

Fiscal challenge threatens Ontario's health care system

Preserving system will require urgent reforms: TD Economics

TORONTO -- Urgent action is required to place Ontario's health care system on more sustainable ground according to a new report by TD Economics (www.td.com/economics).

The province is confronted with a serious fiscal issue. Every year, government spending on health care increases more than revenues. As a result the amount available for other government spending decreases. If current trends prevail, health care expenditures would make up 80 per cent of total program spending by 2030, up from 46 per cent today. All other programs, such as education, would be funded out of the remaining 20 per cent.

Time is of the essence, particularly as the province's aging population places even greater demand on the system. The report's authors Don Drummond and Derek Burleton state: "If policymakers do not act quickly to address the mounting fiscal pressures, we fear the government will be forced to make deep cuts that would jeopardize the quality and access of care. Ontarians experienced this first hand, when severe cutbacks in the 1990s drove down the quality of the health care system. We should learn from history, not repeat it."

Recommendations represent significant change from status quo

The province has taken some steps to make the system more sustainable. However the pace of reform must accelerate and, in some cases, break new ground according to the report's authors. The report's 10 recommendations, which were submitted to Ontario's Ministry of Health, represent significant change from the current system. Combined, they should help keep healthcare spending in line with the projected provincial growth rate of 4 percent. (The growth rate of health care expenditures currently hovers around 6.5 percent annually.)

Eight proposals are targeted at improving efficiency within the system, or value of care per dollar spent. This will largely be accomplished by using information more effectively and redesigning incentives that alter certain behaviours of caregivers and consumers alike. The final two proposals bring in new revenues, as well as help strengthen the link between the cost of health care and those who benefit directly from using it.

TD Economics calls on the government to:

- *Take bolder action to promote healthy lifestyles.* Better health outcomes reduce health care needs and costs. The province must redouble its current efforts, including bold goals to become the healthiest Canadian province, as well as increase its investment in improving healthy behaviours, and focus on groups with greater need.
- *Expand information technology use in the system.* Enhanced IT structures are an essential tool to properly monitor and reward performance in the health care system. Ontario is behind many jurisdictions around the world, and must pick up the pace.
- *Establish a commission on quality and value in health care.* Merge three existing bodies and provide the new entity with the ability to make binding decisions on the continuing quality and value of existing goods and services as well as new procedures, technologies and drugs.

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- *Alter the way doctors are compensated* so they are better able to consider the cost-effectiveness of their treatment decisions.
- *Change the approach of funding hospitals* from a global budget system to one based on episode of care.
- *Re-allocate functions among health care providers.* Shifting functions from physicians to non-physician health professionals, and notably nurse practitioners, can accomplish the double aim of improving access to health care and increasing patient satisfaction.
- *Scale back Ontario Drug Benefit (ODB) for higher income seniors.* Focus the ODB to help seniors in need and higher income seniors who pay more for their drug costs.
- *Increase bulk purchases of drugs to lower costs.* Purchasing of in-hospital drugs remains decentralized to the level of the individual hospitals. More broadly, each province is home to its own public drug plan and formulary.
- *Establish pre-funding of drug coverage to spread the growing costs of health care.* Build a program similar to how Canadians currently save for their retirement under the Canada Pension Plan (CPP) system. This approach would help to spread the growing cost of health more evenly among generations and diversify health-care funding sources.
- *Incorporate a health-care benefit tax into the income tax structure* to improve public awareness of the cost of health care services. Simply informing people of the total cost of the health care provided may have some impacts such that the actual levy might not need to be that large. However a number of issues would need to be tackled before such a proposal could become reality. For instance this proposal might deter some legitimate use of the system and possibly drive later health interventions that are more expensive. Further, there is a legitimate concern that those who might avoid or postpone a visit to a health care practitioner will disproportionately be in lower-income groups. A better understanding of the implications would be a critical first step.

Preserving the publicly funded system

Notably absent from the recommendations is a move to a private funding model of health services. The economists expressed caution about increasing options for consumers to purchase health care outside the publicly-funded system. “A shift to private financing could certainly reduce government spending on healthcare, but lessons abroad show that negative effects could arise,” note Drummond and Burleton. “For this reason, this is not a centerpiece of our reform package. Yet, as we point out in the report, there is merit in carrying out limited experimentation under certain restrictions that would minimize risks to access and quality of care.”

Private sector has a key role to play

However the report does challenge the province to open the door more widely for private-sector involvement. The private sector already plays an important role in the health care system through the supply of pharmaceuticals, home and long-term facilities, diagnostic equipment, and various contract services. The key to building a significant health care cluster will require a concerted strategy that brings various pieces together, such as competitive business tax environment and investments in research and commercialization

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The authors state: “As long as the public can use their OHIP card, we believe they would probably support the underlying services being provided in whatever manner is most efficient. We challenge the government to open the door more widely for private sector involvement, not only to improve efficiencies, but also to capitalize on the huge economic potential in building a vibrant health care sector in Ontario.”

Looking at health care through a wider lens

The report also calls on the provincial government and residents to think more broadly about health care reform, and its potential contributions to Ontario’s social and economic fabric. The goal should be maximizing the “quality of life” of the residents. Such an approach would broaden the focus of public policy. Preventing illness and promoting healthy living would almost certainly form a cornerstone of a holistic strategy, but also important are areas complementary to improving health and quality of life, such as better early childhood and K-12 education and alleviation of poverty. Earmarking government funding towards the more vulnerable people in society would be an effective way to achieve the quality-of-life objectives, since enormous returns on investment would be realized.

“The ultimate aim of the recommendations extends well beyond dollars and cents or balancing two sides of a government budget ledger,” write Drummond and Burleton. “Successful reform would benefit Ontarians in the form of a higher quality of life. And given the importance of health to all our day-to-day lives, it is imperative that discussions on the future of health care be looked at through this wider lens.”

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