

**German healthcare to the rescue: what Canada can learn from German pharmaceutical policies.**

Many government officials and industry experts agree that the inefficiency of the current pharmaceutical policies in Canada is unsustainable and reforms need to be enacted. On a per capita basis, the amount spent on drugs in Canada is more than in any other country apart from the United States. Despite this high price tag to the taxpayers, close to 10% of the Canadian population find themselves without prescription drug coverage. Inadequate access to medicines is associated with many unfavorable healthcare outcomes including increased emergency hospitalization leading to further healthcare expenses. Because of this vicious cycle, there have been renewed proposals for a universal pharmacare program but federalism does not seem to disappoint in stifling most reforms. Nevertheless, there appears to be a light at the end of the tunnel. Germany, a federal country just like Canada, which had struggled with high healthcare and pharmaceutical expenses in the past, has enacted a number of reforms which have proven effective in reducing pharmaceutical expenditures.

Germany has a universal healthcare system similar to Canada. However, the German system provides coverage for many healthcare services, such as dental services and prescription drugs. After careful study of the benefit booklet, the majority of us will discover that we are at least partially covered for many of the same services by private insurance. This fact is the key reason why many essential reforms have not been enacted in the past. Why change a system that works? The answer is simple: the world is changing and if institutions are not able to adjust to these changes they will become irrelevant or fail. Suzanne McGurn, executive officer of the Ontario Drug Program which provides pharmaceuticals to close 3.8million Ontario residents recently put it bluntly: “The Ontario Drug Program has reached a critical turning point where we

cannot continue to keep growing at the rate we have. Simply put, it is not financially sustainable.”

There are a few key reasons why pharmaceutical expenditure per person in Canada has increased so substantially, but unfortunately there is not a one-quick-fix solution. The central issue is due to the fundamental structure of the healthcare system which is divided among jurisdictions and fragmented into a complicated “patchwork” of policies. The primary beneficiaries of this patchwork are the pharmaceutical companies who, facing a large number of buyers and little competition, can sell their products at high prices. Recognizing that healthcare is a highly connected system, Germany has been operating under a structure that forces all healthcare actors to make decisions in a combined effort using a Federal Joint Committee. The committee consists of representatives from physician and patient associations, statutory insurance providers from all provinces and is divided into special subcommittees, for example for pharmaceuticals. This structure essentially results in each institution in the healthcare system to make conscious policy decisions looking at the whole system rather than at only an isolated part.

A reason for the high pharmaceutical costs in Canada can be directly attributed to the prescription guidelines used by physicians, which mandate the volume and mix of drug treatments to be prescribed. Making decisions on these guidelines largely in isolation from the pharmaceutical regulatory institutions and the insurance companies, the physician associations disregard cost considerations of drug treatments. Making things worse is the fact that the majority of drugs in Canada is financed by private insurance companies as part of benefit plans. Contrary to the provincial drug plans who operate on a limited tax funded budget, private insurance companies have little incentives to limit costs. The primary reason is that the majority

of the expenditure is passed through to other insurance companies or to the employers who provide their employees with group benefit plans.

Coordination is the key to successful healthcare and pharmaceutical policy, especially in the context of federalism. The high pharmaceutical costs in Canada can only be mitigated through a combined effort of all institutions at the federal, provincial and private level. A one buyer universal pharmacare system in Canada would go a long way in making the provision of pharmaceuticals more efficient.