

Comparative Overview of Healthcare Systems

Outline

- A digression on reforming the social insurance safety net in Canada
- Historical Perspective on Universal Healthcare
- Examples of Universal Healthcare
- Healthcare in Canada vs the U.S.
- Recent developments in the U.S.
- The future of Healthcare in Canada?

Social Insurance Safety Net in Canada

- Social Insurance in Canada includes a number of programs that help support persons who are in adverse circumstances
- Some examples
 - Workers' Compensation: for workers who injured or killed in the course of working
 - Employment Insurance: income support for those that lose their jobs
 - Canada/Quebec Pension Plan: a public pension plan for all workers

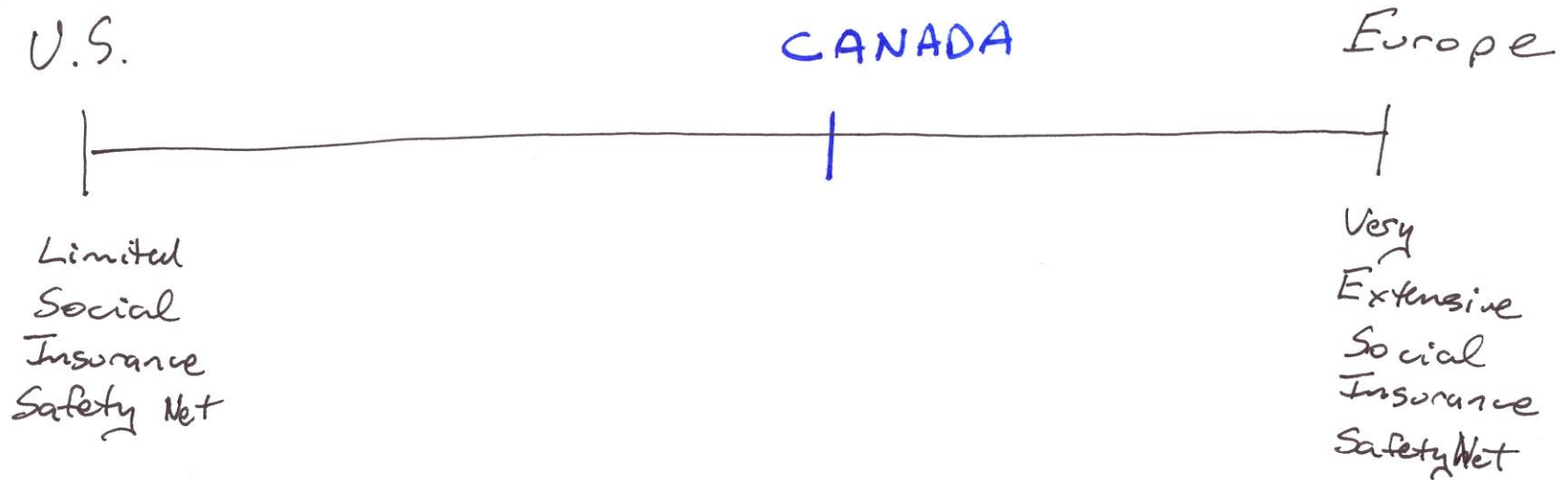
Social Insurance Safety Net in Canada

- Canada/Quebec Pension Plan Disability Program: provides income support to persons with disabilities
- Social Assistance programs: provides income and other income support to low income persons
- Old Age Security (OAS): an income supplement for persons older than 65 years of age, i.e., seniors
 - Guaranteed Income Supplement, an supplement to the OAS for low income seniors

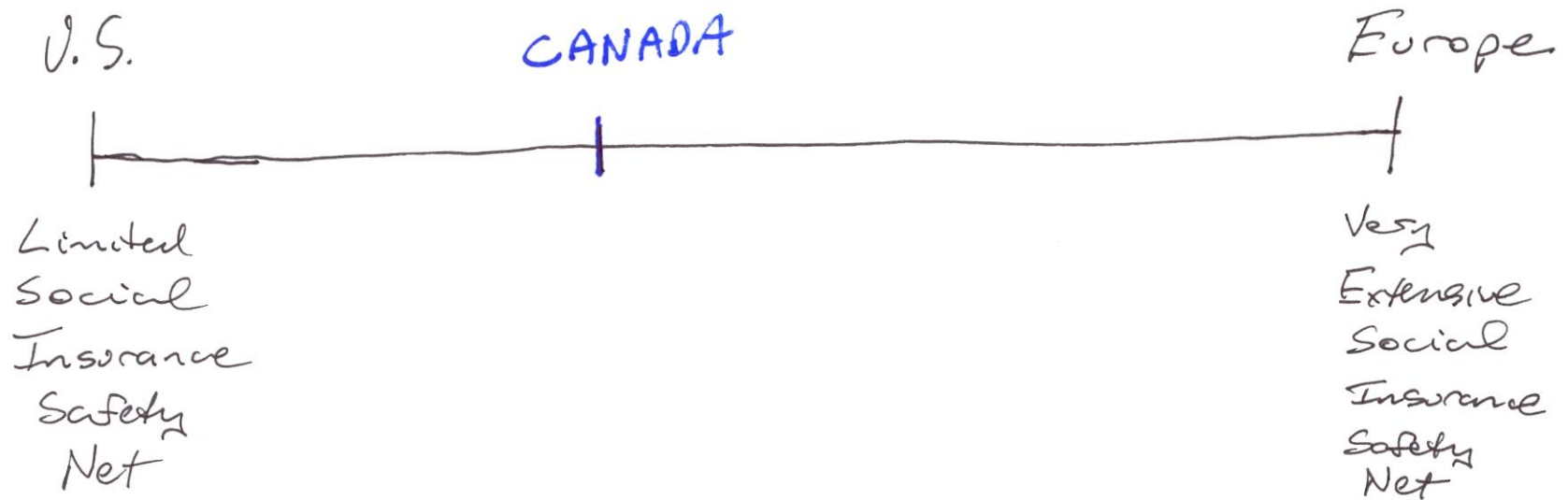
Social Insurance Safety Net in Canada

- This extensive social safety net is funded by worker and employer contributions (as a percentage of earnings or payroll).
- Tax revenues are also used to pay for the programs that do not have a payroll tax or worker premium.
- Canada had tended to lean towards a European style social safety net.

Comparative positioning of Canada's social safety net in early 1990s



Comparative positioning of Canada's social safety net today (more or less)



- Having an extensive social safety net is not without its challenges, which began to show in the early- and mid-1990s.
- So prior to these reforms the social insurance safety net would've looked very European, after the changes it would've looked very U.S., i.e., tougher to qualify for benefits and less generous benefits.

Examples of Changes

- The Canada Pension Plan there had a major review of its approach to funding, contributions in the mid-1990s to address concerns about its sustainability going forward.
- The Canada Pension Plan Disability (CPPD) program has also made a number of changes, which included making it tougher to qualify for benefits and increasing work incentives for work by beneficiaries in an effort to increase their return to the labour market.

- Employment Insurance (formerly known as Unemployment Insurance) has increased contribution rates for both workers and employers; made it more difficult to qualify for benefits (e.g., now you must qualify based on hours worked instead of weeks); reduced benefit levels; recently, there is a proposed change in the availability of jobs (i.e., if there is a job within 100km of where you live you must take it)

- These changes have in effect moved the social insurance system in Canada to be more similar to that in the U.S., where benefits are less generous and it tends to be tougher to qualify for programs.
- These changes were made to help ensure the viability of the programs going into the future, so while the situation for some programs was reaching a crisis things are more stable now, although there are always challenges and issues that arise and need to be dealt with.

What is the Experience of the Healthcare Sector?

- What has happened in healthcare in Canada?
 - If you were to draw the line segment for universal healthcare Canada would generally be more or less where it was in 1992, i.e., it hasn't moved.
 - Some changes of note in Ontario might include the hospital restructuring and removing some medical services from universal healthcare
 - Expenditures have increased and there have been concerns raised, but not much (in terms of sustained efforts) has been done to bring these down.

Historical Perspective

- In the early parts of the 20th century health care was purchased primarily by individuals, i.e., it was paid for at point of purchase not via insurance.
- After WWII things started to change, as some governments began to provide health care.
- For example, the United Kingdom implemented the National Health Service after WWII.
- Other countries began to follow suit.

Historical Perspective

- In Canada, the situation is a little different because of the Federal system of government, where provinces had the responsibility for healthcare, so they could decide when to provide it.
- For example, Saskatchewan introduced “universal” health care in 1947, but Ontario still didn’t provide healthcare in the mid-1960s.
- After some Federal legislation about cost-sharing, have other provinces moving to provide healthcare, so after 1972 every province and territory in Canada has “universal” health care.

Historical Perspective

- In contrast, the United States still doesn't have government provided universal health except for the old (Medicare) and the poor (Medicaid), most individuals obtain healthcare through employer provided health plans (cost shared between employer and employee).

Historical Perspective

- How health care evolves depends on the country and what system is in place.
- In the United Kingdom, during the 2nd world war they evacuated millions of people from their major cities and moved them into safer places in the country. As a result they put in place a system to provide free medical care to these people as well as those that were injured by German bombers and missile attacks.
- After the war, since this system was already in place it was relative easy to implement the National Health Service since everything was pretty much put in in place because of the War, so they just continued with what was already there.

Historical Perspective

- In France, also after the war, France's president Charles de Gaulle, also wanted to provide a form of universal health care to France. Unfortunately, France was a mess and so he and his ministers decided to build on what they had in place already. Prior to universal health care in France some large firms and unions had put some health insurance plans in place for their workers or members where the premiums were paid via payroll taxes. de Gaulle's government decided to build on this and expand the payroll tax deductions to cover all wage earners, their families and retirees. This was not 100% universal because the self-employed and non-workers were not included (the self-employed were added in the 1960s and the last bit of uninsured were covered in 2000).

Historical Perspective

- As another example, Switzerland was neutral during the war and so didn't have the pressing issues in other countries. It relied on private insurance or direct purchase of healthcare services. However, as issues with that sort of system arose it moved to a universal coverage system in 1994. This system required all residents to purchase private insurance and provided subsidies to limit the cost of the premiums to no more than 10% of a person's income.

Historical Perspective

- In summary, the conditions and arrangements that are already in place largely drive the form of universal health care that countries pursue.
- This means that the form of universal health care will differ from country to country.
 - In other words, there is no universal form of universal healthcare

Examples of Universal Healthcare

- **United Kingdom:**

- About 75% of costs borne by government through tax revenues
- Physicians are paid via capitation primarily
- Some user charges
- Easy to get some services, but others have waiting lists

Examples of Universal Healthcare

- **Germany:**
 - Two-tiered, i.e., both private and public, health care system
 - For public part, which covers about 90% of population, healthcare funding primarily tied to employment and is compulsory
 - Workers below a certain threshold income level (4125 euros in 2011) pay into a sickness fund, which act as the insurer, based on their occupation. The premiums are a percentage of their wages. The persons below this threshold have to pay the premiums.
 - The public plan covers the non-working spouses and children of people enrolled in the plan get coverage at no additional premium; unemployed persons and students are covered by special arrangements, but are typically in the employment plan.
 - Employers also pay into sickness funds
 - When a member of a sickness fund uses healthcare services the sickness fund pays for the services

Examples of Universal Healthcare

- **United States:**

- Health insurance for health care is tied to employment, i.e., so employers tend to provide health insurance as a non-wage benefit for their employees; paid with employee and employer contributions
- Some individuals who do not have employer provided health insurance may purchase their own insurance
- Publicly provided health insurance is only available for the old (Medicare) or the very poor, i.e., individuals on social assistance or disability insurance programs (Medicaid)
- Physicians are paid via fee-for-service or capitation
- Physicians have some leeway in terms of the fees they charge if they are not dealing with public programs or managed care organizations

Examples of Universal Healthcare

- **Canada:**

- Generally “universal” health provided by provincial governments and paid primarily with tax revenues collected by provincial and federal governments.
- Some provinces also collect payroll taxes to pay for healthcare
- In recent years healthcare is not as “universal” as it used to be, e.g., in Ontario some services (chiropractors, physiotherapy and eye exams) used to be covered but no longer are.
- Historically, physicians tend to be paid via fee for service arrangements, i.e., provincial governments pay using fee for service, although capitation payments are becoming more common (e.g., in Ontario much more use of capitation payments).

Examples of Universal Healthcare

- Fees for services that physicians provide are generally set ahead of time by provincial governments after consultation with physicians (e.g., in Ontario the Ministry of Health meets with the Ontario Medical Association to set the fee schedules).
- Very little in terms of user fees (coinsurance or copayments) in Canadian health care system relative to those in the U.S. (coinsurance rates primarily) or the United Kingdom (copayments primarily).

Healthcare in Canada versus the U.S.

- U.S. and Canada, as noted above, have a fundamentally different way of delivering health insurance coverage to individuals.
- In Canada the system is publicly provided.
- In the U.S. it is primarily employer provided.
 - The employer provided insurance generally is some form of managed care plan which will involve deductibles as well as coinsurance rates or payments. However, publicly provided health insurance in the U.S. also often has requirements on deductibles and coinsurance rates. Consider the following example:

Determining Eligibility for a Government Program in the U.S.

- Medicaid – for low-income households and the disabled
- Medicare – for the old (65 years or older), but not full benefits
- Although these are Federal programs, each state can determine the eligibility.
- Poverty line in U.S. \$9310 for a single person.

Determining Eligibility for a Government Program in the U.S.

- For example, in Virginia an old person with insignificant assets is eligible for Medicare if their income is no more than 80% of the poverty line or \$7448. For individual's whose income is no higher than 120% of the poverty line Medicare provides coverage but not for the first \$500 dollars of doctor fees and has to pay 20% of the "usual and customary fees" that doctors charge or if they are admitted to a hospital the \$876 deductible for a hospital stay of up to 60 days.

Determining Eligibility for a Government Program in the U.S.

- To qualify for comprehensive Medicare in Virginia for a 6-months at a time. The following calculation needs to be undertaken. For a single person with month income of \$790.51
- (1) $(\$790.51 - \$20) \times 6 = \$4623.06$
- (1) is compared with a medically needy figure. In Virginia, this is \$2071.
- The difference between \$4623.06 and \$2071 is \$2552.06, which is called a spend down.
- If during a 6-month period the individual has medical expenses that exceed the spend down, then they would be eligible for the remaining 6-months of the year.

Healthcare in Canada versus the U.S.

- As can be seen above even a person who has access to publicly funded health insurance in the U.S. he or she may still have to pay for a lot of health care expenditures out of their own pocket. In contrast, Canada (to date) has very little in terms of user fees or other out of pocket expenses for healthcare services that are part of “universal” health care.

Healthcare in Canada versus the U.S.

- As noted earlier, most health insurance in the U.S. is employer provided.
- With U.S. style employer provided health insurance, if someone changes or loses their job they could also lose their health insurance and, consequently, their healthcare coverage.
- In contrast, individuals in Canada can change jobs and even move to other provinces and still have healthcare coverage.

Healthcare in Canada versus the U.S.

- Table 22.6 in *Folland, Goodman and Stano* provides some descriptive statistics on individual's assessments of whether their healthcare needs are met and reasons for why they are not met.
- There is a similar percentage of persons with unmet needs for healthcare in Canada and the U.S., but the reasons for the needs not being met are totally different.
- In the U.S. the primary reason for unmet needs of healthcare is cost (i.e., individuals don't have an insurer who can pay for a procedure or can't pay the coinsurance rates or deductibles).

Healthcare in Canada versus the U.S.

- In Canada healthcare needs might not be met because of wait times.
- In Canada many healthcare services have wait times associated with them. For example, you may be diagnosed with a health problem but have to wait a few weeks or months before you can receive the treatment (e.g., wait times for surgery).

Issues in Healthcare in Canada

- Debate in Canada in terms of private (or greater participation of private health care providers) versus public generally focuses in on the inefficiency (i.e., the waiting lists) in the Canadian healthcare system.
 - A two-tiered system has both private and public component; some countries have a system like this

Issues in Healthcare in Canada

- The arguments in favour of public system in Canada tend to rely on principles of equity and income redistribution
 - The reason you have the waiting lists for healthcare services is that there are so many more people that can afford to get medical treatment in Canada. In the U.S. you have the cost rationing who can afford to get services, which can explain why the waiting lists are shorter.

Recent U.S. Developments

- In early-2010 the U.S. passed their latest health insurance bill, the Affordable Care Act also known as ObamaCare.
 - This initiative is targeted primarily at the uninsured, although also made some changes to the Medicare program (for the old).
- The legislation included subsidies for the purchase of health insurance and also included requirements for everyone to have a plan. The legislation also included some requirements for opening up insurance markets to more competition and curbing some practices used by insurance companies (i.e., preventing them from not insuring pre-existing conditions).

Recent U.S. Developments

- The ObamaCare used the program introduced in Massachusetts as a template and has many similarities.
 - For example, the Massachusetts program required all persons to purchase health insurance. The rationale for this was to eliminate adverse selection issues (all the sick persons buy insurance and the health self-insure). The Massachusetts program also include exchanges for purchasing insurance and subsidies for some people buying insurance.

Recent U.S. Developments

- To say that there was a lot of controversy about the national U.S. healthcare plan would be an understatement.
- Almost as soon as the legislation was passed there were court challenges to it

Recent U.S. Developments

- The Supreme Court of the U.S. upheld the Affordable Care Act in June 2012.
- The shut down of the U.S. government in the Fall of 2013 was primarily to disrupt the implementation of this Act by some legislators who were opposed to the legislation.
- While the shutdown was resolved it required some concessions on spending (in other U.S. government programs) and a requirement that individual's applying for subsidies provided by the Act have their incomes verified.

Recent U.S. Developments: TrumpCare

- President Trump signed an executive order early in 2017 to repeal and replace ObamaCare
- While the replacement legislation was approved in the House of Representatives, progress in the Senate has been limited by lack of consensus on what the replacement legislation should look like.
 - Key issue for some republican senators has been the number of uninsured individuals that would be created

The Future for Canada?

- As noted earlier, there has been a lot of discussion of around reforming healthcare, but overall the changes and reforms are nowhere near as extensive as those that have occurred in other social insurance programs.
- Can this continue into the future?
- The answer really depends on the budget situation of the provincial and federal governments that pay for healthcare.

- The Federal government puts about 40% of its budget into healthcare and the government of the province of Ontario has a similar percentage devoted to healthcare.
- Can governments sustain these expenditures and fund increases in healthcare spending?
- It depends on how much taxes individuals (and to a lesser extent corporations) are willing to pay?

- If governments need to move to austerity budgets and can't increase taxes to fund the escalating costs of healthcare something has to be done on the expenditure side.
- So if there is no more money to pay for things, then cut down on the expenditures.

- Options for reform
 - Changing the way physician payments are paid
 - i.e., more capitation.
 - More oversight of physicians
 - Two-tiered healthcare systems
 - i.e., both public and private healthcare
 - User fees
 - Copayments, deductibles, coinsurance for universal healthcare

Physician Compensation

- Traditionally payments are based on fee-for-service, but recent changes are moving away from these sorts of compensation structures
 - For example, in Ontario about 25% of family doctors are paid via capitation and about 67% of patients are enrolled in capitation or blended systems
 - The rise of these alternative arrangements in Ontario is concurrent with the use of “family health teams”, where doctors and nurses work together, which makes sense in a capitation compensation structure but not in a fee for service world
- For example, Ontario now has a blended capitation model, where family physicians get a capitation payment + some fee for service as well as salary based compensation for some physicians; Ontario also has a blended salary model (capitation payments + salary) as well as a salary option (in their Community Health Networks)
- Payment for specialists, while still primarily fee for service, is also changing with more fixed payments, e.g., a fixed sum (for clinical, research, teaching or administration) + a percentage of the fee for service billings


Greater Physician Oversight

- Oversight of physicians
 - Retrospective utilization reviews are still pretty much the only type of utilization review used in Canada

Two-Tiered Healthcare System

- Would have both private and public healthcare providers
 - Opportunities
 - Shorter waiting lists and quicker care
 - Pitfalls
 - Quality of care, some of the “better” doctors might shift their services into the private sector; all doctors would have an incentive to shift into private sector if price is higher than the public price (creating secondary goods)
 - Inequity, now not everyone is treated the same

The Physician Point of View on Healthcare Reform:



**WE BELIEVE
EVERYONE
IN ONTARIO
DESERVES
THE BEST
HEALTH CARE.**

How will the Ontario government's cuts to health care affect you and your family?

- Longer wait times
- Reduced access to quality care
- A health care system that doesn't work for Ontario's patients

**TELL THE GOVERNMENT TO
STOP PUTTING THEIR POLITICS
AHEAD OF YOUR CARE.**

Take action at OntariosDoctors.com

**We are Ontario's Doctors.
And we put patients first.**

User fees are possible, but not likely (i.e., politically viable)



HEALTH-CARE DEBATE WITH PROPOSED USER FEE - THE GLOBE AND MAIL


THE GLOBE AND MAIL 

Quebec stirs health-care debate with proposed user fee


[rhéal séguin](#)
Quebec City— From Wednesday's Globe and Mail
Published Tuesday, Mar. 30, 2010 4:19PM EDT
Last updated Tuesday, Apr. 06, 2010 10:23PM EDT

Quebeckers are bracing themselves for sweeping increases in taxes, rates and fees after a provincial budget that also proposes a controversial user fee for health-care services.

By proposing a fee for medical appointments, the 2010-11 budget tabled Tuesday represents a shift in the province's approach to controlling health-care costs, and could trigger a national debate over



HEALTH-CARE DEBATE WITH PROPOSED USER FEE - THE GLOBE AND MAIL

THE GLOBE AND MAIL 

Quebec drops plan for \$25 user fee for doctors' visits

[ingrid peritz](#)
Montreal— From Thursday's Globe and Mail
Published Wednesday, Sep. 22, 2010 11:50AM EDT
Last updated Monday, Oct. 25, 2010 12:26PM EDT

The Quebec government has retreated from a controversial move to introduce a \$25 user fee for doctors' visits, acknowledging that the proposal had met with broad opposition.

Finance Minister Raymond Bachand said that while user fees exist in countries around the world, Quebecers were simply not ready to accept it.