



SOCIETY OF ACTUARIES

**Health Spring Meeting  
June 2009**

**Session # 6 PD: Market Opportunities for Private  
Clinics/Health Insurance in Canada**

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## Canada's Healthcare

6PD Market Opportunities for Private Clinics/Health Insurance in Canada  
Toronto, June 8, 2009

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## Legal Framework

- *Historical Background*
  - Every province developed constraints to the development of private practice
- *MDs Opting In or Out*
  - Direct Billing
  - Extra Billing
  - Status Disincentives
  - Price Disincentives
  - Newfoundland
- *Restricted Right to Contract Health Insurance*

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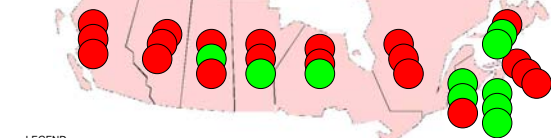
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## Extra Billing/Insurance

Opted-In MDs Extra Billing

Private Insurance

Price & Status Disincentives



LEGEND  
Local Constraints OK

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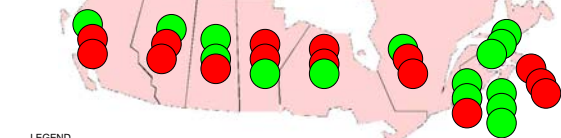
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## Extra Billing/Insurance

Opted-Out MDs Extra Billing

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Price & Status Disincentives



LEGEND  
Local Constraints OK

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## Quebec Bill 33

- *Background*
- *Local and Central Wait Lists*
- *Wait Time Guarantees*
- *Specialized Medical Centres*
- *Mixed Medical Practice*
- *Associated clinics*

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## Quebec Bill 33

- *Private Health Insurance*
  - 3 Conditions
    - must not include any service insured by the public plan
    - must include coverage for the cost of all services related to surgery;
    - the coverage applies only to surgery performed in a specialized medical centre where only non-participating doctors practice.
  - Regulations

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## Quebec Bill 33

- **Bill 34**
  - *What treatments must be offered in specialized medical centres will now be assumed by the government*
  - *Ownership, Board, Shareholders' Agreement, MD*
  - **Preoperative and Postoperative Services**
  - *Medical Imagery Laboratory*

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## Ontario Bill 8: The Commitment to the Future of Medicare Act, 2003

- Enshrine the Canada Health Act (CHA) in Ontario law
- Creates a Health Quality Council
- Prohibits
  - Block fees
  - physicians to bill patients directly for insured services and the patient to recover such payments from OHIP

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## Legal Workarounds

- *Critical Illness & Long-Term Care Products*
- *MDs Opting Out*
  - Extra Billing
  - Status Disincentives
  - Price Disincentives
  - Newfoundland

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## Legal Workarounds

- *Restricted Right to Contract Health Insurance for Publicly Insured Services*
- *Brokerage Services*
- *Not Medically Necessary*
  - *Wellness & Prevention*
- *Services Not Covered Publicly*
  - *Innovative approaches*

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## Development of Private Medical Services

- *Medical Clinics*
- *Surgical Clinics*
- *Diagnostic Clinics*
- *Brokerage Services*

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## Private Medical Services

- **Medical Clinics**
  - Minor emergencies
- **Surgical Clinics**
  - Orthopedic FalseCreek, RocklandMD, Duval Orthopaedic,...
- **Diagnostic Clinics**
  - MRIs, PET scans
- **Brokerage Services**
  - Specialist REferral Clinic, MedCan, Chaouli
- **Specialties/Niche**
  - Cancer care management; Mom&Baby Depot; Genetic Counselling; Fertility; Eye surgery; Medical Records; Hearing Aids; TUMT
- **Medical Tourism**
  - OneWorld

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## Private Care

- False Creek Surgical Centre
- Medcor Cancer Centres – ChemoFit
- Medcan Clinics
- Mom + Baby Depot
- Medisys Clinics
- Medsolution
- Timely Medical Alternatives
- One World Medicare
- Scienta Health
- Résó-Concorde

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Procedure	Wait Times in Public System*	Private-pay Wait Times for Clients of TMA**	Prices as low as:
Knee Replacement	Up to 2 Years	3 Weeks	\$14,000
Gall Bladder Removal	Up to 3 Years	3 Weeks	\$6,700
Angioplasty	Up to 12 Months	48 Hours	\$12,500
Cardiac Bypass	Up to 12 Months	48 Hours	\$16,000
Arthroscopic Shoulder Surgery	Up to 2 Years	3 Weeks	\$6,000
Spinal Discectomy	Up to 3 Years	3 Weeks	\$7,000
MRI	Up to 6 Months	3 Days	\$750
CT Scan	Up to 4 Months	3 Days	\$500
Ultrasound	Up to 4 Months	3 Days	\$500
Weight Loss Surgery	Up to 5 Years	2 Months	\$10,000
Hip Replacement	Up to 2 Years	3 Weeks	\$14,000
Cardiac Ablation	Up to 3 Years	1 Week	\$12,000

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## Private Insurance

- Medical Access Insurance
  - 45-Day Wait: \$70.58/mth for coverage to 75, no copay or deductible, no underwriting, 24 month pre-ex

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## Existing Insurance Products

- Critical Illnesses
- Medical Referral
- LTD Rehab
- Travel insurance, In/Expatriate Coverage
- Assistance
- 2<sup>nd</sup> Opinion

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## New Insurance Products

- *Full Major Medical*
- *Wait List Supplement*
- *Specific Innovative Treatment*
- *Health Savings for retirement years*
- *Brokered Access to Specialists*

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## Potential Market

- *The current Medicare financial framework is likely not sustainable*
- *Medical practice is shifting toward more prevention*
- *Technology is the main cost driver*
- *Unmet Needs – up to 16%*
- *International experience shows....*

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### UK PMI coverage by age group for 1982–2001

Year	0–15	16–44	45–64	65+	All ages
1982	7	8	9	3	7
1987	9	9	11	4	9
1995	8	10	12	5	10
2001	N/A	14	15	6	12

Source: Laing & Buisson, 2003. Quoted in Private Medical Insurance in the United Kingdom

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### People Covered as Percentage of UK Population

	Individual	Group	Total
1990	4.3	7.3	11.7
1995	4.3	7.1	11.4
2000	3.6	8.1	11.7
2001	3.5	7.9	11.3
2002	3.4	8.0	11.4
2003	3.3	7.9	11.2

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Country	Substitutive	Complementary	Supplementary
Austria*	0.2%	18.8% (inpatient 12.9%)	
Belgium	7.1%	30–50%	
Denmark*	None	28%	Children <7: 34.8% Children 7–17: 25.7% Adults 6.7%
Finland***	None	None	
France**	Marginal (frontier workers)	85% (2000 estimate 94%)	
Germany*	9%	9% (mainly)	
Greece	None		10%
Ireland	None	45%	
Italy*	None	15.6%	
Luxembourg	None	70% (mainly)	
Netherlands*	24.7% (+ 4.2% WTZ)	>60%	Marginal
Portugal**	None		12%
Spain*	0.6%	11.4%	
Sweden*	None		1.0–1.5%
UK	None		11.5%

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### Individual vs. Group Insurance

- Product innovation cycle
- Employers & unions' needs
- Risk selection

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### SWOTs

- *Private Health Weaknesses*
  - Risk underwriting
  - Copays, deductible, caps
  - Perceived as unfair
- *Private Health Strengths*
  - Flexibility, Innovation
  - Complementary role

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### Conclusion

- There are medical providers
- There are insurance products
- There are legal hurdles
- The market still looks marginal

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Questions?

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# Canada's Healthcare

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## Market Opportunities for Private Clinics/Insurance in Canada

John Have, FSA, FCIA  
Have Associates

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# Canada Health Act

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- Fed Gov't partial funding + oversight
- Each province develop own plan
  - **CORE** services on reasonable access basis
    - medically necessary physician / hospital services
    - must be publically funded
    - patient not **normally** allowed to pay directly

**AVOIDS SHIFTING OF HEALTHCARE  
RESOURCES TO PRIVATE CARE??**

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## CORE Services

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Physician - gate keeper **Medical Necessary**

- Office visit if some illness
- Hospital services
- Diagnostics
- Surgery
- Specialists
- Expensive drug therapy ie: cancer

**Access on Triage Basis not Ability to Pay**

## Additional Provincial Coverages

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Medically necessary: examples include

- Major cosmetic surgery
- Dental surgery in hospital
- Prescriptions > age 65
- Physiotherapy in hospital
- Ambulance
- Home Care

**Private funding allowed.**

## Left for Private Insurance

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### Examples:

- Prescriptions outside hospital
- Physiotherapy outside hospital
- Private duty nursing outside hospital
- Semi-private & private hospital room
- Prosthetics
- Dental services

## Left for Private Insurance – cont'd

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- Paramedical services
- Optometry services
- Outside Canada / Province services
- Services related to work injuries -> provincial WCB

**Ontario has coverage for high medical expenses for low income through Trillium Plan**

## **CORE** Service Delivery

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Most hospitals - public or private (not for profit)  
with preset annual budgets

Physician / diagnostic services

- small clinics reimbursed on per service basis
- fixed fee schedules

Private clinics normally not allowed to compete for  
core services provided by hospitals

**Public Plan has monopoly on CORE SERVICES**

## Legal Challenges - **CORE SERVICES**

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Quebec – Dr. Chaoulli after his patient spent over  
one year waiting for hip replacement

- Patient's rights violated under Canadian Charter of  
Rights and Freedoms
- Province argued OK for common good and order

Supreme Court of Canada ruled "... patient's right  
to life and personal security had been violated"

**Public program monopoly -> must deliver**

## Current Legal Challenge - BC

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Supreme Court of BC – Canadian Independent  
Medical Clinics Assoc + BC clinics (Dr. B Day)

They argue that sections of B.C.'s Medicare  
Protection Act force patients ... on unacceptably  
long wait lists ... pain, suffering or disability

Defendants:

- Medical Services Commission
- Minister of Health Services
- Attorney General of British Columbia ...

## Wait Lists by Province

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Wait list are now being monitored

- Cancer care
- Cardiac care
- Sight restoration
- Diagnostic imaging
- Joint replacements

### Definition of Wait Time?

## Private Clinics

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Canada Health Act does not prohibit private clinics operating completely outside the public system

- Hip and knee replacements, cataract surgery  
+ MRI scans

Provinces want to prevent – but ..

**waiting lists long – politically difficult**