Analysis of Pharmaceutical Policy in Canada

John Mailhot

University of Regina

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Intro

The idea of universal pharmacare in Canada has been an important issue for many years. Some feel that the notion is simply too idealistic and that the program would come at too great a financial cost to the country. Others, however, argue that it is not morally responsible to have people receive medication based on where they live and work, rather than need (CHC, 2006). In addition to the moral argument made by pharmacare supporters, there has been a compelling amount of evidence gathered that supports a strong economic argument. It has been purposed that the only way to arrest the growing cost of healthcare in Canada is to offer free pharmaceuticals to its citizens. In order to gain a better understanding of the ideological foundations on which both sides have built their arguments, both the residual and institutional models of social welfare will be examined in relation to pharmacare. The economic benefits of pharmacare will also be explored. Some countries have made extremely large saving on pharmaceuticals with the use of collective bargaining strategies (CHC, 2006). These strategies and the associated advantages will be discussed in comparison to the current fragmented purchasing system to which Canada subscribes. Additionally, the savings of no longer having to spend money on business related costs such as advertising will be analysed. Another growing concern with regards to economics, is the way in which Canadians are often prescribed expensive brand name medicine when cheaper medicine of the same quality is available. The other large with regards to the current for profit pharmaceutical system are the several dangers it has exposed to Canadian citizens. Over advertising has led physicians to prescribe too often and for patients to be misinformed about the real quality of the product. The growing influence of the pharmaceutical companies on Health Canada has caused the repositioning of efficient approvals with fast approvals. Finally, in regards to safety, the issues surrounding the effects of pharmaceutical company's pressure on researchers will be explored specifically concerning the misrepresentation of test results. As ensuring that people have fair access to resources is a social justice issue, social workers have a role to play in securing a pharmacare system

within Canada. The social work community will need to contribute through advocacy, research, and the building of policies to prepare for a potential policy window. The best ways to ensure that Canadians maintain equality and good health is to ensure universal pharmacare and a public medical database.

Social Welfare Models

The Residual Model

Currently, Canada operates under the residual model of social welfare when dealing with pharmaceuticals. This philosophy holds that pharmaceuticals should only be funded by the state when all other options have failed (Hick, 2007). It puts an emphasis on using private supports as the first line of defence and only resorting to the help of the state in extreme circumstances. Part of the reasoning behind these ideas is that if the state provided people with free medicine, individuals in society would lose their competitive drive. This would lead to people being dependent on the state and ultimately lose some of the incentive to be productive. Private sector pharmaceuticals also ensure that people are free to make their own choices, rather than the state having a monopoly. This ensures that the pharmaceutical companies operate as efficiently and as inexpensively as possible in an effort to have people buy their products as opposed to their competitions (Hick, 2007). In terms of people who cannot afford medicine, it would be important to encourage philanthropy and charity in order to ensure vulnerable people are looked after.

The Institutional Model

The institutional model holds that since pharmaceuticals are essential to people's health, everyone should have access to them, regardless of wealth or geographic location (Hick, 2007). Having a universal pharmacare program would not only give people fair access to medicine but build stronger national solidarity. This refers to the way in which everyone is dependent on a universal program and therefore, has an interest in it. This ensures fewer fractures within society, as nobody would feel cheated by paying into something they themselves use. The capitalist economy is prone to boom and

bust cycles, thus many people can find themselves in situations whereby they will not be able to afford medicine through no fault of their own (Hick, 2007). A universal pharmacare program would ensure that should people come across hard times through no fault of their own, there would be a safety net to ensure they still receive medicine.

Economic Arguments for Pharmacare

Added Bargaining Power

As it currently stands in Canada, pharmaceuticals are purchased separately by provinces, hospitals and individuals. By having so many separate entities making purchases, the ability to negotiate with pharmaceutical companies is being heavily undermined (CHC, 2006). By not making use of bulk purchasing, Canada ultimately spends more on negotiations, as there are more of them, as well as spending more on the product, as there is no leverage during negotiations (Schwitzer, 1997). Australia has employed the tactic of offering their entire pharmaceutical market to the lowest bidder and as a result have seen a 10% decrease in price (Gangnon, 2010). Similarly, New Zealand made use of the strategy which resulted in a 50% savings on the cost of pharmaceuticals (Gangnon, 2010). The Canadian centre for policy alternatives estimates that Canada could save 10.2 billion dollars annually by using the coordinated bargaining effort. In the current fragmented purchasing structure, the provinces are prone to being played against one another. Currently Saskatchewan has employed the bulk purchasing strategy which allows the lowest bidder to have the entire public Saskatchewan market (Gangnon, 2010). While the strategy has been helpful, it has not yet yielded its maximum result. Quebec has a provincial clause which requires the manufacturers of pharmaceuticals to offer the province the best price available in Canada. This clause is obviously very beneficial it does, however, kill the incentive for the pharmaceutical companies to offer other provinces low prices, as Quebec's large market would be subject to the new low price as well (Gangnon, 2010). While Quebec's by-law is not a systemic problem in itself, it is a clear symptom of the wider spread problem, that is, the

provinces undermining each other's efforts to provide inexpensive medication for their citizens. The way to combat this problem is through national solidarity when it comes to negotiations with pharmaceutical companies. There has been some speculation that a National Drug Agency needs to be established (Romanow, 2002). The National Drug Agency would be the entity that monitors and negotiates prices of pharmaceuticals within Canada.

No More Costs of Running a Business

In the current system pharmaceutical companies are run like businesses. This entails being driven by the bottom line and not the public good (Graham, 2005). Additionally, there are many costs associated with running a business that are not present when running a public service. These added costs would include things like profits, advertising and high administrative costs.

According to the neo-liberal view, having the capacity to turn a profit acts as the incentive for individuals and organizations to function efficiently (Mckenzie, 2010). This, however, does not appear to be the case with regard to the pharmaceutical industry. As the cost of pharmaceuticals is increasing by about 7% annually (CHC, 2006). While, the cost of research and development has been increasing, it has not been enough to justify the elevated costs of pharmaceuticals (Weber, 2006). The main costs increases can be attributed to drug companies making larger investments in advertising, higher salaries, bonuses, and commissions (Weber, 2006). This would not be as much of a concern if the product was in fact getting better but as will be discussed later, it is not.

As mentioned before, advertising is becoming one of the biggest costs to pharmaceutical companies. A recent study shows that on average, a US pharmaceutical company spends twice the amount of money on advertising as they do on research on development (Gagnon, 2008). In essence, this means that pharmaceutical companies are spending more money are trying to sell their products than they are on producing and ensuring the safety of their products.

While it is true that public systems have administrative costs they are not nearly as high as

private drug companies (Schwitzer, 1997). The administrative costs in private insurance plans run at 8% compared to larger less bureaucratic public plans that typically run at 2% (Gagnon, 2010). The reason for this discrepancy is that the private insurance plans are typically more rigorous in determining eligibility, deductibles, co-payment options and prescription costs (Weber, 2006). Additionally, these private insurance companies have people applying for subsidies from the government (Gagnon, 2010). Thus, in essence people have to pay taxes in order for the money to subsidize a private insurance company that is going to spend the money paying someone to search for reasons why they do not have to give someone coverage. When concerned with only the bottom line of the company it would make sense to have high administrative costs in order to try and escape having to pay for people's medicine. In a public system, however, the overall economic cost that is related to society when people do not have access to medication would be taken into consideration.

Using More Expensive Drugs When Cheaper Drugs will do

The constant introduction of expensive brand-name drugs on the market is a fast growing problem. Between 1996 and 2005 there were 231 drugs with new ingredients introduced in Canada. Out of the 231 new drugs, only 34 provided a substantial improvement over existing drugs (CHC, 2006). As it currently stands, patent protection for pharmaceuticals lasts for twenty years from the time the company applies for the patent. While some suggest that even 20 years is far too long for a company to have a monopoly, most pharmaceutical companies draw the process out even further in what has been described as “evergreening” (CHC, 2006, p. 15). Evergreening is strategy drug companies use in order to circumvent patent laws. It might include, for instance, releasing the once a day version of something when the patent on the three times a day version is almost expired (CHC, 2006). There are also instances in which companies simply receive automatic extensions from the government, or the companies take direct legal action in order to extend a patent (Switcher, 1997). By extending patents so long the production of cheaper generic drugs is prevented (Switcher, 1997). The

neo-liberal model would suggest that the patents are necessary as having the twenty year monopoly acts as an incentive for the research and development of better medication. This has not proven to be the case, as the people benefiting from these monopolies are not the people who did the research but rather the share holders and heads of the companies. Thus would it not be reasonable to infer that if the state provided the cost of research to the people producing new medication, they would still produce the same quality of product? Additionally, state run research and development would give the incentive to produce drugs of the cheapest cost and highest quality, as overall this would be most beneficial for the economy.

Another costs saving practice that has been overlooked in Canada is first-line treatment. First-line treatment entails starting with the least invasive and least expensive therapy and then slowly progressing through the different treatments (CHC, 2006). It has been estimated that Canada could save $2.51 billion dollars a year by employing a strategy (Gagnon, 2010). In addition to the economic benefits, this type of practice would be beneficial to the patients as they would not be subject to unwanted side effects of stronger medications that might not be necessary.

Safety Concerns with the Private System

Problems with Over Advertising

As previously mentioned over advertising has become a large concern surrounding the pharmaceutical industry. Currently the pharmaceutical industry annually spends $30,000 per doctor in Canada on advertising (Gagnon, 2010). The advertising includes free samples, sales rep contact, conferences, trips and giveaways. While ensuring that the physicians are well educated about the products they prescribe, some have speculated that pharmaceutical company conferences are a less than objective source of information (Weber, 2006). Concerns about doctors over prescribing medication when it is not necessary have also been raised (Weber, 2006). Some studies have shown that doctors who rely more on commercial sources for their information about drugs are more likely to “prescribe

the wrong drug in the wrong formulation for the wrong reason in an incorrect dosage for an inappropriate length of time" (Chetley, 1990, p. 54).

In addition to the problems associated with over-prescribing to patients, direct-to-consumer advertising on the part of pharmaceutical companies has produced a similar set of problems. Direct-to-consumer advertising refers to the way in which drug companies now advertise directly to patients, this practice was not always legal but restrictions have receded over time (Gagnon, 2010). Similar to the affects of over advertising, the encouragement on behalf of the pharmaceutical companies for people to "ask your doctor" if this medication is "right for you", has lead to an increase in demand and an over use of medication (Weber, 2006, p.126). One study done in 2000 illustrated that every dollar spent on direct-to-consumer advertising yielded an additional $4.20 in sales (Weber, 2006). While this is good news for the pharmaceutical and advertisement industry, it seems as though the ethics involved with creating demand for medications that are not necessary, are somewhat suspect. If a drug has been approved by a regulatory body, the ads are not evaluated and are dealt with on the basis of complaints made in regard to the truth within the ads (Weber, 2006). This leads to a situation whereby an ad can run for months until someone complains that the advertisement is dubious at which point it is removed. The damage at that point is already done, however, and everyone exposed to the ad now has a false impression of the medication (Weber, 2006). Even when everything in the advertisement is true, the effects can still be harmful. In 2004 the FDA did a survey that revealed 85% of physicians have had their patients ask about prescription drugs frequently (Weber, 2006). Some Physicians have also mentioned that it is difficult to disappoint patients that are seeking a specific medication (Schweitzer, 1997).

Weak Regulatory System

As it stands, Health Canada and its approval procedures are not adequately insulated from the influence of pharmaceutical companies (Gagnon, 2010). The Canadian Medical Association Journal

has stated that Health Canada is biased towards approving drugs too quickly and without adequate proof of safety (Gagnon, 2010). It is speculated that one of the main reasons for the influence that the pharmaceutical industry has over regulatory agencies is because of Canada's adoption of a “cost-recovery” approach with regulation (Gagnon, 2010). The cost-recovery approach was adopted in 1995, it involved the beginning of pharmaceutical companies paying fees to regulatory agencies. As of 2010, pharmaceutical companies pay half the running costs of the agency that evaluates and approves their product (Gagnon, 2010). Additionally, Health Canada does not share the drug evaluation research with the public or with doctors, pharmacists and others in the health care profession. When a new drug is approved, there is limited information available to doctors (Gagnon, 2010). In terms of what it takes for a drug to be approved by Health Canada, a new drug simply needs to perform better than a placebo (Gagnon, 2010). This leads to far more drugs being available on the market than necessary, only complicating things further for both doctors and patients.

Bias in Research and Development

Several studies have shown that drug companies are willing to pressure their researchers to put speed ahead of safety (Abramson, 2005). This is result of the way in which a business is concerned with their company’s bottom line rather than the socio-economic state of the country itself. When research is done in the public sector, it is done in an effort to pursue knowledge. When research is done in the private sector, it is done to fulfil required legal obligations in order to put the product to market. While the neo-liberalist view holds that research done in the private sector is driven by competition and the need for survival, thus making it more efficient, this ideology does not take into account other factors. The main factor being that the private sector is after profits and not knowledge. While it is not legal to completely falsify research, there are still many strategies that can be taken in order to support the desired results (Abramson, 2005).

One tactic that has been used in order to gain positive results in research includes the sponsoring

company designs the experiment in a way that favours positive results (Weber, 2006). For example, a company can test a pain relief drug against a placebo and advertise that the drug yields “improved pain control” (Weber, 2006, p. 193). The information, however, has no relevance to how the medication holds up against other medications on the market. Another manipulation includes testing for side effects on people who are younger and healthier than the population most likely to be using the pill (Abramson, 2005).

Another large issue in research and development is that research results not supporting the use of the company's product are not made available (Weber, 2006). This grossly inhibits the consumer’s ability to make an informed decision. Some have speculated that “irrespective of their scientific interest, trial results that place financial interests at risk are particularly likely to remain unpublished and hidden from public view” (Weber, 2006, p.126).

When the bottom line serves as a guide to what should be researched, certain diseases tend to be neglected (Schwitzer, 1997). If financial gain rather than public wellbeing acts as the impetus for invention, certain populations will suffer as many diseases are associated with poverty. Thus in the current arrangement, there is no incentive to research diseases that are causing harm to people in poverty (Schwitzer, 1997). The neo-liberal approach to governance would suggest competition will produce the best results but it appears as though there is only competition to make money efficiently, as opposed to research efficiently.

While there is only so much that can be done in order to dissolve dishonesty in scientific research, it is clear that there is a need for more transparency. With pharmaceutical companies having so much invested in research and researchers being so dependent on that money, there is clearly a situation which fosters corruption.

Wider Spread Economic Problems

The problems with Canada's current pharmaceutical industry are beginning to cause several

widely spread economic problems. In terms of contributing to the under-employment epidemic in Canada, the current system acts as a disincentive for employers to hire full time workers (CHC, 2006). When someone gains full time employment and access to benefits, one family member's benefits will typically cover the entire family, as many smaller companies offer little insurance. Thus, employers are reluctant to offer full time positions unless necessary. A universal pharmacare program would create a situation in which the consideration of insurance would no longer be factor for employers looking to hire full time workers (CHC, 2006). Additionally, one of the main causes of worker strikes in the US is medical coverage. These labour disputes are detrimental to the economy and often lead to costly negotiations (CHC, 2006). As Canada has medicare, this is typically not a concern but with the increasing cost of pharmaceuticals it is safe to infer that this could be a problem Canada faces in the future. Having a cheaper publicly run single payer health care system has added incentive for businesses to invest in Canada rather than the US (CHC, 2006). Given the rising cost of pharmaceuticals combined with the momentum of globalization, it appears as though the advantage that Canada has had over the US might be transferred overseas. Since Canada has typically been more attractive to investors because of medicare, it would be reasonable to infer that countries with a pharmacare plan might ultimately become the best places for new investment (CHC, 2006).

Another concern is the way in which social assistance offers stronger support for pharmaceutical coverage, than many small employers. Since the coverage is dismissed after someone becomes employed and there is little chance that the person is going to have proper insurance, the social assistance coverage acts as a welfare trap for people who are interested in obtaining work (Gagnon, 2010). The problem in this of course, is not that welfare recipients have proper coverage but rather that the coverage is lost when they seek employment. Having a universal program would prevent the notion of not having access to medication from acting as a disincentive to employment (Gagnon, 2010). Another large economic concern caused by the current private system is that when people are

not treated for their sickness, they will most likely end up needing support from the public system. The support from the public system can come in the form of hospital time or surgery. Thus ultimately, by not allowing people access to necessary medication, they become sick and cost even more for medical service (CHC, 2006). It should also be noted that Canada's pride in its health care system should act as an incentive to show humanity in regards to not allowing a person to suffer to the point of needing a medical procedure for something that could have been avoided with medication.

Role of Social Workers

Advocacy:

According to the CASW Code of Ethics, social workers are responsible to “uphold the right of people to have access to resources to meet basic human needs” (CASW, 2005, p.5). Medicine would clearly fall into this category. While many people are struggling to pay their rent or get groceries, medicine is too often pushed to the side as a luxury. Within Canada, 8% of adults admit to not having filled a prescription in the last year for financial reasons (CHC, 2006). This is something that the social work community must bring to the public attention. This could be done in several ways, for instance, doing research on how current pharmaceutical policies have affected Canadian citizens. Additionally, organizing demonstrations of solidarity in order to pressure government to action would play an important role in pushing this social justice issue (Mckenzie, 2010). In terms of organizations that would be helpful to the struggle for pharmacare, forming coalitions with labour unions, First Nations bands, and anti-poverty groups would be pivotal. Solidarity between these types of groups would place a substantial amount of political pressure on government, in addition to attracting media attention and having more people join the cause.

Build a Framework:

While universal pharmacare would be the ultimate goal, policy change is a process and not an event. Thus it is important to organize communities in order to start building solutions in the short term.

A few possible ideas for local non-government solutions would include the establishment of a not-for-profit insurance provider and a website that provides a catalogue of alternative treatments and information about fowl play in the pharmaceutical industry.

In terms of a not-for-profit insurance provider it would be useful to first see if it would be feasible to form a coalition amongst university and labour union insurance plans. By doing this it might be possible to form one large plan, which in turn would be able to use its bargaining power with not only pharmaceutical distributors but alternative medicine providers. If such a coalition where possible, it would also be beneficial to maintain a policy that allows people not in a union or university to opt-in to the plan.

Establishing a website to promote the co-op insurance plan would also be very important for several reasons. The website could have the community build a database of alternatives to specific medication, thus empowering people with knowledge about cheaper generic drugs or alternative medicines. The website might also serve as a means for people to communicate information about any foul play on the part of pharmaceutical companies. Having so many people organized would also allow the people to pressure pharmaceutical companies to provide more information about their methodologies and research practices. This is meant in the sense that should a pharmaceutical company not provide adequate information about its product, boycotts of the product could be called.

While it is understood that the aforementioned plan might be somewhat unrealistic, it is meant to display how social workers could organize communities without support from the government. Additionally, having a framework built would help should a political window open (Mckenzie, 2010). Thus, should a series of events occur that draw a large amount of attention to the current problems with pharmaceutical industry in Canada, it would be important for the social work community to have viable policy solutions prepared to be advertised to the government.

Recommendations

Universal Pharmacare:

A universal pharmacare programme would ensure two things for Canada. First, the cost of drugs would be brought under control, this would benefit both the private and public sectors of Canada's economy. Second, it would ensure that the wide spread inequality of access to medication throughout Canada is remedied. As the system currently stands, the factors that decide who gets medicine and who does not, essentially come down to how much money someone has and what part of Canada they live in. From a human rights perspective this is completely unacceptable. While such a program is quite intimidating there are many countries that have already built frameworks that have proven to be quite successful. Sweden, for example, has a state run monopoly on almost all aspects of the pharmaceutical industry. The one exception would be the pharmacies that use to be entirely state run. Sweden's state run pharmacies were dismantled in 2009, not because of complaints or inefficiencies but rather, because the European Court of Justice had deemed the monopoly illegal (Gagnon, 2010). While the neo-liberal model of economics would suggest that without competition, prices would soar, Sweden has found the exact opposite (Weber, 2006).

Public Database

In order to ensure that the Canadian public are free to make informed decisions, it is imperative that they have access to an independent database that can provide objective information about pharmaceuticals (CHC, 2006). The database would include all medications sold in Canada in addition to information about the research and development. Information about the R & D would consist of funders, sponsors, researchers, number and characteristics of patients, research objectives and methods (CHC, 2006). Additionally, the database would offer lists of alternative versions of medications, as well as alternative medicine approaches that might be of use. The information surrounding any litigation between pharmaceutical companies and consumers would also need to be available on the database. It

would detail the reasons for the litigation, the arguments put forward and the verdict (CHC, 2006). All of this information would contribute to the ability of Canadian citizens to make informed decisions based on objective information, rather than being dependent on pharmaceutical advertisements for medical knowledge (CHC, 2006).

Conclusion

In conclusion, universal pharmacare has been a debated issue in Canadian culture for quite some time. One side feels that it would comprise the efficiency that the free market competition produces, while others feel that it is unethical to grant people access to medicine based on where they live and how much money they make. In terms of the philosophical foundations for both the arguments they include the residual and institutional models of social welfare. In addition to the moral arguments in support of universal pharmacare, there are several economic benefits to be realised. First, there would be the advantage of collective bargaining tactics that could be used against pharmaceutical companies. Next, the price of medicine would no longer be affected by the need to advertise or other costs associated with running a business rather than a public service. There are also many arguments to be made about safety concerns with the current privatised pharmaceutical system. First, there are concerns about the effects of over advertising to both doctors and patients. Next, the growing problem with the influence the pharmaceutical industry has on regulatory agencies. Finally, with regards to safety, the lack of transparency with the industries research and development has left much of the research suspect of bias. As ensuring fare distribution of resources is part of the social workers code of ethics, there is a great need for social workers to be involved in the struggle for pharmacare. This role would include advocacy, forming of coalitions and mass movements, and constructing policy. In essence what needs to be done is the construction of a universal pharmacare policy and a publicly accessible database of medications. Universal pharmacare would ensure that everyone can receive necessary medicine regardless of where a person lives or how much money they have. Also the

database would offer some transparency in regards to how and why research is being conducted while simultaneously helping citizens become informed about the available medical options for them.

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