Public Remedies, Not Private Payments:
Quality Health Care in Alberta

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Executive Summary

The government of Alberta desperately wants us to believe our health system is on the brink of fiscal collapse. Premier Ralph Klein knows Albertans are worried about the future of health care, yet he continues to muse about taking on the *Canada Health Act*, taxing Albertans for our use of health care, and allowing well-off Albertans to pay privately for quicker access to Medicare-insured procedures. At the same time, the Premier warns his MLAs to brace themselves for a "firestorm" of protest from their constituents, because he knows these solutions are not supported by most Albertans.

Why does the government keep telling us our health care system is unsustainable and more private health care will save it from collapse? In this report we identify the underlying reasons to be ideological, not fiscal. This report argues that the government is misleading us – both about the fiscal problems facing our health care system and the solutions needed to fix it. It shows that the current system is sustainable, explains why private solutions are not the answer, and explores options for improving the public system – through better management of wait lists and drug costs, and a stronger focus on primary health care, health promotion and the social determinants of health.

The Health Care Sustainability Crisis: Fact or Fiction?

Alberta's health care system is not facing fiscal collapse. Costs are not rising out of control. Instead of the 10 per cent annual increases the Graydon report claims, health care spending increases in real dollars since Premier Klein took power in 1992 have been modest – averaging 1.6 per cent a year from 1992 to 2004. The government uses misleading numbers – not controlled for population growth or inflation – from a few high growth years that followed deep cuts, to make its spending figures artificially high.

Is health care spending crowding out other program spending?

The government claims that health care is crowding out other program spending. This is a deceptive argument. Health care is not crowding out other programs; it has simply not experienced as many cutbacks over the last 10 years. Rather, it is debt elimination and tax cuts that have crowded out new program initiatives. Even with the impact of those cuts, the amount of total program spending taken by health in 2001-02 was only 3 percentage points higher than it was nine years earlier.

Can the Alberta economy afford our health care system?

Percentage of GDP offers the most accurate picture of health care spending. Health spending in Alberta in 2003-04 as a percentage of GDP is about the same as it was 10 years ago – just over 5 per cent. In other words, relative to the size of our economy, we are spending the same on health care today as a decade ago.

Is the government taking in enough revenues to pay for health care?

Provincial revenues have expanded at the same pace as health care costs. In fact, health spending uses roughly the same share of provincial revenue now as it did in 1980-81. And this is after draconian tax

cuts. Foregone revenue from personal and corporate income taxes combined was over $8 billion between 1996-97 and 2003-04. For the years 2001-02 to 2003-04, the value of income tax cuts ranged from a quarter to a third of provincial government health spending.

The province also reaps less revenue from royalties and taxes on oil and gas than other jurisdictions. With Alberta debt-free, awash in oil and gas revenues, and posting several years of budget surpluses, the issue is not our government's *ability* to afford public health care, but its *willingness.*

While this government is ideologically married to tax cuts, our report shows that tax cuts are not a precondition for a strong economy. In fact, tax cuts can actually suppress economic growth. And Albertans are not clamouring for tax cuts. Reputable public opinion surveys show that roughly twice as many Albertans want the government to prioritize health care and other social program investments than want tax cuts. Our report provides examples from other jurisdictions of tax fairness that offers alternatives to tax cuts and regressive taxation. Some of these could be adapted to Alberta.

Alberta is one of only three provinces to collect health care premiums – which are a form of regressive taxation. Seven of 10 Canadian provinces do not collect health care premiums at all. These provinces fund health care through income taxes. Surely Alberta, with ballooning resource royalties and annual surpluses, can afford to eliminate premiums for all Albertans, as it did recently for seniors.

To be sustainable, must our health care system become increasingly privatized?

The Alberta government would have us believe that allowing more private health care will control costs. In reality, some of the fastest-growing costs are in areas with extensive private sector involvement – prescription drugs, administration of private insurance plans, and payment for services not covered under Medicare, such as dental and eye care. In Alberta, private funding for health care grew from 26 per cent of total health spending in 1992 to 29 per cent in 2001.

Private Finance, Public Access and Social Costs

In the second section of the report, we address the Klein government's stated intention to expand private financing within the public health care system. Here we examine user-payment proposals that would make sick people pay more for their public health care than healthy people, and queue-jumping schemes that would allow people with money to buy faster access to procedures already covered by Medicare.

User Payment Schemes: Punishing the Sick

User-pay proponents, such as the Alberta government and right-wing think tanks, couch their proposals in the language of incentives, choice, individual responsibility and consumerism.

However, this report shows that user fees do not reduce health care costs. They keep the poor, the elderly, the chronically ill and the disabled from making timely, necessary visits to the doctor. This means higher acute care costs down the road that could have been avoided with early medical attention. Without prompt care, patients and their families experience loss of income and quality of life, employers lose employees to sick time, and the government loses federal and provincial income tax. Family members, most often women, end up spending more time caring for sick family members. Add the cost of administration, and we can see that user payments are penny-wise and pound-foolish.

Taxing Health Care: User Fees by Another Name

Taxing the sick is the user-pay option of choice in the Graydon report. Its authors propose a Health Care Deductible, which would make health care a taxable benefit. This is a user fee by another name, but less visible to Albertans because it would not be collected until tax time. Because the deductible is tied to income, some view it as a more equitable way to charge the sick for health care. The bottom line, however, is that a person in poor health would pay higher taxes than a person with the same income who is in better health.

The Alberta government boasts of our low income tax rate, but proposes to tax us *three times* for health care – once through income tax, a second time through health care premiums, and a third time through health care deductibles when we use the system. How does this fit with the Alberta Advantage so often touted by the Klein government?

Jumping the Queue

Premier Klein has told reporters he would like to give Albertans the option of paying privately for knee and hip replacements covered by Medicare. Political heat has so far forced the government to retreat from this proposal, which contravenes the *Canada Health Act.*

Queue jumping already happens through diagnostic tests. Albertans can buy a private magnetic resonance imaging (MRI) test rather than wait for one in the public system. They can then jump the public queue for treatment, using their private test results. Another avenue to queue jumping is through "bundling." For instance, some eye surgeons bundle Medicare-insured cataract surgery with uninsured laser surgery so that patients buy the uninsured service and get the Medicare procedure as part of the deal.

Private payment shortens waits only for those who can afford to pay. Research in Manitoba and Alberta, as well as in other countries, shows that private for-profit involvement creates longer wait times for surgery in the public sector. Private payment also draws doctors from the public to the private system, provides an incentive for maintaining lengthy waits in the public system to increase demand on the private side, and increases overall demand for care due to complications or follow-up care provided by the public sector.

Positive Alternatives: Better Management and Broader Thinking

The third section of our report focuses on positive alternatives for health reform within the public system. Alberta is already taking some positive steps in areas such as wait list management, primary health care reform, pharmacare, and health promotion. This report looks at those successes, as well as areas for improvement. These are solutions that will make the public system work.

Tackling Wait Times

In a University of Alberta survey, 40 per cent of Albertans said they have had difficulty accessing health care; two-thirds named long wait times as the problem. The solution to wait times lies in better management and increased public capacity. More specifically, we need strategies such as co-ordinating wait lists through central booking, prioritizing patients according to urgency of their condition, agreeing on wait time standards based on clinical evidence, referring patients to doctors with shorter lists, better integrating hospital care with other services like home care, and developing strategies to recruit and retain health professionals. Alberta Health and Wellness is implementing several wait list management strategies and is expanding public capacity. And wait times for some procedures are decreasing. The government's proposal to allow people with money to pay for hip and knee replacements would clearly be a step in the wrong direction. This preference for market ideology over evidence-based research risks reversing the progress already made in reducing wait times, instead of building on it.

Renewing Primary Health Care

Primary health care is our first point of contact with the health system, encompassing health promotion, disease prevention, treatment and rehabilitation. It involves teams of health professionals who encourage our participation in decisions about our care, and recognizes the individual, social and environmental factors affecting our health. Improving access to primary health care will contribute to a sustainable health care system – by reducing unnecessary Emergency visits, saving lives and costs through early diagnosis, managing chronic care to avoid hospitalization, and preventing illness.

Alberta has a number of existing primary health care models – such as community health centres, which have operated for many years – as well as newer experimental models. These involve unique approaches to care, including team approaches to delivery, non fee-for-service compensation methods for doctors, focus on health promotion and prevention, and the integration of other community services. These approaches illustrate how innovation can take place within the public health care system. Reform is still in the early stages and there is much more work to do.

Controlling Spiralling Drug Costs: The Need for Pharmacare

Public sector drug costs in Canada have been the second-fastest growing expense over the last 10 years, second only to capital costs. Governments spend more on drugs than on doctors. Albertans pay almost two-thirds of their drug costs privately. Prescription drugs are medically necessary and should be covered by Medicare. A national pharmacare program could replace the patchwork of plans across the provinces and save up to 10 per cent in drug costs through opportunities for bulk buying and lower administrative expenses. In the absence of a national plan, Albertans should receive the same protection from drug costs as other western Canadians – the province should at least abolish drug plan premiums and establish maximum annual co-payments based on income.

The Alberta government has already taken action to control costs. The province participates in the national Common Drug Review to determine which drugs merit public coverage. And Alberta favours generic over brand name prescribing. The Alberta Drug Utilization Plan provides doctors with objective information about drugs and follow-up visits from pharmacists to improve prescribing habits and reduce doctors' dependency on promotional information from drug companies. Alberta needs to continue moving forward on a drug plan regardless of what happens at the national level; continued action can only help to further reduce costs for Albertans.

Preventing Disease, Promoting Health, Enhancing Equity

The Alberta government makes health mostly an individual responsibility, strongly emphasizing lifestyle behaviours such as eating a healthy diet, engaging in regular physical activity, and avoiding tobacco. This focus on personal responsibility recognizes positive actions, but ignores people's economic circumstances and environmental factors. In other words, life chances determine life choices. Experts say that social factors, particularly income, influence population health more than behaviours do. Lifestyle programs alone have limited benefits for disadvantaged segments of the population.

The government's portrayal of health as an individual issue allows it to appear concerned about health while instituting regressive social policies, such as cuts to social assistance. There is a "business case" for investing in programs and policies that reduce inequities. An Ontario study found that when families on social assistance received comprehensive health and social services, more families left the system – and that providing such services across Ontario could save up to $24 million a year. University of Calgary economists estimate that focusing on poverty reduction could save Alberta taxpayers at least $8.25 million a year in health and education costs.

Alberta has a number of community coalitions and provincial networks that include a focus on the social determinants of health. But the government could do better. Healthy lifestyle promotion is not enough. Alberta has the lowest minimum wage in Canada. Social assistance rates have declined 30 to 40 per cent in real terms since 1993. Homelessness and food bank use continue to rise. Spending on education has been flat since 1995, and university tuition rates have increased by 21 per cent. A healthy society needs a government that cares for the larger social, economic and environmental conditions within which we all live.

Conclusions

The government has manufactured a fiscal crisis in our health care system. In reality, the system is not growing out of control – growth rates are sustainable within current and projected revenues. Not only is current revenue adequate, it could easily be increased by instituting a progressive tax system and taking adequate oil and gas royalties. The regressive health care premiums are not needed. The government can afford to adequately fund public health care – it is just unwilling to.

The government needs to put as much effort into trumpeting successful reforms in the public system as it does into telling Albertans the sky is falling and only more private money will rescue health care from imminent fiscal collapse. When the Premier talks to the media, his focus is seldom on the positive efforts of the people who work in Alberta Health and Wellness, regional health authorities and community organizations. Instead, he muses about taking on the *Canada Health Act*, charging user payments and letting wealthy Albertans buy surgery. The government's excessive focus on an imaginary fiscal crisis, aided by sympathetic media, is overshadowing good work already being done. Meanwhile, playing up negative myths about health care sustainability is diverting Albertans' attention from making our public health care system as good as it could be.