

A REPORT OF THE ONTARIO CITIZENS' COUNCIL

PRIVATE DRUG INSURANCE IN ONTARIO

Submitted to:

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EXECUTIVE SUMMARY

The Ontario Citizens' Council is mandated to provide advice to the Executive Officer of the Ontario Public Drug Programs and the Minister of Health on the values that reflect the needs, culture and attitudes of Ontario's citizens about government drug policy.

In its November meeting, the Council was asked by the Executive Officer and Assistant Deputy Minister to “...**discuss the role that the Ontario Public Drug Programs (OPDP) should take in guiding the practices of the private drug insurance market in Ontario**”.

How drug coverage is provided and to whom - by both public and private sectors - is important for all Ontarians. Evidence indicates that drug costs are rising at an annual rate of more than 9%. Council members were asked to consider the role that OPDP could have in working with insurers for private drug plans to rein in costs and ensure the viability of drug coverage on a long-term basis. Members were asked to provide their perspectives, taking into account the Council's Values Framework, on three approaches that could be considered for the future and sustainability of drug coverage in the province:

- Mandated minimum levels of coverage and cost management: Private insurers would cover, at a minimum, the same drugs as those in the ODP formulary, ensuring a consistent minimum level of drug coverage for all those eligible under OPDP or through private insurance.
- The current system: This model reflects the present situation that involves both private and public drugs coverage for most but not all citizens, with minimal government involvement.
- New social insurance risk pool: This model requires a dedicated tax or contribution that will fund drug coverage for all, based on one formulary.

After presentations and several hours of deliberation, Council members concluded that **both government and private insurers have a role to play in providing Ontarians with access to appropriate drug coverage**, and that a collaborative approach such as a social insurance risk pool, would best meet the values underscored by the Council as representative of Ontarians.

The Councillors agreed that the following principles that should guide any discussions regarding the role that the Ontario Public Drug Programs should play in guiding the practices of the private drug insurance providers in Ontario:

Principles

- It is important to balance the common good with the needs of particular individuals
- Government and private businesses should work together to create a responsible safety net for Ontario citizens. Each has a role in providing an adequate health system to Ontarians
- Freedom of individual choice has to be tempered by a framework of values that recognizes the 'common good'.
- Any change must be efficient, cost-effective and manageable
- Consideration must be given to the vulnerable and those on low incomes
- Basic drug coverage should be accessible, consistent, evidence-based, equitable and sustainable
- Personal accountability must be underscored by education and communication from the administering body
- There should be transparency in the use of funds
- The health insurance system should be managed efficiently

Based on these principles and applying the values that the Council had formulated, it was agreed by the Council that:

1. All Ontarians, including people who currently do not have coverage and who will require publicly financed basic drug insurance, should be entitled to basic drug coverage, with access that is consistent, evidence-based, equitable and sustainable.
2. A balanced health care system should be managed jointly by government and insurance companies. The government plan would ensure basic coverage, and would be augmented by private plans, either funded by companies for their employees or funded by the employees individually. These private plans would add additional benefits such as private or semi-private hospital rooms, chiropractic care and, where necessary, specifically selected brand name drugs.
3. A system that provides universal and sustainable basic drug coverage must be mandatory for all citizens in order to spread the cost out over the largest number of people.

4. Insurance companies must lower their premiums for drug coverage to match those already in effect for private plans. Ideally this reduction will be the same as any new government tax, resulting in a “wash” for all those paying premiums, whether employer, employee or an individual.
5. There should be transparency concerning the use of public funds.
6. A comprehensive program of educating Ontarians about the factors that contribute toward the setting of drug prices would increase the likelihood that changes to the system will be understood and accepted.

This report of the Council reflects the Council’s present conclusions, though it is noted that deliberations on this subject are far from exhausted.

1.0 INTRODUCTION

The Ontario Citizens' Council is composed of Ontarians from all walks of life appointed by the Minister of Health and Long-Term Care to provide their views on the values that reflect the needs, culture and attitude of Ontario's citizens about Government drug policy. The Council reports to the Executive Officer of the Ontario Public Drug Programs and to the Minister of Health. (See Appendix 1 for a listing of the members of the Citizens' Council.)

The mandate of the Council is to provide values-based perspectives on questions put to it by the Executive Officer. In previous substantive meetings (January 2010, April 2011 and June 2011), Council members identified a number of values that underpinned their advice and recommendations. These values form a framework to support Council decision-making as well as guide the Ontario Public Drug Programs when considering those values in its decision-making.

2.0 THE QUESTION

In its November meeting, the Council was asked by the Executive Officer and Assistant Deputy Minister to “... ***discuss the role that the Ontario Public Drug Programs (OPDP) should take in guiding the practices of the private drug insurance market in Ontario***”.

OPDP currently provides drug coverage for seniors, social assistance recipients, people residing in homes for special care and long-term care homes, people receiving home care services, and registrants of the Trillium Drug Program (people who have a high drug cost in relation to their household income).

How drug coverage is provided and to whom - by both public and private sectors - is important for all Ontarians. Evidence indicates that drug costs are rising at an annual rate of more than 9% (based on numbers from 1985-2007). These costs have been addressed through drug system reforms by the public sector. However, private drug plans, such as those provided by an employer, continue to struggle in light of increasingly expensive treatments. Rising costs are typically passed on to either employers and/or employees, and as treatments are dropped from private plans, costs may be shifted to either the individual or public plans. With rising costs, it is likely that this shifting will increase in the future, pushing additional patients onto the public drug programs.

Council members were asked to consider the role that OPDP could play in working with insurers of private drug plans to rein in costs and ensure the viability of providing drug coverage on a long-term basis. Members were provided with three

separate approaches that could be considered for the future of drug coverage in the province and they were asked to evaluate each of these approaches in light of the Council's Values Framework.

Members were not asked to recommend any one approach over the others. They were asked to assist in the Ministry's future decision-making by providing the Executive Officer with their evaluation of these approaches, as well as assessing the values that each approach would adhere to.

3.0 PREPARING FOR DELIBERATIONS

Advance Reading Material

In order to have an understanding of the complexities of how drugs are provided to people in Ontario, Citizens' Council members were provided with 5 documents to be read prior to the meeting.

See <http://www.health.gov.on.ca/en/public/programs/drugs/councils/reports.aspx>

1. **Private Drug Insurance in Ontario** discusses public and private insurance and related some of the issues facing private insurers. Developed for this session, it also framed three models or approaches drawn from the literature - approaches that could be considered appropriate for any plan providing drugs in our society.
2. **An End to Blank Cheques – Getting More Value Out of Employer Drug Plans**, is a provocative white paper developed by Helen Stevenson, former Executive Officer, Ontario Public Drug Programs. It describes key issues facing private employers that have employee drug plans. After the cost of hospitalization, drugs are the second largest health care expense. The author proposes solutions to rising cost of drug plans, including clarifying the goals of private drug plans, improving management of private plan formularies, making better use of generic drugs, building buying power, and requiring pharmacies to submit drug claims directly to insurance providers.

Ms. Stevenson's paper indicates that rising costs are an issue not only for employers and private insurers but also for employees and the general public: "... because continually rising drug prices are not magically absorbed by insurance companies. They are passed back to employers, who in turn may be forced to shift some of that burden – for example, through increasing prices of the company's products and services, or through cutting back retiree drug benefits, or possibly even by limiting salary and/or benefit increases to employees."

3. **Exploring Social Insurance: Some Conclusions** is the concluding chapter in a book by Mark Stabile, Colleen Flood and Carolyn Hughes Tuohy (“Exploring Social Insurance: Conclusions,” in Flood, C., Stabile, M., and Tuohy, eds. [Exploring Social Insurance: Can a Dose of Europe Cure Canadian Health Care Finance?](#) McGill-Queen’s University Press, 2008, pp.251-276.) It outlines a number of different options that governments around the world select to pay for health care:

- General Tax Revenues,
- A Social Insurance System (Canadian examples include Employment Insurance and Workers' Compensation),
- Private for-profit insurance (coverage through a private health insurance organization), and
- Private not-for-profit insurance (a heavily regulated privately operated system that is similar to a public plan).

The authors outline different ways that public and private insurance can work together. Finally, the authors look at privatization or market-based solutions for health care. They note some of the problems with privatized systems, and how some of the risks of that approach can be managed through regulation and tax measures.

4. **Public and Private Payment for Health Care in Canada** provides an overview of the balance between public and private sector involvement in the provision of health care in Canada. It highlights the fact that a higher percentage of the population has private health care in comparison to many other countries, largely because the majority of citizens have access to private health care plans through their employment.
5. **A Delicate Balance: How Can Plan Sponsors Weigh the Needs of Their Plan Members with the High Costs of Biologic Drugs?** outlines the kinds of problems that private drug plans face. There are some interesting suggestions included in the article, such as opportunities to explore public and private partnerships for pooling and patient protection from rising drug treatment costs.

Presentations

In addition to the written materials, the Council also heard from a number of presenters on various aspects of drug coverage and how they relate to the Ontario public drug insurance program.

(See Appendix 2 for the session agenda which includes the names of the presenters. See Appendix 3 for biographies of presenters.)

The following are summaries of the key presentations:

Private Drug Insurance in Ontario

Ontarians pay for drugs partially through general tax revenues, private for-profit insurance and direct-pay, for those with no coverage. The cost of drugs is increasing at a pace that is not sustainable (9 – 10% per year).

Prescription drug coverage is the largest cost element in private plans, followed by dental coverage. In 2010, Canadian Life and Health Insurance Association (CLHIA) members paid out

\$10.8 billion in health insurance benefits to Ontarians. Of that total, roughly \$3.7 billion was for reimbursement for prescription drugs. This compares with roughly \$4.5 billion that the ODBP paid for prescription drugs in the same year.

Some patients are already being transferred from public to private coverage plans for various reasons - for example, when new oral drugs that are not publicly funded replace intravenous cancer treatments that are publicly funded as long as they are delivered in-hospital. Also, others are transferred from private to public coverage after they turn 65.

Employers often see group health benefit plans as ways to:

- Attract and retain talent
- Help keep a healthy workforce
- Minimize employees' time taken up by periods of Long- or Short-Term Disability.

In the face of rising drug costs, challenging economic times, and changing employment situations, fewer part-time or contract employees, people over 18 not in school or working in jobs without drug plans or those belonging to the 'working poor', will have coverage of any kind.

Social Insurance Models of Healthcare Funding

In different jurisdictions, health care services are funded in various ways - by using public insurance, private insurance or a mix of the two.

A portion of the population (perhaps up to 20%) is currently without either public or private coverage (e.g. people who are self-employed, own or operate small businesses, are part-time or contract employees or are among the working poor.) Presently the majority of Ontarians (estimates are up to 60%) are covered by group health benefits provided by their employer or third party insurers.

A social insurance model for prescription drugs would essentially operate as a social safety net, providing a basic level of drug coverage for all citizens. The contributors to the program would ideally be a large “pool” in order to spread the costs widely, resulting more affordable premiums for each individual participant. Premiums for such a social insurance pool would be mandatory, e.g. payroll tax or other tax designated specifically for a prescription drug plan. A procedure would be created allowing people to pay for additional or improved drug coverage through private insurers.

Unlike the current system that is funded by a combination of general tax revenues and contributions to private insurance paid for by employees and/or employers or private contributors, a social insurance model would broaden the number of contributors so as to provide basic coverage for everyone. This plan could result in a zero net increase for those paying into private plans because a managed formulary and group pricing could contain costs.

However, implementing a social insurance plan for drug coverage is likely to be a challenge: there could be resistance from insurers, employer groups and those already paying for private insurance.

4.0 HOW THE COUNCIL DID ITS WORK

As the Ontario Government looks to the future, three possible approaches were developed for discussion. Each highlighted varying roles for both the public sector (government) and the private sector (insurance providers, employers, and individuals):

- Mandated minimum levels of coverage and cost management. This would mean that the private insurers would cover, at a minimum, the same drugs as the ODP formulary, ensuring a consistent minimum level of drug coverage for all those eligible under OPDP or through private insurance.
- The current system. This model reflects the present situation that involves both private and public drug coverage for most, but not all citizens, with minimal government involvement
- New social insurance risk pool. This model is most inclusive of citizens, but would entail changes in the current relationship between public and private insurers.

These formed the basis of the dialogue work of the council. Each approach is laid out in more detail in the following section.

The Council used its preliminary Values Framework as the basis for its deliberations, advice and recommendations. (See Appendix 4 for the Citizen's Council Preliminary Values Framework and Appendix 5 for the MOHLTC Backgrounder provided to Council members at the meeting.)

In order to contemplate the question of the government's role with respect to private insurance, the Council divided into two groups and, under the guidance of facilitators, used the Deliberative Dialogue approach. This methodology, previously employed by the Council in its discussions, stresses open discussion of the issues in order to understand and learn from each Councillor with the objective of finding common ground.

The groups were asked to discuss each of the three approaches, recognizing that each one of the three has the potential of creating conflicts when measured against established societal values.

Each of the three approaches reflected a different way of handling drug insurance in Ontario and each contained elements that can be adapted, refined and combined to reflect the values that members of the Citizens' Council would like to see characterized in any new model.

It is important to note that the task of the Council was not to work out implementation details for the model they found to be the most appropriate. The Council did however discuss the present approach and came to the conclusion that it is not sustainable and change is necessary.

It is also important to note that the long-term sustainability of each proposed approach was not addressed, recognizing that the funding of any plan cannot be accurately set in place until the statistics of population growth and demographics are charted in more sophisticated ways than at present, to say nothing of Ontario's future economic capacity. It is interesting to note that 'Sustainability' is the first sub-heading title of the recently released Drummond Report on Ontario's finances.

The models reflect a spectrum of relationships between the government (public sector) and private enterprise (the private sector) and between the not-for-profit sector and the for-profit sector.

Each approach was presented in a similar way. Each had an 'issue statement', a 'broad remedy' statement and a number of 'in support' and 'in opposition' statements. Members were asked to evaluate each model based on the following questions:

- What do you like about this approach? What are its advantages and potential benefits?
- What values underlie this approach?

- What don't you like about this approach? What are its disadvantages and possible consequences? What concerns do you have about this approach?
- Who are the 'winners'? Who are the 'losers'? Who is most affected? What dilemmas do you see in this approach?
- Is there anything you would suggest adding or changing in this approach that would make it more positive for you?

The **bolded** words in the sections below represent the values that are part of the Values Framework established by the Council in previous meetings.

5.0 DELIBERATIONS ON THE APPROACHES/MODELS

Approach 1 – Mandated Minimum Levels of Coverage and Cost Management

This approach recognizes that the challenges of increasing drug costs mean that more and more people are falling into the cracks as private insurers look for ways to recover those increases. It recognizes the importance of maintaining a social health safety net and ensuring that the cost of necessary drugs is covered through a combination of public and private plans. It sees increased government involvement compared to our present system of coverage, in order to ensure that the private sector provides some minimum levels of drug coverage to individuals on private drug plans.

It also proposes that private formularies make their funding decisions based on similar criteria to those that govern decisions of the Committee to Evaluate Drugs - that all drugs be evaluated for their clinical effectiveness, cost-effectiveness, and demonstrated benefit over existing drugs.

OPDP should also establish minimum coverage levels and cost containment strategies that apply to both the public sector and the private sector. This could include requirements that prevent private insurers from dropping patients from coverage when costs get too high, etc.

Council members felt that this approach could help ensure minimum levels of coverage for all those involved in a plan, either public or private. Members felt that the ODP formulary should be a common decision-making vehicle. In effect this would mean that private insurers would cover at a minimum the same drugs as the ODP formulary, thus providing a benefit to patients whose drugs might otherwise be dropped by private insurers because of escalating costs. It also benefits ODP and hence taxpayers who might otherwise need to help defray the costs of those dropped drugs.

Private plans could offer additional coverage for those who wanted it. This would still provide for a degree of individual choice while ensuring that all those involved in a plan, either public or private, would receive the same minimum coverage.

Using a similar vehicle for making formulary decisions would also help to establish transparent criteria for the decision-making process about which drugs to fund or not. This could help contain costs and provide savings so that money is freed up to maintain coverage for those on more expensive drugs.

Using the ODP formulary may restrict some choice that is currently available, e.g. choosing brand name drugs instead of generics. However, insurance companies could offer an option that allows the claimant to pay the difference between the cost of the brand name and the generic drug, or they could offer a plan that provides the brand name coverage.

Council members noted that this approach assumes that the public sector has been applying cost management and the private sector has not. Conflicting views on this were presented to Council members, but in any event it is difficult to reach valid conclusions, as insurance companies are not compelled to release records.

In essence, this approach is about establishing a minimum level of coverage for all those currently eligible for either public or private insurance, with decisions based on the ODB formulary. It would be a change from the current system and would require some kind of government legislation/action.

DOES THIS APPROACH ADDRESS THE COUNCIL' S VALUES?

Members liked the idea of private insurers using the ODB formulary as the basis for coverage because it would provide **transparency** and **consistency in decision-making** across the board. Additionally, given that the ODB funding decisions are **evidence-based**, using the formulary was seen as **equitable, cost-effective** and **fiscally responsible**.

There would be **collaboration** between public and private sectors and taxpayer **accountability**. Private insurers could benefit from negotiating with drug manufacturers for ODB prices.

Working together to control monetary issues through cost containment strategies will help make drug coverage more sustainable whether through the public system or private insurers. The aim is to make the plan **sustainable**, which is workable for the long term, though there is a risk that profits may be reduced due to the requirements of wider coverage and an aging population.

The insurance providers would profit from the research done by ODB for its formulary. This would demonstrate **clinical effectiveness** as well as **cost effectiveness** of drugs on their formulary, thus providing additional **evidence-based data**. The generic drug could be offered first and replaced by the brand name, if required. By combining their purchasing power, the public and private sectors may negotiate a better price for drugs (**fiscal responsibility**). In addition, smaller companies may benefit from having the same minimum basic coverage as larger companies that often have more negotiating power with private insurers. However, it is uncertain whether the savings incurred by the private insurers would be passed on to the consumer or the employer, though Council members felt quite strongly that this should happen.

CONCERNS

There was some concern that the government role in this approach was too intrusive. Recognizing that there are differing views on the responsibility of government, discussion focused on whether this role would be perceived as interference or as protection.

Members wanted to be sure that people requiring very expensive drugs or with pre-existing conditions would not be dropped from the plan or disallowed because the insurer refuses to accept those risks and cover the costs. While this might demonstrate the values of fiscal responsibility and accountability for keeping down costs for those purchasing the plan, it demonstrates **little regard for compassion, the importance of the quality of life, equity and fairness, and does not meet the needs of the most vulnerable**.

Overall, mandated minimum coverage does not address the issues of paying for much higher claims, reducing the need to drop clients, or refusing to accept them for coverage. And it does not change the situation for people with no coverage.

Approach 2 – Current Market-based System

This approach is most like the one in Ontario today in which the government takes a largely “hands off” approach to private insurers and supports an environment that fosters competition in provincial drug markets without imposing legislative, regulatory or professional barriers. The approach assumes that private insurers are adequately equipped to handle drug cost concerns on their own with minimal to no government involvement.

This approach sees competition and self-imposed cost reduction methods as ways to drive prices down for consumers or employees in order to ensure the long-term sustainability of privately sponsored drug plans.

It also maintains the current relationship between public and private partners.

Council members felt that the present system works fairly well for people in Ontario who have some kind of coverage, but they noted that it does not include all people in the province, and it leaves out too many. Ontarians currently not eligible for the ODB and who are not covered by a private health plan are the clear ‘losers’ in maintaining the status quo.

Given the escalating cost of drugs, and the apparent failure of private insurers to rein in drug prices, members felt that this “status quo” model will not work in the future.

DOES THIS APPROACH ADDRESS THE COUNCIL’ S VALUES?

This approach does not match many of the core values described in the Councils’ Values Framework, mainly because the current system will continue to sustain current inequities. Council felt that this approach *is neither equitable nor compassionate* and *does not care for the most vulnerable*.

CONCERNS

It is not acceptable for the government, employers and Ontarians to rely so significantly on the private sector to adequately control the rising cost of drugs and decide on coverage. There is no way to predict how things will be in the future, particularly whether this system will be sustainable and provide adequate coverage for those insured without abandoning the more expensive drugs to the public system. Sustainability of the system is vital as the province’s population ages.

Because there was some discrepancy in the information presented to Council from the private insurers and the Ministry regarding the efforts of private insurers to contain drug costs, *lack of transparency* created an important ‘fact-finding’ challenge. Unless insurance companies open their books for inspection with respect to costs, expenditures and profits, it is difficult to confirm how effective they have been at drug cost control.

There was some discussion about whether this approach could accurately be described as free market, especially when compared to the United States’ version. Nevertheless, members concluded it would be *fiscally irresponsible* for the government to take a ‘hands off’ position, since the current approach does not seem to be addressing the rising prices of drugs.

Approach 3 - Social Insurance Risk Pool

This approach recognizes that the cost of drugs has to be reduced for everyone and that there has to be a way to share costs and risks more equally.

Currently drugs are covered with funds from the general tax base (for the public plans) or through arrangements between employees and employers (private plans). In contrast, a social insurance model has a dedicated tax or contribution to fund that particular social service, providing greater collective interest and bargaining power.

Such an approach could be administered through a cooperative effort between public and private sectors. By working together on one big drug plan, there would be collective management of formularies, improved buying power and greater influence in negotiating agreements with drug companies.

This is potentially the most radical and controversial of the three approaches, although it is similar to the Canada Pension Plan where everyone who has paid into it receives a benefit.

The consensus of Council members was that this approach would have the best chance of succeeding if it was a mandatory provincial (or even national) program. With a much larger risk pool, the plan could be viable and sustainable.

Members particularly liked the inclusiveness of this approach – it would include everyone not currently covered by a corporate plan, a private plan or ODB (contract employees, part-time workers, the working poor, etc. Private insurance could still be offered as a corporate benefit; it could cover brand name drugs, drugs not covered in the formulary, private or semi-private hospital rooms, chiropractic visits and massage therapy as well as vision and dental benefits and a host of other treatments not covered by a drug plan.

Deciding how to fund this plan will be the work of others. However, members agreed that broad public education as well as transparency will be essential in getting acceptance. If a new tax (for employers, individual taxpayers or both) is introduced to build a social insurance risk pool, members felt that money should be redirected to private insurers from contributions to ODB as well as from personal and corporate contributions. That way, everyone who pays into the fund will benefit from having drug coverage. Council members felt that this would require a re-structuring of the existing tax base, and should be “expenditure-neutral” for those already in a private plan.

Acknowledging that individuals may want supplemental coverage, private insurers could continue to provide this optional top-up. Members emphasized however, that insurance companies must lower the premiums of those already paying for private insurance by an amount equal to the new government tax. This would then “free up” for the employers or employees a significant portion of the money they would be providing to the new tax.

DOES THIS APPROACH ADDRESS THE COUNCIL' S VALUES?

This approach calls for the public and private sectors to work together to develop an **efficient** and sustainable fiscally responsible system of **shared responsibility that is accountable to tax payers**. It demonstrates **compassion** by looking after our most vulnerable members and ensures greater **equity** for all parties.

Members felt that it would make drugs **more affordable** and **accessible**, because it would cover those who are currently not covered, and would provide more leverage in negotiating prices with drug companies. Given that government is the default payer for drug insurance, members reasoned that a social insurance model would generate more funds to provide basic **coverage for all**. Basic could be defined as what the ODB covers now. By still including the possibility of additional coverage through private insurers, the approach balances the **common good with the choice of individuals**.

Other values expressed in this approach are **equality, equity, sustainability over the long term** (because the risk is spread out), **efficiency** (due to **collaboration** of private insurers, government and drug companies), and **evidence-based decision-making** (assuming the ODB formulary is the foundation).

Given that a separate, specified contribution for drugs or a user fee would be required, whether employers or individuals, **transparency** and **individual accountability** are at the core of this model. Council members agreed that there should be regular statements provided to each individual/family in the pool as an important way to demonstrate the use and cost of drugs. For example, clearly indicating when there is a co-payment if someone wants a brand name drug and has private coverage to “top-up” what the pool would pay out for the generic, is an idea that has merit; it shows plan users the cost of the drugs and helps them understand where the money to pay for it has come from.

By stressing **shared responsibility** over individual responsibility, **compassion** is the central value of this approach, and Council members found this model to be the most **inclusive** of the three approaches provided for deliberation.

CONCERNS

In order for this model to be viable, contributions would have to be mandatory. This raises a significant concern about the public's tolerance for paying another tax, particularly from those who may not use the system at all or may feel resentful about paying for others.

Members were also concerned about fiscal responsibility and whether the system can be managed fairly and efficiently. Part of this concern was related to the reliability of the trend charts on which the government bases its financial forecasts.

Council members were particularly concerned that a social insurance risk pool might be the most emotional and least politically appealing of the models provided. Even though it

is motivated by compassion, equity and fairness, some people may view mandatory contributions – even if they are for the public good - as heavy handed and too intrusive by government.

6.0 COMMON GROUND

Members were unanimous in favouring the social insurance model over the two others, although they recognized that it would trigger resistance to change from all stakeholders. They viewed it as a balanced system, with government and private insurers being complementary elements of a comprehensive system, both subject to the same criteria and standards. It was agreed that mandatory funding through a targeted contribution was necessary in order for the system to be sustainable and that educating taxpayers about sources and uses of funds was also essential.

The Citizens' Council agreed on the following principles that should guide any discussions regarding the role that the Ontario Public Drug Programs takes in guiding the practices of the private drug insurance market in Ontario:

Principles

- It is important to balance the common good with the needs of particular individuals
- Government and private businesses should work together to create a responsible safety net for Ontario citizens. Each has a role in providing an adequate health system to Ontarians
- For consistency and clarity, decisions about coverage should be made using the ODB Formulary for guidance
- Freedom of individual choice has to be balanced by the needs of the common good
- Any change must be efficient, cost-effective and manageable
- Consideration must be given to the vulnerable and those on low incomes
- Basic drug coverage should be accessible, consistent, evidence-based, equitable and sustainable
- Personal accountability must be underscored by education and communication from the administering body
- There should be transparency in the use of funds
- The system of insurance should be managed efficiently

7.0 RECOMMENDATIONS

After reading the materials supplied, listening to the speakers, discussing the three approaches in the plenary and breakout groups and applying the values that the council had formulated, the Council agreed that:

1. All Ontarians should be entitled to basic drug coverage, with access that is consistent, evidence-based, equitable and sustainable. This will include people who currently do not have coverage and will require publicly financed basic drug insurance.
2. There should be a balanced system that is managed jointly by government and insurance companies. The government plan would ensure basic coverage, with private plans, either funded by companies for their employees or funded individually, adding additional benefits such as private or semi-private hospital rooms, chiropractic care and brand name drugs.
3. A system that provides basic drug coverage to all must be mandatory in order to spread the cost out over the largest number of people to allow it to be sustainable.
4. Within this system, private insurers must be required to lower premiums for drug coverage to those already paying for private benefits. Ideally this reduction will be equal to (same as) the new government tax. (This should result in a “wash” for those paying premiums whether employer, employee or individual).
5. There should be transparency about the use of public funds.
6. Education about the cost of drugs to Ontarians would increase the likelihood that changes to the system will be accepted.

8.0 CONCLUSIONS

The public interest often appears to be at odds with private interests when the introduction and implementation of new government policies are being considered. The democratic process eventually fuses competing interests into a manageable whole that hopefully accommodates the most important aspects of each.

This conflict is readily apparent when changes are proposed in health care and in the provision of prescription drugs. Both public and private interests may look with disfavour on any innovations that will weaken their position in the current scheme of things.

The Ontario Citizens' Council was fully aware of this dichotomy when it convened in November, 2011 to respond to the Ministry's request to “discuss the role that the

Ontario Public Drug Programs (OPDP) should take in guiding the practices of the private drug insurance market in Ontario.”

In short, the Council was asked to comment on two rather disparate views: those who look at health insurance as a profit-driven business, and those who look at it as a necessary means of meeting a public need.

After several hours of deliberation, Council members concluded that both government and private insurers have a role to play in providing Ontarians with access to appropriate drug coverage, and that a collaborative approach such as the social insurance risk pool would best meet the values the Council has underscored as representatives of Ontarians.

This report of the Council reflects the Council's present conclusions, though this subject is far from exhausted.

APPENDIX 1

MEMBERS OF THE ONTARIO CITIZENS' COUNCIL

Benita Baker

Nigel Berrisford

Shelley Blidner

Jeff Bondett

Louise Bourgault

Beverly Browne

Donna Edwards

Jane Ewing

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Robert Moore

Josephine Quercia

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Theresa Tasse

Gary Wasserman

Larry Westlake

Carol Ann Wilson

Craig Wolverton

APPENDIX 2

SESSION AGENDA

PRIVATE DRUG INSURANCE IN ONTARIO FOURTH MEETING – CITIZENS' COUNCIL

November 18-20, 2011

FRIDAY, NOVEMBER 18	
5:30 PM	Check in and Light Supper
6:30 PM	Welcome and Updates
7:15PM	Evidence Building Program Update
7:30 PM	Questions / Answers
7:45 PM	Purpose and Context for this Meeting
8:25 PM	Questions and Answers
9:00 PM	Adjourn

SATURDAY, NOVEMBER 19	
8:00 AM	Breakfast
9:00 AM	Agenda review and Questions / Answers
9:20 AM	Overview of the Three Approaches Questions / Answers
10:10 AM	Break
10:30 AM	Panel: Challenges in the Current System and Ideas for Addressing them
11:45 PM	Overview of Deliberative Dialogue
12:00 PM	Lunch
1:00 PM	Personal Experiences
1:30 PM	Deliberative Dialogue – Approach 1
2:15 PM	Deliberative Dialogue – Approach 2
3:00 PM	Break
3:20 PM	Deliberative Dialogue – Approach 3
4:05 PM	Common Ground
4:45 PM	Wrap-up
5:00 PM	Adjournment

SUNDAY, NOVEMBER 20	
8:00 AM	Breakfast
8:30 AM	Morning Check-in
8:45 AM	Report-Out From Break-out Groups
9:15 AM	Bridging Our Common Ground – Small Groups
9:45 AM	Bridging Our Common Ground - Plenary
10:15 AM	Break
10:35	Developing Our Advice
11:15	Orienting New Council Members
11:45 AM	Lunch
12:30 PM	Field Testing and Clarifying Our Advice
1:00 PM	Revisiting Our Values Framework
1:45 PM	Preparing the Citizens Council report
2:30 PM	Wrap-up
3:00 PM	Adjournment

APPENDIX 3

BIOGRAPHIES OF PRESENTERS

Diane McArthur is Assistant Deputy Minister and Executive Officer of Ontario Public Drug Programs, appointed in June 2010. Ms. McArthur has been the Assistant Deputy Minister responsible for seniors' issues within the Government of Ontario, and Executive Coordinator of Health and Social Policy in the Cabinet Office of the Government of Ontario.

In her latter capacity, she supported the policy decision-making processes of the Cabinet committee that deals with health, social services, health promotion, francophone, women's, and seniors' issues; and was responsible for broader public sector labour relations.

Ms. McArthur has held progressively more senior positions in several ministries since joining the Government of Ontario as a Management Intern in 1989. She has extensive experience in human resources health policy and planning for health provider training, education, supply and distribution initiatives, data and health information planning and analysis, health care provider negotiations, rural health policy, labour relations and service delivery restructuring.

Ms. McArthur has a Bachelor of Public Relations degree from Mount Saint Vincent University in Halifax and a Master of Business Administration degree from the University of Ottawa.

Brent Fraser is Director of Drug Program Services with the Ontario Public Drug Programs of the Ministry of Health and Long-Term Care.

Brent helped lead two broad stakeholder reviews of Ontario's drug system resulting in reforms to the public and private sectors. These changes impacted pharmacy reimbursement and established payment for pharmacy professional services, reduced generic drug pricing, and revised the review and decision processes for new drugs. He is a representative on many national working groups for public drug policy and operations.

Prior to working at the Ministry, Brent was a pharmacist at a large paediatric teaching hospital in Ontario, specializing in intensive care and drug information services.

He holds a Bachelor of Science degree in Pharmacy from the University of Toronto, and a Master of Business Administration from York University.

Stephen Frank is Vice President, Policy Development and Health for the CLHIA. He is responsible for overseeing and advocating for the industry's extensive interests related to health and disability insurance.

Stephen is also has overall accountability for overseeing policy strategy development and analysis on industry issues as well as coordinating responses to general policy demands from government.

Prior to joining CLHIA in March 2010, Stephen held senior roles in global transaction banking and financial strategy at the Bank of Montreal (BMO). Prior to that, he worked as an Economist in the Financial Sector Policy branch at the Department of Finance in Ottawa.

He also sits on the Board of the East End Community Health Center.

Stephen has a Master's of Finance degree from the University of Cambridge as well as a B.A. (Honours) Economics degree from Queen's University.

Blair Parsons is a Senior Program Analyst with the Ontario Public Drug Programs. He is a Masters graduate in Public Administration, and is currently completing a Doctorate degree in Public Administration and Policy with the University of Ottawa, with a research interest in health administration and policy in Ontario.

David West is a Partner of Mercer, Marsh & McLennan Companies, a global firm and located in Toronto with over 32 years in employee benefits. He specializes in design, funding strategies, assessment of risk and risk mitigation through effective cost management.

During 2009 and 2010 David participated in the stakeholder consultation process conducted by Ontario's Ministry of Health on reform to public and private payer drug programs.

David projects employer drug spend will increase by 3 to 5% of payroll costs before 2019 resulting from new high cost drugs entering the market. Consequently, David obtained the buy-in of the Canadian insurance industry to investigate integration of catastrophic drugs through private and public payers and has commenced discussions with provincial governments to introduce change.

David is a graduate of the University of Western Ontario, co-chair of the Employer Committee on Health Care Ontario and Director on the National Board of the Arthritis Society chairing the Advocacy Committee.

APPENDIX 4

ONTARIO CITIZENS COUNCIL

PRELIMINARY VALUES FRAMEWORK, DEVELOPED FROM COUNCIL MEETING OF JUNE 17-19, 2011

1.0 EXECUTIVE SUMMARY

The Ontario Citizens' Council is composed of twenty-five Ontarians from all walks of life appointed by the Minister of Health and Long-Term Care. The mandate of the Council is to provide values-based perspectives on questions put to it by the Executive Officer of the Ontario Public Drugs Program (OPDP).

To assist in this mandate, the Council has begun to develop a Values Framework to bring increased clarity to its values-based deliberations. It is hoped that the Framework will also be useful for the OPDP to use when considering citizens' values in their decision-making and be applicable to the whole OPDP, including stewardship of the drug Formulary.

The Framework is a work-in-progress. Hopefully, it will evolve as the Council considers further issues and values and will be updated as needed. Over time it will provide a way to assess/measure which values have been the most important to the Council when it proffers advice.

2.0 PREAMBLE

Each society upholds a set of values that define it and help guide decisions on how to share limited goods and services. Those values help in decision making. They often set standards or norms of behavior, e.g. compassion, freedom of choice, equity. They represent what people most care about.

Values are often divided into three groups: personal (my values), social (our values) and ethical (universal values). As the Council is the public voice on behalf of Ontarians, its focus is on the social and ethical values that should help guide OPDP's as well as the Council's deliberations.

Working with values poses a number of challenges. The first is creating a shared understanding of what a value means and how it is being interpreted/used. The Council started this process and captured its current thinking in this document. It provides language to amplify its advice and recommendations, providing a shared vocabulary for

communicating to the OPDP what Ontarians care about. It helps make values more explicit.

The second challenge is to recognize that values can overlap and conflict. They don't always lead in the same direction. For example, should health benefits be maximized for the largest number of people or the most vulnerable? There can be real differences in how those values are applied in the particular context of a particular issue. The weighing of values is very context-specific and so while the Framework contains important values and some sense of priority; it is conditional, based on context. The Framework will help the Council to be more explicit about its deliberations on competing values and how it has weighed those values in determining its recommendations. It will also help the Council to compare its deliberations and ultimately draw out some principles that can be applied more broadly. This preliminary Framework offers a couple of starting points.

Relationship to the Ontario Drug Formulary

As the Council developed the preliminary Framework, it wrestled with whether it was necessary to consider the values that are embedded in the Ministry's mandate regarding the Ontario Drug Benefit Formulary. At this stage, it was determined that the Council's own value deliberations could take as a given that the Ministry must manage the drug program in a manner that is fiscally responsible, accountable to taxpayers and contributing to the fostering of a sustainable health system. Thus the economic values of fiscal responsibility, accountability and sustainability are already mandated.

It is recognized that good stewardship of the drug Formulary requires:

- The need for feasibility/practical application
- The need for a balance of values
- The need for responsiveness – the ability to act quickly when confronted by new information
- The importance of context – each value must be applied in its own context and applied with
- reason and clarity
- The need for regular review (in terms of how the Council's advice conforms to operational practicality)

3.0 KEY VALUES

In the Council's deliberation to date, several values have risen to the fore. The Council reaffirms the importance of all these values and recognizes that any of them may be deemed a top priority, depending on the context and issue at hand. It is also recognized that these values are not mutually exclusive, nor do they apply in a vacuum. They must be applied in a manner that respects the real-life experience of both patients and the public good. Striking a balance between competing values will be an ongoing challenge.

In trying to organize its own thinking about values, the Council categorized the key values as follows (in no particular order):

Science-Oriented

- Evidence-based decision-making
- Advancing medical knowledge
- Sharing responsibility

Economic-Oriented

- Fiscal responsibility
- Accountability to taxpayers
- Sustainability
- Efficiency

People-Oriented

- Compassion
- Equity and fairness
- Quality of life
- Freedom for Individual choice

Society-Oriented

- Public good.
- Informed public

- Transparency
- Public safety

Appendix 1A provides a summary of how these values were interpreted on the two substantive issues brought before the Council so far. This again underscores the importance of context.

4.0 PRIORITIZING AND CLARIFYING VALUES

Given the importance of context, it is extremely difficult to determine absolute priorities in terms of values. However, given the caveat that a number of the economic-oriented values are covered off in OPDP's own mandate (as well as the need for public safety), the following six values seemed to have high priority and demanded greater clarity. While the work to understand and clearly define these values in relationship to OPDP has only started, the following descriptions are offered as a starting point:

Evidence-based Decision-Making

This should include:

- Systematic expert review of the relevant published literature as well as grey literature (informal or unpublished evidence, including evidence gleaned from real life drug use).
- Full range of both positive and negative aspects including ongoing reporting of adverse events.

And recognize that the:

- Standard of acceptability for a particular drug may vary depending on particular situations, but still needs to be defensible and based on good and comprehensive data. derived from both clinical sources as well as real-world experience.

Equity

- The provision of equitable access to drugs and treatments for all citizens must protect the vulnerable and be non-discriminatory.
- Equity does not necessarily mean identical – how equity is achieved may be different in different places or situations.

- In application, drug Formulary decisions should not further existing inequities in drug accessibility, and should mitigate health inequities when possible – e.g. those due to income, geography, or other factors.

Compassion

- While this is an emotion reflecting sympathy towards the plight of others, as a value it reflects concern for a society's vulnerable members.
- Given its strong emotional pull, the value of compassion needs to be weighed in with all factors and a judgment made based on thoughtful consideration that does not discriminate in favour of any particular factor.
- Over time a procedure could be put in place to integrate the role compassion plays in decision-making. This would increase the consistency and predictability of decisions and hence their defensibility.

Public Good

- includes all Ontarians
- refers to the health of the population
- implies prudent use of all the resources available that include, but are not limited to evidence-based resources.

Quality of life

- Evaluating one's quality of life is a subjective pursuit. It requires the balancing of patients' needs with medical expertise.
- It is very hard to put a dollar value on 'quality of life' and determine what weight to give it when making drug-funding decisions. The Council recognizes one way to do this in a more objective way is through Quality Adjusted Life Years (QALY) - the number of years of life remaining to a patient undergoing a particular treatment and the kind of life that patient has during that added period of longevity.

Efficiency

- This includes the notion of maximizing the results achieved with a minimum of wasted effort or time. It encompasses how well the system works in a cost effective manner, ensuring that taxpayers' money is used well.
- It is important to consider efficiency as a means to an end – a valued way to achieve valued results. Making sure that these results align with the Council's values must also be considered. Decisions should not be based solely on evidence of their relative costs and benefits.
- Having an efficient system usually requires the buy-in and involvement of all stakeholders (e.g. citizens province wide, patients, administrators of the program), which means being user-friendly and transparent.

5.0 PRINCIPLES

As has been noted earlier, the application of values is considered to be context-dependent. However, even given this, it is possible to begin to develop some principles of application. Key to this is the notion of balance – perhaps another value in its own right.

Two principles have emerged to date:

Balance the common good with the needs of particular individuals

The government has a mandate to serve all citizens, including those with special needs, but for the benefit of all, it must provide prudent management of available resources.

Balance evidence-based decisions and compassion

When making effective drugs accessible for compassionate reasons and when normal evidence standards cannot be met, programs should encourage the collection of real-life data to advance the overall evidence base and medical knowledge.

6.0 CONCLUSION

The Values Framework will be an important contribution to the Council's future work. The Council expects to use this Framework in future sessions as a guidepost for its recommendations and advice. The Council wants to use the Framework as a standing item at each meeting to consider whether new values have emerged during that meeting's

“deliberations”, and as a way to identify any particular values relevant to the topic at hand. Since the Framework will be “evergreen,” (it is an iterative document, reviewed and revised over time), there will be ongoing opportunities to refine it and to develop principles that exemplify citizens’ values.

The Framework is important from several perspectives:

- It assists the Citizens’ Council by providing common language for the Council’s deliberations and lending consistency to its recommendations.
- For MOHLTC, it can provide identifiable and consistent evidence and values-based reasons to make decisions defensible.
- For the public, it can provide a rationale for funding decisions that considers both evidence and values important to citizens.

Council members respect the scope, importance and challenge of building a Values Framework and are committed to continuing this rich dialogue as the Council deliberates on issues concerning the Ontario Drug Programs.

APPENDIX 5

PRIVATE DRUG INSURANCE IN ONTARIO

CITIZENS' COUNCIL MEETING – NOVEMBER 18, 19, AND 20 2011

The purpose of this session of the Citizens' Council is to better understand the role that private insurance plays in the overall context of service delivery for drugs in Ontario. Members should consider the issues facing private insurance programs in Ontario, the role the public sector might have in guiding the private delivery of drugs in Ontario, and the values and principles that should be paramount in such a process.

The key question the Citizen Council is being asked to discuss is:

What role, if any, should the Ontario Public Drug Programs (OPDP) take in guiding the practices of the private drug insurance market in Ontario?

PUBLIC VS PRIVATE DRUG INSURANCE IN ONTARIO

Responsibility for Health Care at Federal and Provincial Levels

The history of public health in Canada has typically favored public health care insurance over private insurance. The *Canada Health Act* lays out a number of requirements or principles designed to shape provincial health care insurance plans throughout the country. It sets out the fundamental elements of a social safety net for health care across Canada, *and* entails a social contract between citizens and government to provide access to hospital and physician-based services on the basis of medical need, not ability to pay.

The *Canada Health Act* applies to medically necessary services provided in hospitals or by physicians and requires the federal government to contribute to the cost of these services through the Canada Health and Social Transfer. The scope of the *Canada Health Act* is limited to hospital and physicians services and does not apply to other types of medically necessary services (e.g., community-based drugs, services, and therapies).

The *Canada Health Act* gives the provinces the discretion to decide how other services, like drugs administered outside of a hospital or non-hospital healthcare, are to be funded. Therefore, it does not apply to provincial drug programs such as the ODB.

The Canadian Constitution (in Section 92) also gives the provinces jurisdiction over health care (there are a few exceptions, such as First Nations).

Since its introduction in 1966, public health care insurance in Canada has stressed the principle of provincial governments taking on the responsibility of providing healthcare for citizens. Essentially, this means pooling the risks between the healthy and the less healthy.

The private sector is not totally absent from the provision of health care in Canada, however. Private health care insurance exists, though its scope is limited. The private market provides additional coverage for those health services that are not insured by the public plan or that are only partially insured by it. For example, under the *Canada Health Act*, while access to the insured health services of a province is universal, access to drugs administered outside of a hospital is not. Furthermore, the *Canada Health Act* does not have national standards for provincial plans to follow for prescription drugs. This means that each province establishes its own standards for its Formulary, and its own criteria for listings.

Each province, therefore, is accountable for public funding of medically necessary hospital and physicians services and has the authority to determine what additional health services (e.g., drugs, community care, health promotion) it will fund with public dollars. With respect to drugs, the provinces have created publicly funded drug programs for specific populations in the community. All other drugs must be paid for privately, through private health insurance (e.g., employee benefits) or by individuals.

Essentially, the cost of drugs is covered by a mix of both public and private plans. Most Canadians do have some form of drug coverage - either from a provincial government-funded public plan, or an employer-funded private-sector plan.

Public Drug Coverage in Ontario

Each province has its own public drug insurance plan. These plans focus primarily on providing medications to seniors, those receiving social assistance, and those with low incomes. In Ontario, the Ontario Drug Benefit (ODB) Program provides reimbursement for eligible drug benefits to Ontario residents with valid Ontario health cards and who belong to one of the following eligibility categories:

- Seniors (those over 65 years of age)
- People on social assistance (Ontario Disability Support Program and/or Ontario Works)
- People residing in homes for special care and long-term care homes
- People receiving professional home care services
- Registrants in the Trillium Drug Program (TDP)

Citizens meeting these conditions can receive publicly funded drugs that are on the Ontario Drug Benefit (ODB) Formulary.

There are two additional funding programs: The Exceptional Access Program (EAP), and the New Drug Funding Program (NDFP).

The EAP applies to citizens with specific conditions or who require drugs not listed on the ODB Formulary. Requests under the EAP are reviewed according to the guidelines and criteria established by the Committee to Evaluate Drugs (CED) and include a thorough assessment of the patient's specific case and clinical circumstances, as provided by the physician, as well as the scientific evidence available.

The NDFP, which is administered by Cancer Care Ontario, provides funding for intravenous cancer drugs administered in hospitals. Ontario Public Drug Programs decide what drugs are funded under the NDFP, relying on advice from an expert advisory committee.

Private Drug Coverage in Ontario

For those not eligible under one of the public drug plans, private insurance – also known as third-party insurance - can provide coverage for drugs.

A majority of Canadians (about 60% nationally) receive prescription drugs as part of an employee group health benefit plan. These plans also usually cover the employee's family and dependants. Employers purchase these plans from insurance companies and determine the terms of the plans, for example, what drugs are covered and how much of the cost of the drug the plan covers.

While private plans cover 60% of the population, they only account for 35% of prescription drug expenditures in Canada. Despite covering a larger segment of the population, private expenditures tend to be lower than public expenditures. One reason for this is that most seniors receive drug coverage through public drug plans, and their costs make up a large proportion of drug expenditures.

Private coverage is fractured among multiple plans sponsored by businesses, unions, associations and other groups. Private drug plans can differ greatly in terms of the drugs they cover, the extent of coverage, deductibles, copayments, and caps (or limits). Plans can be "open access" and cover all prescription medications that are approved by Health Canada when used on an outpatient basis and prescribed by a licensed physician. Other plans (such as formulary plans/managed care plans, which are structured much like public plans with reviews for drugs prior to funding) cover drugs on a specific formulary that the employer has agreed to.

ISSUES FACING PRIVATE INSURERS

Drug costs are on the rise, and all indicators point to the fact that this will continue. Drugs have been one of the fastest growing components of total health expenditure in Canada, and are now nationally the second largest health-care expense after hospitals. From 1985 to 2007, total health spending grew at an average annual rate of 6.6%. During this period, total drug expenditure increased at an average annual rate of 9.2%. These rising drug costs have moved the public sector in Canada to action, and provincial public plans such as OPDP in Ontario have leveraged their purchasing power and law-making capability to control prices to help ensure the future sustainability of public drug plans.

While government enabled private payers to benefit from recent changes such as generic price reductions, in general private drug insurers have, thus far, been less successful in reigning in drug prices. Private drug plans have seen growth in spending on prescription drugs outpace that of the public sector. Companies offering drug plans to their employees are now dealing with costs that rise by 10 per cent every year, and find themselves spending about \$200-million a week on prescription drugs.

This is in part because the drug therapies are changing from IV-based (infusion) form to oral (pill) form and private drug plans tend towards funding new expensive drugs, regardless of value or clinical effectiveness over alternative treatments. While certain new innovative medications do offer significant improvement, many new drugs coming to market offer limited benefits over currently available treatments.

Further, the majority of private drug benefit plans are administered by outside firms (mainly insurance companies) that are often paid a percentage of plan costs. As a result, there is little incentive for them to rein in prices. For example, there are reports that private insurers pay almost double the distribution fees that public payers pay.

The rising costs of drugs for private drug plans represent a significant problem not only for employers and employees, but also for the greater public. Rising drug prices in private drug plans are not absorbed by insurance companies. They are, rather, passed back to employers, who may charge more for benefits, lower salaries, or increase the price of their products and services. Some employee sponsored plans now require employees to pay higher premiums and to cover out-of-pocket expenses through co-payments and deductibles. Some drug treatments are dropped from coverage altogether, shifting the onus for funding elsewhere.

As private insurers deal with the issue of rising drug costs, there is a significant risk of cost containment strategies pushing patients onto public drug programs. As the drug costs for increasingly expensive treatments such as biologics, cancer treatments, or personalized medicine are no longer reimbursed under employer health plans due to their high cost, it is conceivable that the catastrophic drug costs incurred by individuals

receiving these treatments could be offloaded onto public drug plans. For example, the annual cost of biologic drugs for the treatment of rheumatoid arthritis can exceed \$17,250 on average (based on data for FY 2009/10). If private insurers were to discontinue funding expensive treatments like this, citizens receiving these treatments would almost certainly require the Trillium Drug Program, as their drug costs would take such a large portion of their personal income. As private insurers deal with the issue of rising drug costs, the risk of cost-containment strategies pushing patients onto the public drug programs is significant.

The private sector has been slower and less successful than the public sector in dealing with the problem of rising drug costs. In 2006, the drug system in Ontario was reshaped through the *Transparent Drug System for Patients Act* (TDSPA). Among the changes implemented were the elimination of rebates from drug manufacturers to pharmacies and changes to drug pricing and reimbursement to ensure better value for money.

By contrast, the Competition Bureau of Canada's 2008 report "Benefiting from Generic Drug Competition in Canada: The Way Forward" indicated that despite the reforms to Ontario's drug system, prices paid by private plans in Ontario for generic drugs available prior to implementation of the TDSPA neither increased nor decreased significantly as a result of these reforms.

Private drug plans were generally unable to match the province's success in reducing the amounts paid for generic drugs. Private drug plan prices for generics continued to reflect the former OPDP price cap of 63% of the brand product price (rather than the new price cap of 50%).

Private drug insurers continued to pay, on average, 70% or more of the brand product price for generic versions for drugs losing patent protection following the TDSPA. This was found to be the case even in scenarios where multiple generic drug suppliers were competing in the market. Overall, private payers in Ontario did not obtain the reduced OPDP prices.

In summer 2010, further reforms were made to Ontario's public drug system, including a reduction in generic drug prices by half, to 25% per cent of the cost of the original brand name drug. Changes were also made to the price of generic drugs purchased out-of-pocket or through private employer drug plans.

New regulations enacted in these reforms state that generic drug products listed under the *Ontario Drug Benefit Act* that are paid for through private drug plans or out-of-pocket will have their prices reduced through a phased approach over three years by at least half, to 25% of the cost of the original brand name drug.

Currently, prices have been reduced to 35% of the cost of the original brand drug. It is also anticipated that the elimination of professional allowances for pharmacies as part of the 2010 reforms will have an impact on the cost of generic drugs. Professional allowance payments in the private market will be phased out gradually and completely eliminated by 2014. While these changes are expected to have an impact on the cost of generic drugs for Ontario's private drug plans, discussion is warranted around what more might be done in regard to private drug coverage.

In a nutshell, while provinces take action to negotiate discounts, use generic drug products, and limit fees in order to bring down the costs of public drug coverage, expenditures on drugs for private drug plans continues to escalate at an unsustainable rate. Savings and sustainable drug costs are possible in the private sector, and they need to be found.

QUESTIONS FOR DISCUSSION

This Council meeting is being asked to provide advice on the role government(s) should play vis a vis the private sector's participation in drug coverage and its efforts to bring down costs and to manage costs more efficiently.

A number of recommendations drawn from literature related to potential reform of private drug plans in Ontario have been used as the basis for the following potential approaches to the Council's discussion of this topic. Questions are provided relating to these various approaches to stimulate thought and discussion around.

1. *Market Approach*

The market approach would entail allowing private insurers to work through the issues noted above on their own with minimal or reduced government intervention. The focus of this approach is government creating an environment that fosters competition for private drugs. Competition will then work to drive prices down for consumers/employees and ensure the long-term sustainability of privately sponsored drug plans.

- Is government intervention into private drug coverage required?
- Is the optimal role of government to take a hands-off approach and instead ensure competition in provincial drug markets by creating conditions free of any unnecessary legislative, regulatory, professional or other barriers preventing private sponsors from promoting new and innovative drug plan approaches?

2. *Mandated Minimum Levels of Coverage and Cost Management*

This approach could entail the public drug programs placing controls or requirements over private sector drug sponsors to ensure that they provide a minimum level of coverage to

individuals on private drug plans, and also to implement measures that will drive down prices for private sector drug coverage. An example would be requiring that private formularies evaluate drugs based on their clinical effectiveness and cost-effectiveness and demonstration of added benefit over existing drugs.

- In cases where employees insist on a more expensive drug that is not deemed to provide added benefit, should employees be required to pay a higher co-payment?
- Should private drug companies be compelled to have automatic substitution of generics for drugs unless a doctor indicates “No Substitution”? Alternatively, should employees have to pay the difference between the generic and brand name cost if the employee insists on the receiving the brand name drug only?
- Should government mandate that the rates/prices for drugs in private plans are the same as those for public plans?
- Should everyone – public plans and private plans – be using the same Formulary?

3. *New Social Insurance Risk Pool:*

This option would entail the development of a new program for drugs that incorporates both the public and private coverage for drugs into one larger program/social insurance risk pool. All individuals receiving drug coverage would be funded under the same plan, and costs and risks would be shared equally for all citizens in the province.

- Should employers be required to pay into a new self-funded ODB program or risk pool? This would allow those with private drug insurance to share costs and leverage collective influence and buying power by banding together to manage formularies and negotiate agreements with drug companies.
- Should the province consider an individual mandate requiring all individuals to buy into a larger social insurance risk pool that covers all Ontario citizens?
- What would be an appropriate role for the public sector be in this situation?