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Improving OHIP+ for lower- and modest-income Ontarians

Maytree submission to the Ontario Ministry of Health & Long-Term Care regarding proposed OHIP+ regulation change

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To the Ontario Ministry of Health & Long-Term Care regarding proposed amendments to Ontario Regulation 201/96 made under the Ontario Drug Benefit Act:

Maytree has been dedicated to creating solutions to poverty since 1982. We work with governments, researchers, the non-profit sector, and community organizations to build strong and vital communities. We welcome the opportunity to comment on the proposed regulations under the Ontario Drug Benefit Act related to OHIP+.

Context

On July 1, 2018, the Minister of Health and Long-Term Care announced the government's intention to reform OHIP+. The announcement indicated that OHIP+ would become a "second-payer" program – that is, families with children who have private insurance plans would seek coverage from their private plans first, with the government covering all remaining eligible costs of prescriptions through OHIP+.

However, the proposed regulations indicate that families with private prescription drug coverage will be required to pay out-of-pocket for any costs not covered by their plans. Although this may seem like a slight adjustment from the original announcement, we are concerned that the difference will have a burdensome impact on working families with low incomes.

Potential impact of OHIP+ changes on low-income families

Research demonstrates a well-established connection between income and health – those on a lower income tend to have poorer health outcomes. Research also demonstrates that lower-income families are less likely to have extended health benefits.

While we appreciate that children in low-income families without any extended health benefits will benefit from OHIP+, we are concerned that low-income families who do have some extended health benefits from their employer will more likely experience a higher burden of out-of-pocket expenses as a proportion of their total income compared to higher-income families.

Many employer-sponsored health plans only cover a portion of prescription drug expenditures and use co-payments, deductibles, and plan maximums to limit the costs of these plans. This shifts some of the costs on to families, as they have to pay out-of-pocket for costs that their plans do not cover. For lower-income families who have some extended health benefits coverage, the proposed regulations do not take into account the greater likelihood of having to fill prescriptions in the first place, and the burden of having to bear out-of-pocket costs for prescription medications.

The government's proposed strategy is to use the Trillium Drug Program (TDP) as a stop-gap for those families who have health insurance and out-of-pocket drug costs. But this does not take into account the realities faced by lower-income families.

Unlike OHIP+, the TDP was developed as a "catastrophic drug program" to provide coverage to families with high drug costs, relative to their household incomes. Families generally must first pay an annual deductible (typically 3 or 4 per cent of household income) before they receive coverage from TDP. This in itself may be challenging for many lower-income families in the first place. For example, a sole-support parent with one child with household income of about $30,000 and with some employer-sponsored health benefits would have to pay about $850 for medicines before receiving coverage from TDP. In this example, the family is not only ineligible for OHIP+, but they must be able to afford the annual TDP deductible before receiving any public coverage for drug costs.

Better targeting OHIP+

Given the considerations above, many jurisdictions throughout Canada and the world have public prescription drug programs that assess eligibility based on income and age, along with insurance status. The proposed OHIP+ regulations would make Ontario relatively unique in assessing eligibility based on insurance status alone.

The government may consider better targeting OHIP+ so that complete prescription drug coverage is provided to children in low-income families – regardless of insurance status. This would alleviate the financial burden that the current proposal places on low-income families with insurance coverage.

While we understand that the introduction of an income test for OHIP+ may worsen marginal effective tax rates for some families, the current proposed regulations may worsen them for others. For example, the current plan will make it more challenging for families to leave social assistance for employment with health benefits.

As the government introduced the Low-Income Individuals and Families Tax Credit (LIFT) to alleviate some costs for lower- and modest-income families, we think that the government could make further changes to OHIP+ to support these families. We suggest the government consider a phased income test, one in which complete prescription drug coverage is provided to low-income families, regardless of insurance status, and adjusted for family size (a possible income threshold could be the LIFT thresholds). As family income increases, the support provided through OHIP+ could phase out. Given the relationship between income, health status, and insurance coverage, this would help ensure that OHIP+ is well targeted.

Interaction with review of social assistance

We are pleased to see that children in families who receive social assistance will continue to receive prescription drug coverage through OHIP+. We hope that the government will continue to ensure that individuals and families receiving social assistance continue to have public coverage for their prescription drug needs, and that it uses its review of social assistance as an opportunity to bolster the health benefits provided to social assistance recipients.

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