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mythbusters

USING EVIDENCE TO DEBUNK COMMON MISCONCEPTIONS IN CANADIAN HEALTHCARE

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MYTH: CANADA'S SYSTEM OF HEALTHCARE FINANCING IS UNSUSTAINABLE

Talking about the financial sustainability of medicare — Canada's taxpayer-financed insurance plans for hospital and physician care — has long been considered "the national pastime"[i]. Nonetheless, financial sustainability is usually framed as a recent phenomenon, the result of a comprehensive health system attempting to meet the growing needs of an aging population[ii]. Those who argue the system is unsustainable point to public funding and administration as part of the problem, rather than the solution. Their proposed remedy is quite simple — Canadians can accept less-comprehensive public health insurance, with more services being paid for out-of-pocket or by private insurance[iii]. However, as simple as this solution may be, it ignores the facts about which costs are rising and by how much; the ability of medicare to adapt; international evidence; and, most importantly, the wants and needs of Canadians.

ARE RISING COSTS UNSUSTAINABLE?

It's important to measure healthcare spending increases in relation to gross domestic product (GDP) because it helps us to understand not only how costs are increasing but how they are increasing relative to our ability to pay them. In other words, after healthcare is paid for, how much money is left over for everything else? As the author of a recent column put it:

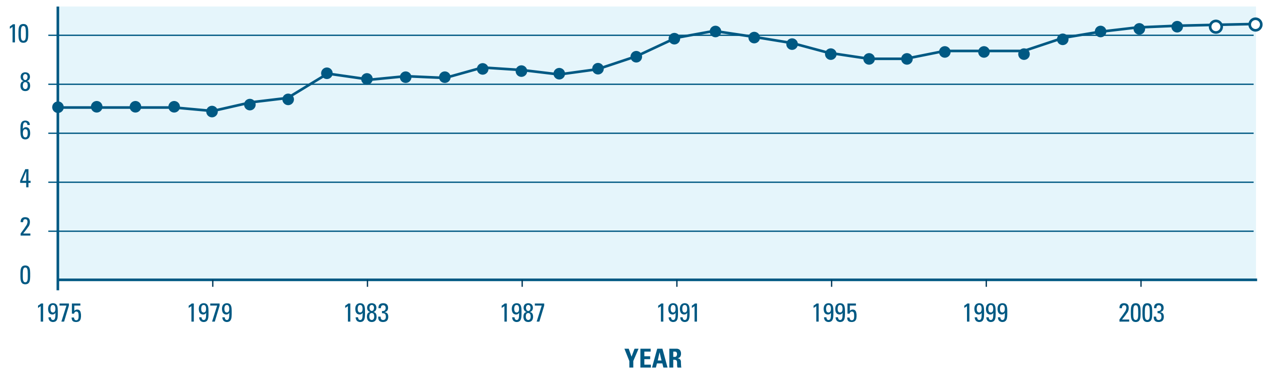
> Imagine a country where spending on health care is $1 per capita and the GDP is $100 per capita. If, over 50 years, health care spending increases by 100 times, to $100, and the GDP increases 10 times, to $1000, the amount of money left for non-health-related spending has still increased from $99 to $900.[iv]

Still some argue that Canadian medicare is a monopoly[v] or, a more accurate term for a single purchaser, a *monopsony*. In these situations, so the argument goes, there is no competition, leading to perpetually high costs[v]. If that argument were true, then healthcare costs in countries with parallel quasi-private systems of financing care (such as Australia), parallel public and private systems (such as in France and Germany), or market-based systems (such as in the United States), would be far lower than the costs of Canada's publicly financed system. In fact, total health spending as a share of GDP in Canada (at 9.8 percent) is comparable to that of Australia (9.5 percent), lower than in France (11.1 percent) and Germany (10.7), and significantly lower than in the U.S. (15.3 percent)[vi].

When measured against GDP, it appears that increases in the cost of healthcare are not uniquely a Canadian phenomenon, but happening in virtually all healthcare systems[vii]. Moreover, these increases are more moderate in Canada[vii; viii; ix]. For example, in the U.S., healthcare spending as a proportion of GDP increased from seven percent in 1975 to 15.3 percent in 2005[viii]. In Canada, the figures rose from seven percent to 9.8 percent over the same time period, remaining constant at about eight to 10 percent of the nation's GDP for the last 20 years[viii].

One problem occurs when critics use snap-shot, unadjusted total provincial or territorial healthcare spending to measure financial sustainability[x]. An analysis of estimated expenditures over time can be misleading when the figures are not adjusted for population growth, inflation and aging[xi; xii; xiii]. For example, an analysis of estimated expenditures over a 27-year period in Alberta debunked hype over an unwieldy 900-percent spending increase. After initial adjustment, the increase was about 65 percent. With further correction for increases in average personal wealth, the figures dropped once again to a controllable 17.5 percent[xiii].

TOTAL HEALTH EXPENDITURE AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT, CANADA, 1975 TO 2006 (SOURCE: CIHI, 2007)



WHAT IS DRIVING INCREASES IN HEALTH SPENDING?

Certainly spending increases in some areas are an issue. While spending on doctors and hospitals as a percentage of GDP has not changed much in the last 20 years[viii], increases in other areas have been dramatic. However, in most cases these cost drivers are areas that fall *outside* of medicare[vii; xiv; xv]. For instance, expenditures on prescription drugs — which generally fall outside the scope of public insurance plans and are paid for by a combination of public and private insurance and out-of-pocket payments — have more than tripled their share of the GDP over the last two decades[vii]. Other cost drivers include community services, which have never been fully publicly covered[xv].

Alternatively, the major issue facing Canada's healthcare systems may in fact be a declining tax base, which is often a deliberate choice by governments[xv]. When governments cut taxes, any public program, including health services, can be made "unsustainable"[vii]. Fiscal sustainability, therefore, is a matter of government choice[vii], but also more fundamentally the public's choice. In the end, the decision to maintain a comprehensive, taxpayer-funded insurance plan may grow the economy rather than hurt it. As several CEOs of international corporations have argued, Canada's healthcare systems are economic assets, because the companies that set up shop here need not factor in health insurance as part of the cost of doing business[xvi; xvii].

WHEN GOVERNMENTS CUT TAXES, ANY PUBLIC PROGRAM, INCLUDING HEALTH SERVICES, CAN BE MADE "UNSUSTAINABLE"[VII].

CONCLUSION

For the average Canadian, the debate over financial sustainability is not so much a question of whether the system is affordable, as it is "Will medicare be there for me when I need it?"[xviii] The answer hinges on a simple fact: "Medicare is as sustainable as Canadians want it to be"[xviii]. It would appear they want it a lot: most Canadians report they would pay higher taxes for more, high-quality medical care[xix]. A lingering issue that remains in all of this is how to reform the current public healthcare system to improve performance and ensure value for money within current budgets.

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