

Pharmacare and Federalism: How federalism continues to shape the future of drug access in Canada

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April 22nd, 2022

Master's in public administration

Abstract

For years Canadians have discussed the opportunities to reduce drug costs in Canada, debating and studying the potential for establishing a national pharmacare program. While this has been an ongoing subject of debate and conversation, there has been no concrete action to begin implementing a national plan from the federal government. Instead, the provincial systems have had to react in their own ways, leading to asymmetrical coverage across the nation. Utilizing historical institutionalism, I intend to examine the role that the institution of federalism has played in shaping the path forward for pharmacare policy in Canada. The influence of federalism is critical to understanding the direction of pharmacare moving forward, including how it will influence the feasibility of the path ahead presented in the Hoskins report. Amidst rising health care costs across the board, and the failure of health transfers to match the speed of this inflation, provinces are reluctant to take on yet another significant responsibility. In the end, the decisions made by federal and provincial actors have resulted in barriers to developing and improving health care in Canada, including by association pharmacare. These decisions and their consequences suggest that it will likely take significant political and institutional action to move towards the adoption of a national pharmacare program.

Table of contents

p.3 Introduction

p.9 Methodology

p.11 Theoretical framework

p.14 Analysis

p.14 The role of federalism in health policy

p.21 A brief history of drug policy in Canada

p.27 The state of drug policy in Canada

p.43 The effects of Federalism and Federal Policy on provincial drug policy

p.46 The Hoskins Report: A path forward for a universal national pharmacare program

p.54 Conclusion

p.59 Bibliography

Introduction: The need for pharmacare and the influence of federalism

The patchwork of provincial drug coverage programs has been an essential part of Canada's universal health coverage. Still, despite its role in keeping Canadians healthy, many Canadians fall through the gaps in these different systems and are left without coverage. An important contributor to why these systems exist in their current forms stems from Canadian federalism and the dynamics between provincial and federal governments. Canada has 13 different health care systems, supported by 13 different funding bases and populations. Governments are being forced to contend with rising health costs¹, making the preventative care provided by medications more critical². Given these conditions, the need for a universal pharmacare program has grown more pressing.

Additionally, the job losses caused by the COVID-19 pandemic have also meant that many have lost access to their previously held health coverages through their workplace³. Canadians are twice as likely to have lost prescription drug coverage than they gained it in 2020⁴. However, the most pressing case for a universal system comes from the millions of Canadians who cannot access the medications they need to stay healthy⁵. The Government of Canada has committed to working towards resolving this problem through a national pharmacare plan as part of its

¹ Canadian Institute for Health Information. "Health Spending | CIHI," April 21, 2022. <https://www.cihi.ca/en/health-spending>.

² Canadian Institute for Health Information. "Health Care Cost Drivers: The Facts." Canadian Institute for Health Information, October 2011. https://secure.cihi.ca/free_products/health_care_cost_drivers_the_facts_en.pdf.

³ Fife, Robert, and Kristy Kirkup. "Ottawa Urged to Fund Medical Coverage for Millions of Laid-off Canadians." The Globe and Mail, April 20, 2020. <https://www.theglobeandmail.com/politics/article-ottawa-urged-to-fund-medical-coverage-for-millions-of-laid-off/>.

⁴ Angus Reid Institute. "Access for All: Near Universal Support for a Pharmacare Plan Covering Canadians' Prescription Drug Costs." Angus Reid Institute, October 29, 2020. <https://angusreid.org/pharmacare-2020/>.

⁵ Heart and Stroke Foundation of Canada. "Why Canada Needs Pharmacare." Heart and Stroke Foundation of Canada, January 13, 2021. <https://www.heartandstroke.ca/en/articles/why-canada-needs-pharmacare/>.

governance agreement between the federal Liberal party of Canada and the New Democratic Party⁶.

In this paper, I will analyze the influence that the institution of federalism has had on developing and implementing provincial drug policies. This analysis will help determine the effect of interweaving relationships between provincial and federal actors on the shape of provincial systems and observe its potential influence on a national pharmacare strategy. It will employ a historical institutional lens to understand the current state of drug coverage programs in Canada, the risks that threaten them, and how past federalism dynamics around health policy can inform the next round of decisions for universal pharmacare in Canada. This paper will utilize previous academic analysis, government documents, policies and communications, and historical accounts from the media and elsewhere. First, I will offer an introductory look at how federalism is intertwined with health policy and, by extension, drug policy and the ways it affects it. Then, the paper will explore why historical institutionalism is the proper lens to employ for this particular subject and what methodology has been used to conduct this study. It will then explore a brief history of pharmacare and drug policy's development in Canadian history and how it has been largely informed by federalism. This paper will then examine the challenges and problems with pharmacare today and the different approaches provinces have taken, concluding with the path towards a universal pharmacare plan as presented in the Hoskins report⁷. The overall aim of the paper is to answer the question, how has federalism influenced provincial pharmacare

⁶ Wherry, Aaron, Rosemary Barton, David Cochrane, and Vassy Kapelos · CBC News · “How the Liberals and New Democrats Made a Deal to Preserve the Minority Government.” CBC, March 27, 2022. <https://www.cbc.ca/news/politics/liberal-ndp-accord-confidence-supply-agreement-1.6397985>.

⁷ Hoskins, Eric, and Health Canada Government of Canada. “A Prescription for Canada: Achieving Pharmacare for All - Final Report of the Advisory Council on the Implementation of National Pharmacare.” Transparency - other. aem, June 2019. <https://www.canada.ca/en/health-canada/corporate/about-health-canada/public-engagement/external-advisory-bodies/implementation-national-pharmacare/final-report.html>.

programs as an institution, and how does the development and implementation of these programs inform future national reform?

The most definitive institution on the shape of health policy in Canada is Federalism. Federalism is a political system where government powers and responsibilities are divided between national and subnational governments⁸. Each body will have sources of revenue and certain jurisdictions as laid out in a constitution, which cannot be amended unilaterally by any one body. This division of power, financial and jurisdictional, defines the boundaries for relationships between different levels of government and influences their ability to set policies and advance their political agendas. As an institution, it is the sets of fiscal, constitutional, and jurisdictional structures that help to define and encompass the relationships between the federal government and the provinces⁹.

The term “pharmacare” is an extension of the unofficial designation “medicare,” which refers to Canada’s publicly-funded universal health care system¹⁰. While medicare refers broadly to health treatments, physician coverage, and hospital coverage, pharmacare refers typically to a drug insurance system that ensures access for all Canadians to the medications they need¹¹. It has also been defined as “as policy and program options that are aimed at improving the way pharmaceutical care is governed, managed and delivered in Canada.”¹². Pharmacare has been

⁸ Hueglin, Thomas O. *Federalism in Canada: Contested Concepts and Uneasy Balances*. Toronto [Ontario]; University of Toronto Press, 2021.

⁹ Wildasin, David E. “The Institutions of Federalism: Toward an Analytical Framework.” *National Tax Journal* 57, no. 2 (2004): 247–72.

¹⁰ Morgan, Steven G., and Jamie R. Daw. “Canadian Pharmacare: Looking Back, Looking Forward.” *Healthcare Policy* 8, no. 1 (August 8, 2012): 14–23.

¹¹ CBC News. “5 Pharmacare Questions and Answers.” CBC, February 27, 2018. <https://www.cbc.ca/news/health/pharmacare-faq-1.4554270>.

¹² Heart and Stroke Foundation. “Attaining Universal Access to Necessary Prescription Medications in Canada: Improving Outcomes in Heart Disease and Stroke.” Heart and Stroke Foundation, November 2019. <https://www.heartandstroke.ca/-/media/pdf-files/canada/media-centre/final-en-pharmacare-policy-statement-2019.ashx?rev=f327cd0cf1694c82a9ed4e8796690260>.

discussed as far back as the 1940s, and in the 1964 Hall Commission, it was recommended that it be implemented following the establishment of Canada’s medicare system¹³. While many drug policies seek to support access to medication for patients, the concept of pharmacare is defined largely by its universal nature for necessary medications¹⁴. By this definition, no province other than Quebec offers a pharmacare program that ensures universal coverage, though there are gaps even there¹⁵. Therefore, drug policies will refer to programs that address coverage and provision of pharmaceuticals. At the same time, pharmacare will be reserved for universal systems which cover necessary medications for all, such as those explored and recommended by the federal government¹⁶.

The challenges Canadians face regarding access to pharmaceuticals are multi-faceted. A significant factor is the inequity of current systems, under which many of the poorest and underprivileged Canadians often struggle to have sufficient coverage for their medications¹⁷. The increasing cost of drugs and other growing financial pressures in health have become a significant burden on provincial spending. The provinces primarily rely on the federal government to help shoulder the financial costs of healthcare, so without significant investment from the federal government, there is no clear path forward for provinces to institute a sustainable system¹⁸. The lack of access to pharmaceuticals affects population health, as people

¹³ Morgan and Daw. “Canadian Pharmacare: Looking Back, Looking Forward.” August 8, 2012

¹⁴ Office of the Parliamentary Budget Officer, Government of Canada. “Federal Cost of a National Pharmacare Program.” Office of the Parliamentary Budget Officer, September 28, 2017. https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2017/Pharmacare/Pharmacare_EN_2017_11_07.pdf.

¹⁵ Morgan, Steven G., Marc-André Gagnon, Mathieu Charbonneau, and Alain Vadeboncoeur. “Evaluating the Effects of Quebec’s Private–Public Drug Insurance System.” *CMAJ* 189, no. 40 (October 10, 2017): E1259–63. <https://doi.org/10.1503/cmaj.170726>.

¹⁶ Hoskins, Eric “A Prescription for Canada: Achieving Pharmacare for All.” June 2019.

¹⁷ Heart and Stroke Foundation of Canada. “Why Canada Needs Pharmacare.” January 13, 2021.

¹⁸ Naylor, C. David, Andrew Boozary, and Owen Adams. “Canadian Federal–Provincial/Territorial Funding of Universal Health Care: Fraught History, Uncertain Future.” *CMAJ* 192, no. 45 (November 9, 2020): E1408–12. <https://doi.org/10.1503/cmaj.200143>.

ration their medication or go without, furthering the risks of future health complications that will need more care¹⁹. These challenges are the problems they create are best illustrated through the experiences of Canadians. The absence of a universal pharmacare program has put 20% of Canadians in a position to report that they struggle to afford their medication due to gaps in provincial coverage²⁰. Three million Canadians have foregone purchasing medication due to the high cost of their drugs or a lack of coverage²¹. This limited public investment and the resulting uneven nature of drug coverage has had an effect when Canada is compared to its international peers. Canada is the only nation with a universal health care system that does not have an accompanying universal pharmacare program²². This has resulted in Canada spending more on pharmaceuticals as a percentage of GDP compared to other OECD countries, as shown in Figure 1²³.

¹⁹ Law, Michael R., Lucy Cheng, Ashra Kolhatkar, Laurie J. Goldsmith, Steven G. Morgan, Anne M. Holbrook, and Irfan A. Dhalla. "The Consequences of Patient Charges for Prescription Drugs in Canada: A Cross-Sectional Survey." *Canadian Medical Association Open Access Journal* 6, no. 1 (January 1, 2018): E63–70. <https://doi.org/10.9778/cmajo.20180008>.

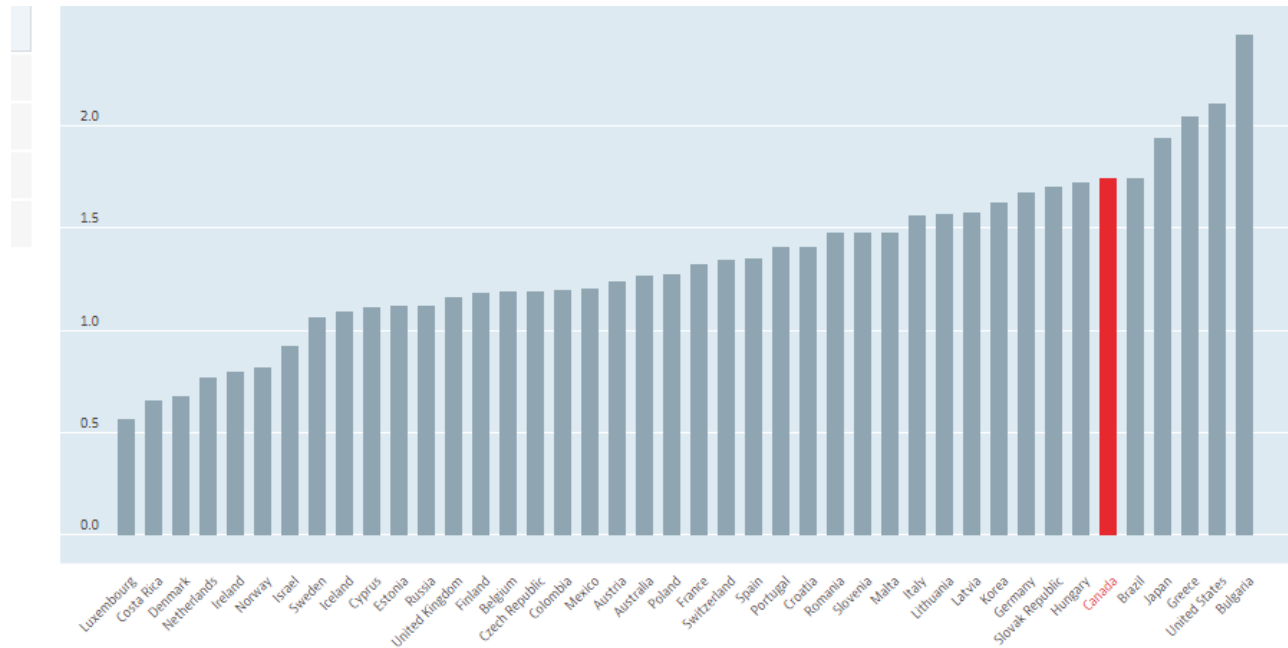
²⁰ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²² Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²³ OECD (2022), Pharmaceutical spending (indicator). doi: 10.1787/998feb6-en (Accessed on 20 April 2022)

Figure 1- OECD Data, 2019



OECD study on drug spending as a % of GDP, 2019

These facts have not gone unnoticed. Many in Canada have called for a universal pharmacare program to address these issues and align with countries with the lowest drug costs, such as Denmark, the Netherlands, Ireland, Norway, and Sweden²⁴. The Hoskins report, published in July 2019, situated national pharmacare in the Canadian context and provided a roadmap for a potential joint federal-provincial solution to improve Canadians’ drug coverage and health²⁵. The report laid out a step-by-step implementation plan dependent on federal-provincial collaboration and the creation of new agencies to help manage and govern a pan-Canadian system. However, replacing the current drug policies with a national pharmacare strategy is complex. Without any targeted federal transfer, any mention in the Canada Health Act, or any other central federal leadership, the provinces have taken the initiative to take drug policy into their own directions. This has produced a variety of programs across the country.

²⁴ OECD (2022), Pharmaceutical spending (indicator).

²⁵ Hoskins, Eric “A Prescription for Canada: Achieving Pharmacare for All.” June 2019.

These programs present a unique opportunity to examine the process of how they came to be and how federalism and previous policy directions helped to shape them.

Methodology: Methods of Examining and Researching pharmacare

In this study, I sought to understand better and illuminate the role that federalism has played in influencing decision-makers within federal and provincial governments in how they approach drug policies. The ultimate goal is to understand the path forward for a national pharmacare policy in Canada in light of the historical trends of drug policies and federalism. The decisions made by policy makers in federal and provincial governments will be integral to understanding the relationship between these orders of government and how they interact with federalism. Some of the key sources involved include reports published by the Government of Canada and Provincial governments, particularly Quebec, Ontario, and Prince Edward Island. In order to capture the scope of federalism's influence, I have conducted a literature review, examining federal and provincial legislation and policies in order to establish trends and commonalities between pharmaceutical policies in Canada. This has relied on the use of primary sources from the governments themselves and expert and academic analysis. This has helped to establish the numerous policies and actions that have been taken in regard to pharmacare both in recent years and historically. In employing historical institutionalism, there is elevated importance in the ability to examine the historical path of federalism and drug policy in order to observe its influence and effects. This necessitates the inclusion of timelines and historical accounts of drug policy development and implementation in the literature review to ensure that there is the needed basis to draw historical comparisons and connections with the evolution of federalism and drug policies.

In addition to government and expert work, this paper will also consult the work of journalists focused on the subject of pharmacare, as well as public dialogue on the subject in media. Media references will focus on sources that have national recognition, are composed by journalists or experts, and that have similar or parallels with other nationally recognized sources. These news sources are meant to provide the necessary historical accounts of prescription drug policies through the public eyes. Similarly, public opinion polls and articles published by patients, medical and advocacy groups will be important to capture the public views of key stakeholders, which is important to understanding concerns in implementation and potential paths forward for pharmacare. Their use will be limited to polls from reputable sources that have a significant sample size for their target population and will be used to generalize rather than establish any concrete conclusions.

This literature review was the primary source of information gathering and sought to expand upon the current works to synthesize them in relation to the overall research question and objective of this paper.

This paper will specifically examine three provinces as case studies in order to compare the effects of federalism on various jurisdictions. The selection of these provinces was done by examining areas of asymmetrical federalism (including differences such as population size, fiscal capacity, their intergovernmental relationship structures), their interactions with the federal government, the influence of fiscal federalism, and the uniqueness of their established pharmacare programs. To satisfy these criteria, I have selected Prince Edward Island, Ontario, and Quebec. PEI was chosen as a case given the influence of asymmetrical federalism as the smallest province in the federation, with a small fiscal capacity and population. Federalism is an important part of PEI's capacity to offer health services to its residents, and their policies focused

on generic medication show one of the paths forward recommended by experts in the Hoskins Report²⁶. Ontario was selected as the largest province in Canada, with the largest fiscal capacity but the lowest spending per capita on health²⁷. The relationship between Ontarians and federalism is tied to their larger identity as Canadians in comparison with most other provinces²⁸, and while their support of federalism is similar to PEIs, they are still in very different positions. Ontario also has a system focused on age-based coverage, in contrast with some of its provincial counterparts, including both Quebec and PEI. Finally, Quebec was selected based on its unique relationship with both the federal government and federalism, including their interactions with fiscal and asymmetrical aspects of the federation, which is of great interest to this study²⁹. While it is similar in size to Ontario, it is home to a unique pharmacare system in Canada and has very important ties to broader concerns of federalism.

Theoretical Framework: Using Historical Institutionalism to understand the influence of federalism on drug policy

As demonstrated by its numerous forms, drug policy is not a product of one individual, group, or organization. It is instead a policy that has been constantly influenced by numerous institutions of all types and from all levels of government. When discussing pharmacare and drug policy, it is important to consider the effects of federalism over time, which has influenced the shape, feasibility, and policy directions from federal and provincial actors. The ways the

²⁶ Hoskins, Eric “A Prescription for Canada: Achieving Pharmacare for All.” June 2019.

²⁷ Financial Accountability Office of Ontario. “Ontario Health Sector: 2019 Updated Assessment of Ontario Health Spending,” March 29, 2021. <https://www.fao-on.org/en/Blog/Publications/health-update-2019>.

²⁸ Mowat Centre. “How Ontario Sees the Federation, and How the Federation Sees Ontario,” April 15, 2019. <https://munkschool.utoronto.ca/mowatcentre/how-ontario-sees-the-federation-and-how-the-federation-sees-ontario/>.

²⁹ Gouvernement du Québec. “Québec’s Vision: A Form of Federalism That Recognizes Collective Diversity - Secrétariat Du Québec Aux Relations Canadiennes,” June 1, 2017. <https://www.sqrc.gouv.qc.ca/relations-canadiennes/politique-affirmation/voie-quebec-en.asp>.

institution of federalism has affected drug policy over time will be integral to understanding the influence it is likely to continue to produce.

Historical institutionalism represents a research tradition that focuses on the analysis of temporal processes and events that have an influence over the origins and changes that institutions that govern political and economic relations undergo³⁰. Scholars of this tradition look at how temporally defined phenomena, such as the sequencing of events, generate formal and informal institutions and how those institutions are able to impact policy and the distribution of political power³¹. In this case, it will be utilized to discuss how and when policy change occurs, and the forces preventing it. It will be using historical and current data in order to examine the historical processes which enabled the creation of drug policies in Canada, and how it has created a path dependency within drug policy, which is a self-reinforcing feedback loop in which the further provinces invest in systems independently, the more they are likely to continue to do so³². This theory provides an important framing for understanding the development of current and future drug policies.

In order to capture these important influences on drug policy, I will utilize historical institutionalism as a theoretical approach in order to effectively examine the historical orientation of federalism and its evolution, examining how its structure has influenced provincial and federal behaviour and the policy outcomes. As historical institutionalism seeks to answer bigger substantive questions of interest to both the broader public and scholarly pursuit, it is well suited

³⁰ Fioretos, Orfeo, Tulia G. Falleti, and Adam Sheingate. *The Oxford Handbook of Historical Institutionalism*. The Oxford Handbook of Historical Institutionalism. Oxford University Press, 2016. <https://doi.org/10.1093/oxfordhb/9780199662814.001.0001>.

³¹ Fioretos, Orfeo et al. *The Oxford Handbook of Historical Institutionalism*. 2016.

³² Pierson, Paul, and Theda Skocpol. "Historical Institutionalism in Contemporary Political Science." *Political Science*, January 2002.

https://www.researchgate.net/publication/285758672_Historical_Institutionalism_in_Contemporary_Political_Science.

to examine federalism's influence on drug policy³³. The sequencing of health care development in Canada and the larger macro contexts in which drug policy finds itself both provide key insights into how federalism has shaped and influenced programs across Canada. The sequencing of health developments and the path dependency created by these historical events are vital to understanding the influence of federalism on drug policy, which aligns with the strengths of historical institutionalism as a theory. It will also be important to note the evolution of drug policy in different provinces to understand how different relationships within federalism affect drug policy over time, as each province will have a different experience with federalism³⁴. Historical institutionalism will act in this case as a tool for comparative analysis, as it helps illustrate the different effects that provincial institutions will have on policy development.

Historical institutionalism is an approach that is in some ways uniquely suited to the analysis of federalism and pharmacare. In the area of health care policy, other experts have already explored the ways in which various forms of new institutionalism can be utilized in order to form deeper understandings of the systems at play³⁵. Using a similar theoretical foundation as the one employed by Jorg Broschek in his examination of historical institutionalism and Canadians social policy³⁶, and discussed by Kai Liu in his exploration of different forms of new institutionalism in health³⁷, historical institutionalism was used here to help show the evolution

³³ Pierson, Skocpol. "Historical Institutionalism in Contemporary Political Science." January 2002.

³⁴ Hueglin. *Federalism in Canada: Contested Concepts and Uneasy Balances*. 2021.

³⁵ Sitek, Michał. "The New Institutional Approaches to Health Care Reform: Lessons from Reform Experiences in Central Europe." *Journal of Health Politics, Policy and Law* 35 (August 1, 2010): 569–93. <https://doi.org/10.1215/03616878-2010-017>.

³⁶ Broschek, Jörg. "Historical Institutionalism and Canadian Social Policy : Assessing Two Models of Policy Change," 2008. <https://www.semanticscholar.org/paper/Historical-Institutionalism-and-Canadian-Social-%3A-Broschek/d17ec52fbb76c38e841b09258a7c6f2899baafd5>.

³⁷ Liu, Kai. "A New Institutional Approach of Healthcare Reform." In *The Effects of Social Health Insurance Reform on People's Out-of-Pocket Health Expenditure in China: The Mediating Role of the Institutional Arrangement*, edited by Kai Liu, 13–29. Singapore: Springer, 2016. https://doi.org/10.1007/978-981-10-1777-3_2.

and development of the relationships between the federal government and provincial and territorial governments through time, alongside the development of provincial drug policies and programs. This has helped establish the path dependency that helps guide drug policy through the careful consideration of the provisions of the Constitution Act of 1867, structural legislation such as the *Canada Health Act*, the historical evolution of federalism, fiscal federalism, asymmetrical federalism, and interprovincial relations and programs.

Discussion, analysis, and argumentation: Drug Policy Models, Federalism, and Models for Engagement

The role of federalism in health policy

Federalism's influence on health policy is important to both its formation and its future. This includes the institutions of federalism, which are both formal and informal. In examining the role that they have played in influencing health policy, it is important to examine five of the key features of federalism that influences decision-making by provincial and federal governments. For the purposes of this paper, federalism as an institution will be comprised of the notions of fiscal federalism, the constitutional divisions of power, intergovernmental relations and institutions, political interpretations of federalism, and asymmetrical federalism. Each of these has a relationship to the ways that provinces have historically approached health policy as well as drug policy.

Fiscal federalism refers to the financial relationship between federal and provincial governments. Fiscal federalism includes grants and transfers from one level to another (typically from the federal government to the provinces), the independent capacity of each branch of government to levy taxes, and most importantly, how grants, transfers, and tax capacity are

leveraged by governments to effect policy through federal “spending power.”³⁸ The federal spending power has been defined by the federal government as “the power of parliament to make payments to people or institutions or governments for purposes on which it (parliament) does not necessarily have the power to legislate.”³⁹ The Government of Canada has used its spending power in the health sphere both to fund particular projects, such as the recent long-term care funding agreements⁴⁰, and larger, broader transfers such as the Canada Health Transfer (CHT)⁴¹. The CHT is the largest federal transfer of funds to the provinces and territories and represents an important source of funding for Canada’s health care systems⁴². The federal government wields fiscal federalism to exert influence over provincial plans, including withholding amounts for violations of conditional agreements and the Canada Health Act (CHA). The CHA stipulates those provincial systems adhere to five broad criteria; provincial systems must be publicly administered, universal, accessible, portable, and comprehensive⁴³. The provinces must adhere to all five of these conditions in order to meet their obligations under the act. However, enforcement of these criteria has historically been fairly lax, focused primarily on instances of provinces allowing additional billing for services⁴⁴, and fiscal federalism has more often been leveraged through grants and the increase of the CHT⁴⁵.

³⁸ Boadway, Robin, and Ronald L Watts. *Fiscal Federalism in Canada, The USA and Germany*. Kingston Ontario: Queen’s University, Institute of Intergovernmental Relations, 2004.

³⁹ Telford, Hamish. “The Federal Spending Power in Canada: Nation-Building or Nation-Destroying?” *Publius* 33, no. 1 (2003): 23–44.

⁴⁰ McIntosh, Tom, and Alanna DeCorby. “From National Accords to Bilateral Agreements: Transforming Canadian Health Care Intergovernmentalism.” *The School of Public Policy Publications* 15, no. 1 (January 18, 2022). <https://doi.org/10.11575/sppp.v15i1.74113>.

⁴¹ Legislative Services Branch, Government of Canada. “Consolidated Federal Laws of Canada, Canada Health Act,” April 19, 2022. <https://laws-lois.justice.gc.ca/eng/acts/c-6/>.

⁴² Canada, Department of Finance. “Canada Health Transfer,” December 19, 2011.

<https://www.canada.ca/en/department-finance/programs/federal-transfers/canada-health-transfer.html>.

⁴³ Legislative Services Branch. “Consolidated Federal Laws, Canada Health Act,” April 19, 2022.

⁴⁴ Meili, Ryan. “It’s Time Ottawa Enforces the Canada Health Act.” *Policy Options*, April 4, 2016.

<https://policyoptions.irpp.org/2016/04/04/its-time-ottawa-enforces-the-canada-health-act/>.

⁴⁵ McIntosh, Tom, and Alanna DeCorby. “From National Accords to Bilateral Agreements” January 18, 2022.

The ability of the Government of Canada to set conditions on health transfers to provinces was first implemented with the health cost-sharing programs of the 1950s and 1960s and reinforced in the Canada Health Act. These conditional funding agreements function as a means for the federal government to exert influence on health policy. These powers have been confirmed by various rulings of the Supreme Court including key decisions in 1997 and 1991⁴⁶. In addition, the spending powers of the federal government are used to directly support health research, promotion, information, and disease prevention through federal agencies such as Health Canada and the Public Health Agency of Canada. While there has been some controversy concerning the growth of the CHT in relation to the growth of health care costs⁴⁷, along with previous cuts to transfers in the 1990s⁴⁸, it remains a key part of federalism's influence on provincial health plans.

The constitutional divisions of powers and how they have been interpreted play a key role in establishing the rules of engagement between federal and provincial actors in the health space, which is fundamental to the relationships between federal and provincial governments. Health itself is not explicitly mentioned as a legislative power assigned to either parliament in the *Constitution Act, 1867*⁴⁹. This was later confirmed by the Supreme Court of Canada in 1982, which described it as "...an amorphous topic which can be addressed by valid federal or provincial legislation, depending in the circumstances of each case on the nature or scope of the

⁴⁶ Butler, Martha, and Marlisa Tiedemann. "The Federal Role in Health and Health Care." 3. Library of Parliament, September 22, 2011. https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/201191E.

⁴⁷ Naylor, Boozary, and Adams. "Funding Universal Health: Fraught History, Uncertain Future." November 9, 2020

⁴⁸ Scoffield, Heather. "Chrétien Rejects Health-Care Pleas from Provinces." *The Globe and Mail*, April 1, 2000. <https://www.theglobeandmail.com/news/national/chretien-rejects-health-care-pleas-from-provinces/article1038283/>.

⁴⁹ Jackman, Martha. "Constitutional Jurisdiction over Health in Canada." *Health Law Journal*; Edmonton 8 (2000): 95–117.

health problem in question.”⁵⁰. Nonetheless, some sections do assign particular responsibilities. For example, Section 92(7) assigns responsibility for most hospitals, with the exclusion of marine hospitals, to the provinces⁵¹. They are also assigned constitutional powers over matters of a local or private nature, powers over property, and civil rights⁵². By extension, while it is not explicitly stated in the Constitution Act of 1867, it has been generally accepted and normalized that provinces are responsible for directly delivering most medical services, the education of health care providers, managing provincial hospitals, and related functions⁵³. This understanding is derived from these divisions in the Constitution Act of 1867. However, the actual structure of health and health care in Canada is further influenced by other sources of constitutional power⁵⁴.

Other constitutional powers enable the federal government to act as a regulator, financier, environmental monitor, patent and business manager, and provider of care for indigenous people, veterans, and members of the military⁵⁵. These powers have fundamentally shaped the development of health policies in Canada, as it dictates the roles that each order of government acts within. While provincial governments have more responsibility to deliver services, the federal government has larger financial powers granted by the constitution and responsibilities as a regulator⁵⁶. These constitutionally defined relationships are an extension of federalism and act to establish the rules of engagement between the orders of government and their roles in health policy.

⁵⁰ Butler, and Tiedemann. “The Federal Role in Health and Health Care.” September 22, 2011.

⁵¹ Butler, and Tiedemann. “The Federal Role in Health and Health Care.” September 22, 2011.

⁵² Butler, and Tiedemann. “The Federal Role in Health and Health Care.” September 22, 2011.

⁵³ Butler, and Tiedemann. “The Federal Role in Health and Health Care.” September 22, 2011.

⁵⁴ Butler, and Tiedemann. “The Federal Role in Health and Health Care.” September 22, 2011.

⁵⁵ Butler, and Tiedemann. “The Federal Role in Health and Health Care.” September 22, 2011.

⁵⁶ Government of Canada, Patented Medicine Prices Review Board. “Regulatory Process,” September 7, 2021. <https://www.canada.ca/en/patented-medicine-prices-review/services/regulatory-process.html>.

Asymmetrical federalism arises from two primary sources. Ronald L. Watts distinguishes between “political asymmetry,” which is a “characteristic of all federations,” and “constitutional asymmetry,” which is rare⁵⁷. Political asymmetry comes from “the relative influence of different units within the federation,” whereas constitutional asymmetry comes from different powers delegated to some unit or units through constitutional rules⁵⁸. Canada, like all federations, is awash with political asymmetry, as provinces differ in political capital, population, tax base, geography, cultural influences, and administrative capacity. This asymmetry has a direct influence on the governmental relations between different jurisdictions, which in turn has an effect on the ability provinces have to experiment with health policy. Canada is also home to constitutional asymmetry, particularly in areas relating to language, education, senate representation, and the civil law of Quebec⁵⁹. This constitutional asymmetry has a much smaller influence on drug policy, though it does highlight some important differences between provinces that stem from federalism.

The influence of asymmetry can be observed in the choices made by provinces to participate and engage with federal programs and funding opportunities. One example is Quebec’s independence in the planning, organizing, and managing of health services, which is partially driven by the asymmetry in federalism⁶⁰. These forms of asymmetry are a core part of federalism and the relationships between the federal and provincial governments.

Intergovernmental relations and institutions themselves are also key parts of the institutional boundaries of federalism. These structures enable the dialogue between the

⁵⁷ Watts, Ronald L. “Asymmetrical Federalism.” Centre for Constitutional Studies, July 4, 2019. <https://www.constitutionalstudies.ca/2019/07/asymmetrical-federalism/>.

⁵⁸ Watts. “Asymmetrical Federalism.” July 4, 2019.

⁵⁹ Watts. “Asymmetrical Federalism.” July 4, 2019.

⁶⁰ Gouvernement du Québec. “Québec’s Vision: A Form of Federalism That Recognizes Diversity” June 1, 2017.

provinces and the federal government. This includes rarer formal meetings between provincial and federal leaders, such as the First Ministers' Conference, which brings together senior political leaders from all levels of government to chart general policy directions, negotiate, and discuss issues⁶¹. It also includes the bilateral relations, which focus on bringing together ministers of particular portfolios to discuss issues such as health, agriculture, education, the environment, and finance⁶². Similarly, the Council of the Federation assembles premiers from all of the provinces to discuss their collective concerns and challenges together, absent federal involvement⁶³. Despite the absence of federal presence, these meetings are nonetheless part of the institutional structures which comprise federalism. Another important feature of federalism when discussing intergovernmental relations is the creation and use of not-for-profit crown corporations, which act as arm's length connections between federal health departments and projects and provincial counterparts. This includes Canada Health Infoway and the Canadian Institute for Health Information, both of which act as not-for-profit crown corporations which work with both the provinces and federal government on health data and standards, among other tasks⁶⁴. Finally, the most important component of intergovernmental relations insofar as the institution of federalism is concerned is the role of bilateral agreements with the provinces. These agreements represent an important factor in the dynamic institution of federalism, which functions to accomplish collective policy goals. They are often used to inject federal funds into

⁶¹ Prime Minister of Canada, Government of Canada. "Prime Minister Hosts First Ministers' Meeting on Fighting COVID-19 and Strengthening Health Care." Prime Minister of Canada, December 11, 2020. <https://pm.gc.ca/en/news/news-releases/2020/12/10/prime-minister-hosts-first-ministers-meeting-fighting-covid-19-and>.

⁶² McIntosh and DeCorby. "From National Accords to Bilateral Agreements" January 18, 2022.

⁶³ Council of the federation. "About the Council of the Federation." Canada's Premiers. Accessed April 22, 2022. <https://www.canadaspremiers.ca/about/>.

⁶⁴ Iacobucci, Edward M, and Michael J Trebilcock. "THE ROLE OF CROWN CORPORATIONS IN THE CANADIAN ECONOMY." University of Calgary The School of Public Policy SPP Research Papers 5, no. 9 (March 2012): 42.

provincial projects which align with the goals of both the federal and provincial governments⁶⁵.

As discussed previously in fiscal federalism, transfers are one of the most important tools the federal government has to influence health policy in provincial jurisdictions, and bilateral agreements are the tool to deliver these transfers⁶⁶.

Political interpretations of federalism vary across political parties, provincial boundaries, and ideologies. For the purpose of this study, political interpretations will focus primarily on the interpretations of current and past provincial governments. For example, Quebec's interpretation of federalism focuses on a vision of federalism that affirms the national identity of Quebec and the ability of Quebec to assume the responsibility of choosing how it participates in Canada⁶⁷. It also emphasizes the importance of autonomy, respect for provincial jurisdiction, particularly around language and culture, and the asymmetry of federalism in Canada, given Quebec's unique position as a minority nation⁶⁸. This vision of federalism focuses on the independence of provinces to choose where and how they are involved in the federation, with deference to provincial identity and culture⁶⁹.

Alternatively, Ontarians have a much stronger association with the federation as a whole⁷⁰, with less emphasis on provincial identity and autonomy and more deference towards the authority and leadership of the federal government⁷¹. While this does not reflect the position of

⁶⁵ Hartmann, Erich, Adrienne Davidson, and Kiran Alwani. "Prescribing Federalism: The Intergovernmental Implications of a National Pharmacare Program". Mowat Centre for Policy Innovation, 2018. <https://tspace.library.utoronto.ca/handle/1807/99419>.

⁶⁶ McIntosh and DeCorby. "From National Accords to Bilateral Agreements" January 18, 2022.

⁶⁷ Gouvernement du Québec. "Québec's Vision: A Form of Federalism That Recognizes Diversity" June 1, 2017.

⁶⁸ Balthazar, Louis. "Quebec and the Ideal of Federalism." *The Annals of the American Academy of Political and Social Science* 538 (1995): 40–53.

⁶⁹ Gouvernement du Québec. "Québec's Vision: A Form of Federalism That Recognizes Diversity" June 1, 2017.

⁷⁰ Mowat Centre. "How Ontario Sees the Federation, and How the Federation Sees Ontario," April 15, 2019.

⁷¹ Malloy, Jonathan, Cheryl N. Collier, and Scholars Portal. *The Politics of Ontario*. North York, Ontario, Canada: University of Toronto Ontario Press, 2017.

the local government on federalism, it helps illustrate how different groups perceive the federation and, by extension, federalism, which can affect the long-term relationships they have with the federal government.

A brief history of drug policy in Canada

The origins of pharmacare in Canada trace its roots back to the post-war era, with health insurance proposals created in 1943 by the Canadian Medical Association⁷². This early introduction at the very beginning of national dialogues on a Canadian pharmacare plan would later inspire discourse in constitutional discussions⁷³. Throughout the 1950s and 60s, provincial jurisdictions partnered with the federal government bilaterally in order to create funding agreements in order to meet the medical needs of Canadians⁷⁴. The 1950s and 60s also brought with them national standards for a universal hospital and medical insurance with the *Hospital Insurance and Diagnostic Services Act of 1957* and the *Medical Care Act of 1966*⁷⁵. While national pharmacare was again recommended in the Hall Commission of 1964, which explored health insurance needs in Canada, it was recommended that it be done once the cost of prescription drugs reached a plateau, which never occurred⁷⁶.

Unfortunately, no federal legislation or program followed in either the 70s or the 80s, which was largely defined by provinces moving forward with their own policy solutions to

⁷² Taylor, Malcolm G., and Allan Maslove. *Health Insurance and Canadian Public Policy: The Seven Decisions That Created the Health Insurance System and Their Outcomes*. McGill-Queen's Press - MQUP, 2009.

⁷³ Boothe, Katherine. "Pharmaceutical Policy Reform in Canada: Lessons from History." *Health Economics, Policy and Law* 13, no. 3–4 (July 2018): 299–322. <https://doi.org/10.1017/S1744133117000408>.

⁷⁴ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

⁷⁵ Government of Canada, Health Canada. "Royal Commission on Health Services, 1961 to 1964." *Transparency - other*, June 13, 2005. <https://www.canada.ca/en/health-canada/services/health-care-system/commissions-inquiries/federal-commissions-health-care/royal-commission-health-services.html>.

⁷⁶ Saskatchewan Health. *Drug Plan and Extended Benefits Annual Report – 2009–2010*. 2010. Retrieved July 4, 2012. < <http://www.health.gov.sk.ca/dpeb-annual-reports>>. [Ref list]

address access challenges⁷⁷. Of these, only Saskatchewan offered a universal pharmacare program in their programming run from 1975 to 1987⁷⁸. These programs were also not seen as an extension of the universal medicare system and, while universal, focused on subsidizing drug access for vulnerable groups⁷⁹. Some of the provincial programs of this era were developed by departments responsible for income assistance instead of provincial health departments⁸⁰. Without federal leadership, provinces developed their own more unique systems rather than following uniform standards established in 1957 and 1966. This was the beginning of opening the space for provincial policy experimentation in drug policy.

Pharmacare became a topic of discussion in the creation of the national health standards legislation named the Canada Health Act, which would seek to replace the standards of the 50s and 60s to reinsert federal leadership in the space. In deliberations and discussions about what would be included in the federally mandated but provincially run universal health care systems, the issue of covering pharmaceuticals was contentious⁸¹. In the end, pharmacare found itself excluded from the final version of the act, which would further entrench the path dependence established in the independence of drug policy programs of the 70s-80s from federal standards⁸². This exclusion would go on to pose challenges for Canadians, as the cost of prescription drugs has become a prohibiting factor in guaranteeing access to pharmaceuticals. Without a clear standard for universal drug access, and with the creation of the Canada Health Act in 1984, the

⁷⁷ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

⁷⁸ Saskatchewan Health. Drug Plan and Extended Benefits Annual Report – 2009–2010. 2010.

⁷⁹ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

⁸⁰ Canadian Institute for Health Information (CIHI). 2012. Drug Expenditure in Canada, 1985–2012. Ottawa: Author. [Google Scholar] [Ref list]

⁸¹ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

⁸² Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

pharmaceutical industry saw an increase in both the cost and average use of medications throughout the 80s and late 90s⁸³.

In 1993, the Chrétien government faced major financial pressure to balance the federal budget. With a looming debt crisis and the need to reduce spending, the Government of Canada began cutting back on costs wherever possible, and this included significant reductions in federal health transfers to provincial and territorial governments⁸⁴. These cuts significantly increased the financial burden of health spending on provincial governments, and while health transfers have grown significantly since the cuts of 1993, including the creation of the larger Canada Health Transfer in 2003⁸⁵, provinces have nonetheless been forced to deal with the stresses of the increased financial burden in health. This would serve to reinforce the inability of the federal government to fund or lead a national pharmacare strategy.

By 1997, pharmaceutical costs had become the second-largest component of healthcare spending in Canada⁸⁶. 1997 also brought the introduction of Quebec's private insurance for prescription drugs, which only further entrenched provincial independence in the space⁸⁷. In the Conference on National Approaches to Pharmacare in 1998, instead of focusing on delivering universal Pharmacare, the focus was on concerns surrounding its associated costs⁸⁸. Reports

⁸³ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

⁸⁴ Flood, Colleen M., Greg Marchildon, and Gail Paech. "Canadian Medicare: Historical Reflections, Future Directions." *Health Economics, Policy and Law*; Cambridge 13, no. 3–4 (July 2018): 219–25. <http://dx.doi.org.proxy.bib.uottawa.ca/10.1017/S1744133118000014>.

⁸⁵ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

⁸⁶ CIHI 2012, Canadian Institute for Health Information (CIHI). 2012. *Drug Expenditure in Canada, 1985–2012*. Ottawa: Author. [Google Scholar] [Ref list]

⁸⁷ Ferguson, Claude. "Understanding Quebec's Pharmacare System." ACTEGIS Consultants Inc, September 27, 2018. [https://clhia.ca/web/clhia_lp4w_ind_webstation.nsf/resources/Pharma/\\$file/Quebec+Pharmacare+Report+-+Claude+Ferguson.pdf](https://clhia.ca/web/clhia_lp4w_ind_webstation.nsf/resources/Pharma/$file/Quebec+Pharmacare+Report+-+Claude+Ferguson.pdf).

⁸⁸ Canada. 1998b. *Speaking Notes for Allan Rock, Minister of Health, at the Conference on National Approaches to Pharmacare, Saskatoon, Saskatchewan*. Ottawa: Health Canada. [Google Scholar] [Ref list]

commissioned and promoted by the pharmaceutical industry had established the idea that Canada simply could not afford a public pharmacare system due to the increased costs it would bring and the losses to private sector businesses in the insurance industry⁸⁹. This only further calcified the trend of federal distance and provinces experimenting with drug policies while trying to keep costs low.

With growing financial burdens and challenges facing health care, in November of 2002, the government commissioned *the Royal Commission on the Future of Health Care in Canada*, also known as the Romanow Report⁹⁰. In this report, Romanow made 47 recommendations along with a timetable for their implementation⁹¹. Many of these recommendations remain relevant to this day, including the importance of electronic health records, improving health care in rural areas, and growing telehealth⁹². It also laid out key recommendations to change governance structures in health in order to deliver better care.

The first recommendation was to establish a new Canadian Health Covenant as a common declaration of commitment to the universal, accessible, and publicly funded health care system⁹³. Romanow also recommended the creation of a Health Council of Canada to facilitate cooperation and provide national leadership, building off of the Canadian Institute for Health Information (CIHI) and the Canadian Coordinating Office of Health Technology Assessment, now the Canadian Agency for Drugs and Technologies in Health (CADTH)⁹⁴.

⁸⁹ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

⁹⁰ Romanow, Roy J., and Public Services and Procurement Canada Government of Canada. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹¹ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹² Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹³ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹⁴ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

Additionally, the Romanow Report made reference to six major directions for change in relation to prescription drugs. First, it recommended that steps be taken to begin integrating prescription drugs into Canada's health care system, particularly with Medicare coverage⁹⁵. Second, it suggested using a new Catastrophic Drug Transfer to offset the cost of provincial drug plans and reduce the disparities in coverages across jurisdictions⁹⁶. Third, it recommended the creation of a National Drug Agency to help evaluate drugs and control costs⁹⁷. Fourth, it recommended that the National Drug Agency implement a national formulary to ensure consistency of coverage across the country⁹⁸. Fifth, it recommended the development of a new medication management program for chronic and life-threatening illnesses as an extension of primary care⁹⁹. Finally, it recommended a review of Canada's patent laws in relation to pharmaceuticals in order to re-evaluate if they are providing value to both drug companies and Canadians¹⁰⁰.

While the recommendations regarding prescriptions echo what would come near fifteen years later in the Hoskins report, the most consequential change suggested in the report was that a cash-only Canada Health Transfer for the provinces is established by the federal government¹⁰¹. In order to ensure long-term stability and predictability of funding, it recommended the transfer function according to a formulation set five years in advance¹⁰². This spurred provincial support for the recommendation and renewed calls for increased financial

⁹⁵ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹⁶ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹⁷ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹⁸ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

⁹⁹ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

¹⁰⁰ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

¹⁰¹ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

¹⁰² Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

support from the federal government, applying more pressure to reverse the cuts made in the 1990s¹⁰³.

This pressure would eventually lead to the creation of the CHT in 2003¹⁰⁴. However, the federal government did not move forward with all of the recommendations of the Romanow Commission, including those related to prescription medication. This is likely in part due to financial strains and the longstanding absence of the federal government in the drug policy space. Nonetheless, a ten-year CHT agreement would be signed the following year in 2004, which provided some stability and an increase in funding of \$18 billion dollars over six years¹⁰⁵. Despite the increase, the provinces were not entirely satisfied with the amount of funding provided¹⁰⁶. The escalator, that is, the percentage of increase for the transfer from year to year¹⁰⁷, outlined in the agreement had been set at 6% in order to ensure that transfers were able to match rising costs in some capacity¹⁰⁸. The Harper government would reduce the escalator to 3% upon renewing the CHT agreements for the period between 2017 and 2024¹⁰⁹. The escalator would continue to be a point of contention, given that it did not match increases in the costs of health care or pharmaceutical drugs¹¹⁰.

¹⁰³ Scoffield. "Chrétien Rejects Health-Care Pleas from Provinces." *The Globe and Mail*, April 1, 2000.

¹⁰⁴ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

¹⁰⁵ Canada, Health. "New Federal Investments on Health Commitments on 10-Year Action Plan on Health." Transparency - other, May 9, 2006. <https://www.canada.ca/en/health-canada/services/health-care-system/health-care-system-delivery/federal-provincial-territorial-collaboration/first-ministers-meeting-year-plan-2004/new-federal-investments-health-commitments-10-year-action-plan.html>.

¹⁰⁶ Scoffield. "Chrétien Rejects Health-Care Pleas from Provinces." *The Globe and Mail*, April 1, 2000.

¹⁰⁷ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

¹⁰⁸ Romanow, Roy J. "Building on Values: The Future of Health Care in Canada : Final Report," July 1, 2002.

¹⁰⁹ Naylor, Boozary, and Adams. "Funding Universal Health: Fraught History, Uncertain Future." November 9, 2020

¹¹⁰ Mackenzie, Hugh and Canadian Federation of Nurses Unions. *The Canada Health Transfer Disconnect: An Aging Population, Rising Health Care Costs and a Shrinking Federal Role in Funding*, 2016.

<https://www.deslibris.ca/ID/248238>.

While there was some discussion of potentially increasing funding at various points, provinces have continued to show frustration with the level of funding provided by the CHT, which is a point of contention between the provinces and the federal government¹¹¹. It has become a barrier to advancing the aims of a national pharmacare program, as the lack of increase to the CHT communicates to the provinces that the federal government is unwilling to support the growing costs of programming¹¹². This further supports the important role of fiscal federalism in the promotion of a national pharmacare program, as the financial needs are deep. The dynamic and negotiation of future conditional funding agreements, such as agreements on pharmacare funding, are done against a backdrop of previous cuts under Chretien and Harper and a reticence to take on additional responsibilities. The effects of these relationships and the evolution of federalism have had an effect on developing the resistance to federal involvement in drug policy in its path dependence¹¹³, pushing the inertia of its continued exclusion from federal health funding and leadership ever forward.

The state of drug policy in Canada

The Problem with Prescriptions

Current drug coverage policies in Canada consist of a wide patchwork of specifically targeted programs that seek to address the gaps in pharmaceutical coverage across the country. There are currently over 100 different public drug coverage policies across Canada and more than 1000 private plans¹¹⁴. In 2018, \$34 billion dollars was spent on prescription medicines,

¹¹¹ Canada's Premiers. "FINAL COMMUNIQUE." Canada's Premiers, July 20, 2018. <https://www.canadaspremiers.ca/final-communique/>.

¹¹² Canada's Premiers. "FINAL COMMUNIQUE." Canada's Premiers, July 20, 2018.

¹¹³ Torfing, Jacob. "Rethinking Path Dependence in Public Policy Research." *Critical Policy Studies* 3, no. 1 (November 9, 2009): 70–83. <https://doi.org/10.1080/19460170903158149>.

¹¹⁴ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

making it the second biggest expenditure in health care after hospitals¹¹⁵. According to CIHI, 2019 and 2020 showed an increase in health care costs of 12% due in large part to COVID-19 pandemic measures¹¹⁶. While these funds were spent to battle the pandemic, the pandemic itself has delayed care for thousands of Canadians¹¹⁷. This will likely cause further increases in health and pharmaceutical costs in future years, with some estimates suggesting that by 2025, Canada's health expenditures will exceed \$308 billion¹¹⁸. This presents governments with a critical challenge in providing high-quality care while also reducing the cost of that care, and while some experts suggest that a national pharmacare program may have cost savings, this would result in a large expansion of public spending, which may be difficult to maintain¹¹⁹.

The fractured nature of the current system is in part due to the inertia of previous policy and governance decisions that were shaped by and shaped federalism. This path dependency has pushed provincial drug policies to be developed separately in each provincial jurisdiction, with minimal collaboration or federal involvement, leading to a system with a vast number of public and private programs and a lack of consistency across jurisdictions¹²⁰.

Even as a major part of government spending, there remain critical gaps in drug policies. This includes the fact that one in five Canadians struggle with paying for their prescriptions¹²¹.

¹¹⁵ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹¹⁶ Canadian Institute for Health Information. "National Health Expenditure Trends | CIHI," November 4, 2021. <https://www.cihi.ca/en/national-health-expenditure-trends>.

¹¹⁷ Canadian Institute for Health Information. "Overview: COVID-19's Impact on Health Care Systems | CIHI," December 9, 2021. <https://www.cihi.ca/en/covid-19-resources/impact-of-covid-19-on-canadas-health-care-systems/the-big-picture>.

¹¹⁸ Canadian Institute for Health Information. "National Health Expenditure Trends". November 4, 2021.

¹¹⁹ Brandt, Jaden, Brenna Shearer, and Steven G. Morgan. "Prescription Drug Coverage in Canada: A Review of the Economic, Policy and Political Considerations for Universal Pharmacare." *Journal of Pharmaceutical Policy and Practice* 11, no. 1 (November 7, 2018): 28. <https://doi.org/10.1186/s40545-018-0154-x>.

¹²⁰ Flood, Colleen M., Bryan Thomas, Asad Ali Moten, and Patrick Fafard. "Universal Pharmacare and Federalism: Policy Options for Canada." Montreal, Canada, Montreal: Institute for Research on Public Policy, September 2018. <http://search.proquest.com/docview/2191760608/abstract/2A6BDB5D5C68493APQ/1>.

¹²¹ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

Physicians have reported similar challenges, with 46% saying their patients without drug coverage do not fill prescriptions¹²². In total, three million Canadians do not fill their prescriptions due to financial stress alone¹²³. In addition to those who forgo their medication, there are those who cut elsewhere in order to be able to afford it. One million Canadians cut their food spending and heat payments to be able to afford their medicine¹²⁴. These represent clear gaps in the current system, which shows the scale of current flaws in the patchwork of drug policies across Canada.

Medications are an increasingly key element in ensuring the best possible medical outcomes for Canadians. If systemic barriers prevent Canadians from accessing the medications they need, then the likelihood of greater complications, including death, becomes far more likely. Cost-related non-adherence (CRNA) to medications varies across age groups, but those between 18 and 64 without private drug insurance, irregular employment, high out-of-pocket expenditure on drugs, and lower incomes are the most susceptible¹²⁵. These are often the most at-risk individuals and are often accompanied by other challenges in social determinants of health, such as food insecurity and a lack of housing, putting them even further at risk¹²⁶. Non-adherence to drug plans prescribed by doctors has been associated with significant increases in mortality,

¹²²Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹²³ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹²⁴Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹²⁵ Holbrook, Anne M., Mei Wang, Munil Lee, Zhiyuan Chen, Michael Garcia, Laura Nguyen, Angela Ford, Selina Manji, and Michael R. Law. "Cost-Related Medication Nonadherence in Canada: A Systematic Review of Prevalence, Predictors, and Clinical Impact." *Systematic Reviews* 10, no. 1 (January 6, 2021): 11. <https://doi.org/10.1186/s13643-020-01558-5>.

¹²⁶ Holbrook et Al., "Cost-Related Medication Nonadherence in Canada: A Systematic Review of Prevalence, Predictors, and Clinical Impact".

hospitalizations, and costs¹²⁷. Reducing CRNA will help improve both the health of Canadians and the financial sustainability of the health care system.

While the financial burden is shifted to provincial and federal budgets, a national pharmacare plan has the potential to offer the broader economy modest returns, returning an estimated \$0.3 billion in 2022, assuming that work had begun in 2018¹²⁸. The overall savings to the economy are projected to grow over time, with an estimated 5 billion dollars saved annually in 2027 based on the same projections from 2018¹²⁹. These estimates consider the real cost of drugs primarily, as the added benefits and reduction of costs in other areas such as hospital visits due to CRNA are not counted in these figures. This represents a significant reduction in costs, which annualized would mean a 9% reduction in the current cost of pharmaceutical expenditures¹³⁰. These would be savings to the overall economy and would be able to free up funds for companies to improve compensation for employees and redirect funds currently spent by Canadians on medications elsewhere¹³¹.

Despite the potential savings, universal pharmacare represents growth in provincial budgets across the board¹³². This presents financial hurdles as provinces would be subsuming as much as \$15.3 billion dollars by Parliamentary Budget Office estimates in 2017¹³³, which is a very significant increase in overall government spending. While there is potential for economy-wide savings, it remains an increase in public spending, making it difficult to convince provinces that are already stretched by current health expenditures. Nonetheless, simple, guaranteed access

¹²⁷ Law et al. "The Consequences of Patient Charges for Prescription Drugs in Canada." January 1, 2018

¹²⁸ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹²⁹ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹³⁰ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹³¹ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹³² Office of Parliamentary Budget Officer "Federal Cost of a National Pharmacare Program." September 28, 2017.

¹³³ Office of Parliamentary Budget Officer, "Federal Cost of a National Pharmacare." September 28, 2017.

to life-saving medication and preventative medication, with proper cost-sharing between jurisdictions, have the potential to reduce health spending across the economy while also improving health outcomes and reducing bureaucratic redundancies¹³⁴.

Provincial Experimentation in drug policy

Each province has, on some level, had a unique experience with drug policies as a result of their unique relationships with federalism and, by extension, the absence of federal leadership since the 70s-80s¹³⁵. For the purposes of this paper, three provincial experiments will be explored. These provinces were selected as they have unique experiences in policy-making and show the largest asymmetry in the federation. They also display a clear interaction with fiscal federalism, asymmetrical federalism, constitutional responsibilities, intergovernmental relations, and the variation in the broader understandings of federalism. Prince Edward Island was selected as they represent some of the widest asymmetries in the federation in terms of size, financial resources, administrative capacity, and population. This is paired with their dependence on a view of federalism that is collaborative by necessity and relies almost entirely on federal transfers and support to meet their health needs. Ontario was selected as the largest province in the federation, which is much more amenable to a collaborative conception of federalism as the largest seat of power in the country and provides an age-focused system. Finally, Quebec was selected as a culturally unique province in Canada with a clearly defined perspective on federalism and a unique relationship with the federal government. It is home to the most generous drug policy in Canada, which aligns more with other models of universal pharmacare found around the world.

¹³⁴ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

¹³⁵ Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

Prince-Edward-Island: Covering Generics

Modern drug policy in Prince Edward Island is in many ways a product of the asymmetry of federalism. As the smallest province by geographical size and population, PEI often benefits from higher representation per capita than many other provinces¹³⁶. This asymmetry extends into fiscal challenges as well, given the high cost of health infrastructure and medication. This is somewhat mitigated by collaborative health efforts with other provinces, such as the new regional Accord of Guiding Principles, which establishes collaboration between Atlantic provinces in order to maximize value and care¹³⁷. Despite these relationships within Atlantic Canada, PEI's current drug policy relies primarily on health transfers from the federal government and is, in fact, a result of negotiations with the federal government¹³⁸. This makes them somewhat unique, as they are the only province with a funding agreement to specifically move forward with the implementation of a universal national pharmacare program¹³⁹.

Prior to their newly funded system, which is in the process of being implemented as of 2021, PEI had 25 different public drug plans, and the medications covered under these programs were less substantive than plans available in other maritime provinces¹⁴⁰. These other programs were slowly developed as an extension of the developments of federalism and the absence of any

¹³⁶ Brock, Kathy L. "The Politics of Asymmetrical Federalism: Reconsidering the Role and Responsibilities of Ottawa." *Canadian Public Policy / Analyse de Politiques* 34, no. 2 (2008): 143–61.

¹³⁷ Prince Edward Island. "Atlantic Premiers Endorse Accord to Strengthen Health Care Collaboration and Discuss Energy and Trade Priorities," December 10, 2021. <https://www.princeedwardisland.ca/en/news/atlantic-premiers-endorse-accord-to-strengthen-health-care-collaboration-and-discuss-energy-and>.

¹³⁸ Prince Edward Island. "Atlantic Premiers Endorse Accord to Strengthen Health Care Collaboration and Discuss Energy and Trade Priorities," December 10, 2021. <https://www.princeedwardisland.ca/en/news/atlantic-premiers-endorse-accord-to-strengthen-health-care-collaboration-and-discuss-energy-and>.

¹³⁹ Canada, Health. "Government of Canada and Prince Edward Island Accelerate Work to Implement Pharmacare." News releases, August 11, 2021. <https://www.canada.ca/en/health-canada/news/2021/08/government-of-canada-and-prince-edward-island-accelerate-work-to-implement-pharmacare.html>

¹⁴⁰ Canada, Health. "Government of Canada and Prince Edward Island Accelerate Work to Implement Pharmacare." August 11, 2021.

federal action throughout the events of the 70s, 80s, 90s, and 2000s. They were meant to act as stop gaps to ensure that Islanders had some public access to necessary medications, though this resulted in some of the highest co-pays and deductibles for drugs covered by their plans¹⁴¹. PEI acts as the first province to break through the path dependence of the former more individualist provincial approach to pharmacare, in part due to its size and fiscal capacity. \$35 million over the course of 4 years¹⁴² is a small sum for the federal government but allows for the implementation of a model which may serve to inform future national approaches.

As the smallest jurisdiction in Canada, PEI's approach is focused on providing coverage for a list of pharmaceuticals based on a formulary that includes only generic and multi-source products¹⁴³. It also ensures that the uninsured are reimbursed for any costs exceeding \$19.95 per prescription to ensure that the costs patients endure are restricted¹⁴⁴. One of its weaknesses is that it does not enable access for residents to some newer treatments and medications or to medications that do not have clear generic alternatives per the formulary¹⁴⁵. Another weakness is that, while there are caps as to individual expenditure for individual prescriptions, this policy does not address the challenges of paying for the immediate costs of the medication, which remains a burden¹⁴⁶. This program is well suited to PEI's size, but it faces challenges when it

¹⁴¹ Canada, Health. "Government of Canada and Prince Edward Island Accelerate Work to Implement Pharmacare." August 11, 2021.

¹⁴² Government of Canada, Department of Finance. "Budget 2022," April 7, 2022. <https://budget.gc.ca/2022/home-accueil-en.html>.

¹⁴³ Government of Prince Edward Island. "PEI Pharmacare Formulary," December 6, 2021. <https://www.princeedwardisland.ca/en/information/health-pei/pei-pharmacare-formulary>.

¹⁴⁴ Government of Prince Edward Island. "Apply for the Generic Drug Program," November 1, 2021. <https://www.princeedwardisland.ca/en/service/apply-for-the-generic-drug-program>.

¹⁴⁵ Canadian Pharmacists Association. "Closing the Coverage Gap: Pan-Canadian Pharmacare." Ottawa, Ontario: Canadian Pharmacists Association, May 16, 2016. <https://www.pharmacists.ca/cpha-ca/assets/File/cpha-on-the-issues/Pharmacare-ClosingtheGap-Final-EN.pdf>.

¹⁴⁶ Flood, Thomas, Moten, and Fafard. "Universal Pharmacare and Federalism: Policy Options for Canada." September 2018.

comes to scaling for larger provinces. If it were expanded to a national scale, this program would cost \$93 million more than what is currently spent on pharmaceuticals¹⁴⁷.

Fiscal federalism has been an important enabler of PEI's prescription drug coverage. In August of 2021, the federal government signed a bilateral agreement with PEI, which transfers \$35 million over four years to the province to support the expansion of the coverage and adopt the formulary¹⁴⁸. These sorts of transfers are vital to the development and expansion of PEI's system, given the smaller fiscal capacity of the province. The relationship between PEI and both the government and the Atlantic provinces enable these types of agreements. PEI's view of federalism as collaborative and a means of promoting shared priorities and investments also makes it an ideal partner for this type of project¹⁴⁹. There is an understanding that federalism offers a means to make larger investments than the province's capacity alone would permit. This returns to the clear asymmetry they face as the smallest province in a very large country.

PEI's system is not entirely unique in Canada. Several other provinces, such as Saskatchewan, Alberta, Quebec, and British Columbia, all utilize drug formularies in order to determine which medications will be included in their drug coverages¹⁵⁰. In these other provinces, formularies contribute to public catastrophic, age based and income based programs, whereas, in PEI's system, the formulary and coverage of generic medications is now the available to every resident without private drug insurance¹⁵¹. Generic medications are common

¹⁴⁷ Canadian Pharmacists Association. "Closing the Coverage Gap: Pan-Canadian Pharmacare." May 16, 2016.

¹⁴⁸ Government of Canada, Department of Finance. "Budget 2021: Table of Contents," April 19, 2021. <https://www.budget.gc.ca/2021/report-rapport/toc-tdm-en.html>.

¹⁴⁹ Mowat Centre. "How Ontario Sees the Federation, and How the Federation Sees Ontario," April 15, 2019.

¹⁵⁰ Government of Canada and Patented Medicine Prices Review Board. "Alignment among Public Formularies in Canada.," 2017. http://epe.lac-bac.gc.ca/100/201/301/weekly_acquisitions_list-ef/2017/17-42/publications.gc.ca/collections/collection_2017/cepmb-pmprb/H82-29-1-2017-eng.pdf.

¹⁵¹ Government of Prince Edward Island. "Apply for the Generic Drug Program," November 1, 2021. <https://www.princeedwardisland.ca/en/service/apply-for-the-generic-drug-program>.

on formularies, given that provinces wish to provide medications to meet the needs of Canadians at the cheaper possible price.

Focusing on generic medications makes the program dependent on the availability and development of generic medications. This means that the system is dependent on the regulatory work designated to the federal government through Health Canada's drug review process and the ability to grant patents¹⁵². These patents determine the ability to produce generic formulations of medication, making them eligible for coverage in the PEI formulary¹⁵³. Luckily, the federal government's Patented Medicine Prices Review Board works as a watchdog to review the prices of medication¹⁵⁴. This ensures they follow guidelines developed by stakeholders, provincial and territorial ministers of health, consumer groups, and the pharmaceutical industry, opening a space for PEI to work alongside partners to push for changes to expand generics and the formulary¹⁵⁵.

Additionally, this focus relies on the ability to negotiate agreements with drug suppliers, which is limited by the size of the province. Due to its smaller economic size, PEI is unable to get similar discounts on bulk purchases as other provinces. Therefore, collaborative efforts such as the Atlantic Accord¹⁵⁶, the pan-Canadian Pharmaceutical Alliance¹⁵⁷, and the Council of the

¹⁵² Patented Medicine Prices Review Board. "Regulatory Process," September 7, 2021.

¹⁵³ Government of Prince Edward Island. "PEI Pharmacare Formulary," December 6, 2021. <https://www.princeedwardisland.ca/en/information/health-pe/pei-pharmacare-formulary>.

¹⁵⁴ Canada, Patented Medicine Prices Review Board. "About the PMPRB Guidelines," October 23, 2020. <https://www.canada.ca/en/patented-medicine-prices-review/services/legislation/about-guidelines.html>.

¹⁵⁵ Patented Medicine Prices Review Board. "Regulatory Process," September 7, 2021.

¹⁵⁶ Prince Edward Island. "Atlantic Premiers Endorse Accord to Strengthen Health Care Collaboration and Discuss Energy and Trade Priorities," December 10, 2021. <https://www.princeedwardisland.ca/en/news/atlantic-premiers-endorse-accord-to-strengthen-health-care-collaboration-and-discuss-energy-and>.

¹⁵⁷ pan-Canadian Pharmaceutical Alliance. "Home Page | PCPA," March 29, 2021. <https://www.pcpacanada.ca/node/30>.

Federation's Working Group on Health Care Innovation are integral to its success¹⁵⁸. The Council of the federation's working group in 2012 brought together a coalition including every province and territory, with the exception of Quebec, to jointly purchase 3-to-5 generic drugs starting in 2013¹⁵⁹. This is one of the ways the PEI is able to offset its challenges in an asymmetrical federation.

Ontario: Universal Age-Based Coverage and Private Influence

Drug policy in Ontario has seen numerous shifts caused by financial pressures and evolving needs over time. Given that they are the largest province by population in the federation and generally have positive associations with their federal counterparts, Ontario's relationship with the federal government and its view on federalism opens the room for collaboration with the federal government¹⁶⁰. However, it too fell prey to path dependence, which pushed individual provinces to take more fragmented approaches to drug policies without federal funding support or any nationally organized approach. The development of its policies followed a similar path to others, in which it was gradually built upon by focusing on areas of the greatest need in low-income patients without private insurance plans¹⁶¹. This eventually grew and evolved to encompass other at risks groups, such as the elderly and young, in parallel to other provinces acting without federal leadership.

Fiscal federalism is equally important here as in any other jurisdiction. The lack of transfers and fears of affordability and sustainability echoes the concerns from the 1998

¹⁵⁸ Lynas, Kathie. "Provinces and Territories Agree to Work Together to Purchase Generic Drugs and to Expand Use of Bulk Purchasing for Brand-Name Drugs." *Canadian Pharmacists Journal* : CPJ 145, no. 5 (September 2012): 202–3. <https://doi.org/10.3821/145.5.cpj202>.

¹⁵⁹ Lynas. "Provinces and Territories Agree to Work Together to Purchase Generic Drugs". September 2012

¹⁶⁰ Mowat Centre. "How Ontario Sees the Federation, and How the Federation Sees Ontario," April 15, 2019.

¹⁶¹ Beneplan. "Beneplan - A History of Ontario Prescription Drugs Coverage," April 1, 2019. <https://www.beneplan.ca/blog/a-history-of-ontario-prescription-drugs-coverage>.

Conference on National Approaches to Pharmacare, which has led to the gradual expansion and sometimes retraction of drug coverage¹⁶². Ontario's current model aims to deliver a universal "age-based" pharmacare system, under which those within certain age groups have access to coverage while also offering some minimal income-based support for those without any private insurance. Due to the prevalence of private insurers in Ontario, and a movement away from public funding of plans in other areas of health, such as electronic health records, there are strong ties to private institutions that press against the influences of federalism and the growth of a universal public system¹⁶³.

Ontario's public drug coverage system is focused on ensuring that the age groups that have the highest need for pharmaceutical support, the young and the old, have the necessary level of coverage to keep the costs of their medications suppressed. This is both value and needs-based, given the advantages of preventative care in the case of the young and the added pharmaceutical needs of aging¹⁶⁴. Coverage for the young is the closest Ontario comes to a universal pharmacare program, under which all prescription drugs are covered for Ontarians under the age of 25, regardless of income¹⁶⁵. Those aged 65 years and over are able to utilize the Ontario Drug Benefit Program. They have similarly broad coverage, which in their case requires

¹⁶² Morgan and Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

¹⁶³ Kratzer, Jillian, Lucy Cheng, Sara Allin, and Michael R. Law. "The Impact of Private Insurance Coverage on Prescription Drug Use in Ontario, Canada." *Healthcare Policy* 10, no. 4 (May 2015): 62–74.

¹⁶⁴ Visconti, Christina, and Elena Neiterman. "Shifting to Primary Prevention for an Aging Population: A Scoping Review of Health Promotion Initiatives for Community-Dwelling Older Adults in Canada." *Cureus* 13, no. 8 (n.d.): e17109. <https://doi.org/10.7759/cureus.17109>.

¹⁶⁵ Boothe. "Pharmaceutical Policy Reform in Canada: Lessons from History." July 2018

a \$100 deductible payment and a fee of \$6.11 for each prescription filled for more than 5,000 prescription drug products¹⁶⁶.

Ontario also offers a broader income-based deductible program, the Trillium Drug Program, which offers public coverage for drug costs that rise above 4% of household income¹⁶⁷. This deductible coverage is only available to Ontarians that do not have private insurance plans and cannot be used to help cover costs uncovered by those private insurers¹⁶⁸. This, in turn, creates a challenge for those with minimal private insurance, who need additional support due to their income levels.

Ontario's deductible system is a common model, with many provinces adopting similar policies, often alongside other supplementary pharmacare policies. Where its system is slightly more unique is its high emphasis on age as a prerequisite for its more universal and expansive public plans. Given the pressing needs that seniors have for medications, age-based policies have been developed out of necessity in many jurisdictions in the absence of other federal supports for aging populations¹⁶⁹. While recent transfers for homecare and seniors support are likely to help support seniors' care, there remains a gap in considerations towards the rising health needs outside of senior populations when it comes to pharmaceuticals¹⁷⁰.

¹⁶⁶ Government of Ontario, Ministry of Health and Long-Term Care. "OHIP+: Children and Youth Pharmacare - Drugs and Devices - Health Care Professionals - MOH." Government of Ontario, Ministry of Health and Long-Term Care, February 11, 2021. <http://www.health.gov.on.ca/en/pro/programs/drugs/ohiplus/>.

¹⁶⁷ Government of Ontario, Ministry of Health and Long-Term Care. "Trillium Drug Program-Publicly Funded Drug Programs - Health Care Professionals - MOHLTC." Government of Ontario, Ministry of Health and Long-Term Care. Accessed March 20, 2022. https://www.health.gov.on.ca/en/pro/programs/drugs/funded_drug/fund_trillium.aspx.

¹⁶⁸ Government of Ontario. "Trillium Drug Program-Publicly Funded Drug Programs" Accessed March 20, 2022.

¹⁶⁹ Brunet, Jonah. "New Brunswick's Population Is Aging Fast—and the Province Can't Keep up." *This Magazine*, August 3, 2017. <https://this.org/2017/08/03/new-brunswicks-population-is-aging-fast-and-the-province-cant-keep-up/>.

¹⁷⁰ Government of Canada, Health Canada. "Government of Canada Invests More than \$379 Million to Support Canadians Living in Long-Term Care in Ontario." News releases, April 21, 2022. <https://www.canada.ca/en/health->

An important counterbalance to any increased federal involvement in a national universal pharmacare program is the abundant private insurance market which has created a culture supportive of private insurance over public options¹⁷¹. This influence has had an effect going back up into federal circles, as the federal government must contend with risks of job losses, which in the 1990s ultimately led to backing away from pharmacare as a policy¹⁷². This shows that the lack of financial support from federal coffers, as well as the path dependence caused by the evolution of the federal-provincial relationships built in the 70s to the present, has resulted in a catastrophic and age-based system, only aspiring to universality.

Quebec: Universal pharmacare on a “national” level

The history of pharmacare in Quebec follows the shared path of the other provincial systems; however, it diverges from all other provinces in the implementation of its current pharmacare program in 1997¹⁷³. Before 1997, the focus of drug policy remained on offering care to low-income residents and seniors, similar to Ontario’s modern system¹⁷⁴. These programs would grow to provide for out-patient care drugs, special programs to promote preventative care, and groups traditionally treated by the federal government, such as first nations, members of the military, and federal prisoners¹⁷⁵. This encroachment on some federal jurisdictions is explained by Quebec’s view of itself as a sovereign nation and the willingness of the federal government to offload the delivery of care to the province. This helps in avoiding issues that arose in health

canada/news/2022/04/government-of-canada-invests-more-than-379-million-to-support-canadians-living-in-long-term-care-in-ontario.html.

¹⁷¹ Kratzer et al. “The Impact of Private Insurance Coverage on Prescription Drug Use in Ontario.” May 2015

¹⁷² Morgan and Daw. “Canadian Pharmacare: Looking Back, Looking Forward.” August 8, 2012

¹⁷³ Ferguson. “Understanding Quebec’s Pharmacare System.” September 27, 2018.

¹⁷⁴ Gouvernement du Québec. “History | Régie de l’assurance Maladie Du Québec (RAMQ),” 2020. <https://www.ramq.gouv.qc.ca/en/about-us/history>.

¹⁷⁵ Butler, and Tiedemann. “The Federal Role in Health and Health Care.” September 22, 2011.

coverage gaps, such as Jordan's Principle, in which gaps in care coverage caused by jurisdictional disputes led to the unfortunate death of a young indigenous boy in Manitoba¹⁷⁶. This system was also supplemented by private work-based insurance providers and yet still left over 1 million Quebec residents without coverage. In addition, the province was experiencing higher growth rates in costs for pharmaceuticals, which incentivized the move to a system that may be able to save funds¹⁷⁷. After consultation, studies, and reports, Quebec moved forward with legislation to enact a new program independent of the federal government and its provincial counterparts. This led up to the Universal Drug Insurance Program (UDIP) instituted in 1997, which would represent a major shift in drug policy in Canada and have an effect on the role of federalism in drug policy beyond just Quebec¹⁷⁸.

The UDIP had several objectives. It hoped to eliminate the number of uninsured residents and avoid inflicting major health expenses out of pocket for medically required treatments. It would provide reasonable access to innovative drug treatments, unlike provinces such as PEI, whose programs have stuck to generics¹⁷⁹. It intended to reduce the gap in coverage between the wealthy and the poor and hoped to attract and retain pharmaceutical researchers and production within the province through incentive programs.¹⁸⁰ UDIP's other objectives include, such as promoting out-patient care, supporting optimal medical practices, eliminating pressure on hospitals, and reducing pressure from lobbyist groups in the private insurance industry¹⁸¹.

¹⁷⁶ Lee, Sid. "Jordan's Principle." Assembly of First Nations (blog). Accessed April 18, 2022. <https://www.afn.ca/policy-sectors/social-secretariat/jordans-principle/>.

¹⁷⁷ Ferguson. "Understanding Quebec's Pharmacare System." September 27, 2018.

¹⁷⁸ Canadian Pharmacists Association. "Closing the Coverage Gap: Pan-Canadian Pharmacare." May 16, 2016.

¹⁷⁹ Ferguson. "Understanding Quebec's Pharmacare System." September 27, 2018.

¹⁸⁰ Ferguson. "Understanding Quebec's Pharmacare System." September 27, 2018.

¹⁸¹ Ferguson. "Understanding Quebec's Pharmacare System." September 27, 2018.

The UDIP system requires residents to maintain drug coverage through their group coverage plan, either with the public plan or their private plan with their employer. It established a formulary of 8,000 medications that were entirely covered for every resident. It set minimums for coinsurance levels and maximums for out-of-pocket deductibles¹⁸². Additionally, UDIP created a Drug Advisory Board, which was responsible for managing the drug formulary and making recommendations to the minister. This system is funded by an annual premium paid for all adults covered by the public plan.

Quebec's model has the most comprehensive coverage in all of Canada and is the longest-lasting universal pharmacare program in the country, though it has not gone without criticism. Quebec spends \$200 more per person than the rest of Canada to provide prescription drug coverage to everyone in the province, in part due to their hybrid private-public system¹⁸³. While Quebec spends the most per capita on drugs, the system is meant to cover most of its costs through annual premiums, with the added benefits of drawing pharmaceutical innovators to the province with incentives¹⁸⁴. This industrial interest has been largely successful, with 190 biopharmaceutical companies providing 16,900 jobs as of 2016¹⁸⁵. Despite this success, it is difficult to evaluate the value of these jobs or if they would remain without the program and incentives.

Quebec's program has been influenced by its understanding of federalism and the intergovernmental relationships between the federal government and Quebec, along with its asymmetrical constitutional and political arrangements with the federal government. Quebec's

¹⁸² Ferguson. "Understanding Quebec's Pharmacare System." September 27, 2018.

¹⁸³ Morgan et al. "Evaluating the Effects of Quebec's Private-Public Drug Insurance System." October 10, 2017

¹⁸⁴ Ferguson. "Understanding Quebec's Pharmacare System." September 27, 2018.

¹⁸⁵ Noreau, Joelle. "Life Sciences in Quebec: A Booming Industry," March 7, 2019.

<https://www.desjardins.com/ressources/pdf/per0319e.pdf>.

government's view of federalism focuses on the asymmetry of the federation and its identity as a minority nation¹⁸⁶. It is also focused on sizable provincial jurisdiction to function without federal intervention, looking for areas that could be subsumed by the provincial government¹⁸⁷. An example outside of health is the way in which the Quebec revenue agency collects federal taxes, a unique agreement in Canada¹⁸⁸. This is also shown in overtaking the federal jurisdiction of providing drug coverage for indigenous residents, along with active members of the military, though this is more common in other jurisdictions¹⁸⁹. There is also a focus on autonomy, which is shown in its unwillingness to join any pan-Canadian agreement for pharmacare, expressing its explicit desire to opt-out in favour of its own system¹⁹⁰. This independence has permitted Quebec to separate itself from the more fractured approaches to drug policy, as it views its approach as "national" in meeting all of the needs of Quebec's residents without federal involvement. While they certainly wish to be seen as independent, fiscal federalism has nonetheless been important to supporting the innovation hubs for biomanufacturing in Quebec, a key pillar of UDIP. Federal grants and innovation programs have enabled Quebec to leverage additional investment into the pharmaceutical industry in order to ensure they retain those innovators¹⁹¹.

While federalism had an influence on Quebec's program, the program itself also had a profound effect on the federal government's relationships with drug policy. 1997 and 1998 was an important institutional shift away from the concept of a publicly funded national pharmacare system due to financial pressures on budgets, concerns around costs, and opposition from private

¹⁸⁶ Balthazar. "Quebec and the Ideal of Federalism." 1995

¹⁸⁷ Gouvernement du Québec. "Québec's Vision: A Form of Federalism That Recognizes Diversity" June 1, 2017.

¹⁸⁸ Legislative Services Branch, Government of Canada. "Consolidated Federal Laws of Canada, THE CONSTITUTION ACTS, 1867 to 1982," March 7, 2022. <https://laws-lois.justice.gc.ca/eng/const/>.

¹⁸⁹ Butler, and Tiedemann. "The Federal Role in Health and Health Care." September 22, 2011.

¹⁹⁰ Canada's Premiers. "FINAL COMMUNIQUE." Canada's Premiers, July 20, 2018. <https://www.canadapremiers.ca/final-communique/>.

¹⁹¹ Noreau. "Life Sciences in Quebec: A Booming Industry," March 7, 2019.

insurance groups¹⁹². Into this environment came the passage of the compulsory private insurance portion of the UDIP program, making it very difficult to push for a publicly funded, pan-Canadian solution to pharmaceutical access¹⁹³. When the 1998 Conference on National Approaches to Pharmacare arrived, any comprehensive national program was already off of the table as a result of this split system¹⁹⁴. This was a potential policy window that closed which could have shifted the path dependency from its fractured root, but the private partnership of Quebec's system and their unwillingness to join in a federal program had a calcifying effect on the path dependence that faced drug policy¹⁹⁵.

The effects of Federalism and Federal Policy on Provincial drug policy

In each case, the relationship between the provincial and federal governments plays a role in the continued existence of different programs and has some influence on the creation and maintenance of the provincial programs in their current forms. Federal policy has always had an influence on provincial health programs, as can be seen through tools such as legislation in 1957 and 1966, the *Canada Health Act*, and the Canada Health Transfer, along with bilateral agreements and institutional forces¹⁹⁶. While there have not been major structural shifts in drug policy on a federal level in many years, the absence of federal leadership and the institutional forces of federalism continued to have an impact on provincial policies. This aligns with the five aforementioned areas of federalism, fiscal federalism, constitutional divisions of power,

¹⁹² Morgan, Steven G., and Jamie R. Daw. "Canadian Pharmacare: Looking Back, Looking Forward." (August 8, 2012)

¹⁹³ Government of Canada, Industry Strategy Council. "Restart, Recover, and Reimagine Prosperity for All Canadians - Innovation for a Better Canada," March 29, 2021. <https://www.ic.gc.ca/eic/site/062.nsf/eng/00118.html>.

¹⁹⁴ Morgan, Steven G., and Jamie R. Daw. "Canadian Pharmacare: Looking Back, Looking Forward." (August 8, 2012)

¹⁹⁵ Morgan, Steven G., and Jamie R. Daw. "Canadian Pharmacare: Looking Back, Looking Forward." (August 8, 2012)

¹⁹⁶ Morgan, Steven G., and Jamie R. Daw. "Canadian Pharmacare: Looking Back, Looking Forward." August 8, 2012

intergovernmental relations and institutions, political interpretations of federalism, and asymmetrical federalism.

The constitutional divisions of power have been important to establishing the authorities for provinces to manage drug policy, while the federal government has retained patenting and regulatory powers, along with the power of the purse. This division has given both orders of government a hand in the price of medication and its accessibility in Canada¹⁹⁷. It has also indirectly shaped the formularies of provinces and cemented the need for federal transfers in order to deliver health care¹⁹⁸.

As an extension of financial powers given to the federal government, fiscal federalism has enabled the creation and expansion of the existing systems and policies. The use of health transfers has historically played a formative role in ensuring that provinces have the needed capacity to deliver health programs, and bilateral agreements have been a growing part of the way that the federal government provides this support¹⁹⁹. These transfers, or the lack thereof, have had a major influence on how provinces have spent their limited resources while ensuring access to vital pharmaceuticals. In some cases, the broader health transfers have been leveraged to help fund provincial drug policy indirectly and opened space for them to grow. At other points, it has restricted provincial capacity to maintain or expand programs due to transfer cuts²⁰⁰. Fiscal federalism has undoubtedly had a major impact on the creation of drug policies across Canada.

¹⁹⁷ Jackman. "Constitutional Jurisdiction over Health in Canada." (2000)

¹⁹⁸ Butler, and Tiedemann. "The Federal Role in Health and Health Care." September 22, 2011.

¹⁹⁹ McIntosh and DeCorby. "From National Accords to Bilateral Agreements" January 18, 2022.

²⁰⁰ McIntosh and DeCorby. "From National Accords to Bilateral Agreements" January 18, 2022.

Intergovernmental relationships and structures have facilitated the growing collaboration in drug policy. The development of partnerships between provinces has been enabled by the development of intergovernmental relationships through organizations such as the pan-Canadian Pharmaceutical Alliance. This organization has been able to help provinces save costs through collaborative negotiations with pharmaceutical companies as a product of collaboration between federal, provincial, and territorial governments. It aims to increase access to drug treatment options, lowering drug costs, and reduce the duplication of efforts. This has enabled drug policies to develop in order to save costs and ensure that systems are provided in the most efficient manner possible²⁰¹. Another example is in the individual relationships between the provincial government and federal government. This was exemplified previously in PEI, more dependent on federal relations, Quebec's opposition to federal involvement in provincial spaces, and Ontario's general support for federal collaboration.

Finally, the asymmetrical nature of the federation has caused a variety of systems to emerge. Population demographics, size, fiscal capacity, administrative capacity, cultural and comparative relationships with other provinces and the federal government have all had an impact on the shapes of these systems. In PEI's case, its size, relationships with the Atlantic provinces, and fiscal capacity have played important roles in the use of a formulary that, if scaled, would be much more expensive²⁰². In the case of Quebec, its larger population, focus on provincial autonomy, and desire to defend and expand provincial jurisdiction have led to a system that separates it from federal influence with a more universal system. Finally, in

²⁰¹ pan-Canadian Pharmaceutical Alliance. "Home Page | PCPA," March 29, 2021. <https://www.pcpacanada.ca/node/30>.

²⁰² Canadian Pharmacists Association. "Closing the Coverage Gap: Pan-Canadian Pharmacare." May 16, 2016.

Ontario's example, its demographical challenges, financial constraints, and the influence of private insurers have all contributed to the development of its age-targeted system.

The Hoskins Report: A path forward for a universal national pharmacare program

Breaking down the Hoskins Report: an approach to universal national pharmacare

While there have been several approaches proposed for delivering pharmacare throughout Canada's history, the most recent plan building upon those previous approaches was outlined in the Hoskins Report of 2018²⁰³. The report worked to incorporate consultation from the public, key stakeholders, and experts and laid out a path forward for the implementation of a universal national pharmacare plan starting in 2019²⁰⁴. In the federal budget of 2019, they began the first steps in the creation and transition toward a National Drug Agency²⁰⁵. Unfortunately, any possible start to the project was delayed by the emergence of COVID-19 in early 2020. Nonetheless, in the four years since work on the report began, it has managed to stay both relevant and an important reference for policy makers. In the 2022 Budget, the government promises to table and pass a "Canada Pharmacare bill" by the end of 2023, followed by the tasking of the Canadian Drug Agency to develop a national formulary²⁰⁶. These show concrete steps towards the implementation of the strategy laid out in the Hoskins report, so it bears exploring what it is, how provincial governments have responded, and how federalism may inform its path forward.

²⁰³ Harris, Kathleen. "Advisory Council Calls for \$15B Universal, Single-Payer Pharmacare Plan | CBC News." CBC. June 12, 2019. <https://www.cbc.ca/news/politics/pharmacare-hoskins-recommendations-final-report-1.5171517>.

²⁰⁴ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²⁰⁵ Government of Canada, Health Canada. "Government of Canada Names Head of the Canadian Drug Agency Transition Office." News releases, April 1, 2021. <https://www.canada.ca/en/health-canada/news/2021/04/government-of-canada-names-head-of-the-canadian-drug-agency-transition-office.html>.

²⁰⁶ Government of Canada. "Names Head of the Canadian Drug Agency Transition Office." April 1, 2021.

Work on the report began in the summer of 2018, prompted by the government's election promise to explore and move towards the implementation of a pharmacare program²⁰⁷. Led by Dr. Eric Hoskins, the aim of the report was to lay out a path forward for pharmacare in Canada. The final report, published in June of 2019, made 60 recommendations covering 13 different areas of interest. It aimed to move towards a comprehensive national formulary and the full implementation of the plan by 2027, with a timeline of approximately eight years²⁰⁸.

The report begins its recommendations with the transposition of the five principles of the Canada Health Act onto pharmacare. The five principles include universality, comprehensiveness, accessibility, portability, and that a system is publicly funded²⁰⁹. They also specify a list of terms for coverage in a national pharmacare system. This includes the need for flexibility to allow provinces and territories to offer coverage beyond any national standard and allows private insurance to supplement coverage under a national plan²¹⁰. In addition, the report recommends using a national drug formulary to establish a list of prescription drugs and related products that would be covered, with minimal co-payments of up to 5\$ (\$2 for essential medicines) for those medications listed to a maximum of \$100 annually per household²¹¹.

The most important recommendations for the purposes of examining the role of federalism are the three recommendations focused on intergovernmental collaboration, which all align with the collaborative efforts typically seen in health policy. It is recommended that provinces and territories deliver national pharmacare to those in their jurisdictions based on

²⁰⁷ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²⁰⁸ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²⁰⁹ Government of Canada. "Canada Health Act: Annual Report 2014-2015." Government of Canada, 2015. https://www.canada.ca/content/dam/hc-sc/migration/hc-sc/hcs-sss/alt_formats/pdf/pubs/cha-ics/2015-cha-lcs-ar-ra-eng.pdf.

²¹⁰ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹¹ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

national standards in exchange for federal funding²¹². This would continue the growing usage of conditional funding transfers from the federal government in order to meet federal health objectives. They then recommended that financing agreements be reviewed every five to ten years in order to keep them in line with the actual costs of delivering pharmacare and to account for financial changes and the growth of the program²¹³. Finally, the committee recommended that changes to the intergovernmental financing arrangements for national pharmacare would require the consent of parliament, along with 70% of participating provinces and territories representing two-thirds of the combined population of the participating provinces²¹⁴. This, in essence, calcifies the program and makes it difficult to alter, ensuring that there is a new trajectory set to govern decision-making through path dependency. This also addresses provincial concerns surrounding the federal government moving quickly from one health project to the next, leaving the provinces with new responsibilities and little funding²¹⁵. In addition, it helps to redefine and institutionalize the relationship between the federal and provincial governments on the subject of pharmacare.

In order to adopt the recommendations, the report proposes that provinces join the program as a coalition of the willing, allowing provinces to join at their own pace while not imposing any financial penalties on provinces that do not decide to join²¹⁶. The implementation would then be a phased approach, with negotiations, followed by legislation, and then the provincial and territorial governments implementing the program²¹⁷. Given the conditional and bilateral means of achieving the national standard, provinces would need to opt in to reap the

²¹² Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹³ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹⁴ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹⁵ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹⁶ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹⁷ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

financial benefits and support or have an agreement stating otherwise²¹⁸. While it mentions not penalizing provinces for not joining a national plan, it is unclear how it would enforce a national standard unless funding were conditional to opting-in²¹⁹. It also requires the establishment of a Canadian Drug Agency to oversee the program and progressively build a drug formulary from basic medications into more comprehensive coverage. A final and key aspect of pharmacare, as proposed in the report, would be the creation of a health transfer specialized for pharmacare, following the example of the Canada Health Transfer²²⁰.

Provincial and Territorial Responses to Hoskins

Provinces and Territorial had a mixed response to the Hoskins report. While many were supportive of the overall goals of the project and improvements to access to pharmaceuticals, Premiers raised concerns, and they took a few collective positions which opposed some of the recommendations of the report. They stated that a successful program would require adequate and sustained federal funding, in alignment with the report's recommendations²²¹. The Premiers made it clear that participation must be voluntary, supporting the principle of asymmetrical federalism and allowing any jurisdiction that wishes to maintain control over its own drug policy to do so with full financial compensation²²². They established four principles to govern discussions with the federal government on pharmacare²²³:

- Improving access through removing cost barriers for patients should be the focus;
- Development should be based on the best available evidence about potential benefits, risks, costs, and reliability of supply;

²¹⁸ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²¹⁹ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²²⁰ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²²¹ Gouvernement du Québec. "Québec's Vision: A Form of Federalism That Recognizes Diversity" June 1, 2017.

²²² Canada's Premiers. "FINAL COMMUNIQUE." Canada's Premiers, July 20, 2018.

<https://www.canadaspremiers.ca/final-communique/>.

²²³ Canada's Premiers. "FINAL COMMUNIQUE." July 20, 2018.

- Provinces and territories must retain responsibility for the design and delivery of public drug coverage; and
- Federal pharmacare funding must be long-term, adequate, secure, flexible, and take into consideration present and future cost pressures.

These comments align with much of the report but with some important exceptions. The key demand the Premiers made in the Meeting of the Council of the Federation was that the provincial governments should be able to opt-out of any proposed national pharmacare program while still receiving equal funding from the federal government. While the Hoskins report does recommend that provinces have the ability to opt-in to a federal plan, it suggests that only those who opt-in will receive financial support²²⁴. This position of retaining authority follows the established position of Quebec's views on federalism²²⁵. Additionally, the Hoskins report specifies a set of parameters that pharmacare policies must adhere to. This may create limits on the ability of provinces to design and deliver public drug coverage in the direction they prefer in the name of uniformity, though the report does allow for jurisdictions to go beyond the national standard²²⁶. The report does discuss the provinces delivering the national pharmacare system, but it also aims to set standards that may constrict provincial autonomy.

Individually, the provinces and Premiers took some similar stances to the groups' comments from the Council of the Federation about the Hoskins report and others more strongly against it. Christine Elliott, Ontario's Minister of Health, stated that Ontario does not want a full pharmacare overhaul and instead urged a federal focus on drugs for rare diseases²²⁷. Outside of the broader comments made by the Council, it is not easy to measure the exact positions of some

²²⁴ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²²⁵ Gouvernement du Québec. "Québec's Vision: A Form of Federalism That Recognizes Diversity" June 1, 2017.

²²⁶ Hoskins, Eric "A Prescription for Canada: Achieving Pharmacare for All." June 2019.

²²⁷ Gibson, Victoria. "Elliott Says Ontario Doesn't Want Full Pharmacare Overhaul, Urges Focus on Drugs for Rare Diseases." IPolitics, November 21, 2019. <https://ipolitics.ca/2019/11/21/elliott-says-ontario-doesnt-want-full-pharmacare-overhaul-urges-focus-on-drugs-for-rare-diseases/>.

premiers, such as Doug Ford, in regard to the report, given that they did not make statements on the matter. The former Premiers of both Manitoba and Newfoundland and Labrador both focused comments on concerns over adding another health service, given other current challenges to Canada's health care system, citing wait times as a higher priority²²⁸. British Columbia's Premier John Horgan spoke in a similar vein, saying, "If you cannot sustain health care and all the multitude of services that we offer, effectively, then we will have lineups grow as they have grown over the last number of years right across the country in every category... if you can't get that right, don't start with another program, get that right, start by getting that right, because there are too many people across this country waiting far too long to get care."²²⁹. Saskatchewan Premier Scott Moe agreed, saying that they already have a comprehensive program similar to British Columbia's; however, he suggested he has no opposition to additional federal effort on pharmacare so long as it is fair for Canadians and funded by the federal government²³⁰. Quebec Premier Francois Legault stated they already have a pharmacare program and was happy at the unanimous support for an opting-out clause to the federal government, with Alberta Premier Jason Kenney sharing the same sentiment²³¹.

Overall, the response of provinces to the Hoskins report was universal in its aim first to increase the current health transfers, allow provinces to continue their programs without financial consequence should they opt-out of the federal plan, and that they are willing and support the federal government becoming involved in pharmacare, so long as the federal government takes

²²⁸ Aiello, Rachel. "What the Premiers Think about a National Pharmacare Plan." CTV News, December 2, 2019. <https://www.ctvnews.ca/politics/what-the-premiers-think-about-a-national-pharmacare-plan-1.4711882>.

²²⁹ Aiello, Rachel. "What the Premiers Think about a National Pharmacare Plan." December 2, 2019.

²³⁰ Aiello, Rachel. "What the Premiers Think about a National Pharmacare Plan." December 2, 2019.

²³¹ Jones, Allison. "Premiers Want Ottawa to Allow Opt out for Proposed Pharmacare Plan | CTV News." CTV News, December 2, 2019. <https://www.ctvnews.ca/politics/premiers-want-ottawa-to-allow-opt-out-for-proposed-pharmacare-plan-1.4710917>.

on the corresponding financial responsibility for the program and that they are accountable for the outcomes²³². This presented a united front and suggested that it would rely more on the broad drug transfer discussed in the report, focusing on national accords and transfers akin to the Canada Health Transfer and establishing some bilateral agreements in order to bolster the system²³³.

The Implications of federalism for the Hoskins approach

The Hoskins approach faces an uphill battle when it comes to breaking the path dependency set by previous decisions facing pharmacare. However, its approach has already shown some success at breaking out. The work towards the creation of the Canadian Drug Agency and mentions in the 2022 budget of moving forward with pharmacare legislation by 2024 both show that the needle is moving in the direction of the report. In addition, the funding agreement with PEI in 2021 to begin implementing a universal pharmacare program represents the first steps towards the realization of a national pharmacare program²³⁴. These steps contrast with what followed the many reports and recommendations pressing for a national pharmacare plan that preceded the Hoskins report. As the project continues to progress, it will be important to recognize how federalism has its role to play.

The asymmetrical nature of the federation requires bilateral agreements to be used in order to address the more unique circumstances in each province effectively. While the report recommends the use of such agreements, it is important to consider the unique challenges of each

²³² Canada's Premiers. "FINAL COMMUNIQUE." July 20, 2018.

²³³ McIntosh and DeCorby. "From National Accords to Bilateral Agreements" January 18, 2022.

²³⁴ Prince Edward Island. "Atlantic Premiers Endorse Accord to Strengthen Health Care Collaboration and Discuss Energy and Trade Priorities," December 10, 2021. <https://www.princeedwardisland.ca/en/news/atlantic-premiers-endorse-accord-to-strengthen-health-care-collaboration-and-discuss-energy-and>.

province in the design of any national standard. Encouraging interprovincial collaboration, as shown in projects such as the Atlantic Accord, may act as a means of connecting provinces to reduce the asymmetry in power between provinces to strengthen provincial capacity²³⁵. This will also mean ensuring provinces are willing to accept bilateral agreements to meet their needs rather than focusing on the opt-out option. This is because bilateral agreements may mean funding is more targeted and therefore not equal across provinces, potentially penalizing provinces that opt out.

The usage of fiscal federalism will be vital to the success of a national pharmacare plan, given that it is the primary leverage to be used by the federal government in order to bring provinces to the table. While the report does effectively seek to leverage federal spending power, the conditionality of spending will be a major contributor to achieving a national standard rather than more fragmentation in coverage. Some provinces have strong private insurance industries and have had movements toward the privatization of more health responsibilities²³⁶. Ensuring that the system abides by the stated principles of the Canada Health Act will rely on effectively leveraging the conditionality of funding to avoid attempts to deviate away from these principles.

Intergovernmental relationship building and institutions, including the Canadian Drug Agency, will also be important to address key governance questions. The management of the pharmacare program, as laid out in the Hoskins report, requires relationships between the provinces and federal government that are both productive and collaborative, which has not

²³⁵ Marchioro, Nancy. "Atlantic Provinces and Canada Health Infoway Collaborate to Improve Access to Health Care and Drive Economic Growth through Digital Health | Canada Health Infoway," July 10, 2018. <https://www.infoway-inforoute.ca/en/what-we-do/news-events/newsroom/2018-news-releases/7872-atlantic-provinces-and-canada-health-infoway-collaborate-to-improve-access-to-health-care-and-drive-economic-growth-through-digital-health>.

²³⁶ The Council of Canadians. "Privatization of Health Systems." The Council of Canadians. Accessed April 22, 2022. <https://canadians.org/privatization>.

always been the case in health. It will be essential to leverage existing relationships that are a byproduct of federalism, such as the pan-Canadian Pharmaceutical Alliance, to effectively implement a national pharmacare strategy.

Political interpretations of federalism will also play a critical role in the space that the federal government can take in establishing national standards for pharmacare. While some provinces may support more federal leadership, as indicated by the premier of Quebec amongst others, sentiments are not entirely shared amongst premiers to accept or give room for a federal standard in pharmacare. Instead, their views on federalism would privilege provincial programs. This could be a barrier to building a considerable enough coalition to move forward with an effective national plan or cause fragmentation and wider disparities in the coverage from province to province.

Finally, constitutional divisions can be leveraged in order to advance the aims of the report further should agreements be delayed. As mentioned in the report, this can include re-examining patent law, but also regulatory frameworks for pharmaceuticals, and examining options for indigenous specific drug formularies. Jurisdictional boundaries, as defined by the constitution, allow for movements forward with pharmacare without the coalition of the willing proposed. However, it requires careful consideration to avoid jeopardizing provincial relationships in the process.

Conclusion: A Collaborative Approach to Policy Development and Implementation Through Federalism

Federalism is one of the most powerful institutions in Canada and is vital to understanding the development of current drug policies and the path forward toward more

universal models. It fundamentally affects the relationships between the levels of government responsible for funding, developing, implementing, evaluating, and delivering the health policies that Canadians need. It is an institution embedded in the fabric of Canada's political and social being. It has been integral in defining how the federal and provincial governments influence one another and how these institutional rules of engagement affect policy.

The road ahead for any federal pharmacare plan is long and will require an understanding of the currently existing systems and the interplay between federalism and health policy. This paper aimed to explore how federalism has historically affected drug policy. Despite the challenges posed by moving towards a universal pharmacare system, it is a needed change to ensure that all Canadians have access to the medication they need and that the health system remains sustainable. Too many patients lack access to the medicines they need, and the current assortment of provincial options requires expansion if they are to cover these gaps.

The institutional impacts of federalism, as seen in the cases of PEI, Ontario, and Quebec, show that the means of engaging with provincial governments is vital to understanding the opportunities that provinces have to innovate and experiment. It also shows how provinces have been able to move away from past trends of targeted drug policies towards more universal systems in the absence of federal leadership while still facing constraints created by federalism. Each of these cases shows different connections to federalism in Canada due to their unique natures, and there is no doubt that sampling further provinces would reveal differences due to the asymmetry of federalism in Canada.

The national pharmacare plans laid out in the Hoskins Report represent some of the most detailed forms of consultative policy-making that exist in the health sphere. While the report has aged in the light of the pandemic, it presents key ways forward for pharmacare in relation to

existing relationships between the federal and provincial governments and the restrictions and tools that are available through these systems. It has made many key considerations that address the concerns and barriers erected by federalism and the inertia of continuing historical trends of federal involvement in drug policy, though it is important not to lose sight of these concerns.

This study has helped situate current drug policies within the historical context of developments in federalism's role in drug policy, along with the evolution of provincial programs. The strengths of this study lay in the construction of the historical narrative, which shows the progression of systems and how that progression is paralleled by federalism. It utilizes a variety of sources to give accounts of three provincial pharmaceutical systems and explores how the Hoskins report may guide the advancement of pharmacare policies in Canada. Its focused selection of the sample provinces helps illuminate the variety of current systems and some of the influences which have helped to shape them. It also explores wider consequences of historical developments and path dependency, which have led to the current environment.

The weaknesses of this study are its limited scope and reliance on existing research which is quickly becoming dated in an ever-changing health policy landscape. The study also does not cover in more detail the work that has been accomplished in other provinces that were not selected as case studies. The discussion of path dependency, while helpful to understanding the past, does have limited value in predicting the future engagement of provinces, as it cannot predict if provinces will adopt a national approach or remain stuck to provincial-centric approaches. Finally, because this work focuses on historical developments in institutional federalism and their role in shaping provincial systems, there remain gaps in what other influences have been the cause for particular drug policy choices.

In the nearly three years since the Hoskins report was published, the world has undergone massive shifts in the health space. Digital health and health data have both risen to prominence throughout the COVID pandemic, and the policy window created by the Hoskins report seems to have narrowed as a result of more pressing needs. Even though COVID has stolen much of the spotlight from pharmacare, it has also shown the need for preventative care and the risks of leaving the vulnerable without coverage²³⁷. COVID has further increased pharmaceutical costs due to supply chain challenges and delayed treatments, worsening conditions such as cancer²³⁸. These challenges have only further deteriorated the ability of Canadians to access the medications they need.

While COVID has stolen the spotlight, the governance agreement between the liberal government and the NDP has re-engaged discussions around pharmacare. As it is a condition of the governance agreement, there is more pressure and drive to move the policy forward in the next few years, as reflected by the promises made in the federal budget of 2022²³⁹.

Further research is required to develop a wider understanding of the new challenges presented by COVID-19 and how they will affect the path towards national universal pharmacare. One example is how pharmacare challenges may be worsened by inflationary pressures as the more prolonged economic effects of the pandemic persist. Whether or not these financial pressures will result in similar cuts to provincial transfers as those under the Chretien government in the 1990s or if they will result in changes in intergovernmental relations and priorities will be essential to explore. Renewing and re-evaluating the Hoskins report and its path

²³⁷ Malek, Jan. "COVID-19 Shows That Pharmacare Is Needed Now." The Council of Canadians, April 22, 2021. <https://canadians.org/analysis/covid-19-shows-pharmacare-needed-now>.

²³⁸ Malek, Jan. "COVID-19 Shows That Pharmacare Is Needed Now." April 22, 2021.

²³⁹ Wherry, Barton, Cochrane, and Kapelos · CBC News · "How the Liberals and New Democrats Made a Deal to Preserve the Minority Government." March 27, 2022.

to universal pharmacare, given the massive shifts caused by the pandemic and now financial pressures, would be beneficial to understanding if changes in approach would be preferable. These future studies can continue to illuminate the relationships between the federal and provincial governments as they pursue the goal of universal access to pharmaceuticals.

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