Canadian Life
and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes inc.

CLHIA Report

on Health Care Policy

Towards a Sustainable, Accessible, Quality

Public Health Care System

June 3, 2009

1 Queen St. East
Suite 1700
Toronto, Ontario
M5C 2X9

Tel: (416) 777-2221
Fax: (416) 777-1895

1, rue Queen est
Bureau 1700
Toronto, (Ontario)
M5C 2X9

Tél: (416) 777-2221
Fax: (416) 777-1895

Toronto • Montreal • Ottawa

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CLHIA REPORT ON HEALTH CARE POLICY

EXECUTIVE SUMMARY

June 3, 2009

Few issues are as significant to Canadians as health care, and even fewer have as much impact on their lives. However, rising health care costs, service delivery limitations and looming human resource issues are undermining the health care system in this country. Spending on health care continues to outpace growth in government program spending and in overall economic terms, while the system performs only moderately well when measured against other developed countries. Some provinces project their health care spending to consume 70% of total revenues by 2020, severely compromising investments in other areas of the public purse such as education, childcare, infrastructure and innovation. Given these trends, Canada's health care system is not sustainable.

It is the purpose of the health care system to assure that every individual enjoys healthful conditions of life and has timely access to appropriate care from high-quality health personnel and facilities. Thus, in order to be comprehensive, the health care system should be guided by the following five principles: availability of essential health services across a range of disciplines, accessibility of health services for all Canadians, timely receipt of health services, high quality of health services provided, and affordability of health services.

The Canadian life and health insurance industry believes it is critically important to design a health care system to enhance not only the health of Canadians, but also ensure their economic future and prosperity. A healthy workforce and an effective public health system will support Canada's productivity and competitiveness in a global economy.

Our health care system has been conducted as a shared public-private responsibility in both delivery and financing, and has proven to be beneficial to Canadians for many years. The vast majority of health care services – providing universal, comprehensive coverage for core hospital and physician services – is financed publicly by government, with roughly 30% of services privately funded through private insurance or out-of-pocket payment.

Our industry strongly supports the fundamental role of the public health care system. We see private health benefit coverage as a complementary service to the public system, supplying private insurance plans and private care involving services such as dentistry, prescription drugs and optometry, as well as paramedic and work-related injury care, prosthetics, travel health and accident insurance, ambulance charges, private or semi-private hospital beds, and critical illness and long-term care coverage. Without this extensive array of private health and disability insurance coverage to supplement public health care, pressures on already scarce public resources would be even greater.

To enhance the sustainability of Canada's health care system, our industry proposes to build on the successful public-private partnerships that are already an integral part of the system. To ensure that all Canadians have access to quality health care, our industry recommends that governments work towards:

- a patient-focused approach to health care;
- affordable prescription drugs;
- an increased emphasis on wellness and disease prevention; and
- increased support for long-term/continuing care.

CLHIA believes that from both a delivery perspective and in financial terms, federal, provincial and territorial governments must take a patient-focused approach to health care to lower costs and improve health outcomes. A full range of health care services must be available to all citizens regardless of their ability to pay, and this can be achieved – as many developed countries demonstrate – through a blend of public and private arrangements. Thus, we recommend that governments seize more opportunities for strategic partnering with the private sector to increase efficiencies and fill gaps in delivery of services. As a first step, governments in Canada can develop a list of services to be delivered in public-private partnership and procedures that can be funded privately, as has been done in Quebec.

A patient-focused approach also means that governments must invest in technology, for instance, establishing an Electronic Health Record for all Canadians and enhancing connectivity for health care professionals to achieve better outcomes for patients and the system. In addition, the ready availability of experienced health care providers is essential in a patient-focused system. Our industry recommends that governments work with professional associations to improve health human resource planning for the long term. To fill service gaps caused by current shortages and better use resources, we further recommend that governments re-evaluate scopes of practice and current processes for the integration of health care professionals trained abroad.

Under the *Canada Health Act*, health care is universal, while access to affordable drugs is not. Consumers continue to face prescription drug costs that can become staggering. While supplementary insurance provides some drug coverage assistance, not all Canadians have such insurance. The federal, provincial and territorial governments must ensure that no Canadians need take on undue financial hardship as a result of prescription drug costs. Our industry further recommends that catastrophic drug coverage be established for all Canadians, that drug pricing be equitable across private and public programs, and that a healthy generic drug program that is open to competition be created. Consistent access to the most cost-effective drugs and the establishment of a minimal formulary are vital in order to achieve fiscal benefits and improve health outcomes for individuals regardless of where they live.

Another critical factor for the sustainability of the health care system is the need to move beyond a focus on episodic acute care. Public health professionals across Canada have long argued for a greater emphasis on disease prevention and health promotion within the system to improve health and lower costs. Our industry agrees. More investment by governments in a wellness and disease prevention approach will achieve better health outcomes for Canadians and contribute to the long-term sustainability of Medicare by reducing pressure on the system. Also, our industry calls on governments to provide financial and tax incentives for individuals and corporations to assist in enhancing and maintaining the physical and mental health of Canadians. Finally, we believe that more health promotion policies and more direct assistance to health promotion programs can reverse the trends of higher disease risk for children, such as the high rates of obesity that we are seeing at this time.

As the population ages and life expectancy increases, the need for continuing care is on the rise in Canada. However, continuing care is not currently available on a universal basis, and what support does exist, varies widely. Our industry recommends that governments increase support to Canadians for their continuing care needs. Specifically, governments need to ensure that those living with a chronic illness receive health care services that are integrated across the primary care system and are coordinated by their family physician or health clinic team. In addition, governments should provide tax and financial incentives for Canadians to assist them in taking greater responsibility for the care of aging and/or ill family members at home through the purchase of private insurance.

The Canadian life and health insurance industry feels strongly that the time for reform and revitalization is now. Our full report entitled *CLHIA Report on Health Care Policy* outlines in more detail the analysis and recommendations of the industry. CLHIA stands ready to play its role in supporting governments and other stakeholders to build a health care system of which we can all be proud.

CLHIA REPORT ON HEALTH CARE POLICY

June 3, 2009

Introduction

The issue of the sustainability of the health care system is of vital interest to all Canadians. The Canadian life and health insurance industry believes it is critically important to have a health care system that enhances not only the health of Canadians, but also ensures their economic future and prosperity. A healthy workforce and an effective public health system support productivity and competitiveness in a global economy. In addition, a strong and sustainable health care system provides a significant competitive advantage to domestic businesses as well as attracting high-quality labour to Canada as the global migration of workers intensifies. Finally, an affordable health care system frees up funds for other areas of the public purse, providing investments for all aspects of the social safety net such as education and childcare, and for infrastructure and innovation, all of which are critical to our longer term economic development.

At this time however, Canada is faced with a health care system that requires an ever-growing rate of public expenditures while performing only moderately well when measured against the systems of other developed countries. Increasing health care costs are being driven by several factors: older age groups in the population, new technologies (e.g., diagnostic procedures, treatment regimes, drugs), more demanding consumers, new and emerging diseases and a rise in chronic diseases.[1]

Our governments may not be able to sustain the long-term investment required to support the significant increased costs of the health care sector. Health care spending continues to outpace growth in government program spending and in overall economic terms. In 1975, spending on health care was about 7% of Canada's GDP. Today, it is roughly 10% of GDP, about one percentage point higher than the average of 8.9% in OECD countries.[2] Canada also ranks above the OECD average in terms of total health spending per capita, with spending of US $3678 in 2006 (adjusted for purchasing power parity), compared with an OECD average of US $2824.[3] Given current trends, provincial government spending on health care will consume more than half of the total revenues from all sources in six of 10 provinces by the year 2020.[4] According to recent reports, the Ontario government will spend 70% of its total revenues on health care by 2022, and BC is projected to spend 71% of its revenue on health care by 2017.[5,6] If these spending rates continue, health care's proportion of GDP will be 13% by 2015, rising to over 17% by 2025.[7]

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[1] Organisation for Economic Co-operation and Development (OECD). 2006. *OECD Health Data 2006: Statistics and Indicators for 30 Countries* (15th ed.). Paris: OECD Publishing.

[2] Organisation for Economic Cooperation and Development (OECD). *OECD Health Data 2008: How Does Canada Compare.* 2008.

[3] Ibid.

[4] Skinner, B.J. 2005. *Paying More, Getting Less 2005: Measuring the Sustainability of Provincial Health Expenditures in Canada.* Vancouver: Fraser Institute; Skinner, B.J. and M. Rovere. 2006. *Paying More, Getting Less 2006: Measuring the Sustainability of Public Health Insurance in Canada.* Vancouver: Fraser Institute.

[5] Taylor, C. *BC Economic and Fiscal Update.* Sept. 15, 2006. http://www.fin.gov.bc.ca/qrt-rpt/qr06/Q1powerpoint.pdf.

[6] Stuart N, Adams J. The Sustainability of Canada's Healthcare System: a framework for advancing the debate. *Longwoods Review* 4(4)2007, p. 96.

[7] Sun Life Financial Canada. "Rising Healthcare Costs and Increasing Longevity: should Canadians be concerned?" Dean Connor, President, Sun Life Financial Canada. Speech at Vancouver Board of Trade, July 2, 2008.

Canadians are by no means uniform in their views of how to deal with their ailing health care system, and the tenor of the debate on reform remains charged. The question of how best to deliver and pay for service and the implications of such choices lay at the heart of the debate. Some argue that sustainability should drive reforms that involve more privatized delivery of services and options for people to pay for their own care. Others maintain that any substantial change (such as, expanding the role of private insurance and private payment, or allowing physicians to work both within the public system and privately) will undermine publicly funded health care and the principles of the *Canada Health Act*.[8]

Current Private Funding Involvement

At the present time, Canada's health care system is conducted as a shared public-private responsibility. The vast majority of health care services – providing universal, comprehensive coverage for core hospital and physician services – are financed publicly by government. The private sector supplements those services through private insurance plans and private care involving services such as dentistry, prescription drugs and optometry, as well as paramedic and work-related injury care, prosthetics, travel health and accident insurance, ambulance charges, private or semi-private hospital beds, and critical illness and long-term care coverage.

According to the Canadian Institute for Health Information (CIHI), approximately 70% of health expenditures are publicly funded from general tax revenues, with roughly 30% privately funded through private insurance or out-of-pocket payment. [9] Canada's 70% publicly funded segment is below the average of 73% of publicly funded health care in OECD countries and represents less than many European countries but substantially more than in the United States.[10] A dollar breakdown is as follows:

- 60 cents spent by public insurance plans set up by the provinces and territories;
- 15 cents directly from the pockets of citizens;
- 13 cents by public programs other than insurance (including direct spending by the federal government), private programs (e.g., hospital foundations) and public or private research programs;
- 12 cents by complementary private health insurance plans.[11]

About 22 million Canadians are protected by some form of private health benefit coverage. Nearly 11 million workers are covered by private disability contracts. Total payments to Canadians by our industry for private health and disability insurance benefits amounted to $19.5 billion in 2007.[12] Our member companies deliver the substantial majority of Canada's private drug insurance plans, covering close to 20 million Canadians, and paying over $7.0 billion in drug benefits in 2005.[13] Without this extensive array of private health and disability insurance coverage that complements public health care, pressures on already scarce public resources would be even greater.

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[8] *Note*: The Act establishes 'medically necessary' hospital, physician and surgical-dental services as publicly insured services, or 'core' services. However, "medically necessary" is not further defined. The Act is silent about how care should be organized and delivered under provincial and territorial health insurance programs. For those programs to receive transfer funds as per the *CHA*, their services must be: universally available, comprehensive, portable between provinces, accessible to all patients without direct charge, and administered by a publicly run plan.

[9] Canadian Institute for Health Information (CIHI). *Exploring the 70/30 split: How Canada's health Care System is Financed*. September 27, 2005.

[10] Organisation for Economic Cooperation and Development (OECD). *OECD Health Data 2008: How Does Canada Compare*. 2008.

[11] Canadian Life and Health Insurance Association (CLHIA). Presentation on the Consultation Document "Guaranteeing Access: Meeting the Challenges of Equity, Efficiency and Quality." Presented to the Social Affairs Commission. April 2006.

[12] Canadian Life and Health Insurance Association (CLHIA). *Key Statistics*. http://www.clhia.ca/download/KeyStats2008_EN.pdf

[13] Canadian Life and Health Insurance Association (CLHIA). Letter to: Mr. Mark Ronayne, Senior Competition Law Officer, Industry Canada, Competition Bureau - Legislative and Parliamentary Affairs Branch. September 14, 2007.

The private sector is already a valuable partner in the delivery and funding of health services in Canada's health care system. Yet, when people speak of greater private involvement in the system, the spectre of Americanization is often invoked. But, the American system is fundamentally different from our system, lacking any mandate to deliver universal care and structured around private insurers that act as the system's foundation. Private insurers in Canada do not seek nor desire an adoption of the American-style approach in this country. On the contrary, our industry strongly supports Canada's universal public system in which we view our role as complementary. We support our current model of public-private partnership in health care delivery and financing, which has proven to be beneficial for Canadians, and recommend greater cooperation between the public sector at the federal, provincial/territorial and municipal levels and the private sector.

Before the 2005 Supreme Court decision in the *Chaoulli v. Québec* case, the *Canada Health Act* was interpreted as prohibiting private insurance for core, "publicly insured" health services. The Chaoulli ruling made it clear that access to health care is a fundamental right, and that where the public system fails to provide reasonable service, Canadians must be allowed to seek private care and/or private coverage for core services. This change signaled that the private sector can play a greater role in partnership with the public sector for health care provision, including a wider role in medical services and an expanded scope of private insurance. These enhancements would allow new capital and approaches to flow into a system that is in need of investment and innovation. Private care for core services is on the agenda in a few provinces — Alberta, British Columbia, and Québec — along with various experiments combining public and private care. Such efforts aim to reduce patients' wait times for treatment and control public spending.

This paper provides the principles, objectives and suggested benchmarks to be considered when developing CLHIA policy on health care reform. These are followed by a series of recommendations for government consideration.

Guiding Principles

Health and wellness are created and sustained through a complex interaction among various determinants of health at the individual and societal levels (e.g., child development, working conditions, education, income and social status, physical environments, social support network, etc.). The health system and the services it delivers represent one, albeit critical, element of the determinants of health. It is the purpose of the Canadian health system to assure that every individual enjoys healthful conditions of life and has timely access to appropriate care from high-quality health personnel and facilities. Thus, from the start, any comprehensive health system under this policy formulation should adhere to the following five principles for all Canadians:

1. **Availability of health services**: Essential health services exist across a range of disciplines to prevent and treat disease and to promote health.
2. **Accessibility of health services**: Individuals must have ready access to the health care system and, specifically, to the services they require.
3. **Timely receipt of health services**: Individuals must receive appropriate health services when they need them and not be subjected to unreasonable wait times.
4. **Quality of health services received**: This refers to "providing the right intervention in the right way at the right time" and "doing the best with the resources available."[14]
5. **Affordability of health services**: Even the best health care system will ultimately fail if it cannot be sustained financially.

[14] "Priorities in health: Quality of health services." Swiss Agency for Development and Cooperation. http://www.sdc-health.ch/priorities_in_health/pro_poor_health_service/quality_of_health_services.

Objectives and Benchmarks

Internationally, Canada is perceived as a leader in many sectors, such as the banking and insurance industries and information technology. However, in health care, it is lagging behind other nations in both the sound management of health care costs and the sustained achievement of good health outcomes for the population. According to the 2008 Euro-Canada Health Consumer Index, Canada ranked 23rd among 30 countries, measuring patient rights and information, wait times for treatment, clinical outcomes, comprehensiveness of public health care systems and provision of pharmaceuticals.[15] A 2006 Conference Board of Canada study comparing 24 leading OECD countries, ranked Canada 11th in terms of overall health performance. Based on OECD data, the ranking considered life expectancy, rates of death and disease, immunization rates, self-reported health and certain risk factors (such as rates of obesity).[16] In addition, Canada continues to have fewer physicians and nurses per capita and fewer acute care hospital beds than in most other OECD countries, even with its relatively high level of health expenditure.[17] We also spend only a third of the OECD average on information technology in hospitals.[18]

Therefore, the objective for health care reform is to reverse these trends and achieve world-class status in health care by harnessing the use of sound business practices – such as greater efficiency, competitiveness and performance measurement – to limit the increase of health care expenditures, provide sustainable care and enhance health outcomes. Such advances will be reflected in improved rankings for Canada in global measurements of health status, health-care outcome, and health-care utilization and performance. Reaching these goals will depend on achieving several benchmarks, such as:

1. higher ranking in health outcomes based on measures of disability-adjusted life expectancy, infant mortality, chronic disease and obesity;
2. implementation of wait time standards established by the medical professions to meet patient needs;
3. greater numbers of health care practitioners per capita to meet, at least, the OECD average, in conjunction with a reassessment of the scopes of practice of these practitioners; and
4. improved performance in both the health care system and overall health outcomes, while maintaining the present level of financing (currently 9.8 % of GDP).

Recommendations

CLHIA puts forward a number of recommendations for government consideration. The recommendations are grouped into four broad areas: patient-focused care and funding arrangements, affordable prescription drugs, wellness and disease prevention, and continuing care.

1. Patient-Focused Approach to Health Care

Key Recommendations:

The CLHIA recommends that federal, provincial and territorial governments collaborate fully in order to take a patient-focused approach to health care service delivery and funding to increase efficiencies and improve health outcomes for all Canadians.

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[15] Health Consumer Powerhouse and Frontier Centre for Public Policy. *Euro-Canada Health Consumer Index* (Brussels, Belgium; Stockholm, Sweden; and Winnipeg, Manitoba), 2008. http://www.healthpowerhouse.com/files/ECHCI_2008_Full_Report_final.pdf

[16] Conference Board of Canada. *Healthy Provinces, Healthy Canadians: A Provincial Benchmarking Report* (Ottawa, Ont.: Conference Board of Canada, 2006).

[17] Organisation for Economic Cooperation and Development (OECD). *OECD Health Data 2008: How Does Canada Compare.* 2008.

[18] Canadian Medical Association (CMA). Presentation to the House of Commons Standing Committee on Health, *Statutory Review of the Ten-Year Plan to Strengthen Health Care,* May 27, 2008 .

The CLHIA recommends that federal, provincial and territorial governments explore and undertake opportunities for strategic partnering with the private sector to increase efficiencies and fill gaps in delivery of health care services.

The Canadian life and health insurance industry strongly supports the fundamental role of the public health care system. We see private health benefit coverage as a *complementary* service, in partnership with the public system, to provide the kinds of services that are not economically feasible for the public system. Furthermore, CLHIA believes that from both a delivery perspective and in financial terms, a repositioning of patients to the centre of the health care system will improve outcomes and lower costs.

Patient-focused care is designed to meet the needs of the individual receiving care and treatment rather than having the patient fit into institutional systems. Patient-focused funding targets patient-clinician activities and, as a result moves institutions, such as hospitals, away from a block-funding (global budget) framework to an activity-funded basis. With respect to the decentralized or regionalized health systems in Canada, patient-focused funding means that if a patient receives treatment in a region other than his or her own, the funding is transferred along with the patient's care. In his February 2008 report to the Québec government on ways to stabilize health care budgets, the former Health Minister Claude Castonguay agreed with this approach, recommending that the money should "follow the patient".[19] As well, the Castonguay task force recommended the scope for private insurance should be expanded to include other services in addition to knee, hip and cataract surgery and that home care coverage should be expanded for the elderly. The CLHIA supports such an expansion of services. Our view is that a full range of health care services must be available to all citizens regardless of their ability to pay, and this can be achieved – as many developed countries demonstrate – through a blend of public and private arrangements.

Another implication of a patient-focused approach is *where* care is delivered. Currently, the publicly funded health care sector delivers essential hospital and physician services through multi-purpose hospital facilities, providing a broad range of services in a central location. However, many analysts believe that gains can be realized by focusing staff, equipment and management attention to the treatment of a single condition or disease type. The OECD has found that the introduction of "market-oriented mechanisms can help to reduce costs of provision of hospital services."[20] Both in-patient facilities (i.e., specialty hospitals and clinics) and out-patient facilities (i.e., ambulatory surgery centres) can provide enhanced health care faster and at a lower cost.[21] Many public-private partnerships in service delivery already exist. For instance, Ambulance New Brunswick is a public-private partnership that has transformed a fragmented ambulance system of 39 suppliers into a single, fully integrated service, offering consistent protocols, equipment, training and facilities to improve patient care. Building on approaches that have delivered the best cancer outcomes in Canada, the Abbotsford Cancer Centre now treats up to 2,500 patients annually through a public-private partnership. In addition, the private facility Shouldice Hernia Centre in Ontario has demonstrated the benefits of doing one type of surgery consistently and well, having repaired over 300,000 hernias with more than 99% success rate and guaranteeing the results. The Gimbel Eye Centre in Calgary was Canada's first ophthalmic out-patient surgical centre to offer small-incision cataract surgery in an out-of-hospital setting to patients on wait lists in the public system. It now treats patients from 50 countries.

A patient-focused approach also means that governments must invest in innovative and emerging technologies that will achieve new benchmarks in efficiency and effectiveness. The Canadian Medical Association and the Health Council of Canada, among others, have reported critical data gaps for which technology solutions are essential. They recommend standardized reporting and data collection and faster

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[19] *Task Force on the Funding of the Health Care System: Getting Our Money's Worth*. Gouvernement du Québec, 2008.

[20] Organisation for Economic Cooperation and Development (OECD). *Competition in the Provision of Hospital Services*. Paris, 2006, p. 9. http://www.oecd.org/dataoecd/39/13/37981547.pdf

[21] R. Herzlinger, *Market-Driven Health Care*. Reading, Mass.: Addison-Wesley, 1997, as cited in Casalino LP *et al.* "Focused Factories? Physician-Owned Specialty Facilities," *Health Affairs* 22(6):56-67, 2003. Leung GM. "Hospitals must become 'focused factories'," *BMJ*. 2000 April 1; 320(7239): 942.

implementation of the Electronic Health Record in primary health care systems.[22,23] Consideration should be given, as well, to implementing Electronic Health Records first for people who are significant users of health care services, such as those living with chronic diseases.

The ready availability of experienced health care providers is essential in a patient-focused system. However, at this time, Canada would need 26,000 more doctors to meet the OECD average of physicians per population.[24] In addition, this country has consistently graduated fewer nursing students than it did 30 years ago, despite a 39% increase in the Canadian population over that same time period.[25] Re-evaluating scopes of practice for health care providers and current processes for the integration of health care professionals trained abroad may lead to better utilization of health human resources and fill service gaps brought about by current provider shortages.

In health care insurance benefits and service delivery, the private sector already performs well. Our industry strongly urges governments to build on the successful public-private approach and explore opportunities where the private sector can be re-engaged to further complement the public system under a patient-focused framework. To that end, CLHIA makes the following recommendations with respect to health services implementation.

Supporting Recommendations:

The CLHIA recommends that federal, provincial and territorial governments review current health care services to develop a list of services that could be delivered in partnership with the private sector.

The CLHIA recommends that federal, provincial and territorial governments identify those procedures that may be funded privately, along the lines of what is occurring in Quebec.

The CLHIA recommends that funding for hospitals and clinics be consistently based on patient usage and service activity to increase efficiency in delivery.

The CLHIA recommends that federal, provincial and territorial governments invest in technology to establish an Electronic Health Record for all Canadians and enhance connectivity for health care professionals to achieve better outcomes for patients and the system.

The CLHIA recommends that federal, provincial and territorial governments work with professional associations to improve health human resource planning, including professional education and training requirements, for the long term.

The CLHIA recommends that federal, provincial and territorial governments, in order to address health care provider shortages, consider means to expand the scope of practice for a variety of health care providers as well as means to integrate health care professionals trained abroad more effectively into the Canadian system.

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[22] Canadian Medical Association (CMA). Policy Summary: Managing the Public-Private Interface to Improve Access to Quality Health Care (2007).

[23] Health Council of Canada. *Health Care Renewal in Canada: Measuring Up?* 2007.

[24] Canadian Medical Association (CMA). "Canadian Medical Association launches major campaign for more doctors." Media Release: January 15, 2008.

[25] Canadian Nurses Association (CNA). "Canada's health system faces another year of nursing student graduate shortfalls." Media release: June 18, 2008.

2. Affordable Prescription Drugs

Key Recommendation:

The CLHIA recommends that federal, provincial and territorial governments ensure that no Canadians need take on undue financial hardship as a result of prescription drug costs.

Canada ranks second in highest total per capita spending on drugs (both prescribed and non-prescribed) of 20 leading OECD countries. Total drug spending in Canada reached $26.9 billion in 2007, representing an annual growth rate of 7.2% over 2006. Spending on prescribed drugs grew faster than spending on non-prescribed drugs and reached 84% of total drug costs in 2007.[26] To achieve a sustainable regime of affordable prescription drugs, three subjects must be addressed: access, consistency and pricing. Under the *Canada Health Act*, health care is universal, while access to drugs is not. Consumers continue to face prescription drug costs that can amount to many thousands of dollars. While supplementary insurance can provide drug coverage assistance, not all Canadians have such insurance. The Canadian life and health insurance industry is encouraged that through initiatives outlined in the National Pharmaceuticals Strategy,[27] governments are exploring a framework of protection designed to ensure that no Canadian faces undue financial hardship as a result of prescription drug costs.

However, in the absence of a national approach to pharmaceutical funding, discrepancies and gaps in consistent coverage exist across the provinces and territories. There are 19 publicly funded drug plans in Canada: 10 provincial, three territorial, and six federal. It is critically important that federal regulators and provincial review boards invest adequate resources to ensure the ongoing efficacy of drugs in relation to a particular use by a particular population. In addition, consistent access to the most cost-effective drugs and the establishment of a minimal formulary are vital in order to achieve fiscal benefits and improve health outcomes for Canadians regardless of where they live.

In Ontario, the *Transparent Drug System for Patients Act* (Bill 102) governing the review of reimbursement of drugs in the province resulted in a cost-shifting that has introduced inequity into the pricing system; in effect, creating a two-tier system in which the government, the life and health industry, private employers and individuals are treated differently. Other provinces have similar issues. We believe that any reform of drug systems across Canada would greatly benefit from stronger collaboration between the public and private sectors with an eye to harmonizing approaches to access, affordability and quality of care for Canadians. For instance, in Quebec, industry and government have been working together since 1997 to provide a prescription drug insurance plan for all its citizens. In order to limit the impact of high costs of certain prescription drugs on the premium paid by insureds in the private sector, a pooling mechanism has been put in place. The Quebec Drug Insurance Pooling Corporation oversees the sound management of this risk-sharing system. Between 1997 and 2004, the amounts pooled rose from $6.7 million to $25 million.[28]

A recent study by the Patented Medicine Prices Review Board revealed that Canadian prices for generic drugs substantially exceed those in selected OECD countries.[29] Comparable drug pricing in public and private programs, and a healthy generic drug program could go a long way in rectifying the pricing challenges. In

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[26] Canadian Institute for Health Information (CIHI). *Drug Expenditure in Canada, 1985 to 2007*. May 2008.
[27] Note: The National Pharmaceuticals Strategy was proposed in the First Ministers 10-Year Plan and mandated a task force to develop, assess, and cost options for catastrophic pharmaceutical coverage and establish a national drug formulary. Québec maintains its own pharmacare program.
[28] Quebec Drug Insurance Pooling Corporation. *Ten Years of Sound Risk Management*. 2007. http://www.pooling.ca/downloads/Letter_10years.pdf.
[29] Patented Medicine Prices Review Board (PMPRB). *PMPRB Non-Patented Prescription Drug Prices Report: Canadian and Foreign Price Trends, June 2006*. Pp. 28-38.

2007, CLHIA provided the industry's contributions to a draft version of the Competition Bureau's Study of the Canadian Generic Drug Sector, noting the industry's belief that all residents should be entitled to access the same cost-saving mechanisms to ensure the continued viability of both public and private drug plans in Canada. The Competition Bureau noted in a recent report that Canadian businesses, employees and individuals could save up to $800 million a year if private plans and provinces change their payment structure for generic drugs and "coordinate generic pricing and reimbursement policies to ensure that they promote and sustain effective generic drug competition."[30] Simply put, lower drug prices mean more affordable drugs for Canadians, savings for government plans, and more affordable supplementary insurance coverage, which in turn, will increase access to prescription drugs for more Canadians.

Supporting Recommendations:

The CLHIA recommends that federal, provincial and territorial governments work with the insurance industry to establish catastrophic drug coverage for all Canadians.

The CLHIA recommends that federal, provincial and territorial governments ensure equitable drug pricing in private and public programs.

The CLHIA recommends that federal, provincial and territorial governments ensure a healthy generic drug program by encouraging competition to achieve international parity on prices for non-patented drugs.

3. Wellness and Disease Prevention

Key Recommendation:

The CLHIA recommends that federal, provincial and territorial governments encourage increased investment in wellness and disease prevention for Canadians.

A wellness and disease prevention approach can achieve better health outcomes for Canadians. This in turn contributes to the long-term sustainability of Medicare by reducing pressure on the health care system, and protecting and enhancing Canada's economic health. Public health practitioners have long maintained that health care delivery is too focused on episodic acute care. They advocate "more investment upstream now to contain downstream expenses in the future."[31] Their view is that keeping people well through disease prevention, early detection, and health promotion is cost effective and enhances the sustainability of Canada's health care system.

Keeping people mentally and physically well begins in childhood, by helping to ensure healthful conditions that include education and promoting sound self-esteem to build personal responsibility. At this time, Canada is scoring poorly against 29 other OECD countries in the health of its children: ranking 22nd in preventable childhood injuries and deaths, 27th in childhood obesity, and 21st in child well-being, including mental health. Improving the health and wellness of Canada's children is critically important to society, as a strong beginning will lead to happier, more successful and more productive adults. Childhood is also where many life-long diseases begin. Researchers have noted that given Canada's current rates of childhood obesity, and knowing that obesity is a major contributor to many diseases, this generation of children may encounter far more

[30] Competition Bureau Canada. *Benefiting from Generic Drug Competition in Canada: The Way Forward.* November 2008. Executive Summary, p. 5.
[31] Canadian Public Health Association (CPHA). *A Fine Balance: A Public Health Perspective on Health System Reform.* April 2002.

incidences of disease and, ultimately, live shorter lives than their parents. In response, governments could do more to counter the obesity trend. For instance, they could set targets to help reduce obesity rates and support the development of multidisciplinary centres of excellence on obesity. In addition, governments could support efforts to promote healthy eating as well as after-school programs to help children develop healthy behaviours and increase their physical activity.[32]

The Canadian life and health insurance industry, together with its employer clients, has made some significant gains in the fields of physical and mental wellness and health promotion. Interventions to increase well-designed worksite health promotion programs can return as much as three dollars for every dollar invested. Private sector employers are realizing that keeping more employees in the low-risk category through wellness and prevention is a smart way to avoid larger payouts later on. A reduction in employee absenteeism boosts business productivity today. Extended health and dental benefits promote early intervention and good physical, mental and oral health for employees and their families. Extended health plans provide drug coverage to better manage such conditions as hypertension and cholesterol levels, diabetes, asthma, and other chronic conditions to improve health, reduce morbidity, and increase life expectancy. The insurance industry also plays an important role in providing access to early intervention programs and employee assistance programs including mental health support and smoking cessation programs, to keep employees productively at work. Our member companies have long rewarded non-smokers with lower life insurance rates. Insurance companies partner with other organizations and service providers to provide information, resources, and facilities to support healthy lifestyle choices for those in the workplace.

With Canada's changing demographics, strong, well-funded prevention strategies will be increasingly critical to the health care system as a whole. Only by giving due attention to prevention and allocating resources accordingly can sustainability be achieved.

Supporting Recommendations:

The CLHIA recommends that federal, provincial and territorial governments promote more health promotion policies and provide more direct assistance to health promotion programs to reverse the trends of higher disease risk for children.

The CLHIA recommends that federal, provincial and territorial governments provide financial and tax incentives to individuals and corporations to assist in enhancing and maintaining the physical and mental health of Canadians.

4. Continuing (Long-Term) Care

Key Recommendation:

The CLHIA recommends that federal, provincial and territorial governments increase support to Canadians for their continuing care needs.

The face of health care in Canada is changing. Shorter hospital stays, more outpatient treatment and an aging population with longer life expectancy are increasing the need for continuing care for many Canadians. Continuing care encompasses a range of health services delivered at home and in the community to aging, recovering, disabled, chronically or terminally ill persons in need of medical, nursing, social or therapeutic treatment, and assistance with the activities of daily living. As of 2006, long-term care insurance providers

[32] Health Canada. *Reaching for the Top: a report by the Advisor on Healthy Children & Youth*. Letter to the Minister of Health. Dr. K. Kellie Leitch. 2007.

covered roughly 220,000 Canadians, with benefits being triggered when an individual can no longer perform at least two activities of daily life (bathing, dressing, etc.). Benefits are typically offered through community-based care; a variety of home care, adult day care and hospice care; nursing facility care and assisted living facility care.

The Canadian life and health insurance industry can provide further financial assistance and security to Canadians by helping them to pay for these important services. It is highly unlikely that the public system will be able to support all of these needs. Our industry can assist individuals to plan for their later years through long-term care and critical illness insurance, while relieving pressure on the public system. As well, our employer clients have made it clear that in addition to a healthy workforce, they need to maintain the incentive to offer supplementary health plans to their employees at affordable prices. We have already seen in some industries in the U.S. the adverse impact of high health care costs on the international competitive environment.

While the insurance industry has developed greater options for funding long-term care, the uptake among Canadians is still quite low. Many continue to harbour the mistaken belief that all of their long-term care needs towards the end of their lives will be met by governments. They have yet to realize that, just like retirement, the responsibility remains largely with them to pay for such care. Statistics Canada reports that in 2006, Canada had 4.3 million seniors aged 65 and older, and will have 9.8 million seniors by 2036,[33] with significant impacts projected on the workforce and the demand for health care services. More Canadians could be planning and saving for long-term care needs with tax assistance, through an RSP-equivalent vehicle such as a Medical Spending Account. Such personal fiscal responsibility will also reduce pressure on the health system when the time comes to access long-term care services.

In addition, while 37% of Canadians have been diagnosed with a chronic illness, only 10% of these individuals report having their care administered through an integrated primary care system coordinated by their family doctor or health clinic care team.[34] More individuals need high-quality acute or chronic care to be delivered at home, in their communities, in supportive housing, or in long-term care facilities. The family and friends of these individuals, who are the care providers at home and the care supporters in local facilities, also need support.

Continuing care is not currently available to Canadians on a universal basis, falling outside of the *Canada Health Act*. The support offered through continuing care programs in the provinces and territories varies greatly in terms of eligibility, scope of coverage and applicable user charges.[35] Currently, no specific federal/provincial fiscal arrangement on home care exists. Developing community-based continuing care programs and expanding the role of home care in partnership with the private sector can be an effective long-term care strategy. According to the *Health Care in Canada Survey* released in February 2008, 78% of Canadians support the development of more community care and home care programs to meet the challenges of managing chronic diseases and providing care for loved ones.[36]

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[33] Statistics Canada. *A Portrait of Seniors in Canada*. November 2008. http://www.statcan.gc.ca/ads-annonces/89-519-x/index-eng.htm

[34] Canadian Home Care Association (CHCA). *The 10th Annual Health Care in Canada Survey: Part 1*. Chronic Conditions (2008). http://www.hcic-sssc.ca/pdf/2007_hcic_1.pdf.

[35] François Béland and Howard Bergman. Home Care, Continuing Care and Medicare: a Canadian model or innovative models for Canadians? *HealthcarePapers*, 1(4) 2000: 38-45.

[36] Canadian Home Care Association (CHCA). *The 10th Annual Health Care in Canada Survey. Part 2:* public support for various initiatives to improve the health care system; tracking (2008). http://www.hcic-sssc.ca/pdf/2007_hcic_2.pdf.

Supporting Recommendations:

The CLHIA recommends that federal, provincial and territorial governments explore ways to provide to Canadians living with a chronic illness, health care services that are part of an integrated primary care system coordinated by their family physician or health clinic team.

The CLHIA recommends that federal, provincial and territorial governments provide tax and financial incentives for Canadians in order to assist them in taking greater responsibility for the care of aging and/or ill family members at home through the purchase of private insurance.

Conclusion

This paper lays out a number of areas that urgently require government and stakeholder focus to ensure quality health care for Canadians and to establish a sustainable health care system now and for the future. Such an effort will depend upon the creativity and ongoing commitment of the provincial, territorial and federal governments, and the industry, to create a new environment for our health care system.

The life and health insurance industry feels strongly that the time for reform and revitalization is now, and stands ready to play its role in supporting governments and other stakeholders to build a health care system of which we can all be proud.