



The Future of Canadian Healthcare

*Current Issues and Recent Developments in Running
the Canadian Medical Care Delivery Systems*

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Contents

Basic Premise

→ A new Canadian health care industry is evolving to respond to changes in society, politics and health care

Questions

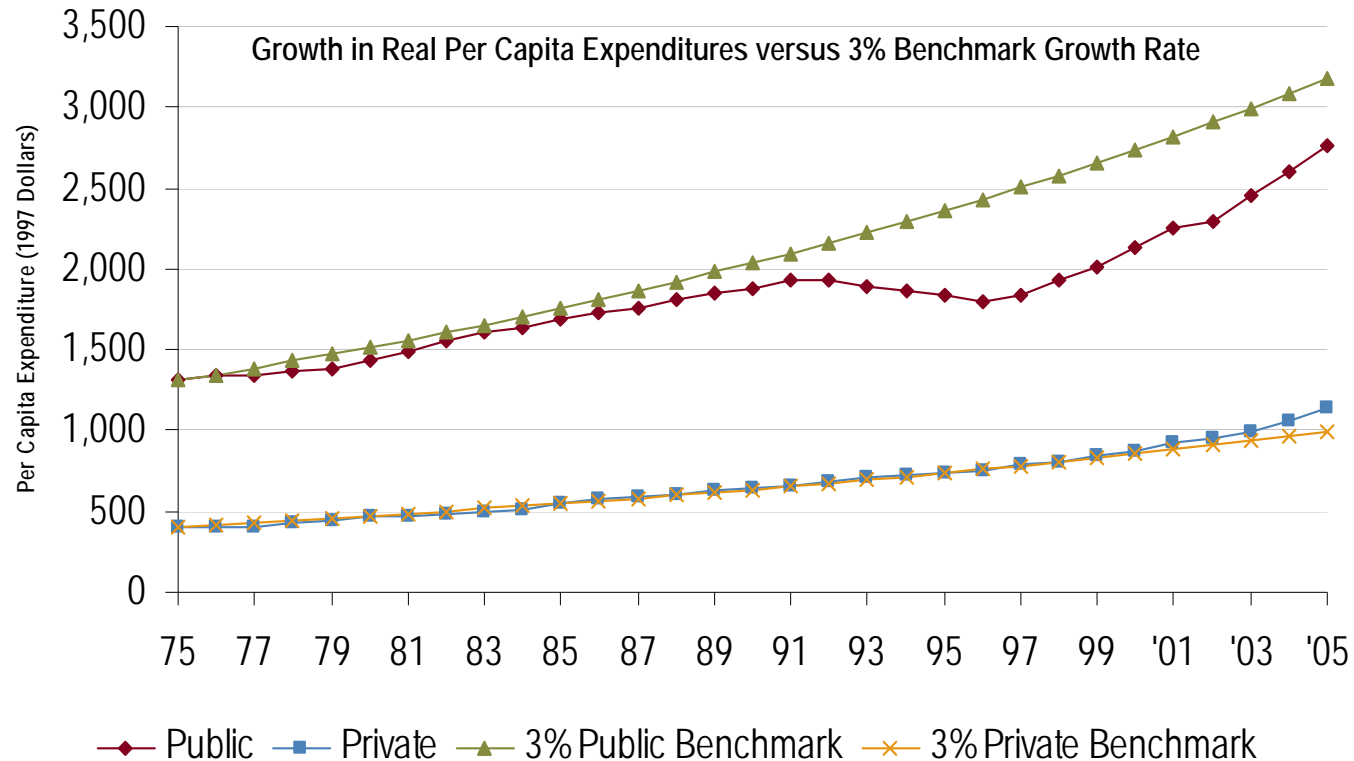
1. What does health care and benefits in Canada look like today?
2. What are the key drivers of change?
3. Where is the health care system going?



What does health care and insurance in Canada look like today?



Funding Gap In Canada Creates Long-term Demand for Additional Spending



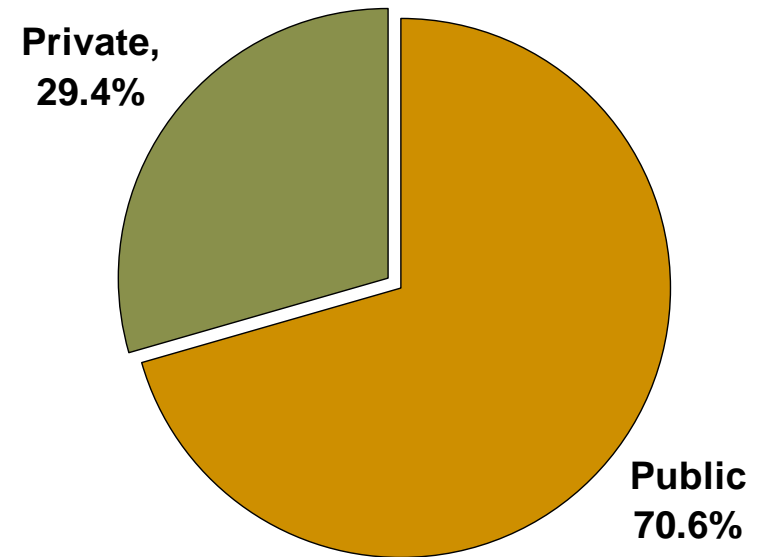
Sources: Healthcare Expenditures - CIHI, Economic Data - Statscan

- ➔ Health care spending in Canada 2007 of \$160.1 billion (10.6% of GDP) up from \$150.3 billion in 2006
- ➔ Health care spending as a share of Canada's GDP increased slowly but steadily over five years and reached 10.6% in 2007. This surpasses last year's spending of 10.4%.

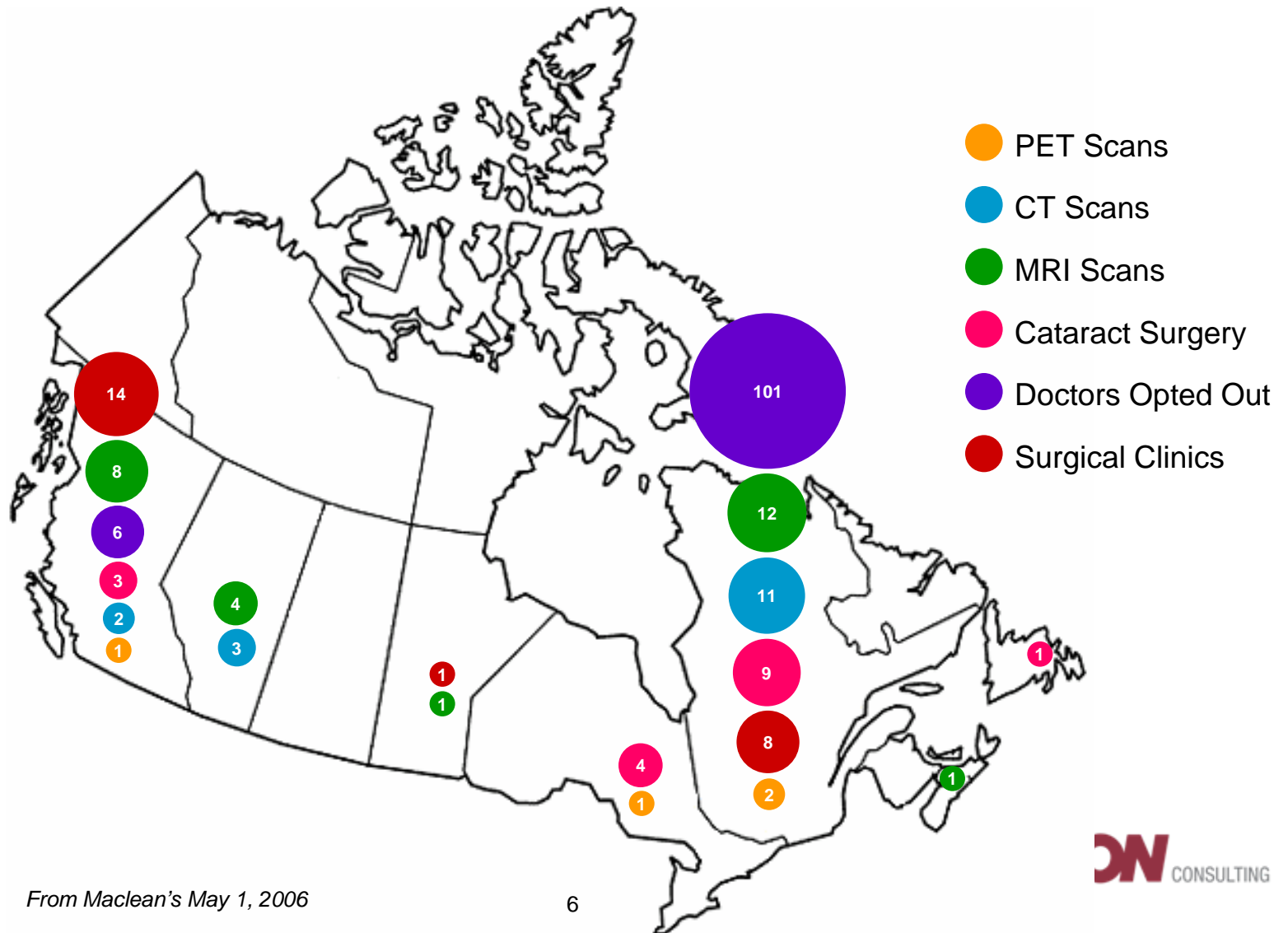


Clear Separation of Public and Private Sectors

- 70.6% of health care spending is in the public sector – a lower percentage than most countries with universal coverage (2007)
- Canada's clear separation of public and private health care is different other OECD countries:
 - "Medically necessary" services are almost exclusively paid by the public sector
 - Other health services are almost exclusively paid by the private sector (i.e., excepting social assistance programs)



Private Health Care in Canada



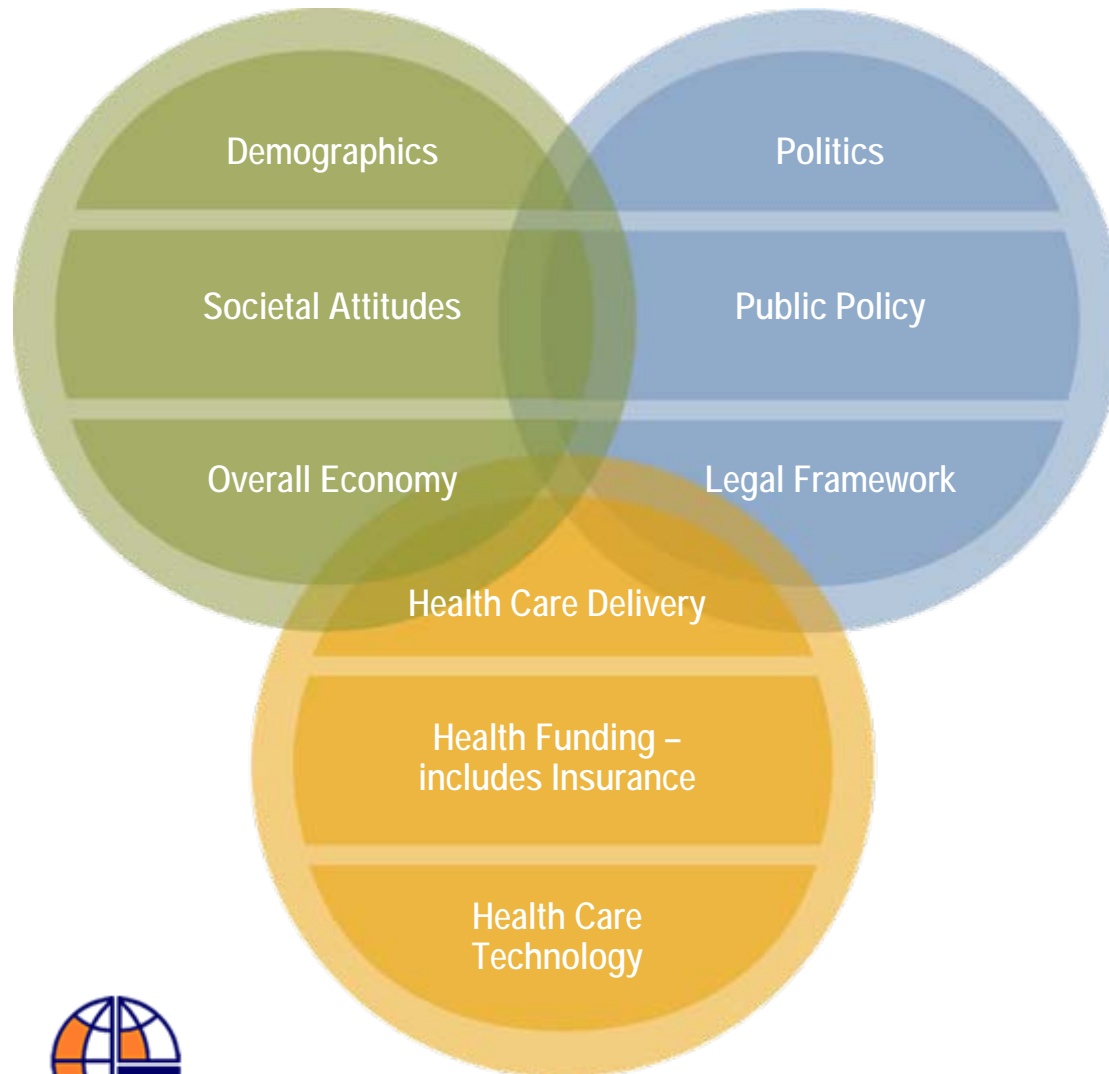
From Maclean's May 1, 2006



What are the key drivers of change?



Three Groups of Change Drivers



Primary change drivers
Include:

- Socio-economic trends
- Health care delivery and funding
- Politics and the legal system

An Aging Population Increases Health Care Costs



- An aging population is the dominant factor driving health care
- As the population ages:
 - Life expectancy in Canada will grow from 79.3 in 2000 to 83.3 in 2050*
 - The ratio between people aged 20 to 64 and 65+ will dramatically fall – a reduction from 4.75 in 2006 to 2.42 in 2031**
- Health care costs will increase as older people have higher health service use rates
- Canadians aged 65 and over accounted for an estimated 44% of total provincial and territorial government health care spending in 2005



* United Nations World Population Prospects, 2002

** Derived from Statistics Canada Table 052-0004

Public Attitudes are Shifting and Splitting



- Attitudes about health care are changing and will change further:
 - 54% willing pay more for wider range of services or improved timeliness*
 - An estimated 5 million Canadians would “subscribe to a service that charged \$2,300 a year, with a \$1,700 initiation fee, to screen for early signs of disease and manage chronic problems”**
- Still, a significant portion of the population wants to strictly adhere to the fully public health system
- Support for private spending and insurance will increase – an aging population will not accept a lower standard of health care services, if they have sufficient wealth to improve their level of wellness

• Pollara Strategic Public Opinion and Market Research Survey

** Decima Research poll, August 2005



Health Care Spending Grows Faster than Gross Domestic Product

- ➔ Broad economic trend that wealthier countries consume proportionately more health care:
 - As other needs are satisfied, the marginal benefit of health care increases
 - Doubling national wealth increases health care spending by approximately 135%
- ➔ Although value for money in health care is an important condition, growth in spending should not be viewed as intrinsically bad
- ➔ As Canadian national wealth grows, we should expect health care to increase its proportionate size of the economy – this partially confirms the changes in demographics and attitudes
- ➔ Health care spending continues to grow faster than the Canadian economy and 2007 was the eleventh consecutive year in which health care spending outpaced inflation and population growth



Delivery Reform is a Necessity ... and Will Come

- ↳ Little recent growth in health care productivity:
 - Inefficient operational processes
 - Limited use of IT to improve administration and management
 - Low levels of capital investment
- ↳ Looming health care labour shortages
- ↳ Innovation is beginning, but is sporadic, incremental and unlikely to materially improve sustainability – comprehensive change of the entire health care system is needed and is inevitable



Sustainability is Questionable



- ↳ Limited fiscal room for most provinces to meet forecasted commitments
- ↳ Private employers looking to reduce health benefits to limit growing liabilities – possible move to:
 - Defined contribution and
 - Elimination of post-retirement benefits
- ↳ The share of private sector spending on health care will grow from 29.4% to 34-36% during the next decade

Technology is Changing Health Care

→ Technology is increasingly important for:

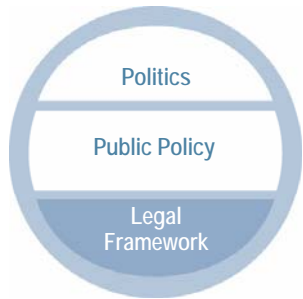
- Diagnostics
- Treatment (i.e., including pharmaceuticals)
- Patient information management and risk modeling
- Operations management

→ Health care outcomes are increasingly rooted in the application of technology

→ A growing number of diagnostics and treatments are outside the boundaries of the *Canada Health Act* – they can be delivered by private health care providers and funded through private insurance



Political Dynamics Will Delay Change



- ↳ Political decision makers will be slow to make changes:
 - Widespread need for change is recognized
 - For a large minority of voters, 'No change in the public health care system' is their requirement for voting
 - Some provinces (e.g., Quebec, British Columbia and Alberta) have shown interest in making significant changes, but movement is relatively slow
- ↳ Change to private health care and insurance is unavoidable, but will be delayed until fiscal constraints reduce services delivered to a point that is too far below public expectations
- ↳ 'Fractured' approach – fewer national standards with different local plans

Court Decisions may Accelerate Change

- Legal decisions have created 'rights' and may:
- Force political and policy decisions earlier than would otherwise occur
 - Accelerate changing attitudes as the general population sees 'rights' to medical care affirmed



Where is the health system going?



Summary of Change

- ↪ Increased financial and staffing pressure in health care system
 - Demographics driving demand
 - Inflation driving unit costs
 - Flat productivity growth
 - Labor shortages

- ↪ Radically different management and delivery options are being considered and piloted in the public sector.
 - Reform has been slow; more adventurous in Quebec and B.C.
 - Possibility of public-private partnerships

- ↪ Many wealthy boomers are willing to pay for better healthcare – this will be the major political driver.

