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Sustainability of Health Care: Myths and Facts

Opponents of Medicare claim that public health care is 'Fiscally Unsustainable' and that the only viable solution is a shift to more private coverage. Bluntly, this is a lie.

— Robert G. Evans, O.C., Ph.D. (Economics) Harvard

BY THE NUMBERS:

4% TO 5%

MEDICARE SPENDING - FOR HOSPITALS AND DOCTORS SERVICES - AS A % OF GDP FROM 1975 TO 2010.

15%

AVERAGE ANNUAL INCREASES IN PRIVATE DRUG PLAN COSTS.

\$170.8 BILLION

AMOUNT REMOVED FROM PUBLIC SECTOR REVENUES BY GOVERNMENT TAX CUTS BETWEEN 1997 AND 2004.

Public health care is sustainable

The facts show that public health care is sustainable, and that the real driver of increases in health care spending comes from private health services not covered by Medicare, and from inappropriate use of expensive services. An "adult debate" on the sustainability of public health care must start from who and what drives health care spending. As Canadians, we value our public health care system. In fact, a recent poll showed that almost 90% of Canadians support public solutions to problems in the health care system and that health care is the most important national issue. In the words of Roy Romanow: "*Medicare is as sustainable as we want it to be.*"

The Myth: Our aging population will make health care unaffordable.

The Facts: Private health care services, not an aging population, are driving health care spending.

Population aging is a very small factor in increasing health care costs at 0.8% per year, less than other factors such as population growth (1%) and inflation (2.5%). There is also an increasing use of prescription drugs, medical imaging and other new and expensive medical technology, often in inappropriate ways. The real issue is

the intensity and costliness of medical interventions, and the questions to ask are: 'Where is the money going?' and 'Are we getting value for our money?'

The key cost drivers in health care services are the private, for-profit parts – pharmaceuticals, dental, diagnostic tests and other non-insured services. If one is concerned about rising costs, an aging population is not a reason to privatize the delivery of services.

The Myth: The cost of health care is eating up all the provincial budgets and crowding out other services.

The Facts: Medicare spending takes up about the same share of provincial revenues as it did 20 years ago.

It's true that health care spending has taken an increasingly greater percentage of provincial health care budgets in recent years. But the reason is not uncontrolled health care spending; it is the result of a drop in provincial revenues created by large tax cuts over the years and cuts to other program spending.

Medicare spending takes up about the same share of provincial revenue as it did 20 years ago. However, between 1997 and 2004, cuts in personal and corporate income taxes removed about \$170.8 billion from public sector revenues at the federal and provincial levels. These cuts, combined with federal government cuts in financial

transfers to the provinces, left provincial budgets hard-strapped. As a result, other non-health care programs were cut, making it appear that the share of the budget for health care was increasing. The problem is the drop in revenues in provincial budgets, not uncontrolled health care spending.

The Myth: Public health care spending is skyrocketing and out of control.

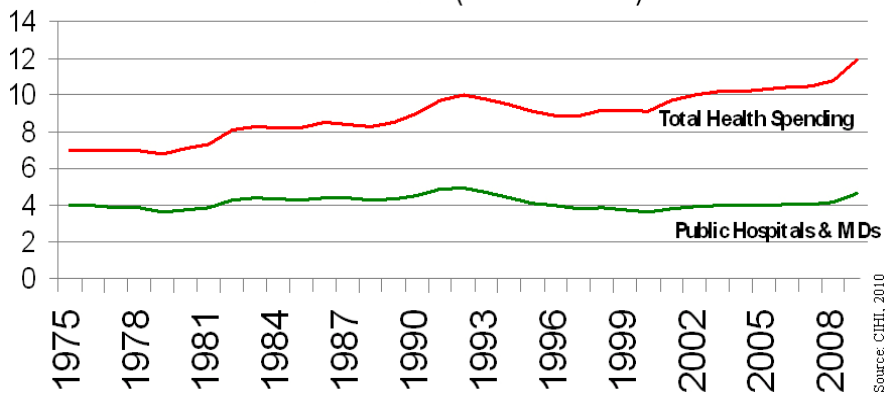
The Facts: Public health care spending is stable. Spending on private health care is driving cost increases.

From 1975 to 2009, Medicare spending - hospitals and doctors' services - has remained remarkably stable at between 4% and 5% of our Gross Domestic Product. Total health care spending - which includes private spending on services not covered by Medicare (e.g. prescription drugs, dental, home care...) - is rising at a higher rate and is currently at 12% of GDP.

Clearly a public, single-payer system is an excellent way of controlling health care costs. And what is needed is more single-payer public insurance and less private insurance. A good place to start is with a universal public drug plan to replace the inefficient, inequitable and expensive patchwork of private drug plans.

Not only is Canada's public health care spending not 'skyrocketing', Canada's public expenditures on health care are below the OECD average. The public share of overall health care costs in Canada is 70%. The OECD average is 73%.

Canadian Health Care Spending
As % of GDP (1975-2009)



An 'adult debate' on the sustainability of public health care must start from who and what drives health-care spending, and for a clear identification of the winners and losers from eroding or dismantling Medicare. Economists who evade this issue should be shamed.

— Robert G. Evans, O.C., Ph.D.

The Myth: Privatization of health services will control health care costs.

The Facts: Public health care is the best way to control health care spending. Privatization is not sustainable.

Sustainability is often a code word for privatization and for-profit health care. Saying that public health care is unsustainable opens the door to privatization. Shifting from public to private spending shifts the cost burden from the wealthy to the sick. "Unsustainable" public spending is somehow magically sustainable when shifted from taxpayers to patients. Privatization is a way to avoid cost containment, and provides greater income opportunities for providers of care (and private insurers) outside public control.

It is long past time, for an 'adult conversation' about the winners and losers from eroding or dismantling public health care in Canada.

About Robert G. Evans, O.C., Ph.D.:

Robert G. Evans, O.C., Ph.D. (Economics, Harvard) is a member of UBC's Centre for Health Services and Policy Research. He is an officer of the Order of Canada, and a fellow of the Royal Society of Canada and the Canadian Academy of Health Sciences.

About the Canadian Health Coalition:

The Canadian Health Coalition is a public advocacy organization dedicated to the preservation and improvement of Medicare. Our membership is comprised of national organizations representing nurses, health care workers, seniors, churches, anti-poverty groups, women and trade unions, as well as affiliated coalitions in 9 provinces and one territory.

