

## An Analysis of Ron Liepert's Proposed New Seniors Drug Plan

On December 8, 2008 Health Minister Ron Liepert announced a new drug strategy for Alberta seniors. As of January 2010 the current program for seniors over 65, which is paid for by the government and administered by Blue Cross, will be replaced. Presently, all seniors regardless of income were covered for 70% of the approved drugs on Alberta's Drug formulary after paying \$25 per prescription. Even that \$25 fee could be burdensome if someone was on several drugs and required renewals every few months. The program however was universal in that every Alberta senior regardless of income level was covered under the plan.

The new strategy is based upon the elimination of drug costs for low income seniors but requires those seniors above a government established threshold to pay additional payments than were not required under the previous program. The following table illustrates the way this works:

SINGLE SENIORS		SENIOR FAMILIES	
SINGLE SENIOR INCOME	DEDUCTIBLE RANGE	FAMILY SENIOR INCOME	DEDUCTIBLE RANGE
1. \$0 -- \$21,325	\$0	1. \$0 -- \$42,650	\$0
2. \$21,326 -- \$31,325	\$149 -- \$439	2. \$42,651 -- \$52,650	\$299 -- \$737
3. \$31,326 -- \$41,325	\$658 -- \$1,157	3. \$52,651 -- \$62,650	\$1,106 -- \$1,754
4. \$41,326 -- \$51,325	\$1,446 -- \$2,156	4. \$62,651 -- \$72,650	\$2,193 -- \$3,051
5. \$51,326 -- \$149,999	\$2,515 -- \$7,500	5. \$72,651 -- \$149,999	\$3,560 -- \$7,500
6. \$150,000 and over	\$7,500	6. \$150,000 and over	\$7,500

What are the implications of this for ARTA members and seniors in general.

First, the elimination of drug costs for those seniors with low incomes is applaudable. Clearly this group was most vulnerable. The government's program also pays full drug costs (we just they will be listed) for hospital patients, cancer patients, those fighting diseases such as HIV and those on AISH income support. In addition there will now be a program to cover catastrophic drug costs with rare diseases. They have also eliminated Alberta Health Care Premiums for all Albertans and that helps those retirees in the 55-64 group. For these changes the government deserves credit.

Second, as incomes increase however, and remember this is on gross and not net income, seniors will pay more. Although the Minister estimated that 60% on those over 65 would see their drug costs drop or stay the same, this is a questionable assumption even for the general senior population. For ARTA members, most of whom are drawing ATRF pensions, meager as they may be, our own estimates are that fewer than 10% will qualify because even though some pensions are low, once OAS and CPP are added in, our members will only qualify at the very high levels of deductibles listed in the table above. This means that middle income seniors once again lose even though they have paid their way in all their working years. It is this group who are perhaps still trying to stay in their homes and remain independent that will find it increasingly difficult to meet these new costs on top of rising costs for everything else.

Third, when Mr. Liepert argued for this plan he suggested that, “There should be no sense of entitlement when you turn 65. There should certainly be programs in place to assist those in need.” This kind of statement is laden with this Government’s political ideology. Linda Somerville, a retired Edmonton teacher, suggested in a recent article in the Edmonton Journal that means testing of medical services is not the way to reduce income inequality. That should be done through a progressive tax system rather the flat tax system in Alberta which favors the wealthy at the expense of the middle class.

Fourth, the Alberta government has changed the rules for retirees. When they planned their retirement they would have expected the drug program in place would continue to be there. With fixed incomes many cannot adjust to this change in course.

Fifth, for those of our members who are participants in ARTA’s non-profit sponsored Benefits Program they will at least have a plan that will cover 80% of their drug costs. When government paid 70% of most drugs as first payer, that meant that they had about 94% coverage for most drugs. Now instead of paying 6% of the remainder they will now pay 20%. So, even for current plan participants there is an increased cost. Further, since the ARTA Plan will now have to cover the full 80% of prescribed drugs that will mean an additional cost to the plan and that can only be accomplished with increased monthly premium costs. For those middle income earners outside of a plan like ours they will either have great difficulty in finding a private plan for seniors or because of pre-existing conditions will ineligible for any private plan.

Lastly, Ron Liepert suggested that healthcare is becoming increasingly unsustainable because of increasing costs. With this new program he is saving \$30 million per year. There is no question that health care costs will increase with the expected demographic bulge of baby comers entering their senior years not alone the normal costs associated with new technology and drugs. A recent report from the Parkland Institute agrees that health care costs will rise by 30% over the next twenty years.

However, it goes on to point out that although this increase is a lot it can be accomplished by annual increases of 1.32% above inflation and population growth. Further, in the last decade Alberta’s GDP has grown by 4.2% which is three times the 1.32% required to maintain current healthcare services. According to Greg Flanagan, the author of the Parkland report, “Clearly, from a GDP measure of the productivity, income and wealth of Albertans, current healthcare expenditures are affordable and sustainable. Moreover, Albertans could spend much more on healthcare and remain low compared to other jurisdictions in Canada and abroad.”

A final point in this regard. Paul Krugman, the 2008 winner of the Nobel Prize for economics, in an article from the New York Times News Service discussed ways to stimulate any economy it times like these. Rather than focusing on tax cuts, (or in Alberta’s case, worrying about the effects of government spending on future tax payments by the wealthy,) he suggests that a better way to stimulate is not only to spend on “shovel ready” public infrastructure for the immediate stimulus effect but also to spend on health care which takes a little longer but also meets a great public need and helps the economy as well. What Ron Liepert’s plan does is take money out of the pockets of seniors who would otherwise spend it in businesses within their own communities on their many other needs. It is when people on low or modest incomes have additional spending power that economic stimuli really work!