

Intelligence MEMOS



From: Don Drummond and Duncan Sinclair
To: Canadians Concerned About Healthcare
Date: March 14, 2022
Re: **HOW TO SPEND LESS ON HEALTHCARE**

Health spending now consumes some 12.7 percent of Canada's GDP, swollen temporarily by the cost of COVID-19 exigencies, but once settled down is still likely to grow at 5 to 6 percent per year, exceeding by 1.5 to 2.5 percent the predicted growth rate of the economy and government revenues.

Something has to give. Either taxes must be raised significantly and frequently or health spending increases must be reined in.

Ideally, if our 'system' focused as strongly on optimizing people's health and well-being as it has on treating ill-health, Canadians would be healthier and would need fewer and less complex healthcare services, reducing both demand and costs.

Sound as that principle may be, several factors preclude any near-term changes. First, the system remains profoundly imbalanced; the population continues to grow, especially as immigration resumes; and an aging population's chronic diseases and conditions will increase demand for more long-term support and care.

So, shrinking the need and demand for health services is not in the cards.

Healthcare cost limits need to come from greater efficiency and productivity.

Looking back, from 1992 when the 2-percent inflation regime began, until 2019, before the pandemic's onset, health spending increased on average at an annual rate of 4.9 percent, divided into three phases. From 1992 to 1997 fear of high government debt led to a squeeze on health spending and average annual cost growth of 1.3 percent; a 13-year 7.2 percent rebound followed, and then, until 2019, moderate annual increases of 3.6 percent, a bit below the nominal rate of growth of GDP.

That moderation was predicated, however, on low increases in drug costs, constraint on physician pay, a system-wide freeze on capital spending and, we now recognize, the tragic under-staffing in older, shared-room nursing homes. Today, however, drug prices are set to rise as expensive biologics proliferate, the restrictions to physician compensation – reversed in Ontario by arbitration – are ending, and the need to do the right things for occupants of Canada's long-term care homes, all mean that more money is needed.

The pigeons have now come home to roost. Returning to a modest 3.6-percent health service growth rate under the status quo is unlikely.

The remaining option to achieve substantially greater productivity and efficiency is to substitute lower-cost health service providers for those more expensive.

A good, replicable, example is provided by Frome in Somerset, England, in which mobilization of low-cost community services has reduced emergency department visits, particularly by the elderly even as county-wide ER visits rose by 30 percent. The greater availability of primary care services 24/7, virtually and in person, could also do the same throughout Canada, especially if bundled with auxiliary home care support services available through every person's wrap-around primary care home.

Augmentation of home and community care and support services to enable aging people to remain in their own homes or to live communally in their communities for as long as possible would reduce costs over that of institutionalizing people needing long-term care.

Meanwhile, time and educational training standards have marched on since the capabilities of many health professions have been thoroughly evaluated and been recognized for their scopes of practice. Were all registered health professionals to practice to the full extent of their education and training, efficiency and effectiveness could be enhanced substantially, especially in primary care and home and community support teams.

How could these relatively straightforward changes be made to happen? One key is to give up on the pervasive one-size-fits-all government philosophy. It does not work!

It should be replaced by giving the reins to local/regional care organizations – Alberta's are labelled Primary Health Care Integration Networks, while Ontario is rolling out Ontario Health Teams – and holding them accountable to figure out how to best meet the needs of the people they serve.

Constraining increases in the cost of health spending can only be achieved by creating incentives for cost savings by the on-the-ground organizations with authority for the allocation of all resources available, public and private. All members of the rostered population served by each regional body should also be provided with information on both the cost and evidence on the effectiveness and anticipated outcome of each of the services they seek and are provided. Wise choices require it.

Continued progress toward the goal of enabling Canadians to be the healthiest in the world is why the 'system' exists. Accountability for that progress must shift to the local/regional teams of health provider institutions and organizations directly responsible for the range of support and services needed by the populations they serve, community by community. The existing central governmental control model has not worked.

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