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# SOA AND CIA PARTNERING IN CANADA TO CONDUCT RESEARCH

PROJECTS INCLUDE A REVIEW OF THE SUSTAINABILITY OF THE CANADIAN HEALTH CARE SYSTEM AND RETIREMENT SYSTEM RESEARCH

By *Émilie Bouchard*

Several years ago, the Society of Actuaries (SOA) launched an initiative to better support its Canadian members. Our goal is to ensure that the SOA provides good value to its members in Canada, in a way that is complementary to the services the Canadian Institute of Actuaries (CIA) delivers. To support this initiative, the SOA hired me last October as a liaison dedicated to Canadian membership. Part of my role is to help identify relevant research projects and promote them within the SOA to obtain funding and support. I work closely with Dale Hall, managing director of research at the SOA; Ian Genno, chair of the SOA Research Executive Committee; Dave Dickson, chair of the CIA Research Committee; and key representatives within the CIA to advance Canadian research.

I am really excited to be part of the actuarial community, since I believe that our profession equips us to contribute to the world by bringing some peace of mind to people in all areas of risk. I believe that the world needs leaders with high integrity now, more than ever. As actuaries, we certainly have the skills to provide unbiased information on current societal issues. In fact, as the SOA and CIA collaborate on relevant Canadian-themed research, they enhance Canadian actuaries' ability to inform the public.

Two examples of such collaborative initiatives are 1) the review of the sustainability of the health care system, and 2) the upcoming in-house retirement research:

- The SOA and the CIA jointly sponsored a research project on the Canadian health care system. The report was released in the fall of 2013 and indicates that the Canadian health care system may not be sustainable in its current form.

- A member announcement issued jointly by the SOA and the CIA in February stated that they will bring in-house retirement research to Canada. Similar to what was done in the United States, the research will measure the impact of different influences on the retirement system as a whole.

Details on these initiatives follow.

## SUSTAINABILITY OF THE CANADIAN HEALTH CARE SYSTEM

Health care in Canada is delivered mainly through a publicly funded system and is mostly free at the point of use. The Canadian health care system delivery is considered a provincial jurisdiction. While Canadian provinces and territories are predominantly responsible for their own health care delivery, the federal government sets national standards and provides funding support (through the Canada Health Transfer (CHT)), provided certain standards are met. These standards relate to insured health care services, namely physician and hospital services, and they include criteria on comprehensiveness, universality, accessibility, portability and public administration.

The CHT currently funds 21 percent of provincial and territorial health care expenditures. Late in 2011, the federal government announced its intention to modify the CHT calculation, with an effective date of April 1, 2014. The study found that the revised formula would lead to a decrease in the future share paid by the federal government which, under the revised formula, is projected to drop to 14 percent by 2037.

According to the report, the objectives of the research were to project future health care costs, to assess the sustainability of the system over a 25-year horizon, and to analyze the implications of the changes to the CHT proposed by the federal



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government. “Unlike several previous forecasts on the future costs of the Canadian health care system, this report’s methodology applies actuarial techniques to directly capture the increasing health care costs associated with Canada’s aging population,” explains Stéphane Levert, FSA, FCIA, the report’s lead researcher.

As highlighted in the research, if health care expenditures continue to increase at current rates, costs will eventually represent the major part of the provinces’ and territories’ budgets, making it almost impossible to service their debts and fund programs related to education, social welfare and infrastructure. The growth of health care costs as a share of budgets is due to the real growth in health care expenditures, largely due to the aging population, and to the reduced growth in GDP as the population ages and the percentage of working Canadians declines.

The report states that, assuming that the current CHT formula is maintained, the proportion of total revenues available to provinces and territories and needed for health care expenditures (44 percent in 2012) would equal 65 percent by 2037. Proposed changes to the CHT would, while reducing the federal government share, of course, amplify the problem for the provinces and territories.


In summary, the research shows that to ensure the sustainability of the Canadian health care system, significant intervention is required.

To access the full report, “*Sustainability of the Canadian Health Care System and Impact of the 2014 Revision to the Canada Health Transfer*,” visit <http://www.soa.org/Canadian-Health-Care-Sustainability>.

## CANADIAN RETIREMENT SYSTEMS

This new research initiative will bring timely actuarial insight on key retirement issues and will allow actuaries to demonstrate their expertise in

discussions with key stakeholders. Initial efforts will include the development of a dedicated database, modeling tool and research team to analyze the impact of various influences and potential scenarios on Canadian employer-sponsored retirement plans. Such influences include changes in policy and legislation (like funding relief measures), changes in economic conditions, and changes in demographics.

I am confident that, even though Social Security and other retirement systems face great challenges, actuaries can greatly assist in informing the public with respect to the sustainability of such programs and, hopefully, also be agents of change in our communities. Thank you to the vibrant community of engaged Canadian actuaries who connect, share and advance the profession! 

## REFERENCES

Member announcement jointly issued by the SOA and the CIA “CIA and SOA Partnering in Applied Actuarial Research Aimed at Providing Timely Perspectives on Key Retirement Issues,” Feb. 27, 2014.

News release jointly issued by the SOA and the CIA “Canada’s Current Health Care System is Not Sustainable; Action Needed to Maintain the System’s Survival,” Sept. 17, 2013.

“Sustainability of the Canadian Health Care System and Impact of the 2014 Revision to the Canada Health Transfer,” September 2013. Sponsored by the SOA and the CIA, and prepared by Stéphane Levert, FSA, FCIA, president of Stéphane Levert Consulting Services Inc.