

## **The Cost of Health Care: Is it Sustainable?**

**October 2002**

*Commissioner Romanow makes some very clear and bold statements in his latest speech made at Harvard University on Oct. 16th. They foreshadow some of what we can expect in his upcoming report. Our Health Care campaigner, Anil Naidoo, has pulled out some of what we see as the most important statements the Commissioner made and has given them some context.*

### **Public and Private Funding**

*Commissioner Romanow states that we have a misconception of how much wholly public funding there is in our system. This is significant because he later makes the argument that the publicly funded single payer system is the most efficient aspect of our health care system and that we should expand the services that are covered under this type of funding.*

At one level, there are comprehensive tax-funded insurance schemes operated by each province and territory. These so-called medicare plans cover medically necessary services delivered by doctors and hospitals. Individual Canadians contribute indirectly through their taxes, but direct charges are generally discouraged and, in some provinces, prohibited. These services, paid for wholly by public funds, add up to just over 40 cents on every health care dollar spent in Canada.

The next segment, worth about a quarter of our total health care bill, represents a mixture of public and private spending.

Drug costs are a prime example. Most provinces cover prescription medications only for certain groups, such as seniors and people with low incomes. Other people generally contribute co-payments or turn to private insurance to help defray the cost of medications.

Home care, rehabilitation, continuing care and long-term care, offer similar examples of mixed public and private funding.

A third level of health care services is paid for almost entirely by private funds.

Here, most dental and vision care, for instance, as well as the services provided by psychologists, chiropractors, physiotherapists, osteopaths and naturopaths, are not covered by Canada's public plans. Some people are lucky enough to have work-based insurance programs to cover some of these costs; others pay directly out of their own pockets.

These "third level" services, purchased directly by Canadians, amount to about 30 per cent of the total health care tab.

## **Sustainability**

*The Commissioner recognizes that resources amount to more than financial - this leads me to think that he will include recommendations on how to deal with the infrastructure and human resource concerns that have been expressed.*

"Sustainable," at least to me, means "ensuring sufficient resources are available over the long-term to provide timely access to quality services that address our evolving health needs."

I deliberately used the word resources rather than money. In addition to cash, a properly functioning health delivery system also depends on the right type of health care providers, buildings, equipment and information systems.

## **Rising Costs**

*The Commissioner clearly identifies publicly funded health care as the most efficient model for health care delivery. He also explodes the myth that spending on medicare is out of control - it's the areas of health care spending that are private or part of the public-private mix where spending is out of control.*

If we were to compare cost increases in the publicly funded, privately funded, and mixed groups of services I described earlier, it is the publicly funded group - hospital and physician services - that wins, hands down.

Indeed, per-capita spending on these publicly funded hospital and physician services is the same today as it was in 1991. By comparison, drug costs - which we put in the mixed public-private category - doubled in the past 25 years.

## **Administration Costs**

*The Commissioner points out that a major reason why our predominantly public system is more efficient than the predominantly private US system has to do with our lower administration costs - this also relates to lower executive salaries, advertising costs, general overhead and profit.*

*The over 800 US dollars that our system saves per person (versus the US system,) represents one third of our overall spending on health care. These savings can go directly to spending on added health care delivery.*

More than a decade ago, Harvard University professors Woolhandler and Himmelstein estimated that Canadians spent two-thirds less than Americans on health care administration.

Their recent work, using 1999 data, concludes that each Canadian pays \$325 per year in U.S. funds, compared to the \$1,150 paid by each American. Why?

Private insurance systems spend a lot of money on the extensive infrastructure required to deal with multiple insurance companies, assess risk, set premiums, design benefit packages, review claims and reimburse beneficiaries.

By contrast, a single insurer is spared a lot of these administrative outlays.

### **Outlines of the Solution**

*The Commissioner makes clear statements advocating expanding the services offered by the single-payer system. Speculation is that this will include National Pharmacare and National Homecare programs. He also clearly sees this as a long-term cost saving to the system. The implication is that only by expanding Medicare will we be able to make it sustainable.*

#### **1. Universal single-payer**

I think the universal, single-payer system should actually be expanded beyond the basket of services offered in hospitals or by doctors. True, expanding the scope of medicare coverage would demand some additional public investment in the near-term. But in the long-term, it would ensure a more rational, cost-effective and sustainable use of all health care services. And it is the long-term we must always keep firmly in mind.

*The Commissioner indicts governments, including his own, which through the cost cutting that occurred in the 90's, engaged in downloading of costs on citizens. He claims this to be a false economy. The suggestion is that there has been no real savings in the exercise of removing items from provincial and federal budgets. These still have to be paid and costs to the overall system increase when these items are turned over to the for-profit sectors.*

#### **2. Total Costs**

We should avoid shifting costs between the publicly and privately funded sectors of the health care system. Our concern should be to control total costs.

At the end of the day, the total bill for health care is paid by citizens, whether through their taxes, their premiums on insurance policies, or the fees they pay directly for health services.

The total bill should matter more than the individual portions.

It should represent value for money, and it should be affordable by people who are sick and in need of health care.

*The Commissioner believes that overall there are no grave concerns around equitable access. He does, however, point to the private diagnostic tests, such as private MRI's, as being 'potentially threatening'. He believes this type of queue-jumping is a violation of our core values. Medical need should be the only criterion for access to care.*

#### **3. Equitable Access**

However, MRIs and other diagnostic tests, in great measure due to a withdrawal of public investment here in the 1990s, are now becoming more available on a user-fee basis. It is therefore likely that patients who are tested sooner will also be seen sooner for surgery or follow-up care. This is a growing phenomenon and, in my view, potentially threatening. Why?

Because it is a serious violation of a core value shared by Canadians: The notion that people should have equal access to care, and that medical need should be the only criterion governing who should be tended to first.

*In what the Commissioner describes as "Transformative Care", he outlines a shift toward community-based primary care reform. While talked about for years, this signals that this initiative will make it into the Commission's report. The Commissioner hints that we need to address the traditional barriers among health care providers. For this to be effective, we need a national program and clear targets. We must also move away from physicians working on a fee-for-service basis.*

#### **4. Transformative change**

One route is to enhance preventative care and to shift the focus from "illness" to "wellness." This can happen among individuals. Governments, often in partnership with community-based organizations, can also promote this shift among specific populations.

Modernizing and transforming the health care system also involves the evolution of primary care - people's first point of contact with the health care system.

We need, for instance, to shift the focus away from hospitals and medical treatments and to break down traditional barriers among health care providers.

The best way to do that is to create a comprehensive primary health care system that is available 24 hours a day, 7 days a week, with providers who have long-standing and trusting relationships with patients.

*Finally, and I would suggest most importantly, the Commissioner states Canadians do not want a parallel private system and that it represents a grave risk. These are welcome words and get to the heart of the fight. A parallel-private system would introduce private, for-profit care into those aspects of the health care system that have had some protection under the Canada Health Act and Medicare. Combined with the Commissioner's thoughts on expanding the system, these are very positive proposals indeed. The test will be to see whether he outlines timetables for implementation and what happens to these recommendations once the provinces and politicians get at them.*

## **Conclusion**

And the grave risk we will face is pressure for access to private, parallel services- one set of services for the well off, another for those who are not. Canadians do not want this type of system.

Once my final report has been submitted, the future of our health care system will be in the hands of Canadians. Their commitment to the values underpinning medicare, and their willingness to fight to preserve and build on the proud legacy they have inherited, will decide its destiny. I have no doubt Canadians - and their governments - will make the right choices.