Canadian employers need to be heard on national pharmacare, Aon survey finds

Employers endorse the principle, but have strong concerns over structure and funding

TORONTO (January 21, 2016) – Aon plc (NYSE:AON), the leading global provider of risk management and human resource consulting and outsourcing, today released the results of a survey showing that while Canadian employers agree that coverage of prescription drugs is an important part of the national healthcare system, they have strong viewpoints – and concerns – about the adoption of a national pharmacare program.

Surveys of the general public have repeatedly suggested strong support for universal coverage of prescription drugs, and provincial health ministers over the past year discussed the idea of a national pharmacare program to replace the current patchwork of provincial programs. The voices of employers, however, who play a key role in delivering drug coverage to Canadians through employee benefit plans, have yet to be heard – until now.

Currently, employers pay a large share of prescription drug costs under the Canadian healthcare system, shouldering 36% of the costs compared with 42% by governments, according to the Canadian Institute for Health Information in 2014. With the rising cost of prescription drugs, there is a great deal of apprehension among employers about future costs, and what changes to the current system might be necessary to ensure that it is both financially sustainable and supports employee health and productivity.

Leveraging its position as a leading provider of Health & Benefits advisory services, Aon recently surveyed Canadian human resources leaders to gather their opinions on national pharmacare. The results show that a strong majority recognizes the importance of prescription drug coverage and the potential of a national system. At the same time, however, the Aon survey shows employers have some reservations about the effectiveness of a government-run pharmacare program – and strong opinions about structures and funding formulas.

“Universal drug coverage is increasingly on the public and political agendas, but employers’ voices need to be heard, too,” says Tim Clarke, Chief Innovation Officer, Health & Benefits at Aon Hewitt. “Not only do they have a right to be part of the pharmacare conversation as major providers of drug coverage to Canadians, but they can also provide important, real-world perspectives on the issue.”

The employers surveyed by Aon are nearly unanimous (92%) in their recognition of drug coverage as a fundamental element of the Canadian healthcare system, and almost as many (88%) agree that the coverage should not vary by province, as it currently does. In fact, nearly two-thirds of respondents say that a national pharmacare system would be better than the current one, and more than half (58%) agree that universal drug coverage would improve the health of Canadians.

Despite the support for the principles of universal drug coverage, employers have some reservations about the impact on businesses and the effectiveness of a national program. Less than a third of employers believe that universal coverage would improve the health of their own employees – a function of the fact that many Canadians who have drug plans through their employers already have the coverage they need.

“We are hearing employers say that, yes, they endorse the ideal of universal drug coverage,” notes Clarke. “But there is a big difference between the ideal and the reality, and the employers we talked to clearly believe that the devil is in the details.”
Part of the challenge in moving forward with a national pharmacare program is that there are so many uncertainties about how the program would actually work. In Aon's recent survey, employers were asked about their opinions on both a fully government-run program (similar to Medicare today) as well as a government-mandated employer-run program (similar to Quebec’s RAMQ program). Both models were seen to have attractive features and flaws.

In general, survey respondents supported both of these potential solutions, with over two-thirds supporting each scenario. However, employers also reserve a healthy dose of skepticism for government’s role in funding and administering national pharmacare. While four in five (83%) say that coverage should be for a managed list of drugs, almost half (47%) do not believe the government would make good decisions about which drugs would be covered. As well, more than 85% of survey respondents support cost-sharing for users of the system through deductibles or co-pays.

In addition, 64% believe that even with a national pharmacare program, employers would still feel the need to offer supplemental coverage.

Should a public program require additional funding, employers cautiously support a funding model that would be directly attributable to drug coverage, with about seven in 10 respondents expressing some level of agreement with a dedicated tax or premium paid directly by employers or individuals. On the other hand, there is far less support for funding pharmacare through tax increases rolled into general government revenues, and very low support for cutbacks to current healthcare or other social programs to fund universal drug coverage.

“Employers have both a keen interest in, and strong opinions regarding, how the current pharmacare program in Canada might be improved,” says Clarke. “Clearly, their voices need to be heard as policymakers consider this important issue affecting all Canadians.”

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