
Canadians' Access to Insurance for Prescription Medicines

Executive Summary

Submitted to : Health Canada

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in association with
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EXECUTIVE SUMMARY

MANDATE

Most Canadians have insurance coverage for prescription drugs from one source or another. They receive drug coverage from government programs, private plans through their employers and individual plans. Across the spectrum of provincial, territorial, federal and private plans, there is wide variation in plan design, eligibility rules and out-of-pocket costs.

The Health Transition Fund of Health Canada funded this review of Canadians' access to insurance coverage for prescription drugs, and analysis of the Un-Insured and Under-Insured.

The study is in two volumes. Volume 1 describes the design features of public and private plans, including issues of eligibility, financial arrangements, co-payments and deductibles. As well, Volume 1 describes the benefits, eligibility and costs of various types of coverage and discusses the particular circumstances of individuals and families depending on their province of residence, socio-economic circumstances and drug needs.

Volume 2 measures the extent to which Canadians, during 1998, had access to insurance for prescription drug expenses and the quality of that coverage by determining the number of Canadians with inadequate or no coverage.

METHODOLOGY & DATA SOURCES

Our methodology involved combining data from Statistics Canada surveys such as the "Survey of Work Arrangements" with administrative data from government and private drug plans to create a Project Database, which provides a model of the Canadian population and the details of their drug plan coverage in 1998.

The data sources also include:

- C A survey of all federal, provincial and territorial public plans and programs offering insurance or other forms of coverage for prescription drug therapy;
- C A plan database of 40,850 employers with less than one thousand employees representing a total of 1.1 million employees;
- C A proprietary database, maintained by Applied Management, of 295 large employers representing 2 million employees;
- C Interviews with national organizations representing people with serious illness or conditions often associated with high drug costs.

RANGE & EXTENT OF COVERAGE

Access to insurance for prescription drugs is available in a number of ways including private employer sponsored group plans and public government programs.

Private Plans	Government Plans
<ul style="list-style-type: none"> Ⓒ Employment benefit plans Ⓒ Individual insurance policies Ⓒ Affinity-related group plans (e.g. university students, professional associations) 	<ul style="list-style-type: none"> Ⓒ Registered Indians, eligible Inuit and Innu Ⓒ Veterans Ⓒ Seniors Ⓒ Social assistance recipients Ⓒ Institutionalized populations (health related and corrections) Ⓒ Universal programs available to all residents

British Columbia, Saskatchewan and Manitoba provide coverage for all residents.

In Québec, the Régie de l’assurance-maladie du Québec (RAMQ) provides coverage for all residents who do not have an employer-sponsored drug plan.

Ontario’s Trillium Program is an income-tested program that provides coverage for all residents with high drug costs relative to income.

While not technically a universal program, residents of Alberta without any other coverage can purchase insurance from the government program. Although coverage is optional, its availability on demand regardless of pre-existing conditions (subject to a three month waiting period) does provide a certain element of universal protection to residents.

The Atlantic provinces provide coverage for most seniors and social assistance recipients.

All provinces provide programs for individuals with certain high cost diseases.

Most employees have an employer-sponsored drug plan for themselves and their dependents.

Registered Indians and eligible Inuit and Innu receive coverage from the federal Non-Insured Health Benefits (NIHB) program for drug needs not covered by a provincial or territorial government plan. Eligible veterans are entitled to coverage from Veterans’ Affairs Canada for drug benefits related to a

pensioned condition. For treatments unrelated to a pensioned condition, veterans are required to access provincial programs that are available to them.

PLAN DESIGN

While premiums are the main way private plans finance their plans, only two provinces, Québec and Nova Scotia, charge premiums to residents for coverage in the provincial plan. Alberta and New Brunswick have arrangements for private plan coverage for individuals who do not qualify for a provincial plan. These individuals pay premiums ranging from less than \$200 to nearly \$700 per year.

Just under half (45 percent) of private plans require no contributions from employees, while the balance require employees to pay part of the plan costs.

Deductibles represent an amount that individuals are required to pay before being eligible for reimbursement. Government plans in British Columbia, Saskatchewan, Manitoba and Ontario have high levels of annual deductible for most residents. Provinces generally mitigate the level of deductible for seniors' plans and plans for social assistance recipients by reducing deductibles or basing them on income.

Approximately 80 percent of private plans have individual deductibles less than \$50. Over half (52 percent) have no deductibles.

Co-payment or co-insurance is the proportion of total cost of an individual prescription paid by the insured individual after the deductible is reached. Most provincial government plans require a co-payment, except in certain situations, notably prescriptions for children covered by social assistance. None of the federal programs requires co-payment.

Approximately 29 percent of private plans do not require a co-payment. For plans with co-payment, the most common arrangement is 20 percent paid by the employee, 80 percent by the plan.

Most provincial governments have provisions which limit the total amount individuals are required to pay in co-payments and deductibles. This is not a common feature in private plans, except in Québec, where legislation establishes an out-of-pocket limit.

Government plans generally provide plan beneficiaries with drug cards entitling them to receive their drugs at the pharmacy and pay only the co-payment or the deductible amount.

More private plans are adopting drug cards. In 1998, just under 40 percent of private plans provided their beneficiaries with drug cards.

There is limited portability of benefits. Individuals covered by a provincial or territorial plan generally lose their coverage if they change provinces, and face a three-month wait to be eligible in the new province or territory. Members of private plans generally lose coverage when their employment terminates, and may be required to fulfill a waiting period with their new employer, or may be without benefits if they become unemployed.

FORMULARY DESIGN AND DEFINITION OF BENEFITS

Once a drug has received approval for sale in Canada from the Therapeutic Products Programme (TPP) of Health Canada, it can be prescribed by physicians and dispensed by pharmacists. Provincial, territorial or federal drug plans may decide to pay for the drug, pay for it under certain conditions, or not pay for it. Each jurisdiction has developed criteria for listing and there is considerable variation from province to province in which drugs they will pay for.

While the majority of private plans do not have a defined list of drugs they will pay for, an increasing number of employers are adopting a “managed formulary” and paying only for a defined list of products.

Just under 20 percent of private plans have adopted this approach.

OUT-OF-POCKET COSTS

The report analyses the situation of a variety of different socio-economic groups and how much they pay out of pocket for a defined basket of drugs.

There are considerable regional differences in the amount of reimbursement an individual receives from a provincial or territorial plan, depending on residence and socio-economic circumstances. For example; a senior couple with no income support and drug costs of approximately \$2,000 per year may receive anywhere from full reimbursement to no reimbursement for their drug costs, depending on where they live.

FINANCIAL IMPACTS ON INDIVIDUALS WITH HIGH DRUG EXPENSES

Canadians with certain types of disease or conditions face high drug expenses. Examples are individuals with diabetes, end stage renal disease, multiple sclerosis and schizophrenia. Based on discussions with associations representing several disease groups, and analysis of cost and coverage, it is apparent that those least likely to have adequate coverage include:

- C Young adults, especially women
- C Those with illnesses that have a negative impact on employability

- C Those with illnesses that lead to disability
- C Those with diseases that historically have had limited treatment options but where new, and sometimes costly, drug therapies have recently become available.

For many of these disease areas, provincial governments have developed specific programs to deal with their particular circumstances. However, eligibility and the benefits available vary from province to province.

Whether these individuals have private drug plans or are eligible for government assistance, co-payments and deductibles in most provinces can represent a significant out-of-pocket expense. As well, when private plans have annual or lifetime maximums, insured individuals may delay initiation of treatment so as not to exceed the limits.

MEASURES OF UNDER INSURANCE

We use three approaches to define “Under-Insurance”.

First Dollar Coverage

This measures the amount an individual would be reimbursed for \$1,000 of drug expenses (including dispensing fees) in a calendar year. We express this as a percentage, so 100 percent is equivalent to full reimbursement. We define Under-Insurance as any value between 1 and 64 percent inclusive.

Last Dollar Coverage

The second approach is the Last Dollar Coverage Index, which is a measure of how well individuals are protected against catastrophic expenses. This measures the amount an individual would be reimbursed on the last \$1,000 of \$50,000 of drug expense in a calendar year. Like the First Dollar Index, it is expressed as a percentage, where 100 percent is equivalent to full reimbursement of the marginal expense. For this index, Under-Insurance is any value less than 100 percent.

Ability to Pay Index

Finally we use a measure called the Ability to Pay Index. This is the percentage of gross family income an individual would be required to pay out of pocket for \$1,000 of drug expenses in a calendar year. Those paying more than 2.5 percent of their gross income for drugs are considered Under-Insured while 4.5 percent is equivalent to Un-Insured.

Summary of Measurement Scales

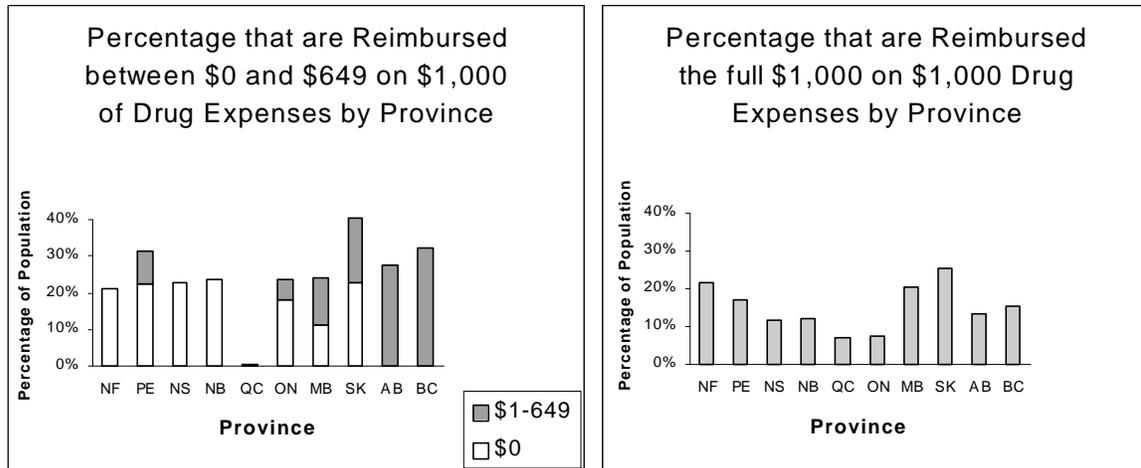
	Routine Expense	Catastrophic Expense	Ability to Pay
Measurement Tool	First Dollar Index	Last Dollar Index	Ability to Pay Index
Defined as	Proportion of first \$1,000 of annual drug expense covered by the plan	Proportion of \$1,000 between \$49,000 and \$50,000 of annual drug expense covered by the plan	Amount paid out of pocket for \$1,000 of drug expense covered by the plan divided by gross family income
Full Coverage =	100 percent	100 percent	0%
Under-Insured =	64 percent or less	99 percent or less	2.5% but less than 4.5%
Un-Insured =	0	0	4.5% or more

FIRST DOLLAR INDEX (ROUTINE EXPENSES)

Among the overall population, 90 percent have some coverage for routine drug expenses. Eleven percent have full reimbursement coverage, 69 percent have coverage with modest co-payments and ten percent (3 million individuals) are Under-Insured (paying 35 percent or more of their costs out of pocket). Ten percent (3 million individuals) are Un-Insured. There is substantial variation by various demographic characteristics.

Province of Residence

- C In Québec, no one is Un-Insured or Under-Insured (reimbursed less than \$650 for \$1,000 of drug expenses). But Québec, along with Ontario, also has one of the lowest levels of full reimbursement coverage (7 percent) compared to the other provinces.
- C Alberta and British Columbia have no residents that are Un-Insured, but 27 percent and 32 percent respectively are Under-Insured. Overall, 41 percent of those in Saskatchewan are Under-Insured, although full reimbursement coverage is also the highest in the country at 25 percent. Manitoba has similar percentage of full reimbursement (21 percent), but a lower percentage of Under- and Un-Insurance (24 percent).
- C Full reimbursement for the Atlantic provinces ranges from 12 percent to 22 percent.



Age

- C Coverage by age is fairly constant. The most notable variations occur in the older age categories, where Under-Insurance and Un-Insurance peak for the 55-64 group (27 percent), but then drop to 4 percent for those 65 and older as provincial and territorial plans pick up these individuals. But at the same time, since those over age 65 have normally left the workforce, employment based first dollar coverage is less frequent; consequently, they have the lowest full reimbursement coverage, at 5 percent.
- C Those aged 18-24 have the highest level of Under-Insurance, at 14 percent. The combined percentage of Un- and Under-Insurance for this group (25 percent) is second only to those aged 55-64 (27 percent).

Labour Force Status

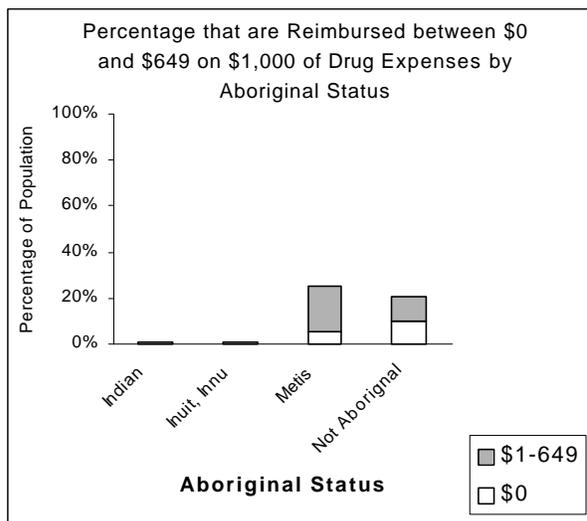
- C Although the percentage of those who are Un-Insured differs little between full time and part time employment status (11 percent versus 12 percent), the percentage receiving limited reimbursement (\$1 to \$649), is somewhat higher among those who work part time (13 percent versus 9 percent).
- C Those not in the work force have the lowest level of Under-Insureds and Un-Insureds (14 percent) due to the high proportion of seniors and social recipients in this group.

C However, there is little difference in the percentage receiving 100 percent reimbursement. Estimates vary from 8 percent of those not working to 12 percent of those employed full time.

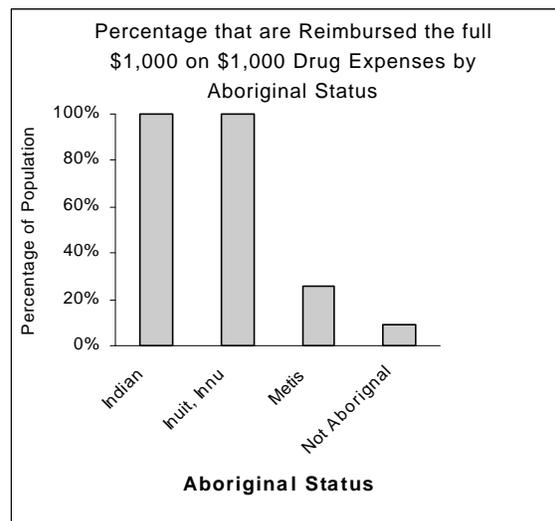
Aboriginal Status

C Registered Indians and eligible Inuit and Innu have 100 percent coverage on all drug expenses compared with 26 percent of Métis and Non Status Indians and 9 percent of Non-Aboriginals.

C 25 percent of Métis and Non Status Indians are Un-Insured or Under-Insured (6 percent receive no reimbursement on \$1,000 of expenses, 19 percent receive between \$1 and \$649), whereas among non-Aboriginals, 10 percent are Un-Insured and 10 percent are Under-Insured.



Note: Métis includes Métis and Non Status Indians



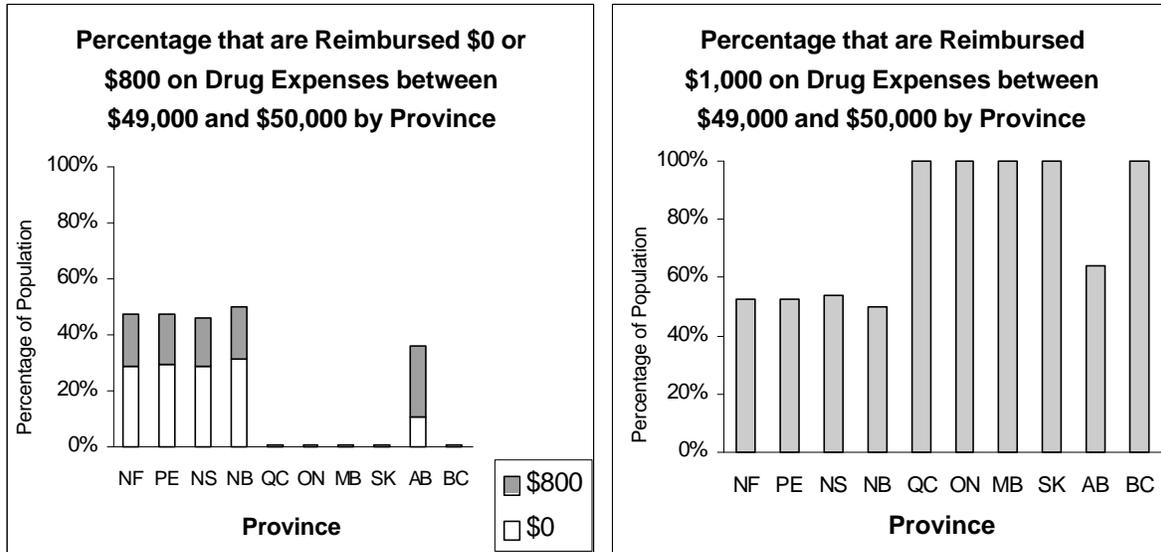
Note: Métis includes Métis and Non Status Indians

LAST DOLLAR INDEX (CATASTROPHIC COSTS)

In contrast to the First Dollar Index, levels of reimbursement for the Last Dollar Index are concentrated at relatively few values. The most common level of coverage is 100 percent reimbursement, which is available to about 93 percent of Canadians. About 4 percent of Canadians have plans that require a co-payment from the individual, commonly 20 percent. Another 3 percent of Canadians are Un-Insured against very high levels of drug expense.

Province

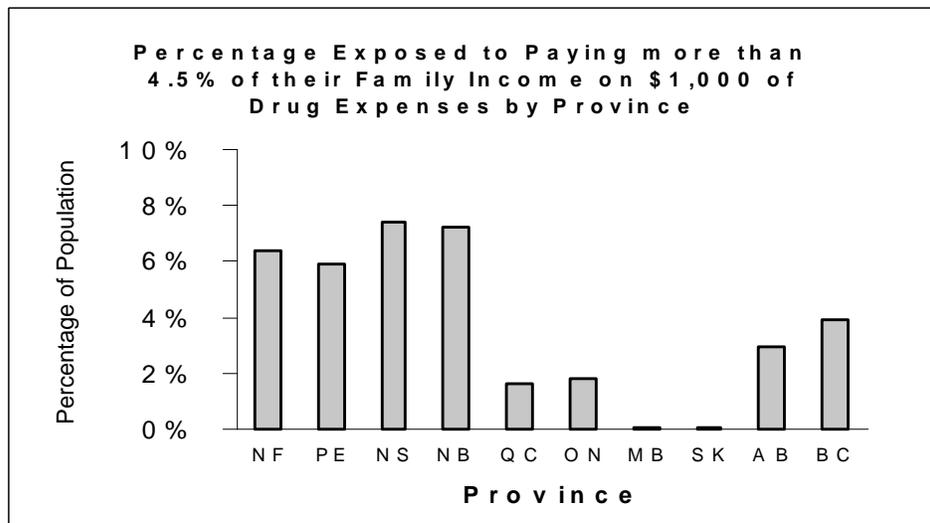
Province of residence is the major factor affecting coverage measured by the Last Dollar Index. Other socio-demographic factors have little effect.



- C Residents of Québec, Ontario, Manitoba, Saskatchewan and British Columbia all have 100 percent reimbursement for high levels of drug expenses. Other provinces have between 50 percent to 64 percent of the population Under-Insured or Un-Insured for catastrophic costs.
- C In the Atlantic provinces, about 30 percent are Un-Insured for high levels of drug expense.

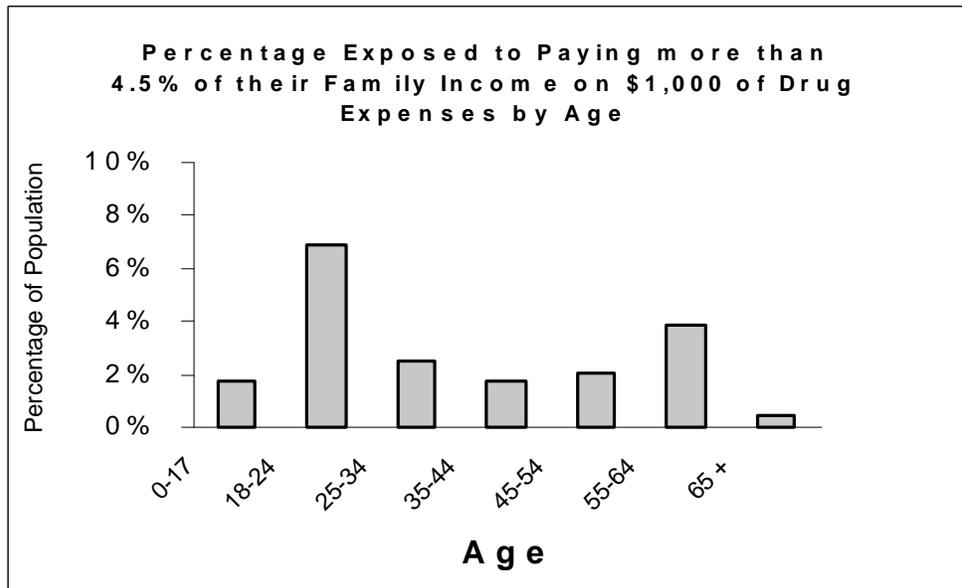
ABILITY TO PAY INDEX

Overall, 2 percent of Canadians would have to pay more than 4.5 percent of their gross family income should they require \$1,000 of drugs.



- C There are provincial differences in the ability to pay index. In the four Atlantic provinces, between 6 percent and 7 percent of the population might have to pay more than 4.5 percent of their family income if they incur \$1,000 of drug expense. Manitoba, Saskatchewan and Ontario have income tested programs which generally insure that no one pays more than 4.5 percent. (In Manitoba, no one with income under \$15,000 pays more than 2 percent, others pay no more than 3 percent. In Saskatchewan no one pays more than 3.4 percent).

The age group most vulnerable to high out of pocket costs is the 18 to 24 year olds (7 percent), followed by the 55 to 64 year olds (4 percent). Less than one percent of seniors would be exposed to this level of impact.



SUMMARY AND CONCLUSIONS

- C A large variety of programs provide Canadians with drug expense insurance. Government programs are generally targeted to population segments with greater need based on their age, income or medical condition. Employer sponsored plans exist to provide competitive compensation.
- C Private plans generally provide coverage with lower deductibles and co-payments than government plans.
- C Government plans are more likely to limit the total amount of co-payments than private plans thereby providing more financial protection for individuals with high levels of drug expense.
- C There are substantial regional differences in who is eligible for government drug coverage. In Atlantic Canada, for example, relatively fewer residents are eligible for plan coverage than other regions.
- C Families with similar income and medical needs will receive widely varying levels of government plan benefits depending on the province they live in.
- C Government plans have invested substantial effort in cost control mechanisms such as negotiated prices, electronic payment systems and managed formularies. Private plans are increasingly adopting many of the same strategies.
- C There are few mechanisms to ensure continuity of coverage as changes in individuals' circumstances affect their plan eligibility, especially for those individuals who rely on employer sponsored plans, or who move between provinces.
- C Many individuals with high drug expenses, particularly seniors, are protected from catastrophic financial loss by government drug plans. Non seniors in provinces and territories without universal government programs face a major financial burden unless they secure and maintain employment based coverage. However, maintaining employment is often not practical for those with serious illness.
- C Because Canadians are insured against drug expenses by a multiplicity of overlapping public and private plans, there are no simple determinants of Under-Insurance or Un-Insurance.
- C Province of residence is the strongest determinant of whether an individual will have adequate coverage against catastrophic drug expenses.

- C Coverage under employer sponsored group plans (either directly or as a family member) or status as a senior, a person on social assistance or a registered Indian/Inuit/Innu are the primary determinants of whether an individual will have adequate coverage against routine drug expenses.
- C While the size of the Un-Insured or Under-Insured population varies depending on what is considered adequate insurance, several groups appear less likely to have adequate coverage.
 - C Residents of the Atlantic provinces, other than those in targeted government programs (seniors, social assistance) and those in employer sponsored group programs have no protection against catastrophic levels of drug expense.
 - C In all provinces, other than Québec, those working part time or in low wage occupations are more likely to be Un-Insured or Under-Insured for routine drug expense compared to the general population under age 65 due to their lower coverage rates under employer sponsored group plans.
 - C In most provinces there is a clear reduction in coverage in the age 55 to 64 group as adults start to withdraw from the labour force and are less likely to have an employer sponsored group plan and do not yet qualify for seniors' programs.
- C Overall, approximately 90 percent of Canadians have some coverage for routine drug expenses.
 - C 11 percent of Canadians can expect to obtain routine drug prescriptions without out of pocket cost. This full reimbursement coverage is normally provided either by social assistance or by employer sponsored group programs.
 - C An additional 69 percent of Canadians have drug plan coverage with relatively modest deductibles and co-payments.
 - C 10 percent are covered but could be considered Under-Insured since their plan would pay less than 35% of a \$1,000 annual expense.
 - C Approximately 10 percent, or 3 million people, are considered Un-Insured for routine drug expenses having no plan coverage or having a plan that would only cover annual expenses higher than \$1,000.

- C Should they require unusually expensive drug treatment, 93 percent of Canadians can depend on a combination of public and private drug insurance plans to provide sufficient protection to prevent serious financial hardship. About 4 percent of the population would be considered Under-Insured since their coverage would reimburse only a portion of their bills. The remaining 3 percent are Un-insured.
- C Five provinces (Québec, Ontario, Manitoba, Saskatchewan and British Columbia) have public policies or programs ensuring all residents full reimbursement of catastrophic drug costs beyond some defined threshold. Government programs in Alberta offer residents substantial protection but residents who choose not to enrol may have reduced protection. In the Atlantic provinces, over 25 percent of residents are without catastrophic coverage and another 25 percent might be considered Under-Insured.
- C Among low income groups, those on social assistance are well covered against routine drug expense while the “working poor” are more likely, in all provinces other than Québec, to be Un-Insured or Under-Insured for routine drug expense.
- C Seniors have the lowest levels of Un-Insurance or Under-Insurance due to targeted provincial government programs in every province. However, because these programs have co-payments, in most provinces, seniors also have the lowest level of full reimbursement coverage.
- C Aboriginals who are Registered Indians or eligible Inuit and Innu have very good coverage due to the federal NIHB program. Métis and Non Status Indians are more likely to be Under-Insured or Un-Insured than the non-aboriginal population.