Institut économique de Montréal

Conférence sur l'avenir du financement et de la prestation des soins de santé au Québec – 18 octobre 2000
Conference on the future of health care financing and delivery in Quebec – October 18, 2000

Neither magic nor money will cure health care ills

M. MICHEL KELLY-GAGNON:

So Dr. Gratzer from Toronto, initially from Winnipeg, actually, is our first guest today. Dr. Gratzer is the author of *Code Blue, Reviving Canada's Health Care System*.

It's a volume that's been published in nineteen ninety-nine (1999) that won the prestigious price of the Donner Foundation for the best book on public policy in Canada.

Dr. Gratzer publishes every week a column in the Halifax Herald and he's a writer for several main newspapers and magazines.

Ses commentaires sur le système de santé sont régulièrement cités, également aussi au niveau des médias électroniques.

On the top of that, I believe and I hope that he feels the same way, David is also a good friend of mine.

Alors, je l'invite à nous faire part de ses commentaires. Alors, bienvenue, David.

Dr. DAVID GRATZER:

Thank you, thank you very much for that kind introduction, I must confess, I'm always a little bit nervous when I get introduced at a speaking event like this.

Sometimes the introductions are far too generous and I feel that my speech is going to be a twenty (20) letdown as people discover that I'm not a Teddy Roosevelt-like figure and then sometimes I feel that the introductions are outright hostile and then after the speech, I'll be tort-feasor.

I recently gave a speech to a group of academics in Toronto and the introduction was: "And Dr. David Gratzer apparently is still a Canadian which is news to us" which was not an auspicious start to the event.

So thank you very much for the... the kind and appropriate introduction. It's a pleasure to speak here today, I apologize in that I will speak only in English, I feel badly about this, for many years, I tried to learn French, a decade, as my father reminds me, he paid for my French classes.

And I never could quite make the bridge into French, I realize how bad things were when at the very pinnacle of my French knowledge, I could loosely piece together a plot of a Tintin comic book but only one of those simple comic books in which the dog was an overly adventuresome.

It's a pleasure to speak here today before the Montreal Economic Institute because I so much enjoy the work done by the MEI and I'm so impressed by the work done here.

There are relatively few independent voices in Canada, an extraordinarily few think tanks, organizing a think tank is not for the faint of heart and not only has the MEI been established and been successful but it's such a flurry of activity, just looking over the schedule of events, a former Irish Prime Minister speaking just a few months ago, very significant study done on health care released last month, a study done on... on schools later this month to be released and, of course, a guest speaker on the internet, Sally Pipes who, I think, is a magnificent speaker.

So, I congratulate you for your efforts, Michel. I'm particularly impressed actually that you've decided to have a conference on health care and have included the majority of your panellists to be doctors because organizing a conference is a tricky matter, organizing a group of doctors is nearly impossible.

I'm reminded of the old joke that a... a mule is a horse designed by a committee which anyone of the medical field knows could not be a committee of physicians because would never agree on that much.

So I congratulate you on taking on this task and organizing this excellent conference.

Certainly, health care is a very, very timely issue and as we discuss it now and discuss it through the afternoon, we'll hear numerous references to current events as you're all aware last month, the provincial and federal leaders got together and formed a new deal to save Medicare which will involve twenty-three point five billion dollars ($23.500,000,000.00) over five (5) years, very much like quoting that sum of money, I don't get to say billion every day and I enjoy the fact that they've come up with twenty-three point five (23.500,000,000) as a precise figure, twenty-four billion (24,000,000,000) being overly wasteful and... and redundant whereas twenty-two billion dollars ($22,000,000,000.00) would be a little excessively frugal.

If that's in the news today, it's certainly not the only thing in the news around the time when that announcement was made, I stand across the headlines across the major dailies.

People often look at health care as... as local matters and complain about their health care system on a provincial level.

But, of course, the problems you see here or in Toronto or in Winnipeg are the same as you'll see in Fredericton or Vancouver or Halifax.

The week after the big deal was announced, the doctors of the prestigious Vancouver General, the largest hospital in Vancouver announced that they were on the verge of going on strike, they weren't striking for more money, they weren't striking for more prestigious positions, they just felt that care is so inadequate in the hospitals, they were surveying in that something must be done to draw attention to it.

The head of trauma there pointed out that he compiled the statistics in Vancouver General, he turns away more trauma cases because of an overcrowding than any other major center in North America.

In my home town of Winnipeg, health care is, of course, a hot political topic, we have a new government elected about a year or so, go on and promise to end emergency room overcrowding.

Not only are the emergency rooms still overcrowded in Winnipeg but, in fact, the Premier conceided that they're worst than when he was first elected.

Of course, here, way times for cancer treatment is much in the news, the *Montreal Gazette*, a couple of months ago, announced that or revealed that of the fifteen hundred (1,500) people waiting for radiation therapy, a full two hundred and thirty (230) of them are waiting more than three (3) months.

Of course, the clinically recommended time between diagnosis and the commencement of the first treatment of radiation is... is two (2) weeks.

So health care is something very much in the news, something very much discussed politically, it's also something people very much are concerned about.

I'm always a little hesitant bringing up polling data because so much of it depends on the pollster who does the... the poll.

But we can see a general trend, Angus Reid, actually, they are no longer Angus Reid, they are Ipsos Reid, the pollster formally known as Angus Reid asked people in Canada, "How would you rate our health care system?"

Eight (8) out of ten (10) said it was in crisis. Angus Reid also does an annual poll in which they ask people to quantify how they feel about health care.

Nine (9) years ago when they first started to do this, a majority of Canadians, about fifty-five percent (55%), gave the system top marks, excellent or very good on a specific survey.

This year, a few, within one (1) and four (4) people, gave the system those marks. And there are different polls that you can drawn... there's a recent poll asking Canadians what is their top federal concern, health care was Number 1, a majority of Canadians picked health care.

It's always amazing to me that... that the old favorites, like unemployment, international unity or taxation finish so much lower in terms of response right than health care.

This is the issue of the day and I believe it is the issue of the decade. And what I'd like to speak about today was whether or not that's fair and whether or not if there is a problem, the provinces in the federal government are on the right half.

Often I hear that really we tend to overstate things, you know, there's some scary headlines in the newspaper but fundamentally, the system is fine.

Certainly, there's been a flurry of recent studies that have come out suggesting otherwise. The most publicised, I think, is probably the Fraser Institute's study on waiting times which shows yet again that waiting times have gotten longer.

I'm always a little hesitant to quote the Fraser Institute because people, of course, equate the Fraser Institute with being very right-wing and therefore, everything they do must be horribly thought as though their study on wait time was a survey of (inaudible) Albertans who were members of the Canadian Alliance.

And as it turns out, their study is a study of physicians, it's a survey of physicians with actually a fairly remarkably good response for physicians to actually fill something out and mail it back.

And it is consistently shown that Canadians, what... what is particularly alarming about the Fraser Institute study is that they don't ask physicians just how long our patients are likely to wait before referrals to specialists and from referrals to specialists to surgery, the answer, what do you think is clinically relevant? And in every specific area they look at, doctors feel that patients wait too long. Again, the Fraser Institute study is something that's quickly dismissed.

What always amazes me is... is that people don't bring up the wealth of other information on waiting

times and the quality of care in Canada. Another study, certainly not a group that you could title as right-wing is the Canadian Association of Radiologists who just did a study on... on equipment in Canada, sixty-three percent (63%) of X-ray equipment, they consider to be outdated.

To try and put that in some sense, a third (1/3) of the radiological equipment in Victoria is more than two (2) decades old. Of course, quality very much improves with time, it's not a good idea to have such dated equipment, it's a little bit like trying to surf the internet with an Apple 2-E.

There's the particularly pathetic story that was reported in local media in Victoria that never got national coverage about the hospital that privately raised funds and was able to buy a new ultrasound... some new ultrasound equipment and try to give away the old ultrasound equipment and they approached a local vet and the local vet thanked them but he actually had better quality equipment and wouldn't take their freebie.

If that's concerning, there are other statistics in facts that come up that are equally concerning.

The Cancer Advocacy Coalition, a group of patients, there are a couple of deputy ministers of health who sit on... on its board release data on mortality rates with surgery.

If you suffer from colorectal surgery in New Brunswick, you're twice as likely to die as you were in Utah.

And that survey didn't look particularly carefully at incidents and, of course, cancer rates and expectancies is not only influenced by treatment but also lifestyle and a variety of other issues so they were a little hesitant in giving out that result.

Of course, it's very difficult to do a proper study with that type of data but you can assume that the people in New Brunswick, either relatively similar, died to the people in Maine and that they live a relatively similar lifestyle and, in fact, have relatively similar problems with unemployment and so on.

In New Brunswick, you're fifteen percent (15%) more likely to die of colorectal cancer that you are in Maine.

New Brunswick, I pick on because their big announcement last week was that their wait times for cancer care were so long that they were going to send patients to the United States, that's the seventh province to announce their decision to do that in the last two (2) years. One other study I'll quickly quote before moving on, the Harvard School of Public Health, definitely not a bastion of free market thinking, did an international study of doctors and specialists.

Just one of the results they came up with was to ask doctors in various countries, "How long patients will wait for treatment?" They gave the scenario of a fifty (50)-year old woman with ill-defined breast mass, in other words, a woman in need of a biopsy.

In Canada, we actually placed it last of the five (5) countries surveyed, nineteen percent (19%) of women here will wait longer than a month. To put that in some perspective, in the United States, ninety percent (90%) of women will be dealt with within two (2) weeks.

So there are huge problems with our health care system and I think that it goes beyond simply this dismissal that this is some scary headlines or some journalists who haven't done their homework well.

Certainly when I was writing my book, what I was most surprised by was the stories friends and family would tell me.

We often focused on these studies on mortality whether or not waiting lists will... will kill you, to put it crudely but, of course, there are other reasons why you were on treatment or surgery such as morbidity, that is to improve lifestyle, I suppose. I remember the story of an old friend of the family who probably has sleep apny, it's a condition, an entirely reversible condition where the upper

airway will momentarily collapse when the patient sleeps and rouse the patient.

She wakes up about four (4) times per minute, three (3) times per minute when her sleep apny is particularly bad.

In order to be treated in Manitoba, you have to be diagnosed. In order to be diagnosed, you have to get into the sleep disorders clinic.

Unfortunately, the sleep disorders clinic is a three (3)-year wait list. So, for three (3) years, she's doomed to have restless sleep, of course, unless she goes to the United States and pays which would be terribly uncanadian. She should simply tolerate insomnia.

So I guess the question is we know that there's a problem and some people will dispute that but there's now fairly good data that there is a problem.

What are we going to do about it? We've heard what the provincial Premiers and the Minister of Health thinks and the Prime Minister thinks and that is we need to put more money into the system and we need to micromanage it better.

I'll make a small quick personal confession, I used to actually be in that school of thought too and some years ago, was offered a very nice job in the provincial government, that we were going to sit down and try and micromanage health care better and I gave it good thought.

The reason why I no longer support that field is because it's been such a dismal failure up to date. People like to talk about health stranding and the deep, deep (inaudible) of the mid-ninety-nineties.

Here's some statistics for you, nineteen ninety (1990), health care spending in Canada was sixty billion dollars ($60,000,000,000.00). In nineteen ninety-eight (1998), it was eighty billion dollars ($80,000,000,00.00).

And that's total health care spending that also doesn't adjust for inflation but, in fact, health care spending has been going up over the nineteen nineties (1990's).

Some people pointed out that that's manipulative and I should only look at public spending and I should adjust for inflation and adjust per capita.

So I actually did find a source of information. In nineteen ninety-three (1993), health care spending per capita in Canada, in nineteen ninety-five (1995)... nineteen ninety-nine (1999) dollars fixed was eighteen hundred and sixty-one (1,861). In nineteen ninety-eight (1998), after Paul Martin the ex tore apart health care spending as we knew it and destroyed public Medicare, it was nineteen hundred and thirty-eight dollars ($1,938.00).

I was in a public discussion the other day and quoted those figures and the woman I... I was debating against was so upset, she said to me, "What right-wing group funded that work and who is leading it?"

And I said, "I got it from the Canadian Institute of Health Information". And she said, "M'hm and I should know you don't understand that it's part of a federal government and the right-wing leader behind it is Allan Rock."

I also point out that we hear now but how bad health care spending is, I've only quoted you the figures to nineteen ninety-eight (1998), a (inaudible) for those of you who spend vastly too much time pouring over economic data. They've just released a new figure showing that over the last three (3) years, health care spending has risen twenty-two percent (22%), that's not adjusting for inflation again.

So there has been a dramatic increase in health spending, certainly not the increase in spending we've seen over the nineteen eighties (1980's) but public spending has gone up over the nineteen

nineties (1990's).

And yet, the system is worse than it ever has been in the past. There is another school of thoughts saying, "Well, what you like to do is try to manage resources better".

I'm very hesitant about this school of thought because they've had their way for thirty (30) years as well and we've... we've gone through the different fashion phases in health care management.

I remember when we cut down the number of acute care beds and invest more in community resources, remember when regional health boards were going to solve all of our problems, remember when centralized kitchens were going to solve the problems.

I'd like to trim these two (2) schools of thought the magicians and the spendthrifts. The magicians think you can micromanage way any problem with just the right amount of government regulation and the spendthrifts think you can spend it away. They've hit their way for thirty (30) years and our system has never been worse than it is today, what on earth is going on?

I have another explanation and it's an explanation you're not going to read about in any speech posted on the internet by Allan Rock, it's not a speech you're going to hear from a provincial politician but it's the following.

I believe that Medicare suffers from a structural flaw. Simply put, we corrupted the doctor-patient relationship.

Patients don't pay for the health care they receive, they have the incentives to over-consume health resources, doctors are paid by State billing schedule, they don't serve their patients, they serve that billing schedule, therefore, they have an incentive to over-supply health services and health administrators, particularly hospital administrators tend to get (inaudible), therefore, they're not accountable to the communities they serve in.

I think I've stated something fairly obvious to you, I've just said that Medicare is free, I think what startling is that perverse incentives have very big consequences.

Basically, because people are acting differently than they ought to, it thrives up health care costs.

Is this my view and the Frasier Institute's view and a couple of other corky right-wing fellows who make good speeches but you think are off, no, actually, in nineteen seventy-seven (1977), the Ontario Medical Association had a committee with a provincial government and they came to the conclusion that medical demand is infinite, they were not mine.

What's happened between now and then is that we've discovered that you can't restrict patient demand because the user fee would be uncanadian, a parallel private system would be uncanadian and would destroy us even though... even socialist Sweden has both, but what you actually have to do is restrict supply.

And that's why the biggest health care change of the last thirty (30) years, the biggest reform that governments across the country have engaged in it and it doesn't matter whether they're talking about socialist Quebec or conservative Alberta, the biggest change of the last thirty (30) years is the restriction of the supply of health care, in other words, everything is free, nothing is readily available.

We cut down the number of medical students at a time when we know our population is aging, we cut down the number of acute care beds without really thinking things through, we don't invest in high-tech equipment.

Canada today has this many MRI scanners per capita as Columbia and Mexico. And the long-term consequences are that you have long waiting lists of help for everything under the sun and you get the results that you get and the studies I quoted earlier.

So what ought we do about it? Well, in Canada today, they say, "Well, you know, it hasn't worked for thirty (30) years, we'll just throw more money at it", that's not going to work, our population is getting older.

Just to quote you a figure on... on public spending in terms of age group, people between the age of thirty-five (35) and forty-four (44) spend about a thousand dollars ($1,000.00) or cost about a thousand dollars ($1,000.00) per capita. Those between sixty-five (65) and seventy-four (74) cost between... cost about four thousand
dollars ($4,000.00) per person.

Those between seventy-five (75) and eighty-four (84) years of age, grandma, as we like to refer to her, eight thousand dollars ($8,000.00) per capita.

Now, why am I quoting you these dreadful statistics, haven't I quote you enough boring statistics?

Well, for the fine reason our population is getting older. When Medicare was first introduced, the medium age of Canadians was under twenty-five (25).

One presumes it was easier in those days to get a date. Today, the medium age of Canadians is just passed thirty-five (35) and will very soon approach forty (40).

The number of Canadians over the age of sixty-five (65), just another statistic for you, will double over the next twenty (20) to twenty-five (25) years, depending on which demographer you look at. So, in other words, this problem we're suffering from today isn't going away, if anything, it's going to get much worse with time unless we rethink this problem.

Here is, very briefly, the way I think we ought to rethink this problem. We ought to... we ought to preserve the universality of the present system but get passed this ridiculous government monopolate that's so terribly inefficient.

What we ought to do is a system like Medical savings account. No one's ever heard of Medical savings account before but actually, it's a fairly widely known idea outside of Canada.

To give you one (1) example, there's a country that found spiralling health care costs and they decided to put in place medical savings account, the system built on individual choice and competition and they found actually that they could reduce costs by about thirty-five percent (35%) and their citizens were happier.

That forward looking right-wing nation was China, their experiment right now with medical savings accounts involves five million (5,000,000) people, they're so impressed with it they're going to expand it to cover ninety percent (90%) of the urban population within the next half decade. Another country that's implemented medical savings accounts is Singapour. Singapour is very, very forward looking and with economic policies, you can't spit on the sidewalk but, at least, you can invest your own private pension.

They implemented medical savings accounts in nineteen eighty-four (1984) and it's enormously populaire and successful.

They are also MSA experiments in the United States though manage care and tax legislation has really restricted then and it is, in fact, the Number 1 private insurance choice in South Africa. Here is the way medical savings accounts would work in a Canadian context. If you want a fuller description, there's a marvellous study just published by the Montreal Economic Institute and if twenty (20) pages isn't enough to satisfy your curiosity conveniently enough, I have a book on the topic available for nineteen ninety-five (19.95) and Christmas, I'd point out, is just a couple of months away.

And the idea would be the following: rather than to fund the institution, rather than to fund providers, what we ought to do is fund individuals. And individuals would have an account, we'll call it a

medical savings account and from that account, they would be... they would be regulated to... to get catastrophic insurance.

Catastrophic insurance is for a catastrophy. So it would be high deductible insurance, save costs for over two thousand dollars ($2,000.00), that's when the catastrophic insurance would kick in and the system would be very much like the Medicare we have now.

But for day to day costs, going to your doctor, getting an X-ray for the swollen ankle, getting a blood test and so on, for the small costs, you pay out of your account.

If you don't spend out your account, a portion of it you get to keep, a portion of it gets to roll year to year like an RRSP for health. This is, in a nutshell, the concept of medical savings accounts. The first question I get whenever I talk about this is: isn't that an American system?

No, it's not because, first of all, it's a universal system but perhaps more importantly, that's a system built on individual choice and competition.

If you talk to Americans, the majority of Americans are enrolled in HMO, Health Maintenance Organizations where an HMO bureaucrat makes decisions for them.

If your uncle falls down the stairs and his knee doesn't work right then his doctor feels he needs an MRI, your uncle then calls the HMO bureaucrat and asks permission.

In Canada, we've done something similar, that is about bureaucratizing health care. In the United States, they do it on a case by case basis, in Canada, we do it on a provincial level. But in... but medical savings accounts are very different because it's based on individual choice and competition.

It puts the hands in the consumer. That does two (2) things that are very important, I think, the first thing is it makes people financially countable for the consequences of their actions which, I think, would reduce patient demand and have very long boring studies I point to in my book on this topic, which I won't draw on today.

But the other thing it does is it means that doctors now serve patients rather than serving the system and I think that's what we need to do in Canada today to reinvigorate the doctor-patient relationship.

Now, I've spoken five (5) minutes longer than I was supposed to. I will be available for questions but I would put this thought forward to you today.

For thirty (30) years, we've gone along the same path, we've put money into the system, we've tried to manage it more and for thirty (30) years, we've been increasingly disappointed with the results.

What we've tried to do is to have a command in control economy for a tenth of the national output. It doesn't work when you try for the entire national output, they tried that experiment in the twentieth (20th) century and it won't work for project a tenth is grand.

Wouldn't it make sense to preserve the universality but have a system built on individual choice and competition, taking care of the poorest of citizens but empowering people to make their own decisions the way we do for everything else in our economy, including food, clothing and shelter, the three (3) other basic needs besides health care. Thank you very much.

M. MICHEL KELLY-GAGNON:

...plus rapidement possible pour retourner vaquer à leurs obligations, comme je l'ai mentionné, nous allons avoir un... du café qui va être disponible à l'arrière.

Je vais demander à tout le monde... I will ask everybody although to liberate the tables so that they can dealt with and rearranged and the idea is that hopefully, in about fifteen (15) to twenty (20), minutes, we will restart the session there and we don't have that much room, there's some room in the passage and also, there's another room on... on the floor which is, I believe, room 301 that we also have rented so you might scatter either in the room or there, there and hopefully, you'll be comfortable and we ask for your patience for that fifteen (15) minutes. Thank you very much.