

# Prefunding prescription drugs for seniors necessary

February 9 2010, By Ken McGuffin

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(PhysOrg.com) -- A prefunded plan where Canadians would contribute to a dedicated fund during their working years to pay for their prescription drugs when they reach 65 would help protect public health care, according to the new IRPP Study, "Providing Pharmacare for an Aging Population: Is Prefunding the Solution?"

The growth rate of spending on [prescription drugs](#) has exceeded the growth rate of overall [health care](#) expenditures. In addition, the elderly are more likely to need pharmaceuticals both now and in the future, and this need for pharmaceuticals is more evenly distributed across the elderly population than is the need for health care services more generally.

"This rapid growth, coupled with the pattern of prescription [drug use](#) among seniors, make this type of expense a strong candidate for prefunding," says co-author Mark Stabile, an associate professor of business economics at the Rotman School of Management. He is also director of the university's School of Public Policy and Governance.

"If they are not addressed, these future expenditures could potentially lead to further crowding out of other social services within provincial budgets."

The authors propose making this program mandatory. This would ensure that individuals are able to afford their drug expenses when they reach old age, and it addresses the problem of healthy people opting out of the

program, which would ultimately undermine both cost- and risk-sharing.

The authors acknowledge that prefunding is not without its challenges, which include transition issues and the difficult design choices that would be required to preserve efficiency and fairness. The limits of prefunding medicare are discussed in the commentary by Michel Grignon, who presents opposing arguments to prefunding as the solution to the increasing health costs associated with an [aging population](#).

**More information:**

Study: [www.irpp.org/pubs/IRPPstudy/IRPP\\_Study\\_no2.pdf](http://www.irpp.org/pubs/IRPPstudy/IRPP_Study_no2.pdf)

Summary: [www.irpp.org/newsroom/archive/2010/0209sume.pdf](http://www.irpp.org/newsroom/archive/2010/0209sume.pdf)

Provided by University of Toronto

Citation: Prefunding prescription drugs for seniors necessary (2010, February 9) retrieved 24 April 2024 from

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