

MEDICARE'S COMPETITIVE ADVANTAGE

PUBLIC HEALTH CARE MAKES GOOD BUSINESS SENSE

by Guy Caron

There's something about Canada's health care system that business leaders aren't telling you. In fact, it's Canada's best-kept secret.

While we often hear about how taxation levels affect a corporation's ability to compete in the global marketplace, we rarely hear about a major advantage that Canadian businesses have over their U.S. counterparts: universal health care.

Right-wing think tanks like the Fraser Institute insist that a country's competitiveness rests on its level of taxation. The Canadian Council of Chief Executives (CCCE) has pushed hard for corporate tax cuts over the years, resulting in deep cuts to social spending. But by advocating more privatization of health care, the CCCE is actually arguing against the best interests of its members.

INSURANCE COSTS THROUGH THE ROOF

There are many factors that determine a country's competitiveness. While taxation does play a role, it is no more or less important than the price of utilities, the cost of housing, the availability and skills of the local labour force, access to markets and customers and suppliers, and even crime rates.

Moving to the top of this long list, especially in the United States, are the exorbitant costs associated with providing health coverage to employees – a fact that corporate leaders will readily admit to these days.

Consider the auto industry. Did you know that U.S. automakers spend more money on health insurance each year than they do on steel?

IN THE UNITED STATES, HEALTH CARE AND PENSIONS ADD BETWEEN \$1,400 AND \$1,800 TO THE PRICE OF EACH VEHICLE – A MAJOR REASON TOYOTA CITED FOR BUILDING ITS NEWEST PLANT IN ONTARIO.

In 1988, Chrysler's CEO Lee Iacocca reported that each car his company produced in the U.S. cost \$700 in health benefits alone, while the same car produced in Canada by Chrysler cost only \$233 in health benefits.

The situation hasn't changed much since then. In 2005, General Motors of Canada's CEO Michael Grimaldi reported that each U.S.-produced car cost \$1,500 in health benefits, compared to less than \$500 in Canada. And in 2006, the Conference Board of Canada reported that in the U.S., health care and pensions add between \$1,400 and \$1,800 to the price of each vehicle – a major reason Toyota cited for building its newest plant in Ontario.

The carmakers aren't the only ones bearing the burden. Wal-Mart's annual bill for health benefits is \$1.5 billion, even though fewer than half of the company's 1.3 million U.S. employees are actually insured.

The *Globe and Mail's* Andre Picard recently quoted a survey by the Kaiser Foundation which reveals that average employee health premiums in the U.S. now amount to \$10,880 a year – more than the gross earnings of minimum-wage workers. On average, employees with benefits pay \$3,718 of that total, with employers picking up the balance.

Believe it or not, one of the top advocates for public health care in the U.S. is Howard Schultz, the chairman of

Starbucks. He has been outspoken about the "moral responsibility" of businesses to provide health coverage. But he also knows that this is one of the best ways for companies like his to retain employees. Given that 45 million people in the U.S. have no health coverage whatsoever, even a low-paid job slinging coffee is desirable if it includes health benefits.

But it's not just large corporations that are paying the health costs of their employees. According to the same Kaiser Foundation study, 98 per cent of all U.S. firms with over 200 employees offered health benefits in 2006, but so did 60 per cent of smaller firms. And while larger companies might be able to absorb mounting health care costs, the impact on small businesses can be crushing.

THE CANADIAN ADVANTAGE

Canadian businesses clearly have a major advantage, because most of their employees' medical costs are covered by our universal public health care system. And though many pay for extended coverage for services like dental care and pharmaceuticals, the costs aren't anywhere close to what U.S. companies must absorb.

Still, it seems that many Canadian business leaders don't realize how fortunate they are.

When the Canadian Federation of Independent Businesses surveyed its members in 2002, only one in five respondents stated that they "believe that a publicly funded health care system gives them a competitive edge." To Ken Stickland, an Edmonton businessman interviewed by *Alberta Venture* in 2003, this shows that Canadian businesses don't get it.

“The answers to those questionnaires were made in pure self interest and a whole pile of business people just think that way. Does this have any particular relevance to me? Well, if I don’t have a firm or a division in the States and if my sales are a hundred per cent to the domestic market, it is certainly easy for me to think it doesn’t have an effect. But once you get the rumble of external competition coming into your previously cosy little business, you might become more aware of it. It is clearly an advantage.”

It should be noted that many business-people do recognize that universal single-payer insurance is an advantage for them. However, a great number of those same people also believe, paradoxically, that we should expand the private sector’s involvement in the delivery of health services.



Cliff White

Anna Haley joined a rally in Halifax organized by the Council’s Atlantic Regional Office on November 15.

This line of thinking ignores the fact that not-for-profit clinics and hospitals are cheaper to operate than for-profit institutions. It has been well established

that private clinics end up costing governments and patients more. And if Canada continues down the road to privatization, it’s going to cost Canadian businesses a great deal.

It certainly doesn’t help that groups like the Canadian Federation of Independent Businesses have been among the biggest pushers of private medicine. While the big insurance companies might be eager to cash in on Canada’s health care market, the vast majority of corporations would suffer under an employer-paid system.

The challenge for us is to convince business leaders that fighting the incursion of for-profit health care in Canada is in everyone’s best interests – including their own.

Guy Caron is the Health Care Campaigner for The Council of Canadians.

CANADA CAN’T AFFORD PRIVATE HEALTH CARE AND NEITHER CAN CANADIAN BUSINESSES

Businesspeople who want to join the fight against private health care need to be armed with the facts. Free-market think tanks like the Fraser Institute have spent many years trying to convince Canadians that for-profit health care is cheaper than public health care. But their arguments just don’t stand up.

According to the Canadian Institute for Health Information, total public and private spending on health care in Canada totalled \$141 billion in 2005. If you subtract the costs associated with services that are not covered by health insurance, such as dentists, psychologists and prescription drugs, you arrive at a total of \$72 billion a year, or \$6 billion per month, which is distributed among some 32.7 million Canadian citizens.

In other words, Canada’s universal health insurance system costs the government about \$183 a month per person (or US\$160), and the “premiums” are collected through the tax system.

No U.S. private health insurance plan provides benefits that compare with Canadian public benefits.

According to the Kaiser Foundation, the average premium for individual health insurance costs about US\$150 per month in the United States. A typical plan with a premium in this range often includes a deductible varying from \$1,000 to \$5,000. In addition, patients generally have to shell out “co-payments” varying from 10 per cent to 30 per cent of the cost of any given treatment. Not to mention the fact that a person’s choice of doctor and hospital is dictated by his or her insurance plan, and many plans don’t cover things that Canadians take for granted – like pre-natal care for pregnant women. And you can be denied coverage if you have a pre-existing condition.

The average premium under an employer-based group insurance plan in the U.S. in 2005 was US\$335 per month. These plans are also subject to most of the above-mentioned limitations, although they usually also include basic drug insurance.

But no matter how you crunch the numbers, the truth is that Canada’s public health care system is less expensive and more comprehensive than any comparable private health insurance system in the United States.