

# Pre-Budget Submission

CHP Canada Budget 2020  
Submitted to the House of Commons  
Standing Committee on Finance  
August 2019

## **Self-care is a logical complement to any National Pharmacare plan**

### **Recommendations**

#### **Recommendation #1:**

That the Government of Canada provide targeted tax relief for Canadian families that practice responsible self-care, by exempting qualifying consumer health products, including over-the-counter medicines (OTCs) and natural health products (NHPs), from the Goods and Services Tax (GST) and making them eligible expenses under the Medical Expense Tax Credit.

#### **Recommendation #2:**

That the Government of Canada implement a National Self-Care Strategy and, as a first step, that House of Commons Health Committee immediately undertake an in-depth study into the public health benefits of a National Self-Care Strategy, how it would fit within the context of a National Pharmacare plan, the savings such a strategy would bring to all levels of government, and how best to support Canadians practicing self-care in a modern age.

#### **Recommendation #3:**

That the Government of Canada leverage current OTC, and proposed NHP, plain language labelling regulations to reduce the amount of packaging included in the production of such products, and to utilize modern communication methods and technological tools to convey, in plain language, important health and safety information on OTC and NHP products.

### **Executive Summary**

- Taking good care of ourselves is essential to reducing the burden of chronic disease in Canada and ensuring our health care system remains sustainable. In a world of open information and a self-serve culture of convenience and automation, supporting evidenced based self-care has become critical to positive health outcomes.
- Consumer Health Products Canada (CHP Canada) recommends that the current tax policy, which excludes consumer (self-care) health products from the Medical Expense Tax Credit (METC) and subjects them to the Goods and Services Tax (GST), be realigned to reflect 21st century health policy.
- Making consumer health products eligible for the METC and/or exempting them from the GST would leave more dollars in the pockets of Canadians, including families and seniors. These changes would bring an added measure of fairness to the tax system by providing targeted tax relief to lower income working Canadians who are less likely to have access to a prescription drug plan.
- These recommendations, when viewed as tax expenditures, represent excellent value to the Canadian economy, since Canadians who practice responsible self-care are less likely to visit

a doctor and more likely to stay healthy overall, thereby, freeing up resources in the health system for those who need it most.

- Many non-prescription medicines were once prescription, and more are eligible now to make this transition. Innovations in diagnostics, artificial intelligence, and information management are making it increasingly possible for Canadians to treat themselves at home. As medicine becomes more personalized, the most frequently used prescriptions become candidates for innovation, driven by sustainability towards non-prescription status.
- As we consider the implementation of Pharmacare in Canada, we must also consider that the essential products covered by that program may someday be available without prescription. The timing is right to study how a National Self-Care Strategy will complement Pharmacare by freeing up health professional resources and combating chronic disease.
- The appropriate use of self-care and professional care are necessary to the long-term sustainability of our healthcare system. Policy leaders, foreign and domestic health authorities, associations as well as patient groups are all recognizing the value of self-care to improving overall citizen health.
- While supporting self-care can help make the healthcare system more sustainable, it must also be done in an environmentally sustainable way that keeps up with the modern ways Canadians are consuming information. We need to find ways to decrease packaging waste while adopting technological solutions to provide important product information to Canadians.

## **The Importance of Self-Care**

Consumer Health Products Canada (CHP Canada) is the trade association representing manufacturers of evidence-based OTC medicines and NHPs. The industry generates approximately \$5.8 billion in GDP and supports nearly 57,000 jobs in Canada. The products our members make contribute significantly to Canada's productivity and reduce demand on, and costs to, Canada's healthcare system.

On behalf of CHP Canada's members I am writing to highlight the importance of self-care, the choices it offers to Canadians to care for themselves and their families, and our recommendations for the 2020 budget. **Self-care is a cost-effective and necessary complement to any proposed Pharmacare plan. We believe that now is the time to discuss its merits.**

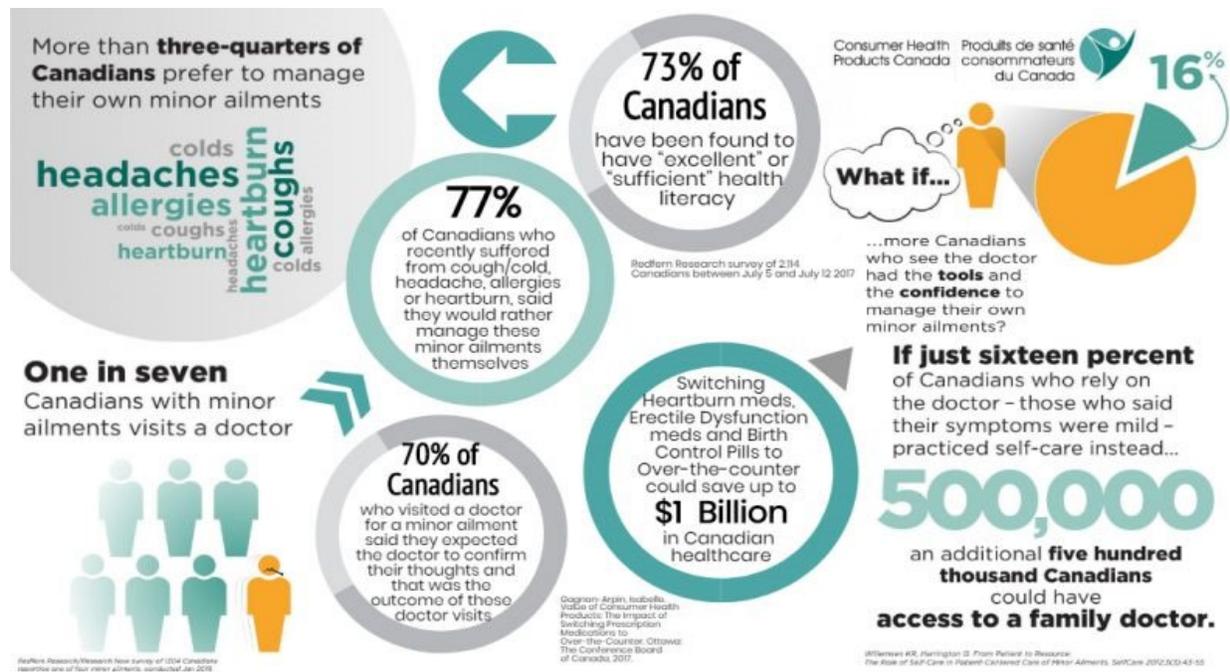
While the benefits of empowering individuals to take good care of themselves may be obvious, individual factors create challenges. These include personal experiences, costs, health literacy as well as health professional and product availability. This matters to governments, Canadian families and voters. Self-care practices decrease healthcare costs, reduce chronic disease, improve workforce productivity, and free health professionals and healthcare dollars to focus on those most in need.

### **1) Maximizing the Value of Self-Care to Canadians and our Healthcare System: GST exemption for OTCs and NHPs**

The practice of self-care is an important contribution to the health of Canadians and to the sustainability of our healthcare system, but it faces significant obstacles in the Canadian policy environment. This is inherent in a healthcare system that provides first-dollar insurance coverage for formal services such as doctor and hospital care and at least partial coverage for many prescription drugs, while leaving Canadians to pay all self-care (such as former prescription drug) costs out-of-pocket.

A further financial disincentive to responsible self-care is the differential tax treatment applied to prescription versus non-prescription (OTC and NHP) medicines. Prescription drugs enjoy zero-rated status under the GST and are eligible expenses under the METC.

Currently, our system rewards a visit to a doctor to seek a new prescription, instead of making a trip to a pharmacy to treat common ailments through self-care. As a result, many Canadians—particularly those with generous prescription drug plans—are visiting the doctor to obtain prescriptions or renewals to avoid out-of-pocket expenses, when their symptoms could be treated effectively with an OTC. This means higher costs in the healthcare system, and fewer slots available for patients who lack self-care options.



Evidence demonstrates that there are significant advantages when policies are put in place that encourage self-care practices:

- The United Kingdom saw improved health and quality of life, greater patient satisfaction and significant reductions in the use of health services, after it identified self-care as one of the four pillars of their National Health Service and instituted supportive policies<sup>i</sup>.
- In the United States, **it is estimated that for every dollar spent on consumer health products, \$6 - \$7 are saved elsewhere in the healthcare system**, through reduced doctor visits, pharmacist dispensing fees and prescription drug costs<sup>ii</sup>.
- In Australia if a few select prescription medicines were reclassified to non-prescription status, **over 1 billion AUD could be saved**.<sup>iii</sup>
- In Europe, moving 5% of prescribed medications for conditions suitable for self-care to non-prescription status would result in **total annual savings of more than 16 billion EUR**.<sup>iii</sup>

**We recommend that the Government of Canada exempt qualifying consumer health products from the GST and make them eligible expenses under the Medical Expense Tax Credit.** We believe that this will encourage more Canadians to engage in better self-care practices. It is also consistent with past government policy regarding taxation, specifically the exemption of feminine hygiene products from GST. Implementing these recommendations would **save Canadians approximately \$164 million per year**. With the impending implementation of a national Pharmacare plan, we believe that this policy recommendation is a natural complement, providing Canadians with more self-care choice, improving access to the healthcare system while making Pharmacare more affordable by taking pressure off that system.

## **2) Taking Legislative Action: It's Time for a National Self-Care Strategy**

We believe that Canadians face a daily challenge in taking the best care of themselves and their families, and this is having an impact on the well-being of our population and sustainability of our healthcare system. **We are asking for your support in helping to address these challenges by making the promotion and support of self-care a priority for Canadians and their families through a National Self-Care Strategy.**

With the impending implementation of a National Pharmacare program, the time is right for Parliament to study and investigate how a National Self-Care Strategy can be implemented, complementary to Pharmacare and to help ensure the best outcomes for Canadians. **Therefore, we are recommending that as a first step towards a National Self-Care Strategy, the House of Commons Standing Committee on Health undertake an in-depth study on the implementation of a National Self-Care Strategy, making recommendations on how to proceed.** We would also recommend that this study include a close examination of the best available approaches to meeting the self-care product and information needs of Canadians.

## **3) Supporting Self-care in an Environmentally Sustainable Manner: Less packaging waste and modern communication**

As Budget 2020 looks at the impacts of Climate Change and how we can make our country more environmentally sustainable, we believe that our sector also has a role to play in meeting these goals. While supporting self-care can help make the healthcare system more sustainable, it must be done in an environmentally sustainable way.

Our sector faces a challenge communicating the science of medicine and drug therapy in plain language for consumers, particularly now that consumers seek health information from a variety of sources. Recent plain language labelling regulation now requires better legibility of the increasingly complex information on products labels. This may help, but misses the greatest opportunity to simplify language and optimize the use of mobile-friendly and online tools. Innovative peel-back labels help manufacturers to avoid increasing overall package sizes, but render product containers non-recyclable. Experts are concerned that vast amount of product information can be challenging for consumers to absorb and recommend that information technologies and decision-making tools be developed to help consumers access the information they need.

CHP Canada's goal is to embrace the intent of the government's plain language labelling by calling for a study into simplified (plain) labelling language and modern communication tools that will reduce our reliance on non-recyclable materials, while improving product use.

**We ask that the Government of Canada review current OTC and NHP packaging and labelling regulations (or their interpretation) with a view to reducing the amount of packaging required in the sale and production of such products and potential technological developments to convey important health and safe information on OTC and NHP products.**

## **Conclusion: Self-Care and Pharmacare go hand-in-hand**

CHP Canada believes a well-designed Pharmacare system should not drive more Canadians to seek out prescription medicines when they might not otherwise do so. At the same time, we support Pharmacare and we are not advocating for new barriers to physician care or prescription medicine access. We are asking you to take measures that would help lower the barriers to self-care for Canadians. Even small shifts in behaviour can bring big, positive economic changes to our healthcare system. We believe it's time to better empower Canadians with their own self-care.

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<sup>i</sup> Department of Health, Self-Care – A Real Choice: Self-Care Support – A Practical Option, London 2005

<sup>ii</sup> Booz & Co., The Value of OTC Medicine to the United States, Washington 2012

<sup>iii</sup> J. Noone & C. Blanchette, Journal of Medical Economics 2017