

BENDING THE HEALTH CARE COST CURVE IN ATLANTIC CANADA

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OUTLINE

- DEMOGRAPHIC DEVELOPMENTS
- COST FACTORS
- SUSTAINABILITY
- COST CONTAINMENT
- CONCLUSIONS

DEMOGRAPHICS

- DETERMINANTS
- TOTAL FERTILITY RATE: BELOW NATIONAL AVERAGE
- IMMIGRATION RATE: BELOW NATIONAL AVERAGE
- INTER-PROVINCIAL FLOWS: NEGATIVE

- RESULT

| POP. SHARE (%) | CANADA | | ATLANTIC | |
|----------------|--------|------|----------|------|
| | 5-19 | 65+ | 5-19 | 65+ |
| • 2011 | 17.2 | 14.4 | 16.2 | 16.3 |
| • 2031 | 16.8 | 22.8 | 14.7 | 28.1 |

DEMOGRAPHIC DEVELOPMENTS

- EFFECTS

- FASTER POPULATION
AGING

- NO LABOUR FORCE
GROWTH

IMPLICATIONS

ABOVE-AVERAGE HEALTH
CARE COST PRESSURES

BELOW-AVERAGE
GDP GROWTH

HEALTH CARE COST DRIVERS

AVERAGE ANNUAL GROWTH 1998-2009

| | CANADA | ATLANTIC |
|----------------------------|--------|----------|
| • POPULATION GROWTH | 1.02 | - 0.09 |
| • POPULATION AGING | 0.93 | 1.20 |
| • SUBTOTAL DEMOGRAPHICS | 1.95 | 1.11 |
| • GENERAL INFLATION | 2.95 | 2.95 |
| • OTHER | 2.47 | 2.96 |
| • TOTAL | 7.37 | 7.02 |
| • TOTAL INFLATION-ADJUSTED | 4.42 | 4.47 |

SUSTAINABILITY INDICATORS

1998 AND 2009

| HEALTH CARE SPENDING AS PERCENT OF | CANADA | | ATLANTIC | |
|---------------------------------------|--------|------|----------|------|
| | 1998 | 2009 | 1998 | 2009 |
| GDP | 5.9 | 7.8 | 7.9 | 9.6 |
| PROV. GOV. REVENUES | 30.4 | 40.6 | 28.7 | 35.5 |

DEMOGRAPHIC COST DRIVERS

2009 TO 2031

- CONTRIBUTION TO GROWTH OF SPENDING (P.P.)

| | CANADA | ATLANTIC |
|-------------------|--------|----------|
| POPULATION GROWTH | 1.01 | 0.37 |
| POPULATION AGING | 0.97 | 1.41 |
| TOTAL | 1.98 | 1.78 |

SUSTAINABILITY INDICATORS 2011 AND 2031

POLAR CASE 1

| HEALTH CARE SPENDING AS % OF | CANADA | | ATLANTIC | |
|---------------------------------|--------|------|----------|------|
| | 2011 | 2031 | 2011 | 2031 |
| GDP | 7.9 | 12.4 | 9.7 | 16.4 |
| GOV. REVENUES | 43.3 | 68.3 | 39.8 | 67.3 |

SUSTAINABILITY INDICATORS 2011 AND 2031

POLAR CASE 2

REAL HEALTH CARE SPENDING: AVER. ANNUAL
GROWTH, 2011 TO 2031 (RATIO TO GDP CONSTANT)

| | |
|-----------------|------|
| CANADA | 2.10 |
| ATLANTIC REGION | 1.70 |

GROWTH OF SPENDING DUE TO DEMOGRAPHIC
COST DRIVERS

| | |
|-----------------|------|
| CANADA | 1.98 |
| ATLANTIC REGION | 1.78 |

BENDING THE HEALTH CARE COST CURVE

- SUSTAINABILITY HAS REVENUE AND COST SIDES
- I WILL FOCUS ON COST CONTAINMENT
- NEED TO DISTINGUISH SHIFTS IN THE COST CURVE (LEVEL CHANGES) FROM BENDING THE CURVE (GROWTH RATE CHANGES)
- LOWER QUALITY OF CARE AND SHIFTING COSTS TO PATIENTS DOES NOT BEND THE CURVE
- BENDING THE CURVE MAY REQUIRE MORE SPENDING IN SOME AREAS AND LESS IN OTHERS.

HEALTH CARE SPENDING BY FUNCTION, AC 2011

SHARE OF TOTAL SPENDING

| | |
|------------------------------------|------|
| HOSPITALS | 46.0 |
| OTHER INSTITUTIONS | 14.7 |
| PHYSICIANS AND OTHER PROFESSIONALS | 18.8 |
| DRUGS | 6.8 |
| PUBLIC HEALTH | 3.7 |
| ADMINISTRATION | 1.9 |
| CAPITAL AND OTHER | 8.1 |

BENDING THE COST CURVE: PREVENTION

- SHOULD INCLUDE ALL GOVERNMENT PROGRAMS WITH DIRECT OR INDIRECT EFFECTS ON HEALTH
- POLICY: NEW FOCUS ON EXPECTANT MOTHERS, EARLY CHILDHOOD, SCHOOL-AGE CHILDREN
- NO POTENTIAL FOR COST CURVE BENDING
BELOW-AVERAGE SHARE OF SPENDING;
LONG-TERM BENEFITS, BEYOND HEALTH;
REGULATIONS DO NOT REQUIRE SPENDING

BENDING THE COST CURVE; DRUGS

- LOW-INCOME SENIORS, NURSING HOME RESIDENTS, SOCIAL ASSISTANCE RECIPIENTS, SPECIAL MEDICAL CONDITIONS
- POLICY: REDUCE PRICE OF GENERIC DRUGS (35%)
- MODEST POTENTIAL FOR COST CONTAINMENT WITHOUT REDUCING SERVICES
- PER CAPITA SPENDING ON DRUGS BELOW NATIONAL AVERAGE

BENDING THE COST CURVE: PHYSICIANS

- POLICY: SHIFT FROM FEE FOR SERVICE TO SALARY,
NEGOTIATED FEE REDUCTIONS

- SPENDING DETERMINANTS

PATIENTS

NO POLICY CONTROL

DOCTORS PER PATIENT

HARD TO ATTRACT DOCTORS

SERVICE PER DOCTOR

LITTLE POLICY CONTROL

COST PER SERVICE

SOME POLICY CONTROL

- MODEST POTENTIAL FOR COST CONTAINMENT
- CUTTING PRIMARY CARE MAY BE COUNTERPRODUCTIVE

BENDING THE CURVE: HOSPITALS

- NEARLY 50% OF SPENDING
- AVERAGE GROWTH RATE
- POLICY: MERGER OF ADMINISTRATIVE UNITS;
INTER-PROVINCIAL CO-OPERATION, MORE
SCRUTINY OF SPECIFIC EXPENDITURES
- HIGH GROWTH OF REAL SPENDING IN 2005-
2011 DESPITE ATTEMPTS AT COST CUTTING
- COST CUTTING POTENTIAL?

OTHER INSTITUTIONS

- LONG-TERM CARE FACILITIES FOR THE CHRONICALLY ILL OR DISABLED
- FAST GROWING SPENDING CATEGORY, MAINLY FROM NURSING HOMES
- POLICY: MEANS-TESTED GOVERNMENT SUBSIDY;
EXPANSION OF HOME CARE SERVICES
- COST-CURVE BENDING POTENTIAL DEPENDS ON A COMPREHENSIVE POLICY DIRECTED AT THE WELL-BEING OF SENIORS

CONCLUSIONS

- SEARCHING FOR GREATER EFFICIENCY IN DELIVERING GOVERNMENT PROGRAMS SHOULD NEVER STOP
- EFFECTIVE PUBLIC POLICY CANNOT BE BASED ON WISHFUL THINKING AND BELIEF IN MAGIC BULLETS
- WITH CURRENT FISCAL STRUCTURES IN ATLANTIC CANADA, PAST TRENDS IN HEALTH CARE SPENDING ARE NOT SUSTAINABLE
- I FOUND NO EVIDENCE THAT EFFICIENCY GAINS ALONE CAN SOLVE THE PROBLEM
- REVENUE MEASURES AND FEDERAL FUNDS ARE NEEDED