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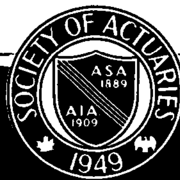

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THE Actuary

Canada's emerging health care system

by Shannon Patershuk

Health care in Canada is emerging as a different system from that of the early 1980s. The principles embodied in the Canada Health Act of 1984 — universality, comprehensiveness, portability, accessibility, publicly funded administration — remain intact. However, refinement of these principles such as reasonable access has occurred as budgets come under tighter control.

The system has evolved from the first provincially funded hospital system in Saskatchewan before 1950 to an interlocking set of ten provincial and two territorial health insurance schemes today. These schemes cover hospital, diagnostic, and medical services, plus provincial coverage supplemental to the Canada Health Act, such as subsidized or free drug coverage for seniors. Provinces are required to provide services defined under the Canada Health Act, and they determine the allocation of resources and services.

Actuarial input

Until recently, the change in health care has evolved at a steady pace. Recent emphasis on reducing federal and provincial deficits, however, has sparked more rapid change.

What contributions can the actuarial profession make to the changing cost and design of the public health care system? The Canadian Institute of Actuaries (CIA) has set up a task force to address relevant financing issues. Its scope includes examining current costs, projecting future trends in costs, developing options to deal with

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In the midst of transition

Reform and re-reform

by Janet M. Carstens

I recently moderated a seminar on health care reform at the Society of Actuaries meeting in San Diego. To prepare for that seminar and to complete my assignment for two task forces of the American Academy of Actuaries, I reviewed the literature on U.S. health care reform that had crossed my desk in the past few months. After two 16-hour days, I was tired, overwhelmed, and confused. I found myself wondering whether specific state proposals replaced proposals issued for the previous month or if they were additions to that state's previous month's legislation.

State reform accelerates

Despite what happens on a national level, U.S. health care reform is moving at a very rapid pace. In many instances, state reform legislation is being re-reformed. What is

contributing to this flurry of state activity?

The high cost of health insurance coverage and the many uninsured individuals provided the impetus for a serious political debate on health carereform. In the past few years, the

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Health care in Canada cont'd

costs, and actively participating in the public discussion of these issues.

Clarity of design is essential in projecting cost trends and suggesting alternatives. This is not easy because of the many stakeholders and decision makers in the system. This article discusses some of the areas that would benefit from actuarial quantification, risk analysis, and perspective.

Accessibility

Reasonable access to medical and hospital services means an absence of barriers to essential services. Most Canadians have accepted some waiting time for non-essential services.

Most of the 10 Canadian provinces recently reviewed their health systems and published reports dating from 1987 through 1991. Common to these reviews was the recommendation to broaden the definition of health, shifting the emphasis from curative to preventive. Health outcomes are to receive more emphasis, because increased health care funding in the past few years has not improved life expectancies significantly nor improved other health indicators.

In contrast to more access to preventive health, Canadians perceive that access to full health services has been rationed. Non-essential services have been reduced.

Individuals who want to avoid waiting lines for high-tech treatment have selected U.S. providers, regardless of cost. Some clinics have been operating privately in Canada. Thus, access gradually has become a two-tier system, with the second tier accessed by those who can afford convenience and upgrades to basic services.

Actuarial skills could help in pricing the second tier to the public system, illustrating imbalances between the supply of services in Canada and the United States and projecting outcomes of various alternatives.

Comprehensiveness

All medically necessary hospital and medical expenses must be provided for under the Canada Health Act. The public health care system in Canada expanded over the past 40 years to include hospitalization, diagnosis, medical services required under the Canada Health Act, and prescription drugs added by provincial governments because of public demand. The change to "deinsuring" reverses this trend to a shift toward the private sector, primarily for non-essential services.

Prescription drugs have become a major component of health care. More costs now are incurred for drugs than for physician services. Drugs increased from 9% to 14% of total health care from 1980 to 1990. Employers' drug plans have escalated in cost, adding to the shift in public to private expenditures.

Required actuarial analysis includes the effective change in comprehensiveness of coverage and projections of the resulting needs and consequences. Specifically, actuaries should review the limits of deinsuring allowed under the Canada Health Act and the associated cost savings.

Publicly funded administration

Although the provinces have jurisdiction of health care, the federal government shares on a 50/50 basis the expenses of provincial health care for hospitalizations and medical services that meet the design principles in the Canada Health Act. Federal budget problems and increasing demand for health care resulted in caps on federal transfer payments and an increase, to about 30%, of provincial budgets spent on health care.

A drop in relative federal funding raises concern about provincial compliance with the principles in the Canada Health Act. The provincial burden and the increased access to health, as well as curative health care, creates the need to re-examine many public sector design decisions.

Use of actuarial costing methodology can improve decision making in critical financial situations. Long-term projections of health care associated with aging demographics and the magnitude of health care expenditures in the last year of life will enable future public decision making to be based on more relevant information. Decision makers need to understand the relationships among public funding, compensation to health care providers, plan design, utilization, and health care outcomes. A broader definition of health creates far more complex outcome measures than the traditional health care outcome measures, such as infant mortality rates and life expectancies.

Analyzing and understanding the components of significant cost variables are basic to the actuarial profession. Unfortunately, Canadian actuaries now have limited involvement with publicly funded administration. This situation may change.

Universality

All provincial residents have coverage, regardless of employment, age, or ability to pay premiums. However, the emerging two-tier health delivery system appears to be inconsistent with this principle. Should public funds be used to pay for convenience and upgrades?

Internationally, many variations in health care systems result from similar principles. The Canada Health Act's basic principles, such as universality of essential service, must be recognized when comparing national systems. Actuarial scrutiny of how the principles affect benefit design would be beneficial.

Portability

Portability of public coverage for individuals moving between provinces has not changed significantly. However, some health care coverage for travel to the United States has been deinsured. Residents now are covered outside Canada up to the amount paid in the home province. With increased global mobility, portability of health care coverage refinements is needed. Actuarial help in defining global portability could benefit all stakeholders.

Conclusion

The rate of change in the Canadian health care system is now more revolutionary than evolutionary. For example, more than 50 hospitals in Saskatchewan were closed. The focus on the overall health of the community and more individual incentives creates more change. Resources have been reallocated accordingly. This expansion, however, coincides with budget cuts and creates a risk of reduced service.

It is time for the CIA to be proactive in supplying quantitative tools and to contribute to the public debate. Clear focus, vision, and appropriate decisions are necessary to prevent undermining the achievements in health care to date.

Actuarial involvement in public health care issues in both Canada and the United States must not only address emerging health care issues, it also must predict them. Participants in both systems claim there is enough money in their systems, and what is required is to use the existing resources appropriately. Actuarial skills can help confirm or dispute this claim.

Shannon Patershuk is actuary and senior consultant with MLH+A, Inc., Edmonton, Alberta, Canada.