

**CANADA:
KEY FACTS ABOUT THE HEALTH CARE SYSTEM AND
PRESCRIPTION DRUGS**

Population, 2000	30.8 million
Share of population age 65 and over, 2000	12.6%
Per capita Gross Domestic Product (GDP) in US\$, 2000	\$22,708
National health spending, as a share of GDP, 2000	9.1%
Public health spending, as a share of national health spending, 2000	72.0%
Per capita health spending (US\$), 2000	\$2,058
Prescription drug spending, as a share of national health care spending, 2000	11.8%
Per capita spending on prescription drugs (US\$), 2000	\$243
Average annual growth in per capita prescription drug spending, 1990-2000	7.6%
Share of population with prescription drug coverage through public programs, 2000	50%

Health System Overview

- Universal health care coverage is provided through the federally subsidized Medicare health insurance program. Medicare covers all medically necessary physician and hospital services. A federal law, the Canada Health Act, requires provinces¹ to provide medically necessary services in order to qualify for financial subsidies from the federal government. The definition of “medically necessary” varies among the provinces.
- Medicare is administered by the provinces and funded by general taxation and dedicated taxes. The federal government makes financial contributions to the provinces.
- Under Medicare, there is no cost-sharing for insured physician and hospital services.
- Services and goods not covered by Medicare (such as prescription drugs, dental care, home care, aids to independent living, and ambulance services) may be provided to specific groups (e.g., the elderly, social assistance recipients) by provinces, the federal government, and/or municipal governments.
- The majority of Canadians have private insurance coverage through group plans. Private insurance may cover services such as prescription drugs, dental care, rehabilitation services, private care nursing, and private rooms in hospitals.
- Among Medicare’s spending control tools are annual global budgets for hospitals/health regions, negotiated fee schedules for health care providers, and limits on the diffusion of technology.

¹ Use of the term “provinces” here and throughout this document generally refers to both provinces and territories.

Prescription Drugs: Coverage, Cost-Sharing, and Cost Controls

- Although the Canada Health Act does not cover prescription drugs, most Canadians have some form of prescription drug coverage. Public programs financed and administered by the provinces provide drug coverage for elderly, disabled, and low-income Canadians; some provinces also offer coverage to the remaining populations who have very high drug costs. Most other Canadians receive prescription drug coverage through their employers.
- Each provincial drug benefit plan has some combination of cost-sharing and/or premiums. There is substantial variation in the cost-sharing/premium applied by each province, e.g., across provinces, coinsurance ranges from zero to 33 percent, and deductibles range from zero to 3.4 percent of income for non-low-income beneficiaries. In addition, persons with low incomes may face lower cost-sharing levels.
- Some of the major prescription drug spending control approaches include the following:
 - **Price regulation of patented drugs.** Canada's federal Patented Medicine Prices Review Board (PMPRB) determines maximum levels for introductory prices of newly patented drugs and maximum price increases for existing patented drugs.
 - **Drug Formularies.** Provincial drug plans in Canada use prescription drug formularies which list the drugs covered and the price which will be paid. New drugs are listed if they have therapeutic or financial benefits relative to therapeutically similar medications. Restrictions may include medical criteria under which more costly drugs will be paid. Other provisions are used to encourage the dispensing of lower cost drugs. Formularies usually pay only the price of the generic copy, resulting in *de facto* mandatory generic substitution.
 - **Systematic approval of new technologies.** Some provinces make formulary decisions on the basis of systematic evaluations of a drug's clinical effectiveness and cost-effectiveness or financial implications relative to therapeutic alternatives. A nationwide, uniform process for performing economic evaluations of prescription drugs was scheduled to begin early in 2003. The federal government hopes to enhance the ability of provinces to apply pharmacoeconomic analysis in their benefit plans by developing a national database that will provide information on drug utilization patterns and the clinical results of different therapies.

Sources:

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