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## Research Summary

The lack of a national pharmacare strategy in Canada is a pressing health policy challenge for the public health policy scholar. In order to financially protect Canadians, universal Medicare for hospital and physician services was created.<sup>1</sup> During this development, a national pharmacare plan was not created. Amongst all developed countries, Canada is the only developed country to have created universal access to hospital and physician services without a parallel universal pharmacare program.<sup>2</sup> In the year 2000, most provinces created catastrophic drug plans.<sup>1</sup> Current provincial drug plans are not designed to equitably cover current chronic conditions such as diabetes and hypertension, among others.<sup>3</sup> As seen in the example of the reduced adherence to corticosteroid medications for asthma treatment in low-income children, current provincial drug benefits programs are inequitable.<sup>4</sup> Some provinces provide coverage to special populations such as seniors, those living in long-term care homes, and other populations.<sup>3</sup> Given the recent financial crisis that has led to increased unemployment in Canada<sup>5</sup>, coupled with a rise in chronic conditions, the current catastrophic provincial drug plans have created great inequities in accessing necessary medications to improve the health of Canadians.

Universal pharmacare has cost-saving implications. According to a recent report by the Canadian Institute for Health Information, Canadians spend \$28.8 billion on prescription drugs.<sup>6</sup> A study by Morgan et al. has shown that a universal public drug coverage program would save Canada sector \$7.3 billion annually. The private sector would save \$8.2 billion. The estimated investment by government in the creation of a national drug plan is approximately \$1.0 billion.<sup>7</sup> Authors concluded that a universal public drug coverage program has substantial private sector and long-term savings despite the upfront costs.<sup>2,8</sup> Apart from cost-savings, the health consequences of not taking a medication due to in-affordability are misaligned with the egalitarian values in Medicare. Given potential cost-savings and lack of alignment with Canadian's values of a health care system, the policy analyst must consider why the federal government has not yet implemented a national pharmacare strategy.

Theory helps one understand the practical policy challenges. The objective of this paper is to apply Kingdon's multiple streams theory in the analysis of the lack of a national pharmaceutical strategy. Baumgartner and Jones' theory of punctuated equilibrium is applied to explain why, despite the momentum building in Canada, there has been stasis in the creation of a national pharmaceutical plan. The paper concludes with a set of necessary and sufficient conditions that provide a context for successful implementation of a national pharmaceutical policy.

Kingdon's multiple streams theory considers three streams: the problem stream, political stream, and policy stream.<sup>9</sup> Analysis of these three streams can help one better understand pharmaceutical policy development in Canada. First, the problem stream consists of the concerns that people have with regards to the policy. This includes the multiple ideas and values that key policy actors within a policy subsystem are considering.<sup>9</sup> For example, when considering national pharmacare, an underlying problem recognized by all provinces, territories and the federal government is the variation in equitable drug coverage across Canada.<sup>8</sup> There are several problems in the current arrangement of pharmacare in Canada: a lack of access, a lack of drug cost containment, and a patchwork drug system have hindered policy development.<sup>10</sup> An important political and financial reason why a national pharmaceutical policy has not been created is because of the problem it would create in a profit loss for pharmaceutical companies. According to Professor Gagnon's analysis, a universal national pharmacare plan would cost pharmaceutical manufacturers and retail pharmacy corporations a \$3-\$11 billion net loss.<sup>10</sup> This is a problem for for-profit pharmaceutical companies who would be politically opposed to a national plan. Both federal and provincial governments would need to address their concerns. Particular problems require adequate policy solutions, which are evident in the policy stream.

The next stream to consider is the policy stream. The policy stream consists of experts and analysts that examine policy problems to propose solutions.<sup>9</sup>

Experts may be within or outside of government. Within government there are the provincial and

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federal ministers of health. Outside of government there are special task forces, commissions and extra-governmental agencies.<sup>11</sup> An example of an external agency that helps inform pharmaceutical policy through analysis of evidence is the Canadian Agency for Drugs and Technologies in Health (CADTH). CADTH provides evidence on optimal use of drugs and medical devices in the health system.<sup>12</sup> An example of a commission is the Romanow Commission, which in 2002 recommended that both the federal and provincial government work together to integrate “medically necessary prescription drugs” within Medicare.<sup>13</sup> These external agencies are key policy actors that influence policy development process in this stream.

Within the policy stream, one must consider existing institutions and key policy entrepreneurs. Since health care is primarily a provincial jurisdiction in Canada, this has created an institutional complexity in the design of a national pharmacare strategy. After the First Minister’s meeting, the Federal Minister of Health, Jane Philpott, had publicly stated that the cost of pharmaceuticals is a priority.<sup>14</sup> In Ontario, Premier Kathleen Wynne, has included in her mandate letter to the provincial Minister of Health, Dr. Eric Hoskins, the need to support brand name and generic drug purchasing through a pan-Canadian Alliance. She promised to work with the federal, provincial, and territorial counterparts.<sup>15</sup> Policy entrepreneurs such as the federal minister and provincial ministers are powerful stakeholders in the design of a national pharmaceutical policy. Despite interest at both levels of government, there has not been a national pharmacare plan.

Romanow and Marchildon have outlined four elements of a Canadian pharmaceutical policy solution. First, a national formulary that provides universal access to a common set of prescription medicines is needed. Second, this national formulary should be built on optimal clinical and cost-effectiveness evidence. Third, there must be price negotiations and bulk purchasing with a single payer from the pharmaceutical companies to reduce prices. Finally, in accordance with quality improvement, there must be ongoing clinical engagement to reduce

over-prescription and encourage, monitor and incentivize appropriate use of medications.<sup>16</sup> These four elements should be analyzed in light of the politics stream and current government’s willingness to implement these elements.

Finally, the politics stream is composed of current political mood at the federal and provincial level, institutional authority, and the power of stakeholders.<sup>17</sup> The government in power influences whether a policy can be passed in legislation. New policies are more likely to be implemented when there is a change in governments.<sup>9</sup> Given that there is a new Liberal government at a federal level and a Liberal government in a large province like Ontario, there may be an open policy window for a national pharmacare strategy. The historical context of legislative changes is important. In 1972, the Liberal government proposed a drug price program. Significant changes in drug patent laws were intended to decrease the price increase and monopoly situation that was created by the pharmaceutical industry. However, according to Boothe, this program had an unintended consequence of restricting politicians’ views of pharmaceutical policy. It limited future pharmaceutical insurance proposals.<sup>18</sup> This case shows institutional changes such as modification to the patent law can have unintended consequences in the politics stream.

The historical evolution of pharmaceutical policy provides the context. In 2004 the government launched a National Pharmaceutical Strategy (NPS). This program meant that the federal, provincial and territorial governments committed to drug coverage. The federal government invested \$16 billion between 2003-2004 and 2007-2008 in the Health Reform Fund. This included the expansion of catastrophic drug coverage.<sup>19</sup> This political move downloaded responsibilities for pharmacare directly to the provinces.

A central missing element was a common thread of federal leadership needed to ensure equitable access to medicines. In the politics stream, public opinion adds value to the decisions made by policy-makers.

In the case of a national pharmaceutical plan, a poll conducted by the Angus Reid Institute showed that 91% of Canadians supported the concept of

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necessary medications, and 89 % agreed it should be a joint federal-provincial initiative.<sup>20</sup> This public opinion impacts the politics stream because politicians are elected officials who, in a democratic Westminster Parliamentary system, are elected to represent the public's view.<sup>11</sup> In the politics stream, the current government in power, historical context, and public opinion influence political decisions.

A theoretical lens can help one understand the stability within the politics stream. Punctuated equilibrium theory is the idea that political processes occur through incrementalism. They are characterized by stasis rather than crisis. Central to this theory are two elements of the policy-cycle: agenda-setting and issue definition. Both of these occur through policy images, which consist of beliefs and values. According to Baumgartner & Jones, policy images when coupled with inherent political institutions are the outlet for policy action.<sup>21</sup> Within Canada, Medicare is an institution that has caused stasis in pharmaceutical policy development. Medicare provides universal access to only hospital and physician coverage.<sup>1</sup> Stasis in the development of a national pharmaceutical strategy is a case of punctuated equilibrium. The media has shaped the policy image for a national pharmaceutical strategy. Recent media articles highlight the inherent egalitarian values of a national pharmaceutical strategy.<sup>16,22,23</sup> According to Professor Herder, public disclosure of evidence on drug safety and effectiveness is one way to reduce harm.<sup>22</sup> Providing the public with pharmaceutical evidence to monitor side effects to improve their health alters the policy image and places greater autonomy on patients. An informed public can positively alter policy images to ensure pharmaceutical safety. Embedded institutions like Medicare have hindered progress in a national pharmacare strategy in Canada. Policy images in the media are an outlet for progress from stasis in pharmaceutical policy development.

A convergence of the problems, policies, and politics stream can lead to the implementation of national pharmacare in Canada. At the center of the strategy, there must be a policy entrepreneur like Monique Bégin. Bégin claimed that Canada is a

country of perpetual pilots, where knowledge translation does not spread across jurisdiction.<sup>24</sup> Canada can transition from these pilots to being a leader in national pharmaceutical policy development when federal and provincial governments work together to design and implement this policy. Ontario and British Columbia, the two larger provinces can be leaders in designing a national formulary. An external governmental federal agency can be established to gather input from all provinces and territories in developing this formulary and national pharmacare policy. Alignment of the three streams is the starting point of a pharmaceutical policy.

Convergence of the three streams is a necessary but not sufficient condition. It is not sufficient because the financial and economic climate impacts a policy's viability. In times of fiscal restraint and economic uncertainty, governments are less likely to introduce expensive policies.<sup>11</sup> A current \$1.0 billion expense by the federal to create a national pharmaceutical strategy is may not be financially feasible. Despite this, a national pharmacare plan is both cost-saving and reduces inequities in medication access across Canada. It is aligned with Canadian health care values. A convergence of the problem, policy, and politics stream, in light of the necessary and sufficient conditions of a strong economic and fiscal climate, may lead to the introduction of a national pharmacare strategy in Canada.

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