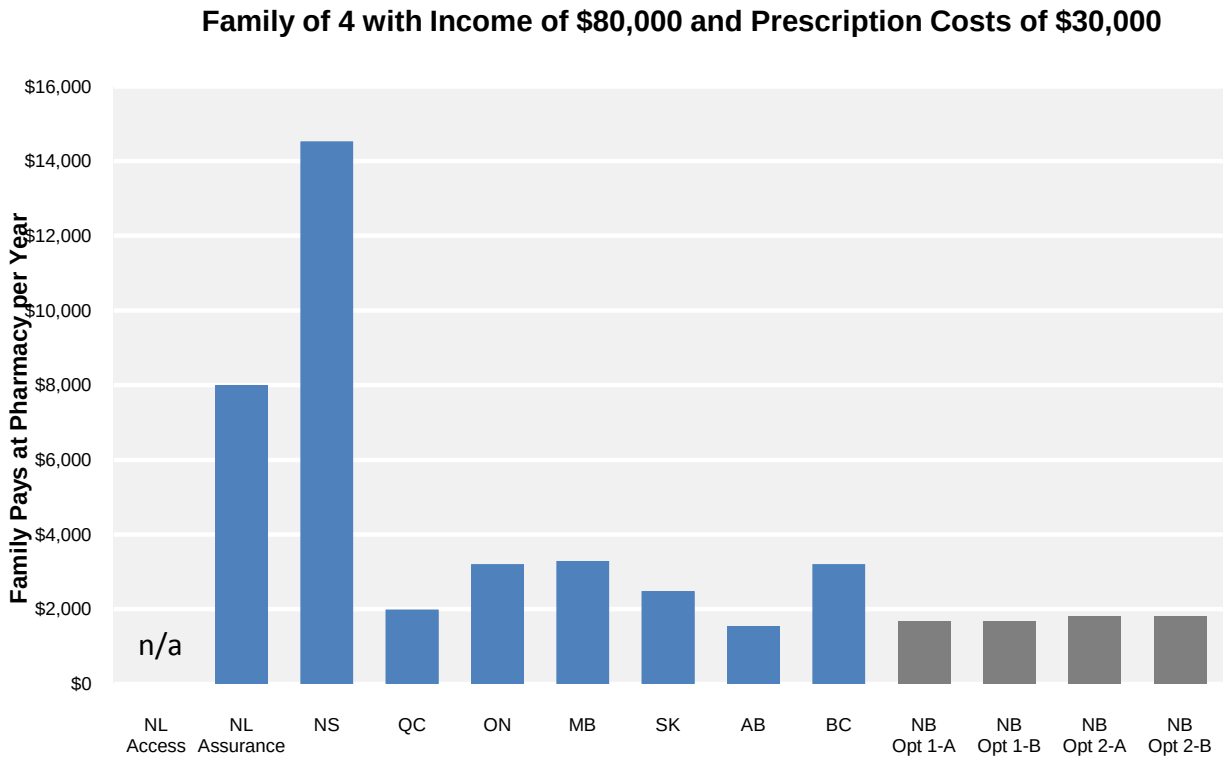


Figure F.4 - Family Example #4

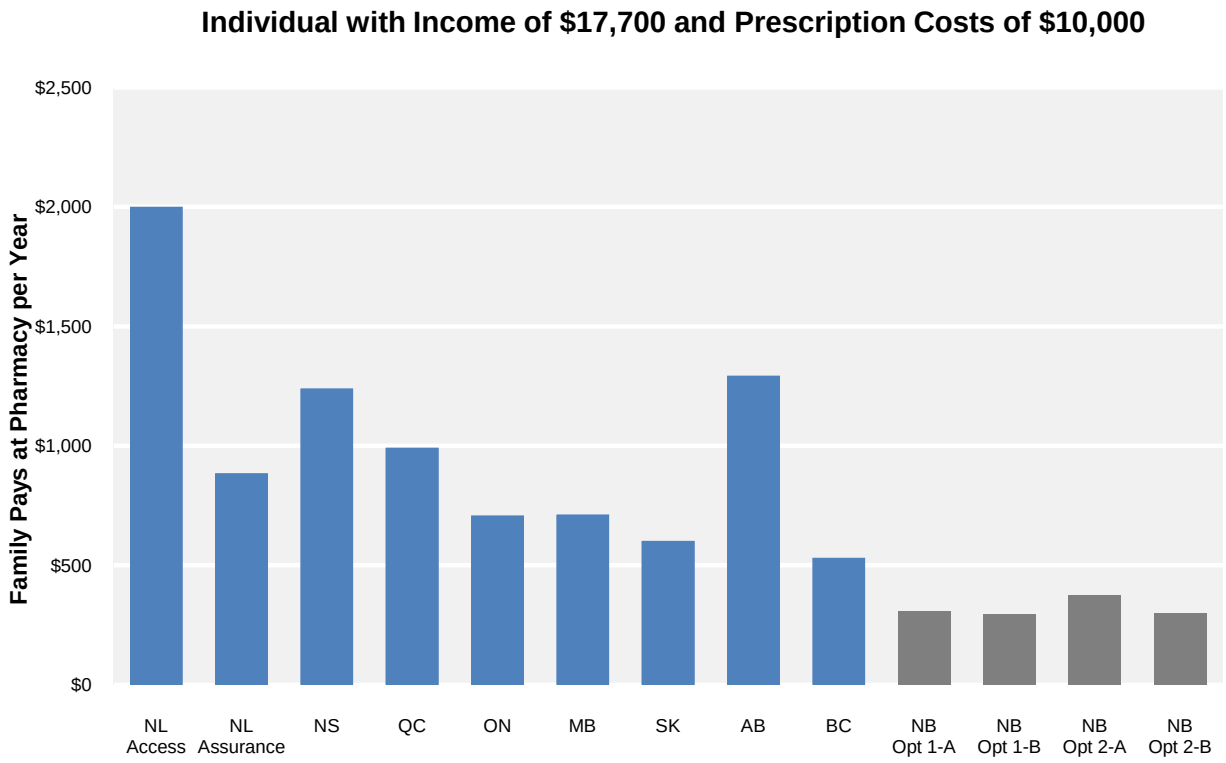
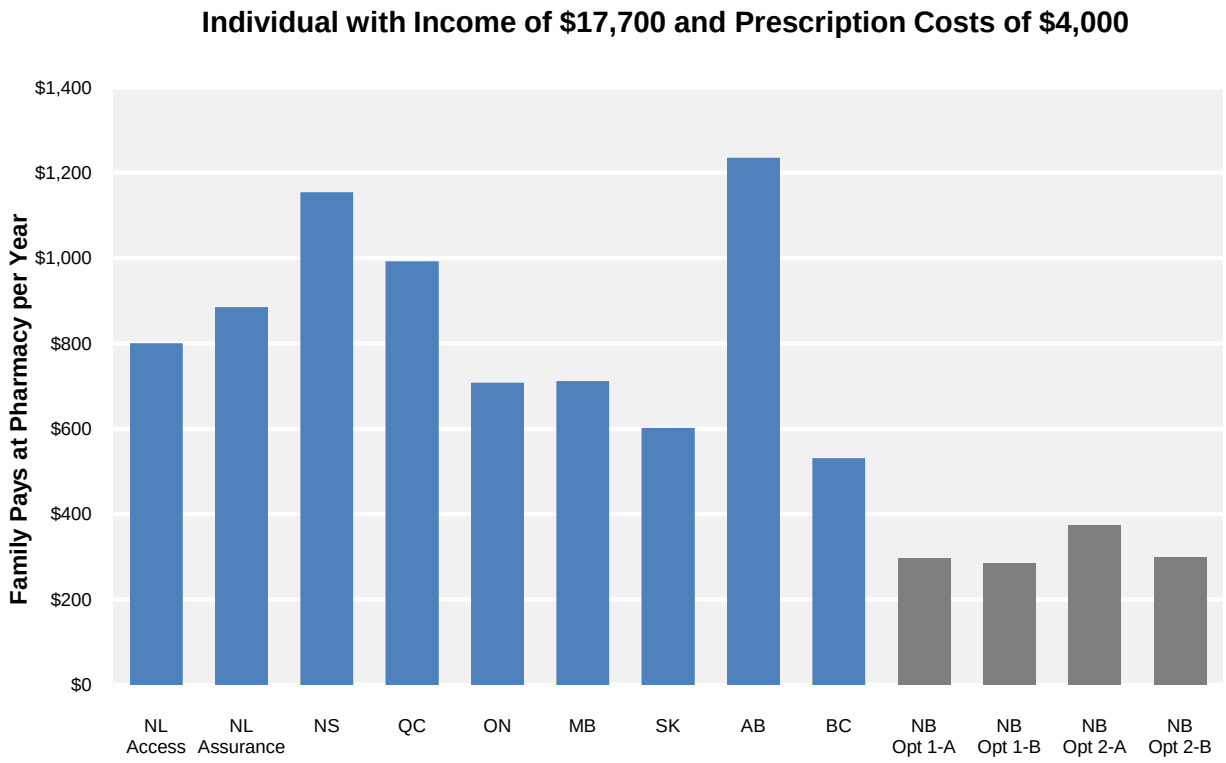


Figure F.5 - Family Example #5




The above charts show that all of the New Brunswick Insurance Plan options provide meaningful financial assistance to the families concerned. It is difficult to draw firm conclusions when comparing the different provincial plans because the results differ significantly from one example to the next. However, an examination of a broader range of examples than shown here suggests that:

- The Insurance Plan options provide comparable levels of financial assistance to most other provinces when prescription drug costs are very high.
- The financial assistance provided by the Newfoundland and Labrador plans is often significantly less than that provided by both the Insurance Plan options, and the plans in most other provinces. The Newfoundland Access Plan has a copayment that ranges from 20% to 100% depending on income level. For a family with $40,000 of income, the copayment is almost 60%. This means that families at this level of income must pay for 60% of their prescription drug costs. The Newfoundland Assurance Plan takes a different approach based on deductibles that vary with income. For a family with $40,000 of income, the deductible is $3,000. This means that families with this level of income must pay $3,000 at the pharmacy before there is any financial assistance from the plan.

- The financial assistance provided by the Nova Scotia Plan is also often significantly less than that provided by both the Insurance Plan options, and the plans in most other provinces. The Nova Scotia Plan has both a 20% copayment, and a deductible that ranges from 1.25% to 25% of income. For a family of four with $60,000 of income, the deductible is about $3,500. This means that families with this level of income must pay about $3,500 at the pharmacy before there is any financial assistance from the plan. In addition, the family would pay 20% of further prescription drug costs, subject to a maximum total based on income. In the case of this family, the maximum is about $8,400.
- The financial assistance provided by the Alberta plan is sometimes substantially less than that provided by the Insurance Plan options, and plans in most other provinces. This can occur because the plan has a $25 maximum copayment that is not subsidized. As a result, a family that has a lot of prescriptions where the $25 maximum applies, can find that the amounts payable at the pharmacy add up very quickly.
- The Insurance Plan options generally provide somewhat higher levels of financial assistance than in most other provinces when prescription drug costs are moderately high. This is because the Insurance Plan options have been designed to support the Province's poverty reduction plan. For lower income families, even moderately high drug costs can represent a significant financial burden. In addition they can pose a barrier to making the transition from Social Development client to active member of the workforce, if an adequate Insurance Plan is not available.
- In interpreting the above results, it is important to note that the New Brunswick Insurance Plan options and the Alberta and Québec plans have readily identifiable premiums, whereas the other provinces do not. However, other provinces do have health-related premiums and taxes. For example, British Columbia has a "medical services plan premium", while Ontario has both an "employer health tax" and a "health premium". In the case of Ontario, these two items generated approximately $8 billion in revenue in fiscal 2011-2012. Public disclosure on the use of the Ontario "health premium" is required by law. In fiscal 2011-12, approximately $200 million was used to finance Ontario drug programs.

## Appendix G - Additional Observations

This appendix presents issues and ideas that the Committee noted in the course of its work that were deemed important enough to bring to the attention of Government in addressing the challenges associated with implementing the selected Insurance Plan option.

**Implementation Issues:**

1. **Legislation**

   Legislation will be required to make drug coverage mandatory, to enable collection of the individual / family premium and the employer contribution, to prevent employers from terminating their private group drug plans, to regulate minimum coverage standards for private drug plans, and to ensure the new Insurance Plan is payer of last resort.

2. **Further Consultation**

   A few stakeholders expressed a desire for further consultation prior to implementation. The Government will need to consider whether or not further consultation would be useful.

3. **Cost Estimates for Budgets**

   The Committee report contains approximate estimates of costs to assist the Government in assessing the pros and cons of the different Insurance Plan options presented. The Government will likely require final estimates for budget purposes.

4. **Timing of Implementation**

   Target dates will need to be set for plan enrolments, first availability of benefits, and starting the collection of premiums and employer contributions. It may be possible to have benefits available starting at mid-year, but start the collection of premiums and employer contributions at the beginning of the year. This would allow the premiums and contributions in the first year to be about one-half their normal amounts.

5. **Process for Collection of Premiums and Employer Contributions**

   To take advantage of existing infrastructure, premiums and employer contributions could be collected as part of regular tax filings. Processes will need to be developed to support this. Consideration may need to be given to establishing a Trust to ensure that the premiums and employer contributions are kept separate from general tax revenue. The pros and cons of establishing that Trust under a Crown Corporation should be considered.

6. **Hiring of Plan Administrator and Department Support Staff**

   A service-provider capable of administering a drug insurance plan for 70,000 families will need to be hired. A Request for Proposal (RFP) process will likely be required to identify the most suitable provider. In addition, the new Insurance Plan will result in over twice as many plan members in Government sponsored drug plans. This will increase the workload of staff supporting these plans. Additional staff will therefore need to be hired and trained.

7. **Detailed Plan Rules and Provisions**

   The Insurance Plan framework in the Committee report will need to be expanded into a plan design that will address more detailed issues not considered by the Committee. These issues might include: who exactly will be required to pay a premium, which employers will be required to make a contribution, who will be considered an adult, which spouse will be responsible for dependents in the case of a separation, etc.

8. **Development of Communication Plan**

   A communication plan will need to be developed to ensure that Plan members, pharmacists, physicians and other stakeholders are aware of the Insurance Plan and have a good understanding of it. This might include a brand strategy for the Insurance Plan, brochures, a web site, informational pieces in various media, etc. This might also include a web site that allows Plan members to determine the likely costs and benefits of the Insurance Plan for their particular situation.

9. **Enrolment of Plan Members**

   Because the Insurance Plan will likely have approximately 150,000 members (70,000 families), a streamlined enrolment process will need to be developed, and sufficient time allowed for enrolment to occur before benefits become available.

10. **Impact on NBPDP**

    Existing NBPDP plans will need to be examined to determine whether or not they might be transitioned into the new Insurance Plan, closed to new members, or retained indefinitely.

**Insurance Plan Coverage and Cost Issues:**

1. **Ongoing Management of Costs**

   It will be critical to continually monitor drug usage and the overall cost of the new Insurance Plan once implemented, and ensure continued cost management. The Government may want to explore at a later date additional cost containment initiatives such as the potential benefits of a tiered formulary.

**2. User-Friendly, Efficient and Effective**

It will be important for the new Insurance Plan to be user-friendly, and for the plan administration to be efficient and effective. The plan management processes already in place for existing Government-sponsored plans could be leveraged to serve the new plan, including the evidence-based process for listing drugs on the formulary.

**3. High Drug Costs relative to Income**

The Insurance Plan options include a maximum copayment at time of payment and no maximum limit on the amount of financial assistance the plan will provide to the Plan members. As a result, the Insurance Plan will address high drug costs relative to income (commonly referred as “catastrophic drug coverage”).

**4. Under-Insured New Brunswickers**

The Insurance Plan options were not specifically designed to provide financial assistance to New Brunswickers with high drug costs who have drug insurance that does not provide adequate coverage. However, as noted above, it is likely that legislation will be required to regulate minimum coverage standards for private drug plans. This legislation should result in improvements to drug coverage so that more financial assistance is provided by private drug plans, and there is less need for a Government Insurance Plan for insured New Brunswickers.

The Insurance Plan options could also be adapted to the needs of New Brunswickers with high drug costs who already have drug coverage. This could be done by allowing individuals and/or employers to enrol in the Insurance Plan as supplemental insurance, subject to payment of an appropriate premium. However, the implementation of minimum coverage standards, mentioned above, should make this unnecessary.

## Appendix H - Glossary

The following terms are used in this report and are defined below to ensure a common understanding:

| | |
|---|---|
| Beneficiary | A person or family who is enroled in the drug plan. |
| Catastrophic Drug Coverage | A drug plan that covers high drug costs in relation to income. Several reports have recommended different income thresholds – the point at which a family faces undue financial hardship due to drug expenses. There is no consensus on the income thresholds. High drug costs may be from one very expensive drug or several relatively low cost drugs and are "catastrophic" depending on the family's income. |
| Copayment | The portion of the prescription cost the beneficiary must pay each time they fill a prescription at the pharmacy. |
| Deductible | The amount the beneficiary must pay before the plan will begin paying. |
| Formulary | The defined list of eligible prescription drug benefits covered by the drug plan. |
| Insurance Plan | Refers to the new Insurance Plan for Prescription Drugs for Uninsured New Brunswickers |
| Maximum Annual Benefit | The maximum amount the plan will pay each year. |
| Maximum Annual Cost | The maximum amount the beneficiary is required to pay each year. Once the maximum has been reached, the drug plan will pay 100% of eligible drug costs for the remainder of the year. |
| Medical Underwriting | Refers to the use of an applicant's medical or health status information (pre-existing conditions) to determine whether a private plan will grant or deny drug coverage and what premium to charge. People who have a pre-existing medical condition (who are already sick) may be denied private drug coverage or must pay significantly higher premiums. Government sponsored drug plans do not typically submit applicants to medical underwriting. |
| Payer of Last Resort | A plan that pays after it has been determined that no other drug coverage exists for the beneficiary or after first exhausting other available drug coverage. |

| | |
|---|---|
| Pre-existing Medical Conditions | Medical conditions that the beneficiary had before seeking insurance coverage. Some plans provide reduced benefits or require higher premiums for these conditions. |
| Premium | The amount the beneficiary pays on a regular basis (monthly or annually) to be insured. This amount is payable whether or not the beneficiary uses the benefits under the plan. |
| Subsidy | Financial assistance to offset the costs of premiums, copayments and deductibles based on ability to pay |
| Underwriting | See Medical Underwriting |
| Universal Drug Coverage | All residents (100%) are covered under the government-sponsored drug plan. This model exists in British Columbia, Saskatchewan and Manitoba. |
| Waiting Period | Period of time after enrolment during which no benefits are available. |

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