Public Health Spending in Canada:

Paying the Workers

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Part I:
Sustainability vs Cost Containment

- Sustainability
  - An equilibrium concept
    - Institutions
    - Tastes of taxpayers/voters
    - Tastes of healthcare workers

- Cost Containment
  - A directive from taxpayers/voters (or their agents)
    - Fewer services?
    - Lower prices/wages?
    - Improved Efficiency?

Service reductions

- This approach was used in 1990s
- Less tolerance for it now

- Assume new reductions are off the table for the moment

- This leaves:

Redistribution and/or Efficiency?

- Is primary goal redistribution?
  - "Pay doctors less so taxpayers can have more"
  - Given, e.g., Occupy movement could be "moral" rationale since many MDs are (literally) in the 1%
- Or, is primary goal efficiency?
  - Reform system to deliver services in more resource-efficient manner?
    - Hours/service, not $/hour
- Imply different approaches
- Or, both (not really independent – efficiency wages)

If redistribution - Economic Theory

- Much talk of relative degrees of market power on behalf of sellers and buyers (and users) of health services

- My suggestion: Bilateral Monopoly
  - Rubenstein (1982) bargaining model
- What determines outcomes?
  - Discount rate (Unions lower than governments?)
  - Outside option/opportunity cost (Varies with context)

Negotiate over prices/wages

- Ontario doing this now with broad public sector including MDs
- Government in MUCH better bargaining position than in the past
  - Local and world excess supply of workers
  - Canadian dollar is high
  - Gov debt high

- Also, some quasi-unilateral cuts to institutions
  - E.g., last Ontario budget cut funding to medical schools for PG education on per-student basis

Physicians per 1000 Population in Selected OECD Countries

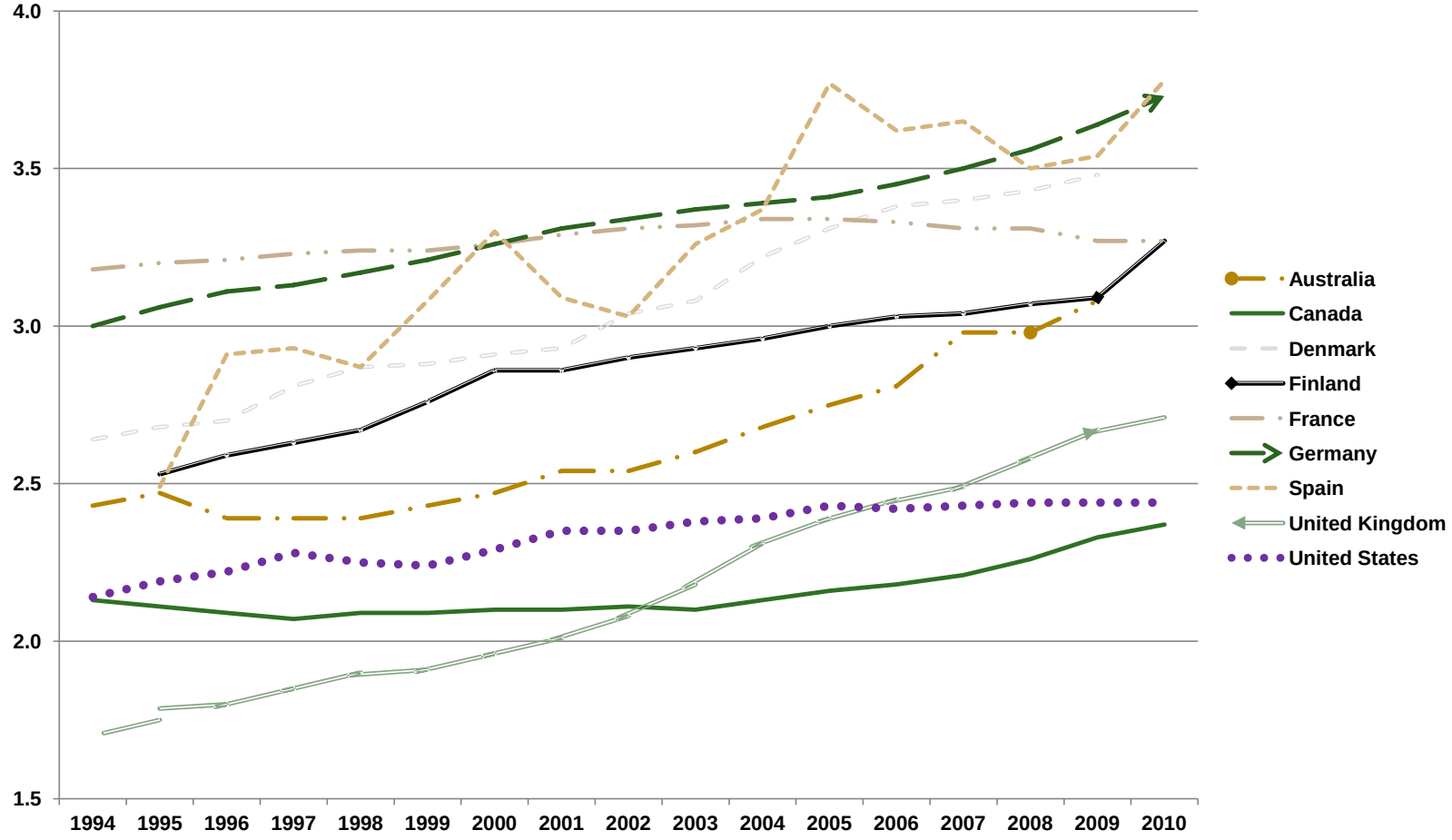
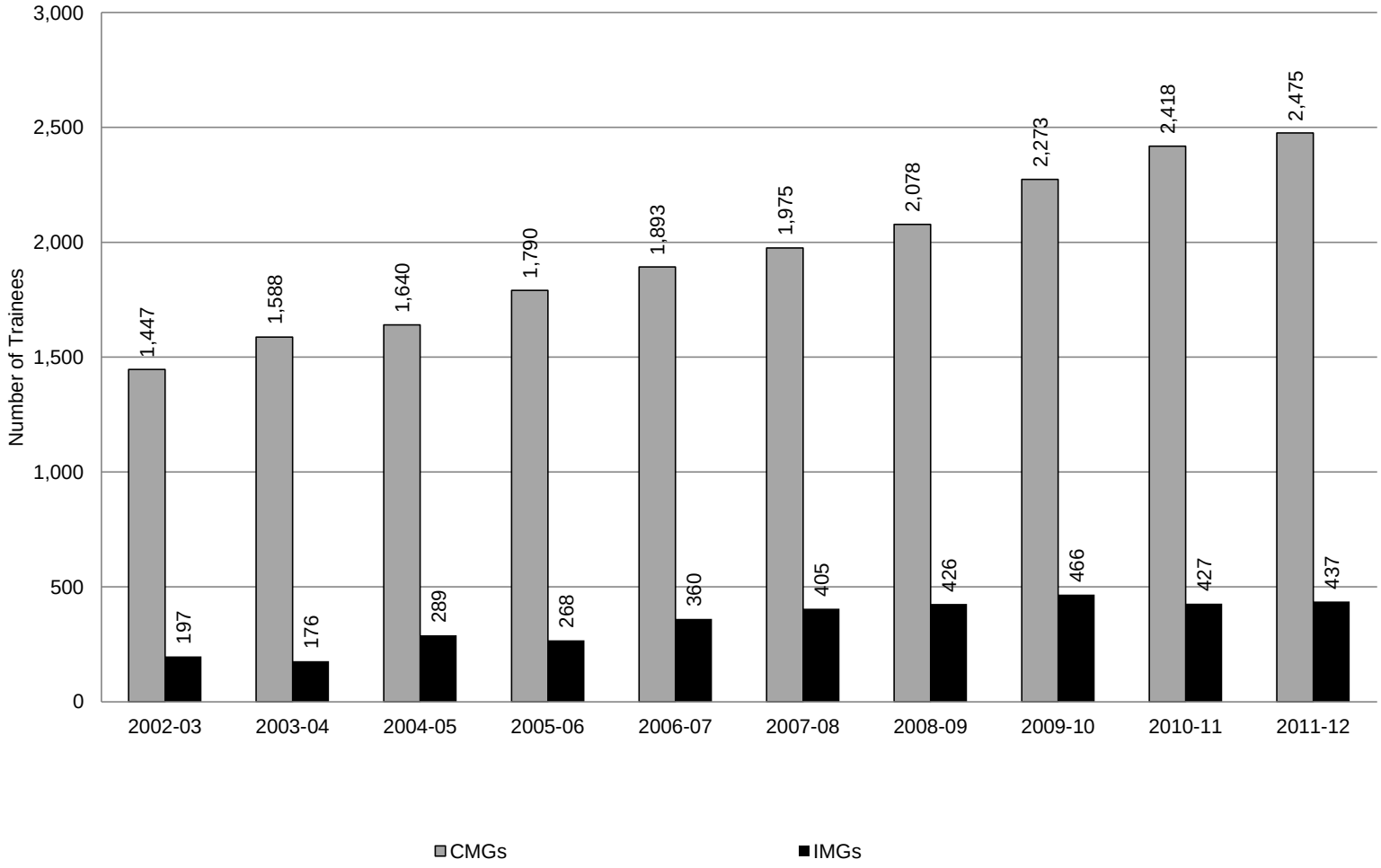


Figure 4: First year Post-MD trainees by MD Location



If efficiency (examples)

- Recognition that return on investment in prevention is primarily to the province (& patient) not the provider
  - So province should act
- Improved management
  - LEAN (from yesterday), but only start
- (Better) Use of information technology
- Remuneration and incentives

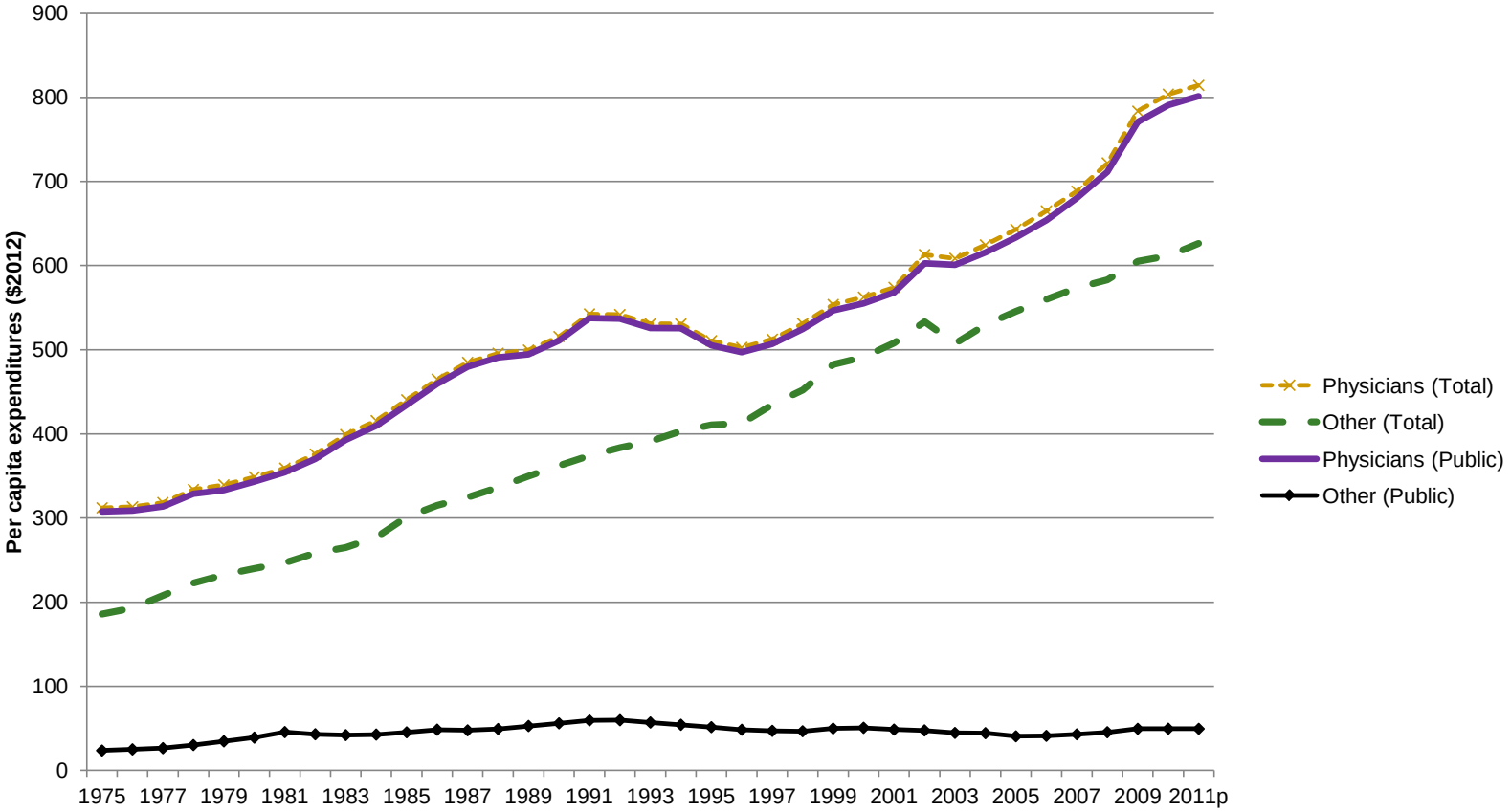
- Scopes of practice changes
- Better use of teams/appropriate provider
  - Lowest cost provider for each service
  - Of course, if each service were correctly priced then what provider performed it would not matter
  - Seems common that low end of scopes of practice are overpriced compared to high end of scopes of practice
- In short, create healthcare system
  - BUT, coordination has costs (& opponents)

- Overall, long-term and not easy

Part II – Trends and patterns

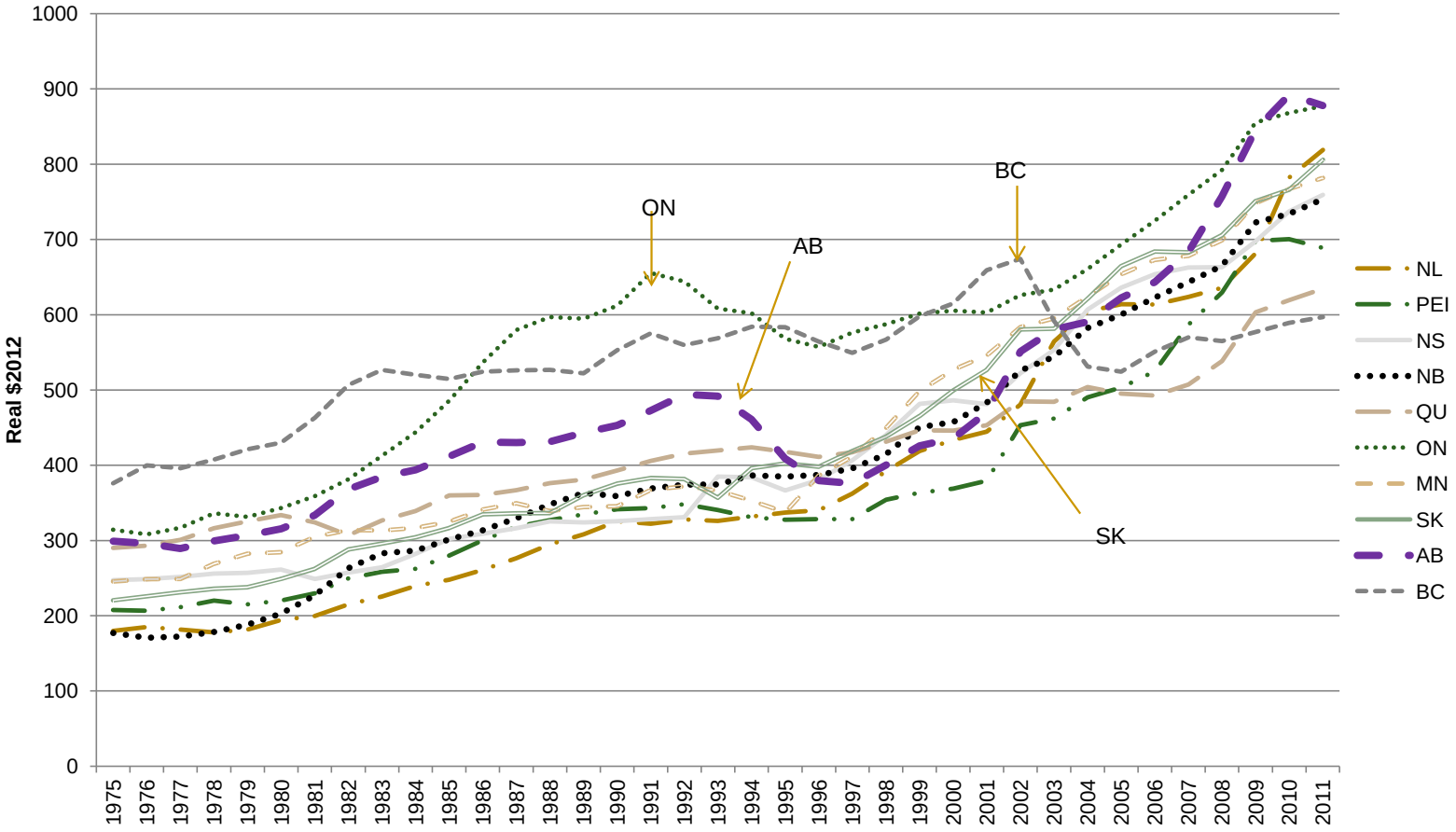
- Or, why do we care how much providers (esp. physicians) are paid?

Real Per Capita Total and Public HHR Expenditures, 1975-2011



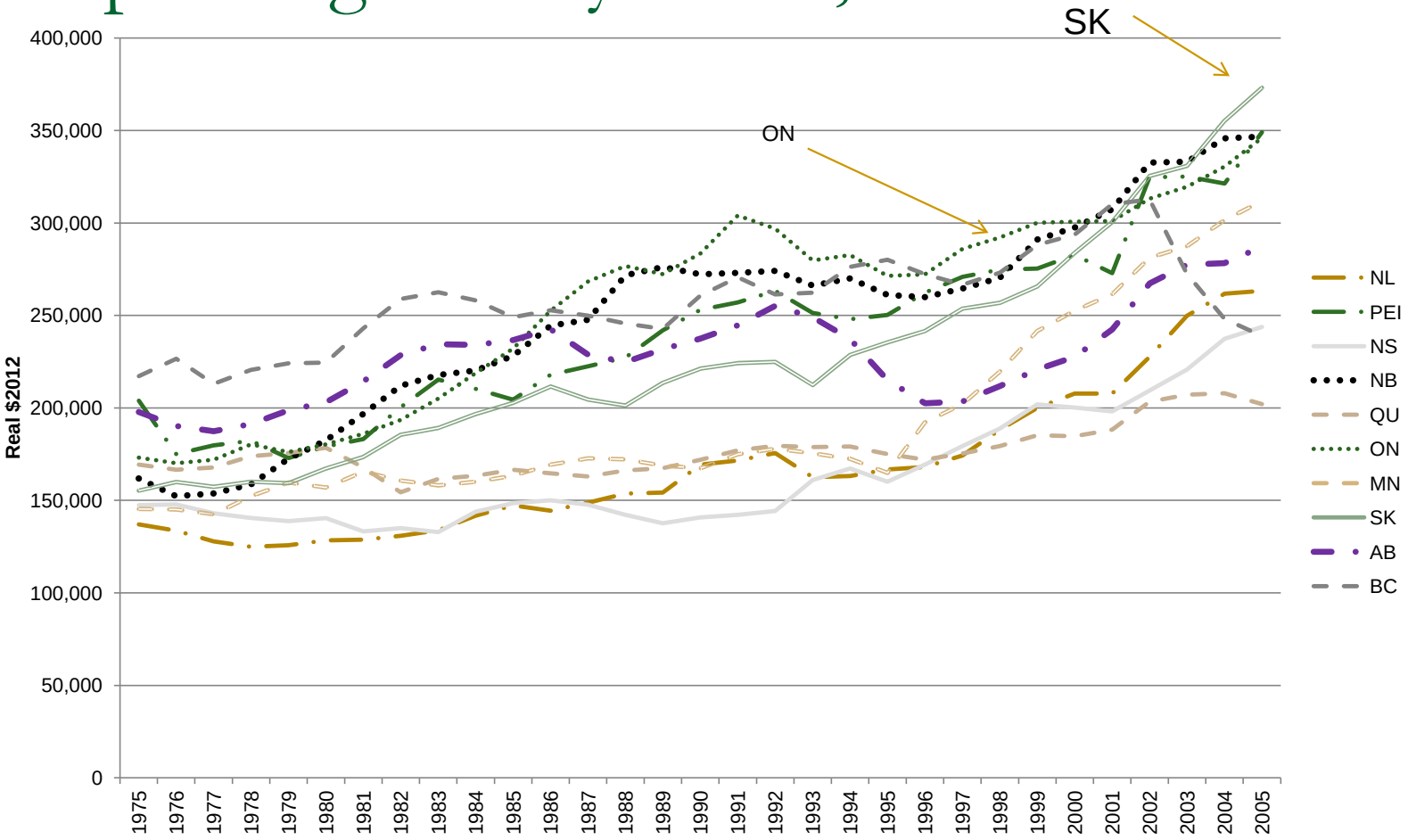
Source: CIHI (2011b) and Statistics Canada.
Inflation adjusted using the all goods CPI.

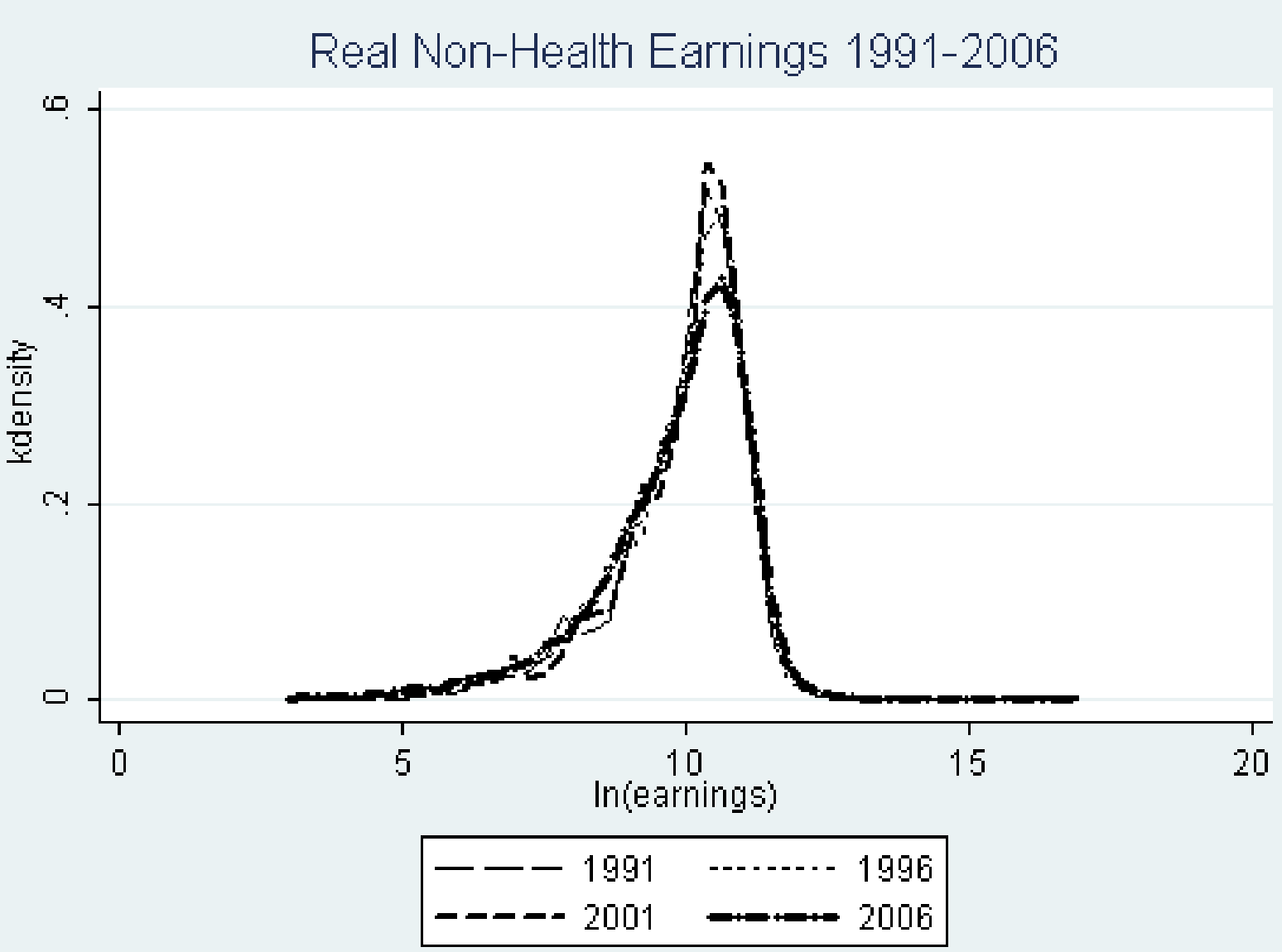
Real per Capita Provincial Public Spending on Physicians, 1975-2011



Source: CIHI

Real Per Physician Provincial Spending on Physicians, 1975-2005




Real Non-Health Earnings 1991-2006
kdensity
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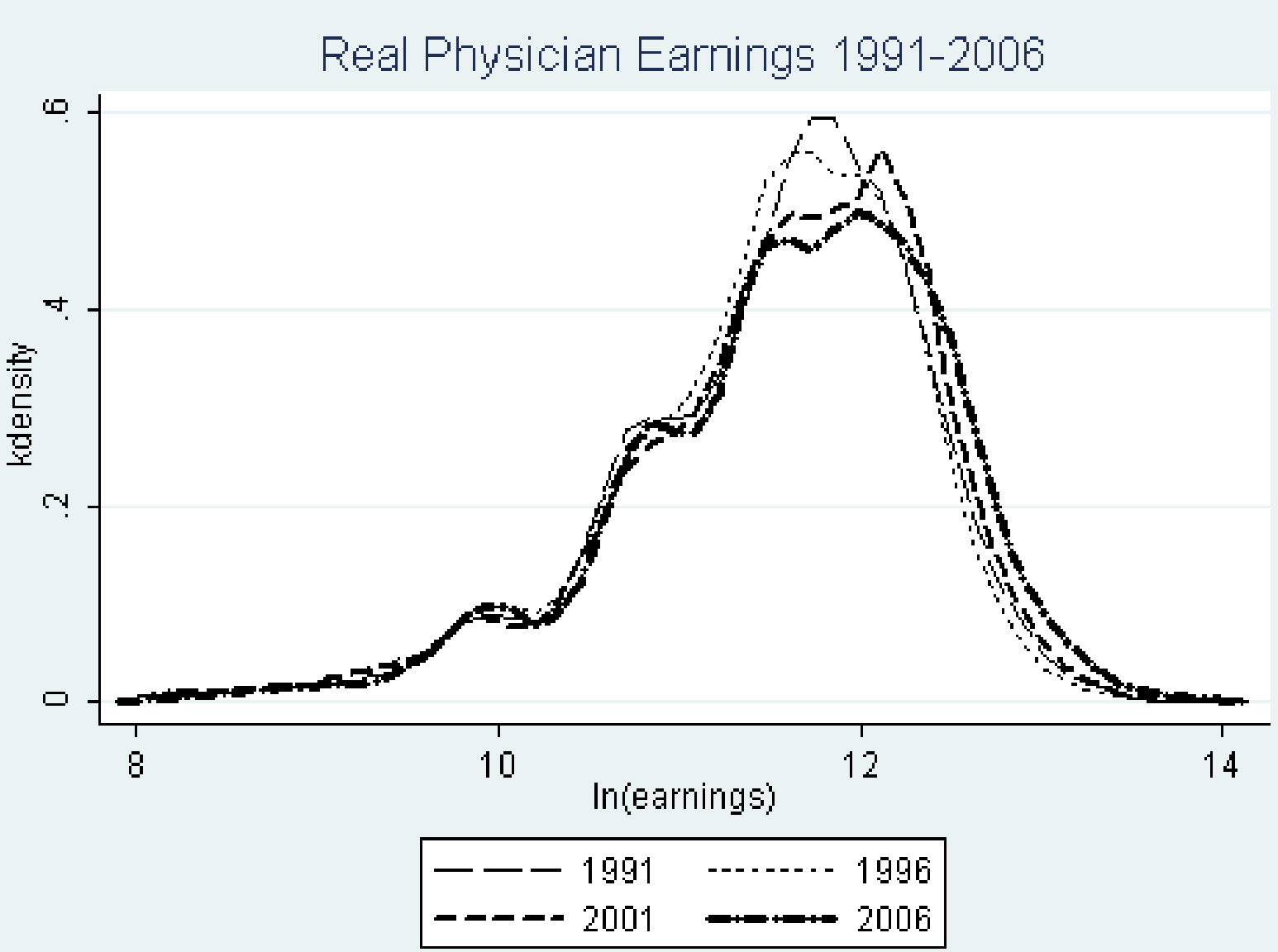
5
10
15
20
ln(earnings)
1991
1996
2001
2006


Real Physician Earnings 1991-2006
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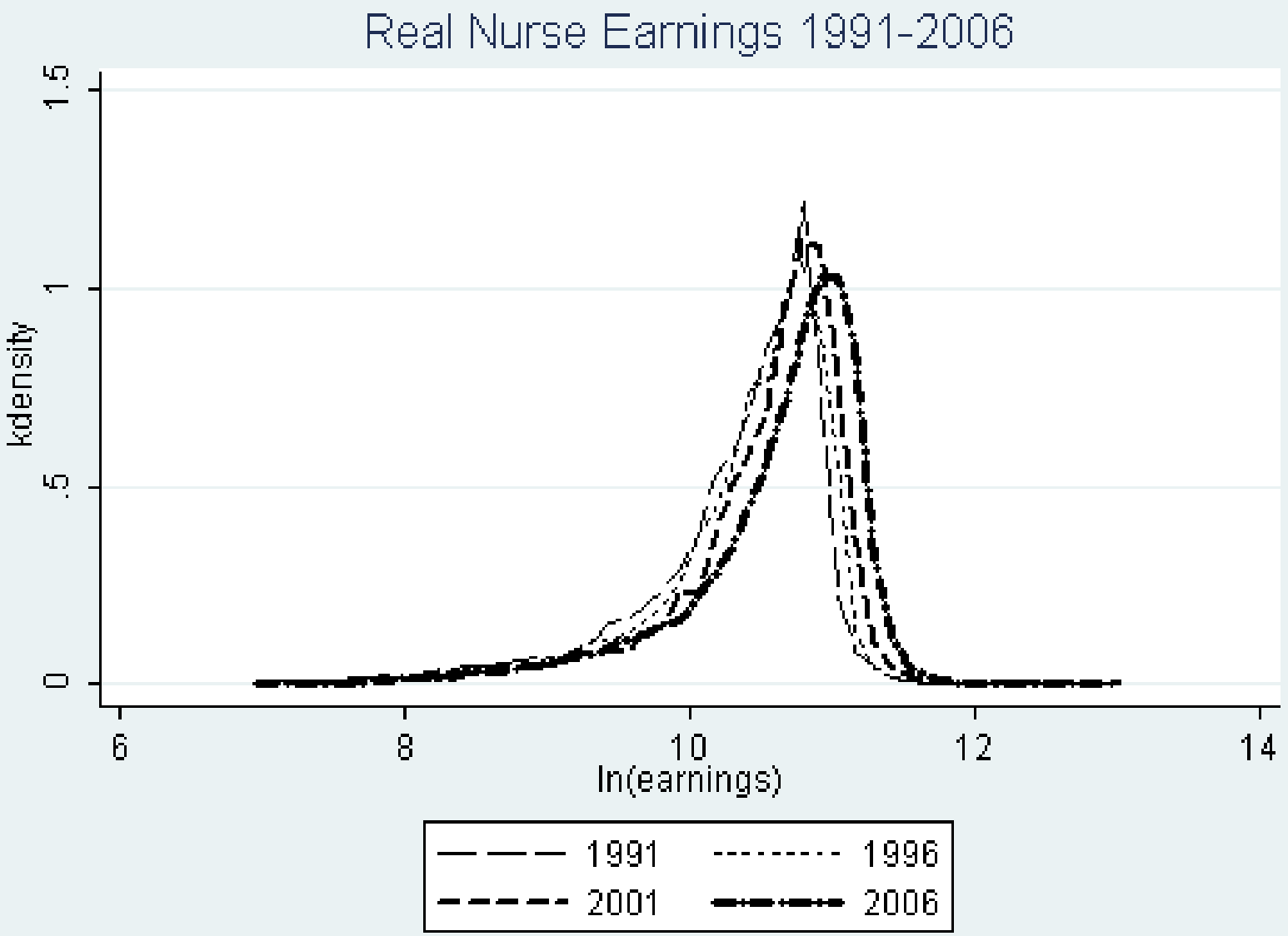
ln(earnings)
1991
1996
2001
2006


Real Nurse Earnings 1991-2006
kdensity
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1.5
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14
ln(earnings)
1991
1996
2001
2006

	NF	QU	ON	SK	AB	Canada
MD Employment and Self-Employment Taxable Earnings in 2006 ($2012)						
Mean	$189,107	$178,931	$205,977	$204,238	$167,052	$182,532
20th %ile	$58,691	$69,135	$64,552	$70,435	$62,644	$64,758
50th %ile	$170,002	$163,985	$166,325	$147,843	$120,611	$146,939
80th %ile	$297,569	$263,366	$310,551	$304,667	$260,670	$274,281
What are MDs' Earnings Relative to Distribution of Non-Health Workers						
20th %ile MD	83.80%	87.50%	78.40%	87.50%	75.50%	81.30%
Median MD	99.60%	99.10%	98.20%	99.10%	94.50%	98.00%
80th %ile MD	99.90%	99.70%	99.50%	99.80%	99.00%	99.50%

	NF	QU	ON	SK	AB	Canada
Nurse Employment and Self-Employment Taxable Earnings in 2006 ($2012)						
Mean	$54,464	$49,135	$60,303	$56,588	$57,037	$56,127
20th %ile	$36,783	$30,334	$36,071	$36,268	$29,200	$33,246
50th %ile	$62,334	$51,177	$62,328	$61,110	$59,067	$57,726
80th %ile	$68,475	$65,645	$83,364	$73,668	$82,530	$77,927
What are Nurses' Earnings Relative to Distribution of Non-Health Workers						
20th %ile Nurse	68.30%	52.70%	53.50%	61.10%	44.80%	53.40%
Median MD	86.00%	76.20%	77.00%	82.30%	73.10%	77.00%
80th %ile Nurse	89.10%	85.70%	87.50%	89.10%	85.40%	87.70%

Conclusion

- Likely short-term bang is from price reduction
  - May not endure, but more likely than in past
  - Ontario taking the lead
- Longer term and more socially valuable cost containment from efficiency improvements
  - These are hard on several dimensions and require long-term focus and determination
  - Not clear that either Ministers, ministries or local administrators have sufficient of either