

Coverage for all

Working together to achieve universal drug and dental care

In its 2022 budget, the Canadian federal government committed to providing greater universality for drug coverage and dental care. Insurers can play a key role in making it happen.





The federal government designed its budget proposal to extend drug coverage and dental care to Canadians who do not have it today.

It's a goal that we support, as millions of Canadians could benefit from this expanded health coverage.

Canadians often associate “universal coverage” with a single payer system, meaning government run and government paid. But universality doesn't necessarily mean this. Successful health models often use a mixed system. Canada is no exception. These systems make the most of the strengths of governments and private insurers to deliver coverage. Most of the private coverage is available through employers, with their group benefits plans supporting employee health.

A good example of a mixed system is the province of Quebec's RAMQ. Everyone who has taken up residence in Quebec permanently must have prescription drug insurance coverage.

- Coverage may be obtained through private plans, such as group insurance plans or employee benefit plans. For those without access to a private plan, coverage is available through RAMQ's Public Prescription Drug Insurance Plan.
- Those eligible for a private plan must join it and provide coverage under it for spouses and children. You qualify for the Public Prescription Drug Insurance Plan if you don't have access to a private plan.

Either way, the result is guaranteed coverage for all permanent residents of Quebec.





This type of mixed approach is much needed for the government's move to universal drug and dental coverage. There are too few dollars and too many priority areas for a publicly funded single-payer system to be viable. A mixed system spreads the cost across multiple payers, allowing the government to focus on those most in need. This includes allocating health resources to other key areas, such as expanding hospital beds and improving long-term and home care.

A mixed approach means that individuals with drug and dental coverage under a group benefits plan continue to enjoy those benefits.



It also lets the nimble private sector continue with health innovations, such as virtual care and supports for mental health. These innovations benefit everyone. It is estimated that virtual care providers alone could save governments \$1 billion each year by 2025.¹



Overview: The government's plan

The drug coverage and dental care proposals are part of an accord between the federal Liberals and New Democratic Party (NDP). The commitments for drug coverage and dental care at the time of publishing are as follows:

- **Drug coverage.** With NDP support, the government will pass a *Canada Pharmacare Act* by the end of 2023. It will task the National Drug Agency with developing a national formulary of essential medicines. The Agency will also develop a bulk purchasing program for medicines.
- **Dental care.** The government will put a new program in place for lower-income Canadians. The program would be available to families with an income of less than \$90,000 annually. For families with an annual income under \$70,000, eligible patients would not contribute to the cost of dental care expenses covered by the program. This program comes into effect in 2022 for under-12-year-olds. It then expands to under-18-year-olds, seniors and people living with a disability in 2023.

Other than what we've set out above, the government has not yet announced program details for either initiative. And like any proposal, it's subject to change. We believe a multi-payer system is critical to getting the right support for all Canadians and for achieving a fair, sustainable, universal drug and dental coverage system.



The critical role of insurers in Canada's health care system

In Canada, public and private payers (typically insurers of workplace plans) have worked together for decades, delivering first-rate health care. And private insurers continue to play a large and critical role in supporting the health of Canadians. Nearly all Canadians (98%) who had private coverage pre-pandemic have continued to keep it.²

Supplementary health insurance covers 26 million Canadians – nearly 70% of the population. The majority of this coverage is through workplace benefits plans. The Canadian Life and Health Insurance Association (CLHIA) tracks insurance spending on health benefits. In 2020, private insurers covered:



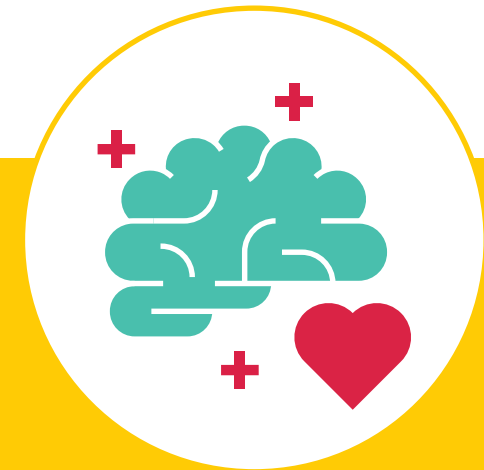
\$12.5 billion in prescription drug expenses,

representing more than 35% of total prescription drug spending in Canada



\$7.2 billion in dental care expenses,

representing more than 50% of all dental care spending in Canada



\$420 million in psychology-related claims

to support mental health – a nearly 25% increase from 2019.



In total, private insurers covered \$26.6 billion in health-care costs in 2020,
across a range of services



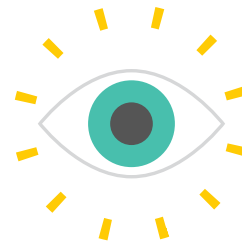
\$12.5B

Drugs



\$7.2B

Dental



\$1B

Vision



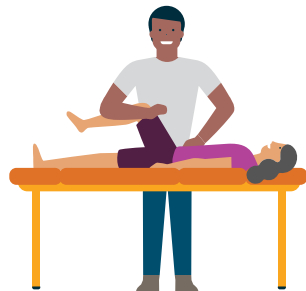
\$0.5B

Chiropractic



\$0.8B

Massage



\$0.6B

Physiotherapy



\$0.4B

Psychology



\$0.9B

Other
paramedical



\$1.8B

Hospital



\$0.9B

Travel



Canadians highly value their workplace plans.

Nine in 10 (88%) are satisfied with their plan. Nine in 10 (90%) also report their plan helps them afford the cost of prescription drugs.³



For working Canadians, 68% would take a job with a benefits plan over one that pays more but without benefits.⁴

Employers benefit from offering coverage too. A majority (60%) say the main purpose of their benefits plan is to support employee health and productivity.⁵ And studies have shown that plans can have a positive impact. This includes increasing productivity and reducing costs related to absences and disability claims. For example, a recent Deloitte report looked at the return on investment (ROI) of workplace mental health programs. Companies whose programs had been in place for three or more years had a median yearly ROI of \$2.18 for every dollar invested.⁶

The attraction and retention of employees is another key benefit and reason employers offer plans. Most employees (86%) say that a benefits plan is an important factor when deciding on a job offer. Seventy one percent say that their benefits plan is a strong incentive for them to stay with their employer.⁷





The road forward

– filling the coverage gaps

Our current, mixed system is working well for most Canadians – but coverage gaps remain. It’s unacceptable that some Canadians remain either uninsured or underinsured for drug and dental coverage.

*The looming question is
what’s the best way to provide
universal coverage?*



We believe that the answer is not abandoning our current system for a single-payer delivery model. We believe this for the following three key reasons.



1. Insurer expertise and innovation

A multi-payer system draws on the expertise and assets of all payers. And the private sector plays a significant role. For example, private insurers have a robust claims adjudication infrastructure in place. They also have the expertise to process hundreds of millions of claims a year.⁸ In addition, insurers invest millions of dollars in patient support in areas such as chronic disease and mental health.

Competition within the insurance sector also leads to many health innovations that benefit millions of Canadians. For example, Sun Life invests every year in health-care innovations for Canadians with workplace prescription drug coverage. Recent examples include pharmacogenomics testing (which uses saliva samples to assess which drugs will work best for a patient) and mobile apps with drug look-up tools and pharmacy finders. Our Lumino Health Virtual Care portal, powered by Dialogue, provides plan members with virtual access to doctors and nurse practitioners. They can use this service for consultations, obtain prescriptions and get referrals to other professionals, including mental health practitioners.

We also created Lumino Health, a free online platform for all Canadians. It has resources that support both physical and mental health – and includes a provider search feature. This lets Canadians find health providers to suit their needs based on location, ratings and cost.





During the pandemic, private insurers have taken on an even greater role in areas where there are key gaps.



Examples include:

- **Virtual care.** The adoption of virtual health care continues to rise, and all major insurers offer a platform. It has been estimated that by 2025, such platforms could save the public system up to \$1 billion per year.⁹
- **Mental health.** The need for accessible, affordable, quality mental health care has never been greater. Private insurers have led the way in spearheading affordable, online access to mental health professionals. Sun Life solutions include access to a Mental Health Coach, a service powered by CloudMD. The Coach helps identify and engage the right mental health supports. Our solutions also include internet-based cognitive behavioural therapy (iCBT) as a standard feature of our Employee Assistance Program, powered by Dialogue.



2. Reduced coverage for those already covered at work

The current system works well for millions of Canadians with coverage through their workplace. The move to a single-payer system could have the unintended result of reducing this coverage. Individuals with robust benefits coverage at work would now be relying on a one-size-fits-all government plan. For example, most Sun Life plans offer coverage for more than 13,000 drugs. Public plans in Canada typically cover about half that number. For affordability reasons alone, the government plan is unlikely, for the most part, to meet the standards of private sector coverage.

A multi-payer solution eliminates this issue. It extends coverage to all Canadians. And it does so while protecting the workplace health benefits that millions of employees and their families rely on.



3. Affordability in the wake of other government priorities and commitments

The Parliamentary Budget Officer estimated the annual cost for single-payer government pharmacare would be an added \$11 billion. The proposed dental care program would cost around \$2 billion.¹⁰

A key benefit of a multi-payer solution is that the government doesn't have to fund this cost alone. This will be crucial in the years ahead.

The government has done an enormous amount to help Canadians during the pandemic. But there has been a cost to this support. COVID-19 programs have pushed Canada's debt-to-GDP ratio to an estimated 48.0% in 2021-2022. This is up from 30.9% in 2018-2019.¹¹

And interest rates are rising, which further increases debt costs. The cost of financing the federal debt was \$20.4 billion in 2020-2021. With interest rates rising, the Parliamentary Budget Officer predicts this could jump to \$43.5 billion in 2025-2026.¹²



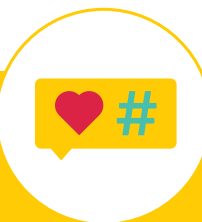


The government has also committed spending to new programs, such as \$8 billion annually for its universal childcare program.¹³ And there are many other potential priorities, such as:

- The cost of long-term care improvements
- Funding for shortages in both hospital beds and medical staff, such as nurses
- Possible increases in defense spending in response to world events and NATO commitments.

The government's current debt strain and spending commitments could make the addition of pharmacare and dental care unsustainable.

It's also clear that most Canadians value a multi-payer system.



A national survey of Canadians conducted in 2021 found that most are in favour of a move to universal pharmacare coverage. But they prefer an approach that supports those without drug coverage while ensuring those with workplace coverage keep it. More than 70% of respondents prefer a targeted "fill the gaps" approach over a single government plan covering everyone. Ninety-two percent believe public policy should strengthen group health benefit plans. This is because the majority (72%) see these plans as increasing availability and affordability of health services rather than undermining the idea of a public health system.¹⁴



The path towards universal coverage

Canada has a proud history of providing its citizens with first-rate health care. The system leverages the strengths of both government and private insurers to deliver this care.

The expansion of this system to provide broader universality will benefit millions of Canadians. We must do this in a way that:

- Is financially sustainable for the long-term
- Maintains the high standards of care and coverage that millions of Canadians enjoy through workplace plans
- Embraces innovations that can both improve care and deliver it in an affordable way.



The government's goal of eliminating gaps in coverage for both drug coverage and dental care is a worthy one. It's an ambitious undertaking too. And if we work together, it's one that has every chance of success.

We believe the best model builds on the combined strengths of private insurers and the various levels of government.

We look forward to playing an active role in the consultation process. And we'll continue to review the impact of any proposed changes on individual Canadians, employers and our industry.

This report provides you with general information only. It doesn't provide you with employment, legal, health or financial advice. Consult with the appropriate professional advisor to meet your organization's needs.

- 1 The Economic Impact of Telemedicine in Canada, Dialogue, Sun Life news release, March 17, 2022
- 2 The Canadian Life and Health Insurance Association, 2021
- 3 Survey of 3800 adult Canadians conducted by Abacus Data on behalf of the Canadian Life and Health Insurance Association between January 31, 2022, and February 14, 2022
- 4 Ipsos/RBC Insurance, 2021
- 5 Sanofi Health Care Survey, 2020
- 6 Deloitte 2019: The ROI in workplace mental health programs: Good for people, good for business
- 7 Sanofi Health Care Survey, 2020
- 8 Estimate based on Sun Life's 2020 claims data and market share data from the 2020 Fraser Report
- 9 The Economic Impact of Telemedicine in Canada, Dialogue, Sun Life news release, March 17, 2022
- 10 PBO, <https://www.pbo-dpb.gc.ca/en/blog/news/Pharmacare>
- 11 Statistics Canada, Consolidated Canadian Government Finance Statistics, 2020
- 12 <https://www.dailyguardian.ca/pre-budget-pbo-report-finds-public-debt-higher-than-expected-amid-higher-interest-rates/>
- 13 <https://www.canada.ca/en/department-finance/news/2021/04/budget-2021-a-canada-wide-early-learning-and-child-care-plan.html>
- 14 2021 Abacus survey: <https://abacusdata.ca/canadas-healthcare-system/>



Life's brighter under the sun

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