

An Overview of the Canadian Health Care System

"Public solutions make our public health care stronger."¹

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Abstract

Canada has a national health care system, governed and delivered by each provincial jurisdiction. Under each province's regulation, citizens receive hospital and physician services without cost, other benefits include portability between provinces and low cost prescription drugs. Three-quarters of the population have private supplemental health insurance, either through an employer or a secondary insurer. Private spending for insurance, drugs, and out-of-pocket expenses totals 30 percent of the country's annual health care spending. Hospitals and regional health systems are not-for-profit corporations funded primarily by provincial governments. Doctors and physicians are paid through a mix of fee-for-service (FFS) and salary compensation. Financing for publicly funded services comes from federal monetary allocations and provincial taxes.²

Keywords: Health Care, Canada, CHA, Insurance, Medicare

Introduction

Healthcare is a widely discussed topic in every country. Canada, in particular, has one of the most talked about healthcare system, primarily because of their proximity to United States, whose system is on the opposite side of the spectrum. We will provide a picture of health care in Canada today, examine some of the problems with the current system, and compare it with that of the United States.

Health Care System Overview

Canada's health care system is government sponsored, with its services provided by private entities. In each province, each doctor handles the insurance claim against the provincial insurer. An individual who accesses health care does not need to be involved in billing and reimbursements. Government regulations do not allow insured patients to be charged for insured services. In Canada, private clinics are available, but subject to the approval of the province and are not allowed to bill an insured person for more than the pre-determined fee. There is an

¹"Public health care scores big in poll as MDs study privatization". Healthzone.ca. 2009-08-12.
<http://www.healthzone.ca/health/article/679824>. Retrieved 2011-02-10

²"2011 Survey of Health Care Consumers Global Report: Key Findings, Strategic Implications". Paul H. Keckley. 2011. Produced by the Deloitte Center for Health Solutions

ongoing debate whether to introduce a two-tiered system to provide citizens with the option to purchase additional healthcare.

In Canada, there are no deductibles on basic health care and co-pays are extremely low or non-existent. There is a shrinking reinsurance market for health care. Recently primary companies have been consolidating resulting in extra capital. This allows them to reinsure less and carry more of the risk on their own balance sheets. Gross written premiums have been around \$2 billion CDN for the last 10 years.³

The administration and delivery of health care services is a responsibility of the provinces and territories. The publicly funded services, provided by the local governments, are funded by means of fiscal transfers from the federal government. Health care services include insured primary health care and health care at the hospitals. The local governments may also provide some groups of citizens with supplementary health benefits, which are not covered by the *Canada Health Act*, such as prescription drug coverage.

The amount Canadians spend on health care has increased every year between 1975 and 2009 from \$39.7 billion to \$137.3 billion, equivalently more than doubling per capita spending from \$1,715 to \$4,089. Most of this increase in health care costs has been covered by public funds. The greatest proportion of this money goes to hospitals (\$51B), followed by pharmaceuticals (\$30B), and physicians (\$26B). The proportion spent on hospitals and physicians has declined between 1975 and 2009 while the amount spent on pharmaceuticals has increased.⁴

Canadian Healthcare Reform

The provisions set by the *Canada Health Act* in 1984 specify the conditions and guidelines that provinces and territories must adhere to in order to receive federal funds. Prior to the *Canada Health Act*, health insurance was privately financed and provided.

In 1957, the Hospital Insurance and *Diagnostic Service Act* (HIDS) was passed. This helped in cost sharing hospital services. In 1960, Prime Minister Diefenbaker announced the position of Royal Commission on Health Services, whose responsibilities included providing guidance and recommendations on national health care. Its chair, Justice Emmett Hall, suggested provinces to assist in setting up universal programs to provide medical services in addition to providing home care and prescription drug coverage. In 1966, the *Medical Care Act* was passed; this legislation provided provinces with funding for hospital and physician services. However, the method of calculating disbursements was deemed too complex and inefficient.

By 1977, the federal government combined post-secondary funding, HIDS, and the *Medical Care Act* into one legislation in order to simplify monetary allocations and the terms and conditions behind them. Some major changes include taxed monetary transfers and health care

³<http://www.citopbroker.com/your-business/navigating-a-shrinking-market-2353>

⁴http://en.wikipedia.org/wiki/Health_care_in_Canada

funding through a per capita base, but problems such as extra billing still occurred because of the absence of violation provisions. The following *Canada Health Act* (CHA) of 1984 changed that.

The passing of CHA was a major step in Canada's health care reform. It established guidelines and set minimum requirements for procedures and services covered. All provinces provide their own health services for the insured with no charge. In addition, provinces are allowed, but not required to insure additional services. One such change that accounted for better portability was the provision for provinces to cover those from province for a three-month period health care. To discourage and prevent extra-billing or charges by practices, provisions were set so that the extra charges would come out of provincial funding.

Canadian Actuaries

The latest data on practicing actuaries was reported in 2008, with 3064 Fellows of the Canadian Institute of Actuaries (CIA) and 798 others at the Associate level. The statistics on what percentage of actuaries work in the health field is not available, but we found that 40% of actuaries in Canada practice in the life insurance department. Additionally, and only 10% of actuaries in Canada work in the P&C division, as opposed to 20% in the United States. The practice of actuarial work in Canada is strongly influenced by the Office of the Superintendent of Financial Institutions (OSFI), which responsibilities include the supervision of all federal financial institutions and insurance companies. The Canadian Institute of Actuaries also provides guidance, procedures, and professional practice amongst actuaries. The organization cooperates with the government and the public to produce and advance relevant public policy issues.

Health Plans and Insurance Companies

Health care in Canada is delivered through a publicly funded health care system. The government assures the quality of care through federal standards. Healthcare coverage in Canada has no lifetime limits or exclusions for pre-existing conditions, and it is not affected by employment status. Since 1971, all Canadian citizens, regardless of income, employment or health, have the accesses to basic health care, whether it's provided in a hospital, home or clinic. Canada provides this coverage at a fraction of what the United States pays in health care costs.

Since all essential basic care has been covered, there is no need for a variety of plans. Some forms of elective surgery are not considered essential care and are generally not covered, but they can be paid out-of-pocket or through private insurers. In the provinces where dental and vision care are not insured, benefits are usually covered by supplement insurance provided by employers. Pharmaceutical medications are covered by public funds for the elderly or indigent, or through employment-based private insurance.⁵

According to the Canadian Life and Health Insurance Association there were 102 active life insurance companies operating in Canada in 2009. The most popular insurance carriers in

⁵ http://en.wikipedia.org/wiki/Health_care_in_Canada

Canada include: Manufacturers Life Insurance Company, The Great-West Life Assurance Company, Empire Life Insurance Company, AXA Group, Assumption Life and Canada Life. Below is the comparison of these companies.

Figure 1: Comparison of the most popular insurance carriers in Canada

Company	Area	Function
Manufacturers Life Insurance Company	Toronto, Ontario	the full gamut of insurance services to both individual and corporate clients
The Great-West Life Assurance Company	Manitoba	life insurance, health and dental insurance, retirement savings plans for individuals and groups
Empire Life Insurance Company	Kingston, Ontario	financial products and services from investment options and pension benefit plans to chattel and real estate insurance
AXA Group		life and health insurance, as well as investment management of individual and corporate assets
Assumption Life		flexible individual programs for business entities and adequately serve its client's special needs
Canada Life		diverse insurance portfolio including both individual and group products

Comparison between Districts

“If there is two-tiered medicine in Canada, it’s not rich and poor, it’s urban versus rural.”⁶ Though Canada preaches the principle of “health for all”, the state of rural health care, in contrast to the urban counterpart, has reached a lower status. The disparity in health care accessibility is directly proportional to the distance from urban care centers.⁷ It seems that the health care needs of Canadian’s that live in rural environments are not met, especially in the following aspects. The delivery of primary health care is lacking in rural areas; physicians are unevenly distributed and those in remote communities are overworked. It is estimated that while approximately 30% of Canadians live in rural areas, only 17% of family physicians practice in such areas. Furthermore, research indicates that the training and recruiting of physicians is taking on an “urban centric educational paradigm”; medical schools preferentially select students and train them in an urban environment, which promotes specialization and research, instilling a mindset for urban practice alone.⁸

Other variations in health care benefits can be seen when comparing in-between provinces. Although all provinces in Canada offer healthcare coverage to all citizens, the insurance plans offered differ widely, especially between French and non-French speaking areas. Some provinces do not provide full health insurance coverage for people’s basic needs, while others provide dental, vision, supplemental care on top of basic coverage. A comparison between five provinces can be seen in the following three figures.

⁶“Toward improved access to medical services for relatively underserved populations: Canadian approaches, foreign lessons.” Barer, M.L. Wood, L., & Schneider, D.G. (1999). British Columbia: University of British Columbia.

⁷“Rural health in rural hands: Strategic directions for rural, remote, northern and aboriginal communities.”Public Health Agency of Canada. (2003). Retrieved October 1, 2006, from [phac-aspc.gc.ca/rh-sr]

⁸“The state of rural health care” Society of Rural Physicians of Canada. (2001). Retrieved October 1, 2006, from [www.srpc.ca]

Figure 2: Comparison of prescription drugs coverage in major provinces

Prescription Drugs (per year)					
	British Columbia	Ontario	Newfoundland	Nova Scotia	Quebec
Under 65	100% (\$2,000 deductible)	pay \$2.00 deductible per prescription	100%	67% (individuals pay a maximum of \$350)	\$200
Over 65	\$25 coverage for each prescription (maximum of \$275)	pay the first \$100 of prescription drug costs and \$6 thereafter	100%	67% (individuals pay a maximum of \$350) \$336 annual premium	\$200-\$500
Others					\$844

Figure 3: Comparison of dental care coverage in major provinces

Dental Care				
British Columbia	Ontario	Newfoundland	Nova Scotia	Quebec
Foster children		Children under 12	Children under 10	Children under 10
		Individuals aged 13 - 17 on social assistance		Individuals on social assistance
100% coverage for dental check-ups and procedures	full coverage for some surgical dental procedures	coverage for basic dental services	100% coverage for preventive and restorative services	100% coverage for preventive maintenance
			limited coverage for surgical procedures	limited coverage for restoration procedures

Figure 4: Comparison of vision care coverage in major provinces

Vision Care					
British Columbia	Ontario		Newfoundland	Nova Scotia	Quebec
Individuals aged 16 to 64	Individuals aged 20 to 64	Under 20 and over 65	No coverage available	Under 20 and over 65	Under 20 and over 65
					Individuals on social assistance or visually handicapped
full coverage for one examination every 2 years	coverage for optometry services every 2 years	coverage for optometry services every year		coverage for one optometrist visit every 2 years	100% coverage for optometrist examinations

Source: <http://www.canada-health-insurance.com/>

There are taxes in some provinces that specifically fund certain health care costs. Ontario, for example, has the Ontario Health Premium⁹, which is a healthcare tax based on an individual's income. Those who earn less than \$20,000 are exempt. Quebec requires residents to have prescription drug insurance. If you do not carry prescription insurance, you are forced to pay a premium for any drugs you require based on your income level. Medicare in some provinces is also taxed separately based on income. Canada has some of the highest "sin" taxes in the world, which includes taxes on cigarettes and alcohol. While these taxes do not fund healthcare directly, they do help in the general wellness maintenance. Sin taxes are popular because it places an extra tax burden on those who use products that lead to higher health care costs.

Comparison between Canada and US

The Canadian health care system varies from that of the United States in many ways. First, health care in Canada is single-payer, government-run and mainly provincial administered, while health care in the US is multi-payer and heavily private system. In 2006, the government financed 70% of health spending in Canada, versus 46% in United States. All Canada citizens are eligible for health care coverage regardless of ages, income status, standard of living or medical history. Furthermore, Canada spends much less money in health care than the United States. In 2006, per-capita spending for health care in Canada was \$3,678 USD, while the U.S. spent \$6,714 USD. The U.S. spent 15.3% of GDP on health care in that year; Canada spent 10.0%,¹⁰ yet Canada out performs the US in infant mortality and life expectancy.

Figure 5: Health care spending by country

Health Care Expenditures as Percent of GDP	Health Care Expenditures as Percent of GDP	Per-capita Spending (\$USD)	Public Expenditure on Health, Percent of Total	Average annual real growth rate per capita: 1998–2008
Canada	10.4%	\$4,079 [^]	70.2%	3.4%
U.S.	17.6% [†]	\$8,086 ^{†**}	46.5%	3.4%

Source: Deloitte Health Care Profile Reports (2009 data)

[^]Source: OECD Health Data 2010, based on 2008 data

[†]Source: Martin, Anne., et al Recession Contributes To Slowest Annual Rate Of Increase In Health Spending In Five Decades. Health Affairs 30, No. 1 (2011): 11-22

^{**}The Deloitte Hidden Costs of Health Care Study, March 2011, found that U.S. health care costs could be 14.7% higher than those captured in the National Health Expenditure Accounts once unrecognized expenditures borne by consumers are taken into consideration.

Criticism

The largest criticism of the health care system in Canada is the long wait times. While patients with life threatening conditions are treated immediately, others wait several weeks to consult with a specialist or to receive a MRI/CAT scan. This has led to many instances where people

⁹ <http://www.fin.gov.on.ca/en/tax/healthpremium/index.html>

¹⁰ http://en.wikipedia.org/wiki/Comparison_of_the_health_care_systems_in_Canada_and_the_United_States

died before receiving treatment. These cases are widely publicized and demanded government action. The Canadian government acknowledged the long waiting times and is investing billions of dollars into reducing the wait time for certain procedures, including cancer and heart treatments. There are also new “wait time guarantees” which are designed to make sure patients are seen in a timely manner. A small percentage of Canadians take another route and travel to the United States in order to receive medical care quicker.

Canadian provinces allow out of country coverage only if it has been pre-approved by the province. In cases where the request is denied, applicants are allowed to make an appeal. Many international bound citizens purchase travel insurance for coverage. Insurance companies such as Blue Cross of Canada and Kanetix offer travel insurance as well as health coverage. Purchasing coverage once in the United States is more complicated because of prior health history and fraud complications.¹¹

Over the past couple of years, many Canadian citizens have crossed over to the United States for out-of-pocket medical procedures. Health care cost in the United States has dropped because of hospitals competing against each other for new patients. Oftentimes, brokers are used as middlemen to bargain for lower prices. For example, a hip replacement costs about \$18,000 USD whereas in Canada, the wait time for a hip replacement was one-and-a-half years. Other procedures such as open-heart and bypass surgeries can be negotiate down to more affordable prices.

Comments

Canada has achieved a high level of care with reasonable costs. While the system is not perfect, Canada has shown a commitment to improvement. With an increased spending on health care, we can expect to see more changes in Canada’s system.

¹¹ <http://m.theglobeandmail.com/life/health/new-health/health-policy/canadians-buy-us-health-care-as-weak-economy-pushes-down-prices/article1931073/?service=mobile>

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