CHAPTER 2

Pharmacies in Canada: Accessible Private Health Care Services

Pharmacies play an important role in the provision of health care services in Canada that often goes unnoticed. Contrary to the public hospital network that seems to be in a perpetual state of crisis, the pharmacy sector functions like a normal industry. We don't see headlines in the media referring to "lengthening wait times for pharmacy services," to a "crisis in the system" or to the inability of a substantial portion of the population to find a "family pharmacist."[33] In contrast, reports on the shortcomings of the public health care system and on patients' difficulties accessing treatment are a dime a dozen.[34]

Although it operates in a context that is characterized by a high degree of government intervention, the pharmacy sector is based in large part on market mechanisms that have proven themselves time and again: entrepreneurship, competition and freedom of choice for consumers. All pharmacies in Canada are for-profit businesses, which almost nobody complains about. The reason is very simple: Pharmacies respond efficiently and promptly to the needs of the population.

This is not the case in all countries, however. Indeed, several European countries impose excessive regulations on pharmacies, thereby discouraging competition and seriously penalizing consumers. As we shall see in this chapter, there are particularly important lessons to draw from the case of Sweden, where a nearly four-decade public monopoly experiment in the pharmacy sector proved to be a resounding failure.

An Overview of the Pharmacy Sector in Canada

There are a little over 9,000 private pharmacies in Canada. The majority of these (about two thirds) are associated with a chain or banner (see Figure 2-1). The remaining third are independent pharmacies and supermarkets and big-box stores that also sell medications and natural health products.

The number of pharmacies in Canada has been growing rapidly over the past ten years, as shown in Figure 2-2. It is in the Atlantic provinces that we find the largest number of pharmacies per capita. In Newfoundland and Labrador, there are no fewer than 3.61 pharmacies per 10,000 inhabitants, by far the most in the country. Quebec, on the contrary, is the province with the fewest, at 2.22 pharmacies per 10,000 inhabitants (see Figure 2-3).

Generally speaking, even though there are differences between Canadian provinces, it is clear that pharmacies operate in a highly competitive market.[35] This competition occurs on several fronts: 1) geographic location and opening hours; 2) the prices of products and services;[36] 3) the range of products offered; 4) the quality of services provided; and 5) marketing tools.[37]

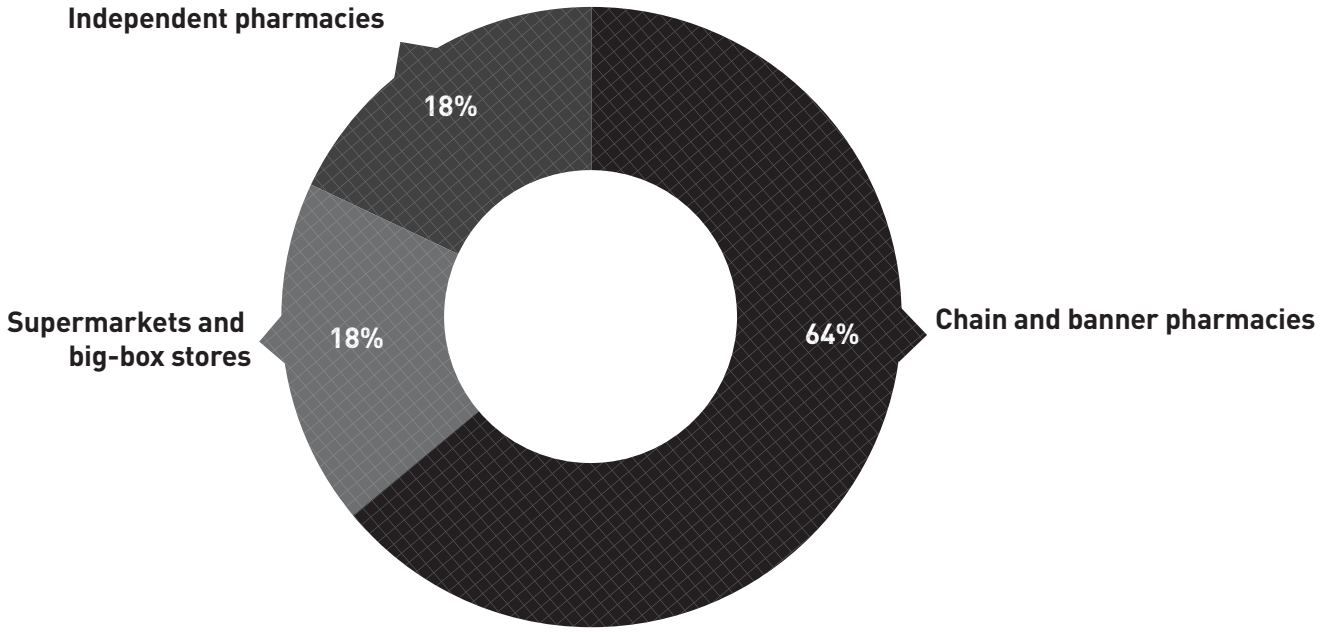
"The pharmacy sector is based in large part on market mechanisms that have proven themselves time and again: entrepreneurship, competition and freedom of choice for consumers."

Whereas a public hospital in the current system does not gain anything in particular if patients choose it over another hospital, it is quite a different story in the pharmacy sector. A pharmacy has every reason to offer its clients the best possible service, because if it doesn't, they will go elsewhere. Competition encourages them to offer a wide range of products and services valued by the population.

More and more, pharmacists are also being granted the right to prescribe certain medications, renew prescriptions and set up vaccination clinics, among other services. Indeed, conscious of the advantages of pharmacy services in terms of access to frontline care, the governments of several provinces have begun to

33. We occasionally see reports dealing essentially with price comparisons between pharmacies. See in this regard Éric Yvan Lemay, "Chaque pilule coûte 10¢ de plus ici," *Journal de Montréal*, February 16, 2015.
34. See among others Héloïse Archambault, "Entre 10h et 26h d'attente à l'urgence selon l'hôpital," *Journal de Montréal*, May 6, 2014; Amélie Daoust-Boisvert, "L'attente toujours trop longue au Canada," *Le Devoir*, June 3, 2014.
35. Jason Perepelkin and David Di Zhang, "Quality Alone Is Not Enough to Be Trustworthy: The Mediating Role of Sincerity Perception," *International Journal of Pharmaceutical and Healthcare Marketing*, Vol. 8, No. 2, 2014, p. 226.
36. Note that prescription drug prices are heavily regulated in Canada, as are the fees that pharmacists can charge those insured by public plans. This has the effect of limiting competition in this regard.
37. Paul Grootendorst, Marie Rocchi and Harold Segal, *An Economic Analysis of the Impact of Reductions in Generic Drug Rebates on Community Pharmacy in Canada*, Working paper, Leslie Dan Faculty of Pharmacy, University of Toronto, November 2008, pp. 11-17.

Figure 2-1
Distribution of pharmacies in Canada by category, 2013



Source: IMS Brogan, *Pharmaceutical Trends: Retail Pharmacies by Outlet Type, Canada, 2002-2008* and *2007-2013*.

delegate certain tasks to pharmacists that were traditionally the responsibility of doctors or other health professionals.[38]

Canadian pharmacies distinguish themselves by their exceptional accessibility. Most pharmacies are open seven days a week, and some are open 24 hours a day. They are found in almost every city in the country. In Ontario, for example, researchers calculated that 85% of the population lives within two kilometres of a pharmacy, and 91% live within five kilometres.[39]

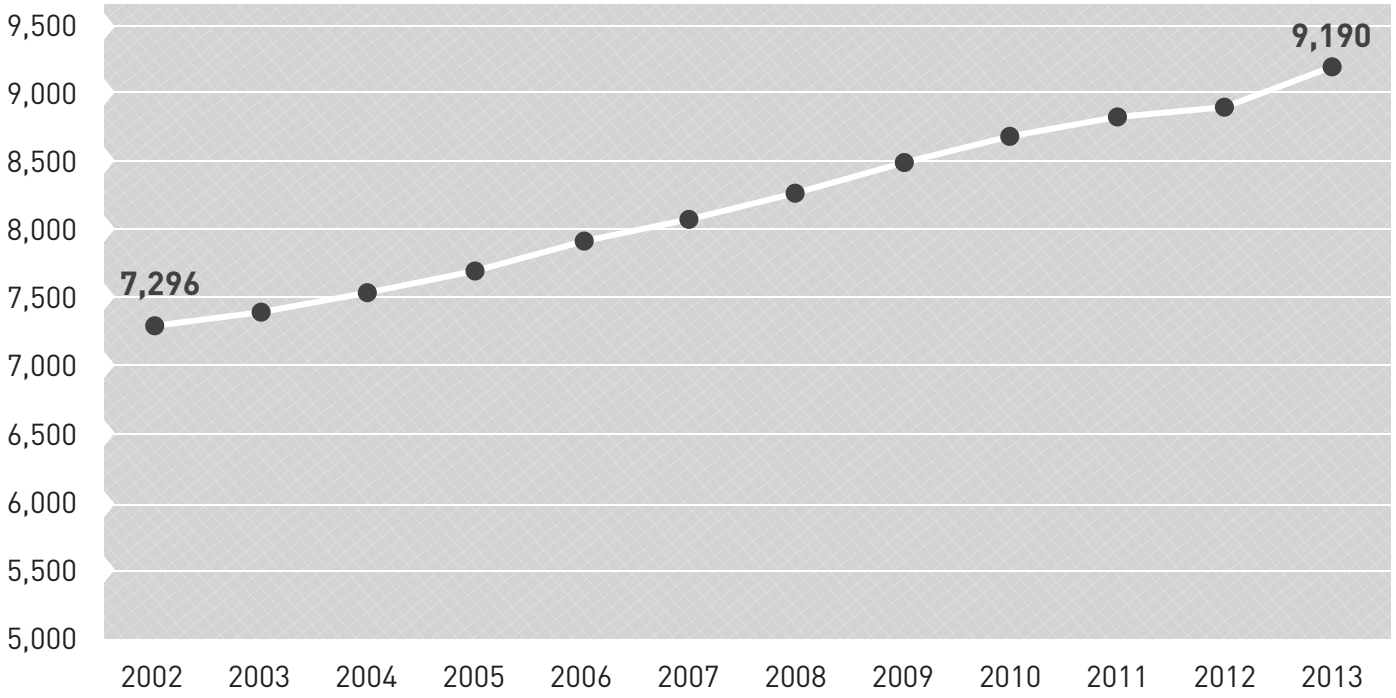
Some 55% of Canadians visit a pharmacy every week—in the vast majority of cases, without having to make an appointment beforehand.[40] Waiting lists for consultations don't exist either. Practically all clients are able to receive their prescriptions within a very short time. There is little available data on average pharmacy wait times, though, precisely because there is no waiting time problem. As part of a study carried out in Alberta, researchers did however poll a sample of clients to find out how long they waited for their prescriptions to be filled. A very large majority of them waited less than 15 minutes.[41]

> **"Practically all clients are able to receive their prescriptions within a very short time."**

In this context, it is not surprising to find that the rate of satisfaction among the population with regard to pharmacy services is very high in Canada, as indicated by

38. Alberta was the first province to allow pharmacists to prescribe medications in 2007. Several other provinces have since followed suit. For several years, the MedsCheck program in Ontario has offered certain patients suffering from chronic illnesses the opportunity to consult with their pharmacists once a year in order to promote adherence and optimize the effectiveness of their medication. See among others Cara Tannenbaum and Ross T. Tsuyuki, "The Expanding Scope of Pharmacists' Practice: Implications for Physicians," *Canadian Medical Association Journal*, Vol. 185, No. 14, October 2013, pp. 1228-1232; Ministry of Health and Long-Term Care, Government of Ontario, "Improving Access to Drugs and Pharmacy Services," Press release, June 7, 2011.
39. Michael R. Law *et al.*, "Geographic Accessibility of Community Pharmacies in Ontario," *Healthcare Policy*, Vol.6, No. 3, 2011, p. 39.
40. Chantal Sauvageau *et al.*, "Immunization Services Offered in Québec (Canada) Pharmacies," *Human Vaccines & Immunotherapeutics*, Vol. 9, No. 9, September 2013, p. 1943.
41. See Suliman A. AlGhurair, Scot H. Simpson and Lisa M. Guirguis, "What Elements of the Patient-Pharmacist Relationship Are Associated with Patient Satisfaction?" *Patient Preference and Adherence*, No. 6, 2012, p. 667.

Figure 2-2
Evolution of the number of pharmacies in Canada, 2002 to 2013



Source: IMS Brogan, *Pharmaceutical Trends: Retail Pharmacies by Outlet Type, Canada, 2002-2008* and *2007-2013*.

several surveys.[42] Even though they work in for-profit organizations, pharmacists remain the health professionals that Canadians trust the most.[43]

Excessive Regulation: The Lessons from Europe

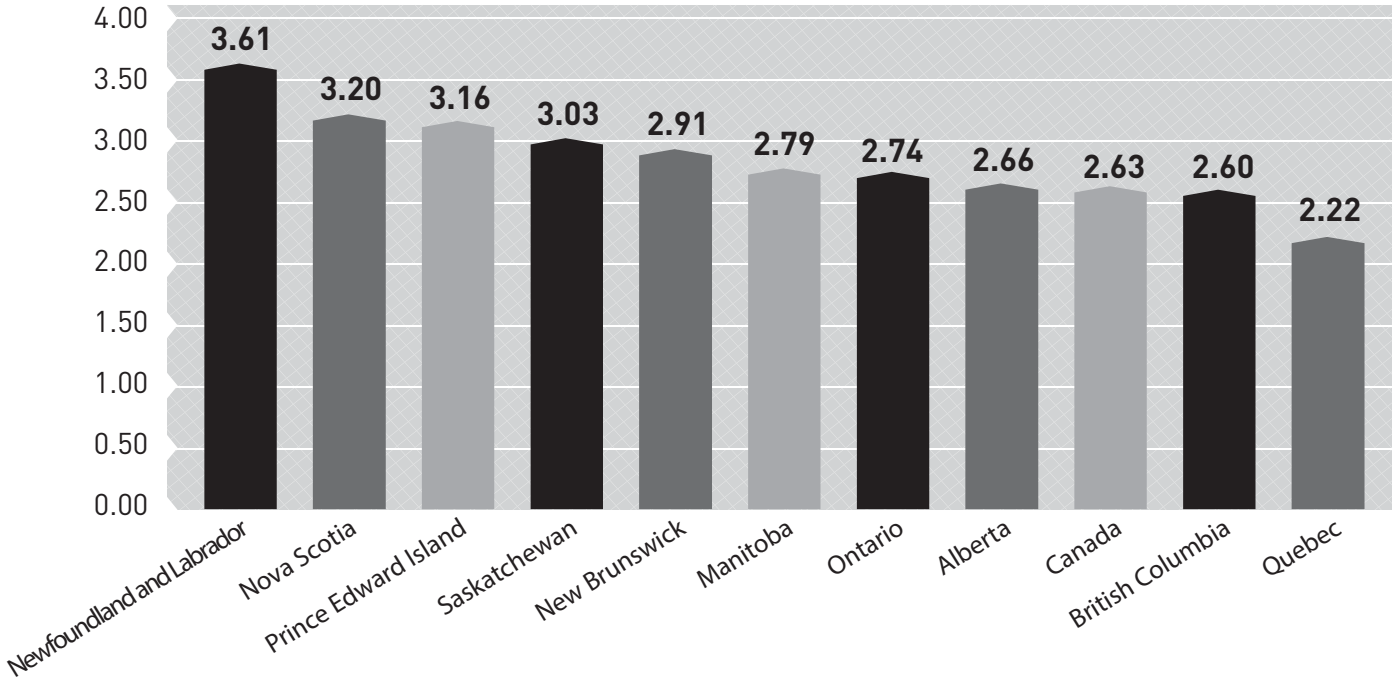
In most countries, the pharmacy sector is heavily regulated. In addition to regulating admission to university faculties and the awarding of diplomas to pharmacists, governments determine rules about opening, owning and operating a pharmacy. The rates that pharmacists are paid for the provision of various services are set by the public authorities. Medications, both patented and generic, are subject to more price controls than practically any other product or service in the economy.

In Canada too, the pharmacy sector is subject to many of these rules (see Table 2-1). However, there are far fewer barriers to entry into the market and to ownership than in most other industrialized countries. For example, over half of European Union (EU) countries do not allow individual pharmacists to own more than one independent pharmacy. Pharmacy chains are legal in only a little over one third of EU countries. In around two thirds of them, there exist restrictions on the entry of new pharmacies into the market that take the form of zoning laws, rules regarding the distances that separate pharmacies, or regional quotas based on the size of the population.[44]

Several studies have shown that such restrictions greatly reduce patients' access to pharmacy services. In Belgium, for example, economists have estimated that government-imposed pharmacy quotas based on population size had the effect of reducing the number of pharmacies in the country by 50% and seriously penalizing consumers.[45] In Ireland, where similar barriers to entry were erected between 1996 and 2002, a comparable

42. See among others Ipsos-Reid, "With Inter-Provincial Working Group Seeking Transformative and Innovative Healthcare Sustainability, Majority of Canadians Support Private Sector Pharmacies Extending Products and Services into Avenues of Healthcare," Poll results, June 25, 2012.
43. See Ordre des pharmaciens du Québec, "Le pharmacien : un professionnel de confiance selon les Canadiens," Press release, February 2, 2012.
44. J. R. Borrell and C. Casso, "Pharmacies," in Anthony J. Culyer (ed.) *Encyclopedia of Health Economics*, Elsevier, Vol. 3, 2014, pp. 51-52.
45. Catherine Schaumans and Frank Verboven, "Entry and Regulation: Evidence from Health Care Professions," *RAND Journal of Economics*, Vol. 39, No. 4, 2008, pp. 949-972.

Figure 2-3
Number of pharmacies per 10,000 inhabitants, Canadian provinces, January 2014



Sources: National Association of Pharmacy Regulation Authorities, *National Statistics*, January 2014; Statistics Canada, *Estimates of population, Canada, provinces and territories, quarterly (persons)*, CANSIM Table No. 051-0005; author's calculations.

effect was observed: The rate at which new pharmacies appeared on the market plummeted by 50% compared to the preceding period from 1991 to 1995.[46]

Given the costs entailed by excessive regulation in terms of owning and operating a pharmacy, several governments, notably in Scandinavia and the United Kingdom, decided to liberalize the sector (see Table 2-2). Consumers in Iceland (1996) and Norway (2002) quickly reaped the benefits of the reforms undertaken, the number of pharmacies jumping by 41% and 34% respectively in these two countries in the space of just a few years.[47]

In England also, pharmacies became increasingly accessible after the reforms adopted in 2005. A recent evaluation showed that 89% of the population (98% in urban centres) lives within a radius of 1.6 kilometres from a pharmacy. Access is even greater in regions where average incomes are lower.[48] Moreover, the increased competition coincided with a 30% drop in prices of non-prescription drugs sold in supermarkets and big-box stores.[49]

"From 1971 to 2009, the retailing and distribution of pharmaceutical products in Sweden was kept hermetically sealed by a government monopoly."

Sweden also profoundly reformed its pharmacy sector a few years ago. No other country had gone as far in terms of state control of this economic sector. Indeed, from 1971 to 2009, the retailing and distribution of pharmaceutical products in Sweden was kept hermetically sealed by a government monopoly. There were no private pharmacies, and no health food stores or

46. Paul K. Gorecki, "Do You Believe in Magic? Improving the Quality of Pharmacy Services through Restricting Entry and Aspirational Contracts, the Irish Experience," *European Journal of Health Economics*, Vol. 12, 2011, pp. 521-531.
47. Niklas Rudholm, "Entry of New Pharmacies in the Deregulated Norwegian Pharmaceuticals Market – Consequences for Costs and Availability," *Health Policy*, Vol. 87, 2008, pp. 259-260.
48. Adam Todd *et al.*, "The Positive Pharmacy Care Law: An Area-Level Analysis of the Relationship between Community Pharmacy Distribution, Urbanity and Social Deprivation in England," *BMJ Open*, Vol. 4, No. 8, 2014.
49. Maria Lluch and Panos Kanavos, "Impact of Regulation of Community Pharmacies on Efficiency, Access and Equity. Evidence from the UK and Spain," *Health Policy*, Vol. 95, 2010, p. 250.

Table 2-1
Restrictions regarding the operational structure of pharmacies in Canadian provinces

	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
A pharmacy must be managed by a pharmacist	x	x	x		x	x	x	x	x	x
A pharmacy must be owned by a pharmacist or pharmacist partnership					x	x				
A doctor may not own or operate a pharmacy	x				x					
A pharmacist may only manage one pharmacy								x		
A majority of shareholders or directors in a corporation must be pharmacists	x		x		x	x				

Source: Competition Bureau of Canada, *Self-Regulated Professions — Balancing Competition and Regulation*, 2007, p. 113.

supermarkets were allowed to offer drugs on their shelves, prescription or non-prescription—not even simple pain relief tablets for headaches.

As a result, for nearly four decades, Sweden was among the countries with the lowest number of pharmacies in the world, by population. Before liberalization, there was barely one branch per 10,000 inhabitants, which is about a third as many as in most Canadian provinces.[50] Furthermore, the government monopoly's branches offered clients very limited opening hours: from 10 a.m. to 6 p.m. Monday through Friday, and from 10 a.m. to 2 p.m. on Saturday. Not a single pharmacy was open on Sunday, and many even closed down completely for the summer.[51]

An article appearing in *The Lancet* medical journal in 2005 illustrates just how difficult it sometimes was to access the services of a pharmacist during the government monopoly period:

> In parts [of the country], even getting the medicine over the counter requires a complex, organised expedition to the nearest town where a pharmacy is located, which could be a fair drive away. In some towns, the local pharmacy is closed down all summer.
>
> Even in the big cities, if you want to buy medicine in the evening, life is difficult: the state pharmacies usually operate short opening hours. One Swede working for the European institutions in Brussels told a Swedish newspaper recently how he wanted to buy medicine for his asthma attack one evening in Malmo, Sweden's third largest city with a population of nearly 300,000. He went to the pharmacy website and was told the nearest open outlet was in Stockholm, 450 miles away.[52]

"Increased competition not only improved Swedes' access to required medications; it also encouraged retailers to expand the range of products and services offered and to innovate in order to reduce costs and wait times at the pharmacy."

Since the liberalization of the sector, the number of pharmacies has skyrocketed, increasing by 46% from 2009 to 2013. In the space of just four years, the growth in the number of pharmacies surpassed that observed

50. Ron Sapsford, *Delivering World Class Value for Money in Provincial Drug System: A Case for Change*, Ministry of Health and Long-Term Care, Government of Ontario, July 2009, p. 10.
51. Kajsa Lindberg and Petra Adolfsson, *The Evolution of Swedish Pharmacies and Recent Reforms*, Gothenburg Research Institute, School of Business, Economics and Law, Göteborg University, No. 5, 2007, p. 15; Pelle Neroth, "Sweden's State Pharmacies May Lose Hold over Drug Sales," *The Lancet*, Vol. 365, No. 9477, June 2005, p. 2079.
52. Pelle Neroth, *ibid.*

Table 2-2
Deregulation experiences of four European countries

COUNTRY (YEAR)	REFORMS	ADVANTAGES
Iceland (1996)	• Liberalization of rules regarding opening and ownership*	• 41% increase in the number of pharmacies in the country and 67% increase in Reykjavik in the two years following deregulation
Norway (2001)	• Liberalization of rules regarding opening and ownership* • Authorization of non-prescription drug sales elsewhere than in pharmacies	• 34% increase in the number of pharmacies from the year 2000 to June 2004, which went from 392 to 524 (compared to an increase of just 71 from 1991 to 2000)
England (2005)	• Abolition of nearly all rules restricting entry of new pharmacies into the market	• 30% drop in prices of non-prescription drugs sold in supermarkets and big-box stores • Better access to neighbourhood pharmacies for populations in depressed areas • Improved efficiency of pharmacy sector
Sweden (2009)	• Privatization of some 615 pharmacies belonging to the government monopoly Apoketet AB • Liberalization of rules regarding opening, ownership* and sales of non-prescription drugs elsewhere than in pharmacies	• 46% increase in the number of pharmacies from 2009 to 2013 • 76% increase in total number of opening hours from 2009 to 2013 • Contributed to a 19% drop in retail prices and 35% drop in wholesale prices (per dose of medicine provided)

Sources: Iceland and Norway: Niklas Rudholm, "Entry of New Pharmacies in the Deregulated Norwegian Pharmaceuticals Market – Consequences for Costs and Availability," *Health Policy*, Vol. 87, 2008, pp. 259-260; Sabine Vogler, "Concurrence dans la distribution de produits pharmaceutiques," Forum mondial sur la concurrence, Organisation de coopération et de développement économique, March 2014, p. 8. **England:** Maria Lluch and Panos Kanavos, "Impact of Regulation of Community Pharmacies on Efficiency, Access and Equity. Evidence from the UK and Spain," *Health Policy*, Vol. 95, 2010, pp. 245-254; Adam Todd *et al.*, "The Positive Pharmacy Care Law: An Area-Level Analysis of the Relationship between Community Pharmacy Distribution, Urbanity and Social Deprivation in England," *BMJ Open*, Vol. 4, No. 8, 2014, pp. 3-5. **Sweden:** LIF, *FAKTA 2012: Swedish Pharmaceutical Market and Health Care*, p. 64; Sveriges Apoteksförening, *Branschrapport 2013*, p. 2; Anders Anell *et al.*, *Sweden – Health system review 2012*, Health Systems in Transition, Vol. 14, No. 5, 2012, p. 113; Mats A. Bergman *et al.*, "Reforming the Swedish Pharmaceutical Market – Consequences for Costs per Defined Daily Dose," HUI Working papers, No. 105, June 2014, p. 3.
***** Only doctors and pharmaceutical companies are forbidden from owning pharmacies in Iceland, Norway and Sweden. See Karin Svensberg, Sofia Kälvemark Sporrong and Ingunn Björnsdottir, "A Review of Countries' Pharmacist-Patient Communication Legal Requirements on Prescription Medications and Alignment with Practice: Comparison of Nordic Countries," *Research in Social and Administrative Pharmacy*, forthcoming, 2015.

over the previous thirty years (see Figure 2-4). As for the extent of opening hours, there was an overall increase of 76% after the sector was opened up to competition. In addition to the hundreds that were privatized, 374 new private pharmacies entered the market, thereby improving access for the inhabitants of all regions. Today, nearly 90% of the population lives within a ten-minute car ride from a pharmacy.[53]

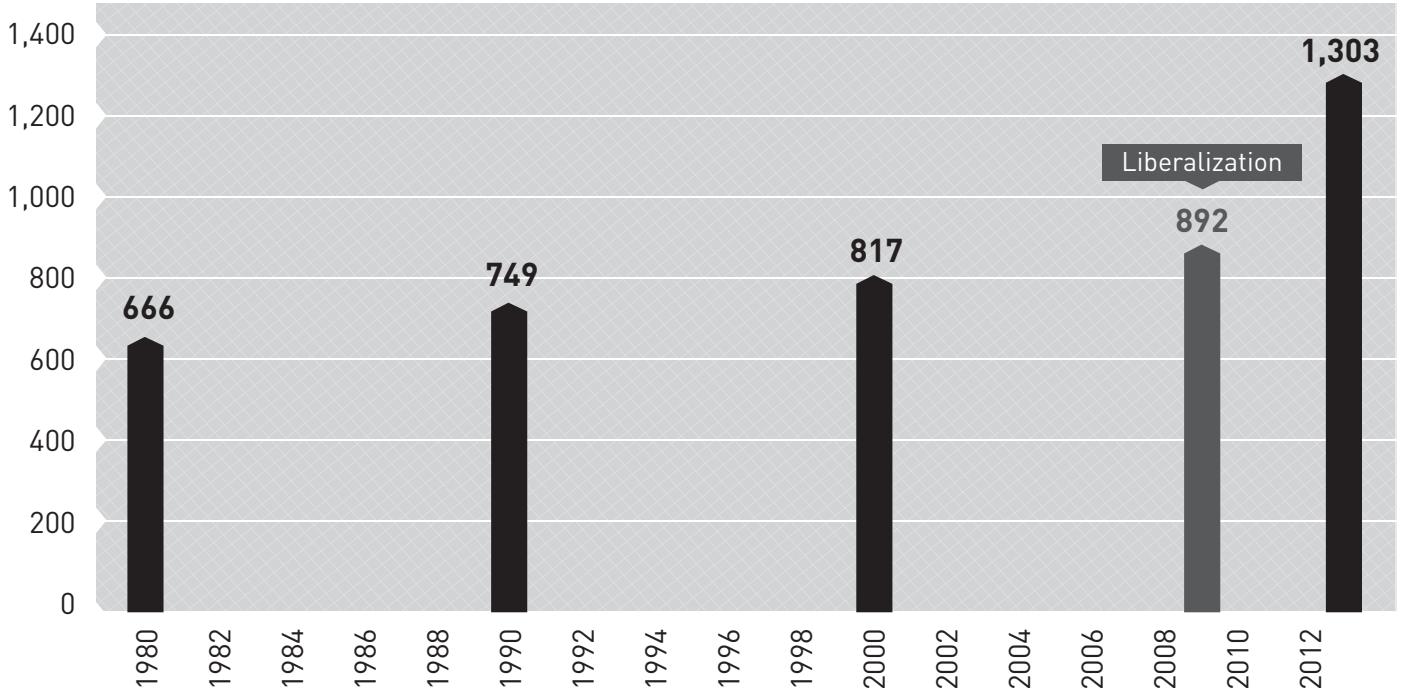
Supermarkets can now sell non-prescription drugs, and pharmacies have products on their shelves that they were not allowed to sell when the public monopoly was in place. Increased competition not only improved Swedes' access to required medications; it also encouraged retailers to expand the range of products and services offered and to innovate in order to reduce costs and wait times at the pharmacy. For example, some of them equipped themselves with automated procedures in order to speed up service[54] all while reducing the risks of medication errors. Swedish researchers estimate that among other things, the liberalization of the pharmacy sector has helped consumers save money, since retail drug prices fell by 19% (per defined daily dose) following the reforms.[55]

53. LIF, *FAKTA 2012: Swedish Pharmaceutical Market and Health Care*, p. 64; Sveriges Apoteksförening, *Branschrapport 2013*, p. 2.

54. Joerg Heise, "Learning from a Changing Market – Sweden's Pharmacy Industry," *International Trends*, Willach Pharmacy Solutions, November 2010, p. 40.

55. Mats A. Bergman, David Granlund and Niklas Rudholm, *Reforming the Swedish Pharmaceutical Market – Consequences for Costs per Defined Daily Dose*, HUI Working Papers, No. 105, June 2014, p. 3.

Figure 2-4
Evolution of the number of pharmacies in Sweden, before and after the liberalization of the sector in 2009



Sources: LIF, *FAKTA 2012: Swedish Pharmaceutical Market and Health Care*, p. 64; Sveriges Apoteksförening, *Branschrapport 2013*, p. 2.

Conclusion

Whereas the public health care system in each Canadian province struggles to adequately meet the needs of patients, private pharmacies in Canada continue for their part to provide the services we expect from them. Without a doubt, pharmacies offer health care services that are among the most accessible to the population.

"We tend to take it for granted that pharmacies will continue to offer quality services that meet the needs of the population regardless of the governmental rules that are imposed upon them."

As much as we seem to have developed a feeling of resignation when it comes to long wait times in the public health care system, we tend to take it for granted that pharmacies will continue to offer quality services that meet the needs of the population regardless of the governmental rules that are imposed upon them. The experiences of numerous European countries, however, reveal the dangers of excessive government regulation.

A health policy analyst reminded us recently, in an article appearing in the *New England Journal of Medicine*, of the old adage that "we learn more from failure than from success." He added, "If that's true, other countries have a lot to learn from [the public health care system in] Canada."[56] In the same way, we could say that Canada must learn from the failures of excessive government regulation in the area of pharmacy services in Europe. By comparison, the private pharmacy sector in Canada, where entrepreneurship and competition are more encouraged, is definitely a model worth emulating.

56. Steven Lewis, "A System in Name Only — Access, Variation, and Reform in Canada's Provinces," *New England Journal of Medicine*, Vol. 372, No. 6, February 2015, p. 500.