

Fighting Poverty

New Brunswick Drug Plan

Who should pay?

**Proposal submitted to the Minister of Health by
the NB Common Front for Social Justice**

July 30, 2014

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The New Brunswick Drug Plan

Introduction

Currently, a majority of New Brunswick citizens (80%) are covered by either a public or a private drug insurance plan. However, more than 70,000 families do not have a prescription drug insurance plan; this represents approximately 150,000 persons, or one-fifth of the province's total population¹. What is more, according to a recent poll, prescription drug coverage is directly correlated to income:

- 57% of New Brunswickers earning less than \$40,000 per year have drug coverage.
- 90% of New Brunswickers earning between \$40,000 and \$79,999 per year have drug coverage.
- 92% of New Brunswickers earning between \$80,000 and \$99,999 per year have drug coverage.
- 96% of New Brunswickers earning more than \$100,000 per year have drug coverage².

In an unfortunate cycle of vulnerability, those people most likely be uninsured (low income citizens) are also most likely to have health conditions such as high blood pressure, heart disease, diabetes and asthma³. Illness can often drive individuals or families into poverty, especially in the case of low-income workers.

Cost sharing

In December 2012, the New Brunswick Economic and Social Inclusion Corporation's Advisory Committee on Health Benefits submitted a report to government containing four options for conceiving the drug plan. The report anticipated that employers not offering prescription insurance to their workers would contribute to the funding of the Drug Plan, in such a way that government would pay nearly 22 % of the costs, employers would take on about 15 % and non-insured New Brunswickers would pay nearly 63 % of the costs of the plan. However, some "key business stakeholder groups" have indicated to government "that given the current challenging economic times they are not able to contribute to this initiative at this time". As such, the plan's cost will be shouldered entirely by individuals, families and government⁴.

Government is saying that the business sector will eventually participate in the funding of the Plan: "the Implementation Advisory Committee (...) will undertake a consultation process with business to determine how business can contribute to the plan in the future"⁵. However, this vague commitment is worrisome. Business contribution into the plan would not only help fund it, it would also serve as a counter-incentive for employers

who are already offering a private plan from dissolving their plan once the New Brunswick Drug Plan becomes effective. This was, in fact, highlighted by the Advisory Committee on Health Benefits in their 2012 report⁶.

Phase 1 of the Plan is projected to cost the government \$27 million (54 %) and plan members \$23 million (46 %). Phase 2 costs are projected at \$120 to \$150 million, but details on the cost sharing are not yet determined since the number of individuals who will enroll in the plan can't easily be estimated⁷.

Employers

Some employers, from small or medium-sized enterprises, argue they do not have the means to contribute financially to the Drug Plan.

Those very employers offer the same argument to oppose:

- **a minimum-wage increase.** In 2012, only in British Columbia (\$10.25) and Manitoba (\$10.25) was the minimum wage higher than ours. In October 2014, the Province of New Brunswick will be the province offering the lowest minimum wage among all the other Canadian provinces. Yet, minimum-wage earners are found mainly in small or medium-sized enterprises.

- **an increase to Canada Pension Plan.** Increasing CPP contributions is essential if we want workers to be able to retire and not live in poverty. Often, we will find these same workers, who do not have an employer's drug plan, in small and medium-sized enterprises.

- **an increase to WorkSafeNB contributions.** Our province has the lowest contribution rate in Canada, except for the province of Alberta.

The Compensation Fund shows a surplus and the employers' contributions are constantly reduced. They went from \$2.05 (per \$100) in 2011 to \$1.70 in 2012. Again this year, employers benefited from a 15% reduction since their contribution was set at \$1.44. As mentioned by Sharon Tucker, president of the Workplace, Health, Safety and Compensation Commission (WHSCC), in the 2013 annual report, the employer's contribution is the lowest in the Atlantic region. Based on the Table posted on the website of The Association of Workers' Compensation Boards of Canada⁸, only the contributions in Alberta are lower than those of NB employers. (Brief presented September 20, 2013, by the Common Front for Social Justice, to the committee reviewing the legislation on workers' compensation)

Therefore, part of the business community simply does not want to contribute to the well-being of thousands of workers and their families, either by increasing salaries, retirement income, worker's compensation, or simply by giving them some medical security when they need it.

Yet, those very same employers want these workers to subsidize their enterprises through their provincial or federal income tax or they request tax reductions, direct subsidies, employment grants and different assistance programs.

Serious concerns

Since employers not offering medical benefits will not take part in the funding of this plan as was recommended, the risk of employers dropping their private plan is a real concern. This question is addressed on the Government of New Brunswick's "Questions and Answers" Web page, which answers frequently asked questions about the plan. The question, "Will employers drop their private insurance plans"?, raises the following response: "While it is up to individual businesses to decide to offer prescription drug benefits or not, the new legislation stipulates that an employer cannot cancel its drug insurance without also cancelling its other health benefits such as dental and vision coverage"⁹. Not only is this legislation an ineffective incentive for employers to keep their private medical plans, it puts workers at risk of losing their right to access dental and vision care. It seems that the government does not have a list of employers who have or don't have a drug plan at their workplace, so it does not have any way of monitoring if and how many employers will shed their drug plan that was benefiting workers. This is extremely alarming.

The Common Front for Social Justice proposes:

1- That the Drug Plan annual premium be covered by the province's general fund.

With this proposal, citizens won't have to pay any annual premium and that would greatly help low-income citizens. In fact, one of the major reasons why the Drug Plan was implemented was to help low-income citizens and, therefore, it would be logical not to penalize them.

With this proposal, all administration fees related to the subsidy for low-income citizens, as well as administration fees for collecting unpaid premiums would be eliminated.

With this proposal, employers would automatically pay part of the plan through taxes payable to the provincial government. Again, the administrative fees related to collecting the sums not paid by the employers would be eliminated.

If this proposal is not accepted, we want employers who do not offer a drug plan to contribute at least 2.5% to 3.5% of their payroll and include all employees, namely casual, part-time and full-time.

As we can read in (Annex 1), the cost to employers would not be that great.

2- That the co-payment be in function of income instead of 30 % up to a maximum of \$30 by prescription.

Citizens with an annual income of \$26,360 are not in the same financial situation as citizens with an annual income of \$100,000. Therefore, they should not be on the same footing when it comes to the co-payment. A great number of studies show that low-income people are more likely to get sick and not having their prescriptions filled because of lack of money. In order for them to fully benefit from the Drug Plan, we must remove the barriers to its access.

Co-payment for a single person earning a gross income of \$26,360 or less, and a single person with children or a couple with or without children earning a gross income of \$49 389 or less, should be 10 % (maximum \$10) per prescription.

Co-payment for a single person earning a gross income of \$26,361 to \$50 000, and a single person with children or a couple with or without children earning a gross income of \$49 390 to \$75,000, should be 20 % (maximum \$20) per prescription.

Co-payment for a single person earning a gross income of \$50,001 to \$75,000, and a single person with children or a couple with or without children earning a gross income of \$75,000 to \$100,000, should be 30 % (maximum \$30) per prescription.

Co-payment for a single person earning a gross income of more than \$75,000, and a single person with children or a couple with or without children earning a gross income of more than \$100,000, should be 40 % (maximum \$40) per prescription.

Table 2: Premiums and Co-Pay for the New Brunswick Drug Plan.

NB Common Front for Social Justice proposal

Gross Income Levels		Annual Premium paid by the province (per adult)	Co-Pay (per prescription)
Individual	Single with children / Couple with or without children		
\$26,360 or less	\$49,389 or less	\$ 800	10%, maximum \$10
\$26,361 to \$50,000	\$49,390 to \$75,000	\$1,400	20%, maximum \$20
\$50,001 to \$75,000	\$75,001 to \$100,000	\$1,600	30%, maximum \$30
Over \$75,000	Over \$100,000	\$2,000	40%, maximum \$40

Conclusion

The new Drug Plan must enable those who need it the most, the majority being low-income citizens, to fully benefit from it. To achieve that, we must remove the barriers to its access, and the main barrier is the cost of the annual premium.

The plan is to be funded by the three groups involved, namely the government, the employers and the citizens. The most equitable and economic way to do it is through our income taxes. Then everyone would pay according to his revenue. Moreover, the administration fees related to the subsidy to low-income citizens and to the collection of annual premiums not paid by citizens or employers participating in the plan would be eliminated.

Finally, the Drug Plan must rest on the principle of cost sharing according to the capacity to pay. The proposal of establishing the amount and percentage of the co-payment in function of the revenue respects that principle.

The Drug Plan must be a public plan. That is the only way low-income citizens will really be able to benefit from it.

NB Common Front for Social Justice Inc.
July 30, 2014

Annex 1

How much it would cost employers

Workers at full time, 40 hours a week, year round.

Salary	2.5% an hour	() Number of employees. Amount-year	3% an hour	() Number of employees. Amount-year	3.5% an hour	() Number of employees. Amount-year
\$10.00	\$0.25	(1) \$520	\$0.30	(1) \$624	\$0.35	(1) \$728
		(5) \$2,600		(5) \$3,120		(5) \$3,640
		(10) \$5,200		(10) \$6,240		(10) \$7,280
\$11.00	\$0.28	(1) \$582.40	\$0.33	(1) \$686.40	\$0.39	(1) \$811.20
		(5) \$2,912		(5) \$3,432		(5) \$4,056
		(10) \$5,824		(10) \$6,864		(10) \$8,112
\$12.00	\$0.30	(1) \$624.00	\$0.36	(1) \$748.80	\$0.42	(1) \$873.60
		(5) \$3,120		(5) \$3,744		(5) \$4,368
		(10) \$6,240		(10) \$7,488		(10) \$8,736

¹ Government of New Brunswick. (2012). "Report of the Advisory Committee on Health Benefits: An Insurance Plan for Prescription Drugs for Uninsured New Brunswickers".

<<http://www2.gnb.ca/content/dam/gnb/Departments/esic/pdf/InsurancePlanPrescriptionDrugsUninsured.pdf>>.

² Government of New Brunswick. (2013). "Backgrounder". <<http://www2.gnb.ca/content/dam/gnb/Departments/h-s/pdf/en/Publications/Premiums-e.pdf>>.

³ Canadian Centre for Policy Alternatives. (2011). "The Cost of Poverty in New Brunswick".

<<http://www.policyalternatives.ca/sites/default/files/uploads/publications/Nova%20Scotia%20Office/2011/09/Cost%20of%20Poverty%20in%20NB.pdf>>.

⁴ Ibid.

⁵ Ibid.

⁶ <http://www2.gnb.ca/content/dam/gnb/Departments/esic/pdf/InsurancePlanPrescriptionDrugsUninsured.pdf> : p. 40

⁷ CBC News. (2013). "Drug Plan for Uninsured NBers Unveiled". <<http://www.cbc.ca/news/canada/new-brunswick/drug-plan-for-uninsured-new-brunswickers-unveiled-1.2458304>>.

⁹ Ibid.