

## Canadian health care

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OTTAWA

## The provinces crack down on prescription-drug spending

AS AMERICA debated health-care reform last year, many advocates of universal coverage looked approvingly at Canada, which spends less per head on medical care than the United States does and has a longer life expectancy. Yet this pillar of Canada's national identity is now creaking under the burden of cost. Health spending, which is administered by the provinces, has increased from nearly 35% of their budgets in 1999 to 46% today. In Ontario, the most populous province, it is set to reach 80% by 2030, leaving pennies for everything else the government does, not counting tax increases or new federal transfers. The biggest culprit is prescription drugs, which have seen their share of public-health spending triple since 1980. Cash-strapped provincial premiers are starting to focus on medicine costs—prompting fierce resistance from the drugs industry.

South of the border, Canada is renowned as a source of cheap drugs on the internet. But whereas branded medicines cost less in Canada, because provinces making giant orders can negotiate lower prices with manufacturers, generic-drug costs in Canada are among the world's highest. Although provinces cap the amount they pay for generic drugs at a fixed fraction of the branded price, they have set the bar too high. That has allowed manufacturers to pay pharmacists legal kickbacks—worth C\$750m (\$717m) a year in Ontario alone—for stocking their products, while still earning large profits.

In March Ontario said it would slash the ratio of generic to branded prices from 50% to 25%, saving over C\$500m a year. The province offered to replace some of pharmacists' lost income by increasing dispensing fees and paying them for patient counselling. But the industry was not mollified. Shoppers Drug Mart, Canada's biggest pharmacy chain, threatened lay-offs and store closures, and asked customers to sign protest cards. It also made the fight personal, cutting hours at seven stores in the provincial health minister's district. The official leading the reform, who had received death threats in a previous round of cost-cutting, now has police protection.

Nonetheless, the government held firm, and the new prices took effect on July 1st. Other provinces will surely follow suit. In late June Quebec's health minister confirmed he would impose the 25% price ratio later this year, although he plans to negotiate with the industry first, to avoid an

## Argentine football

## The Diego show

## Why fans forgave their team's early exit

WHEN England's World Cup team was sent packing, the players were pilloried in the press. France's president held a crisis meeting in response to the defeat of *Les Bleus*. Yet after Argentina was humiliated by Germany 4-0, *la albiceleste* came home to a hero's welcome. Tens of thousands of fans greeted the squad, chanting "we do not regret the love." Women and children wept. Cristina Fernández, the president, invited the players to the Casa Rosada palace.

Although many fans consider loyalty to a losing side a badge of honour, no such tradition exists for Argentina's national team. In 2006 Germany won a much closer match than this year's, but the players' return home was a non-event. Why was a group with an uglier exit from the cup better received?

One reason is politics. Four years ago, when Néstor Kirchner, Ms Fernández's husband, held the presidency, the first couple was highly popular. Now, their approval ratings have cratered, and they

have turned to football for support.

Last year the state television channel induced the Argentine Football Association (AFA) to tear up its cable contract and agree to the transmission of the league's matches over free airwaves. The move endeared the Kirchners to football fans and stung the opposition-friendly media company that had owned the rights. When Ms Fernández urged pride in the team's modest showing, she may have been trying to retain the political benefit of ties to the sport, even in defeat.

The other difference is the manager. In 2008 the AFA handed the reins to Diego Maradona, a legendary player but an unproven coach. His peccadilloes—like stomach-stapling surgery, being hospitalised for drug addiction and shooting journalists with an air rifle—made him a controversial choice, as did his friendship with Mr Kirchner. The doubters seemed vindicated when the team performed dismally in the cup qualifiers. In the tournament itself, Mr Maradona adopted a risky strategy of constant attack.

Yet he briefly made his eccentric team selection look inspired, as Argentina coasted to the quarter finals. Although in Lionel Messi, Argentina's team boasted the world's best footballer, it was the manager who was the star. Awkwardly squeezing into a suit, toying with the ball on the sidelines, celebrating with the players, and offering irreverent press conferences, he even inspired the *New York Times's* football columnist to apologise in print for doubting him.

The critics proved right in the end, though, as the German squad methodically exploited Argentina's leaky defence. But the emotion and flair Mr Maradona provided were the next-best thing to winning. Much like the country as a whole, the team may not have finished on top, but it went down in style.



A lovable loser this time

Ontario-style rebellion. The market may lead laggard provinces to adopt the policy, because if they continue to pay higher prices, arbitrageurs may make bulk purchases in Ontario to sell elsewhere. The private sector is on board as well: an association of the largest employers in Atlantic Canada has begun talks with generic-drug makers seeking lower medicine prices for health plans that provide more than the government-funded basics.

Future battles over health costs will probably not be so easily won. One time bomb is set for 2013, the expiry date of a

deal between the federal government and the provinces to transfer C\$25 billion a year into provincial health coffers. Seeking to shore up its finances in advance, Quebec added a health tax to its 2010 budget, requiring individuals to share a burden directly that was previously paid out of general public revenues or withheld from wages. And like most rich countries, Canada's population is ageing, and the demands on its health system will soar when the baby-boom generation retires. America has already had its dose of health-care debate; Canada's may just be starting. ■