Local inequality and publicly provided healthcare in Canada

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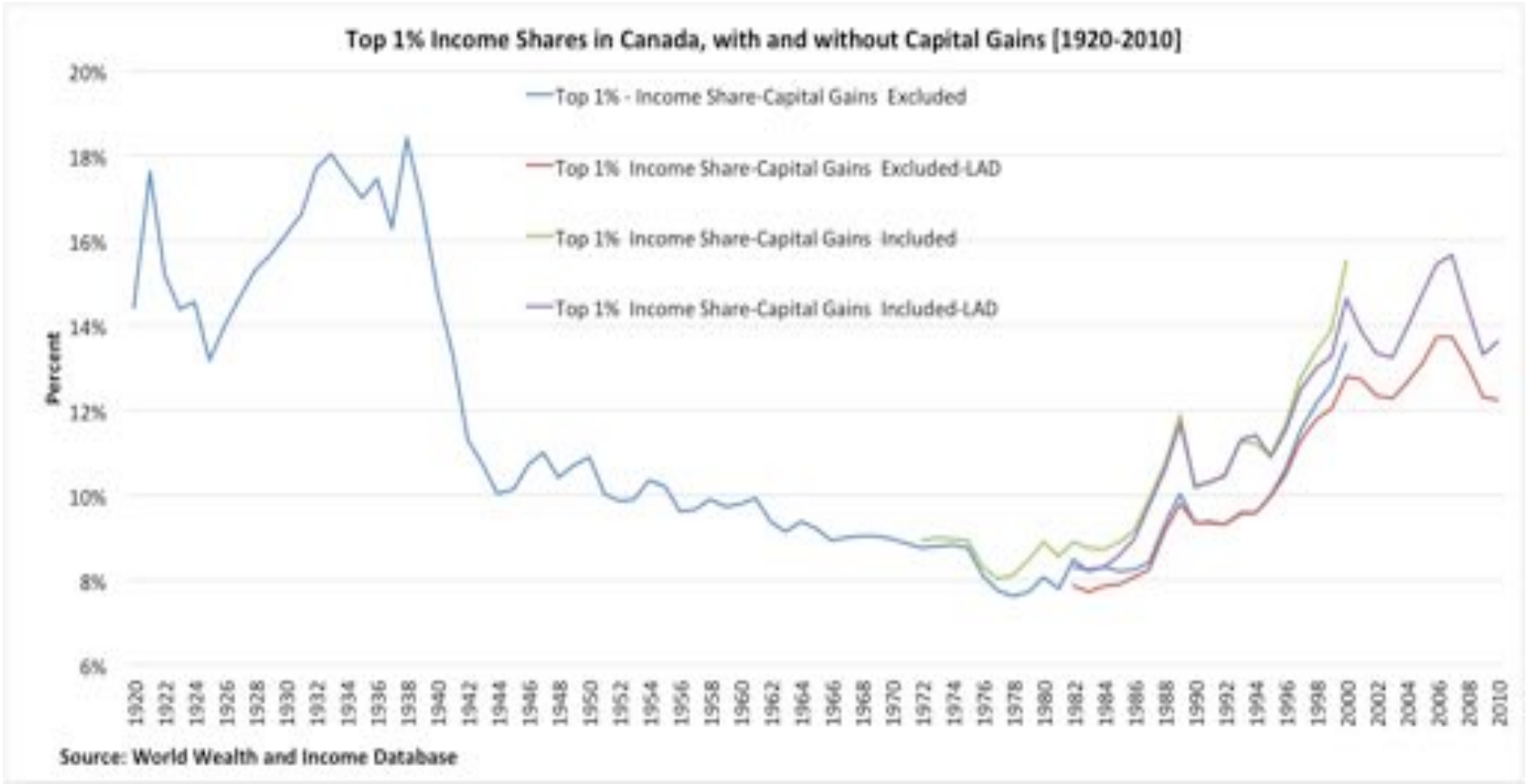
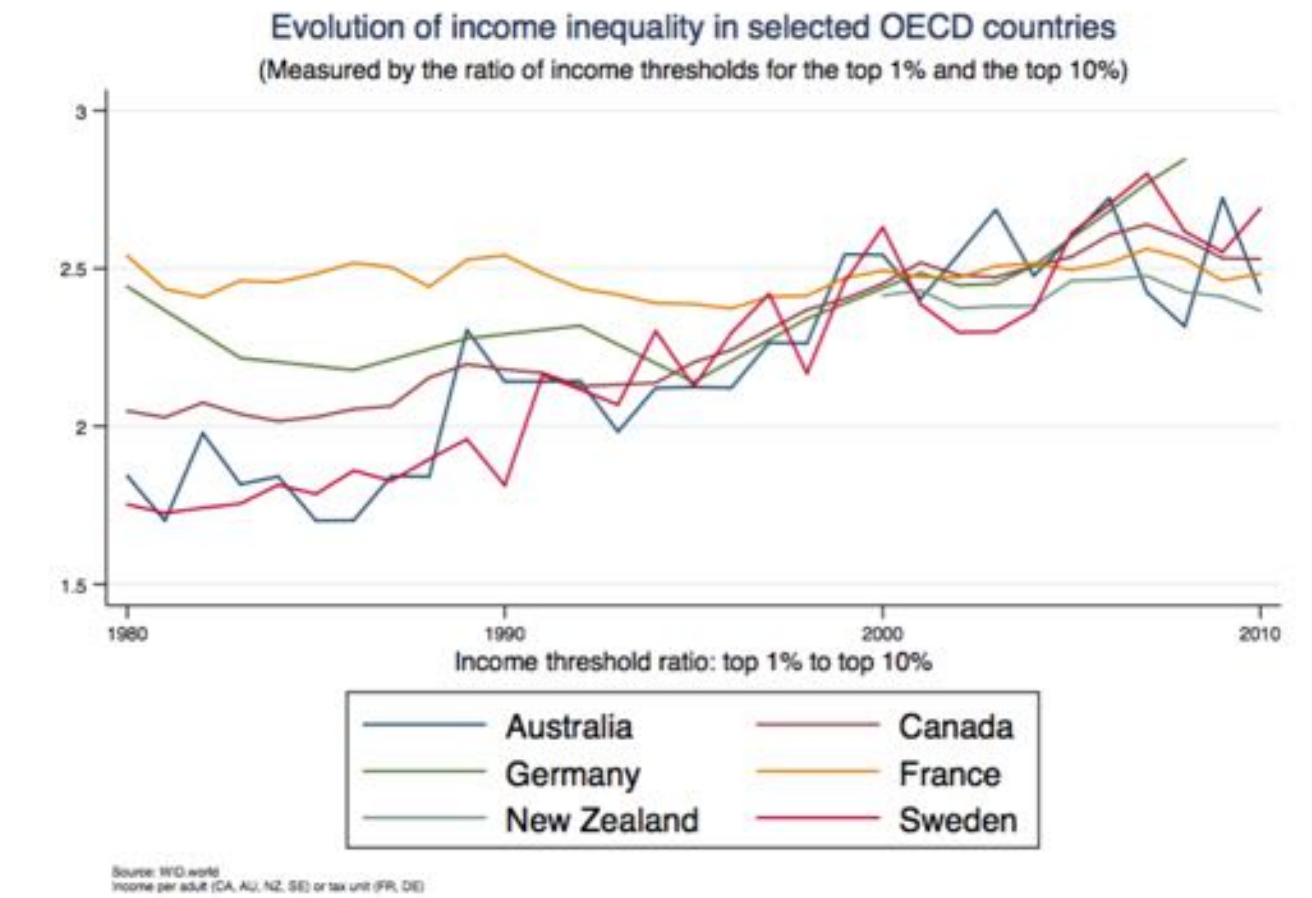


Author's calculations from WWI database plus Statistics Canada


Evolution of income inequality in selected OECD countries
(Measured by the ratio of income thresholds for the top 1% and the top 10%)
3
2.5
2
1.5
1980
1990
2000
2010
Income threshold ratio: top 1% to top 10%
Australia
Canada
Germany
France
New Zealand
Sweden
Source: WID.world
Income per adult (CA, AU, NZ, SE) or tax unit (FR, DE)

What’s the relationship between inequality and publicly financed healthcare?

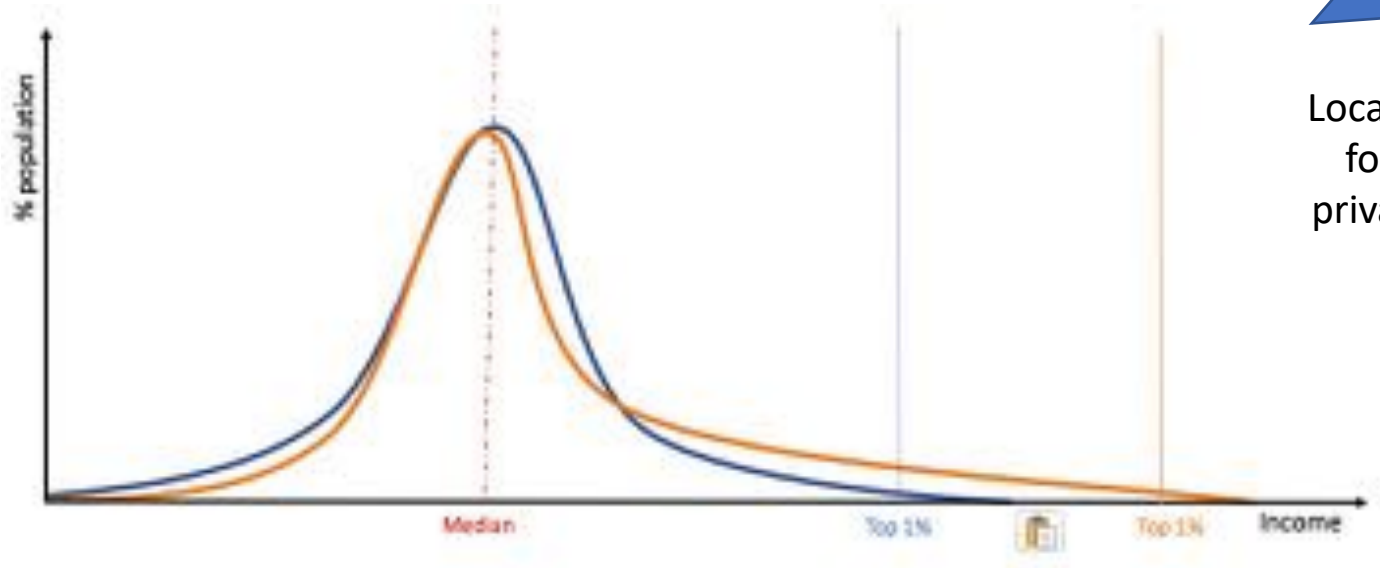
- Income inequality undermines support for public programs as it becomes increasingly difficult to fund a public program that satisfies a more unequal population.
- Manifests with increased demand for private insurance and care at the very top of the income distribution.
- Market adjusts to this demand by providing more private care.
- Result is a quicker unraveling of the publicly financed health care system .

Higher local top income inequality
(Top 1% further away from the median)

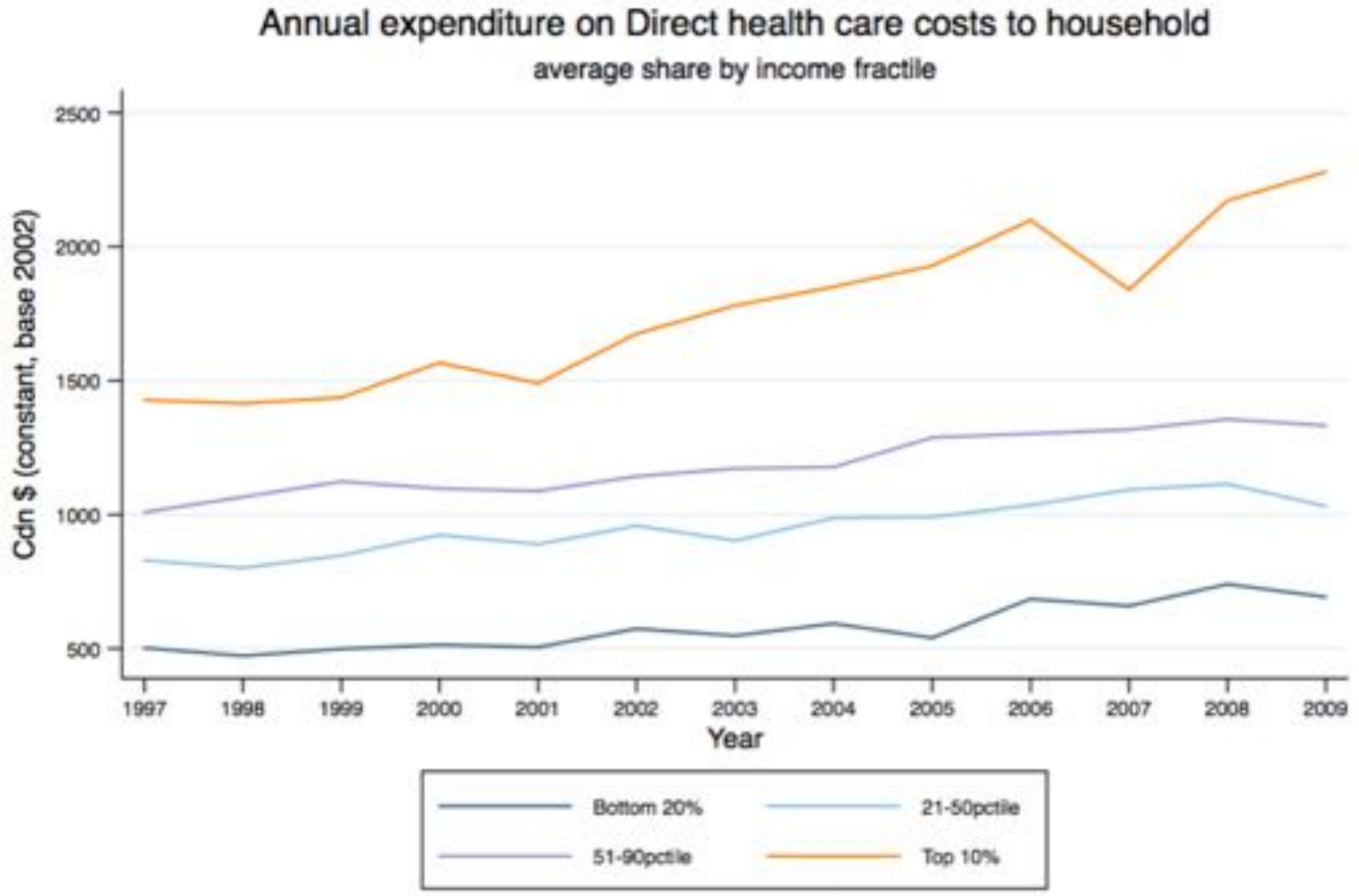
More distance between preferences of median and top earners for health care amenities (even when adjusting for local average income)

Unmet demand for health care amenities from top income earners if publicly financed care targets median preferences

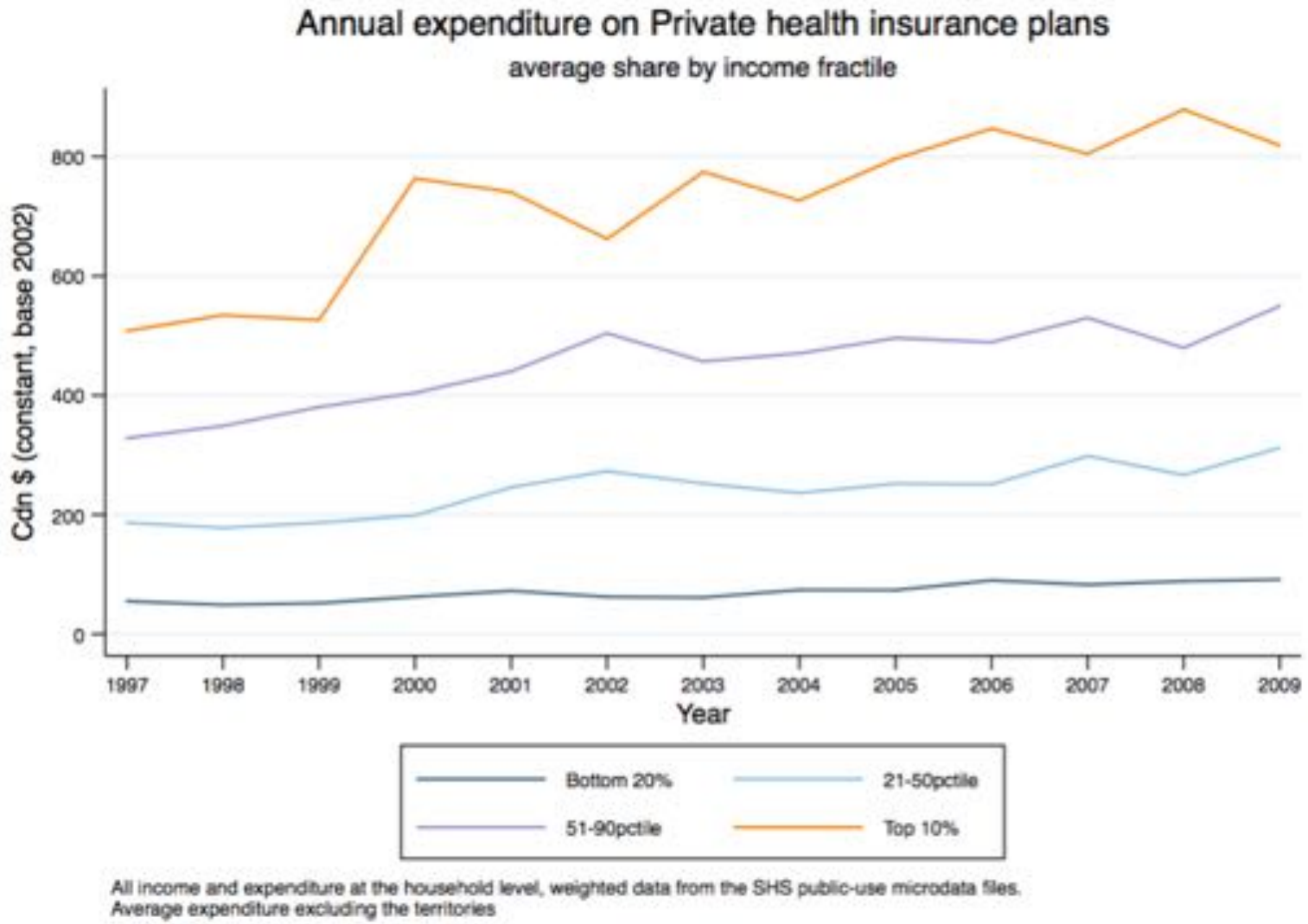
Local market opportunity for providers to offer privately financed health care options



Demand Side: Using expenditure data



Private Insurance



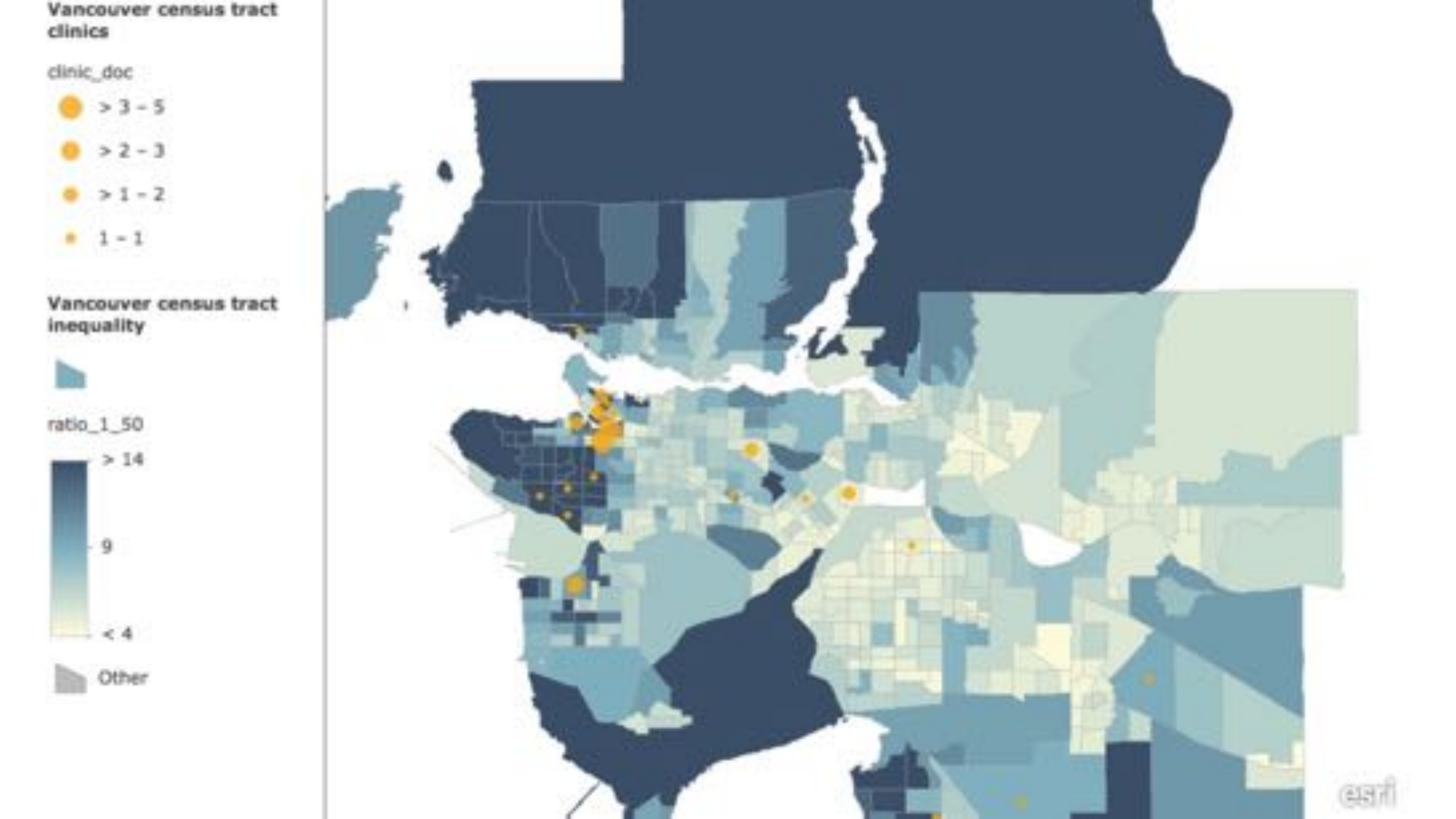
Supply Side

- Major data collection initiative!
- Inequality and income data at the Census tract and Census Metropolitan Area level from the T1 Family files, 2016
- Private Clinic information across the country using web and Ministry sources by Census tract, 2017 (we have 587)
- Physicians who have opted out of the public system in Quebec by Census tract, 2017 (we have 306)

For example:

- Income threshold for the top 1% in:
  - Canada: $273,000
  - This Census tract: $256,000
  - Highest cutoff Census tract in Canada: $6,429,400

- Ratio of top 1% cutoff to median income:
  - In Canada: 7.5
  - In this Census Tract where we are sitting: 4.5
  - Ratio of Jerry to Ake: ?


Vancouver census tract clinics
clinic_doc
> 3 - 5
> 2 - 3
> 1 - 2
1 - 1
Vancouver census tract inequality
ratio_1_50
> 14
9
< 4
Other
esri

Toronto census tract clinics

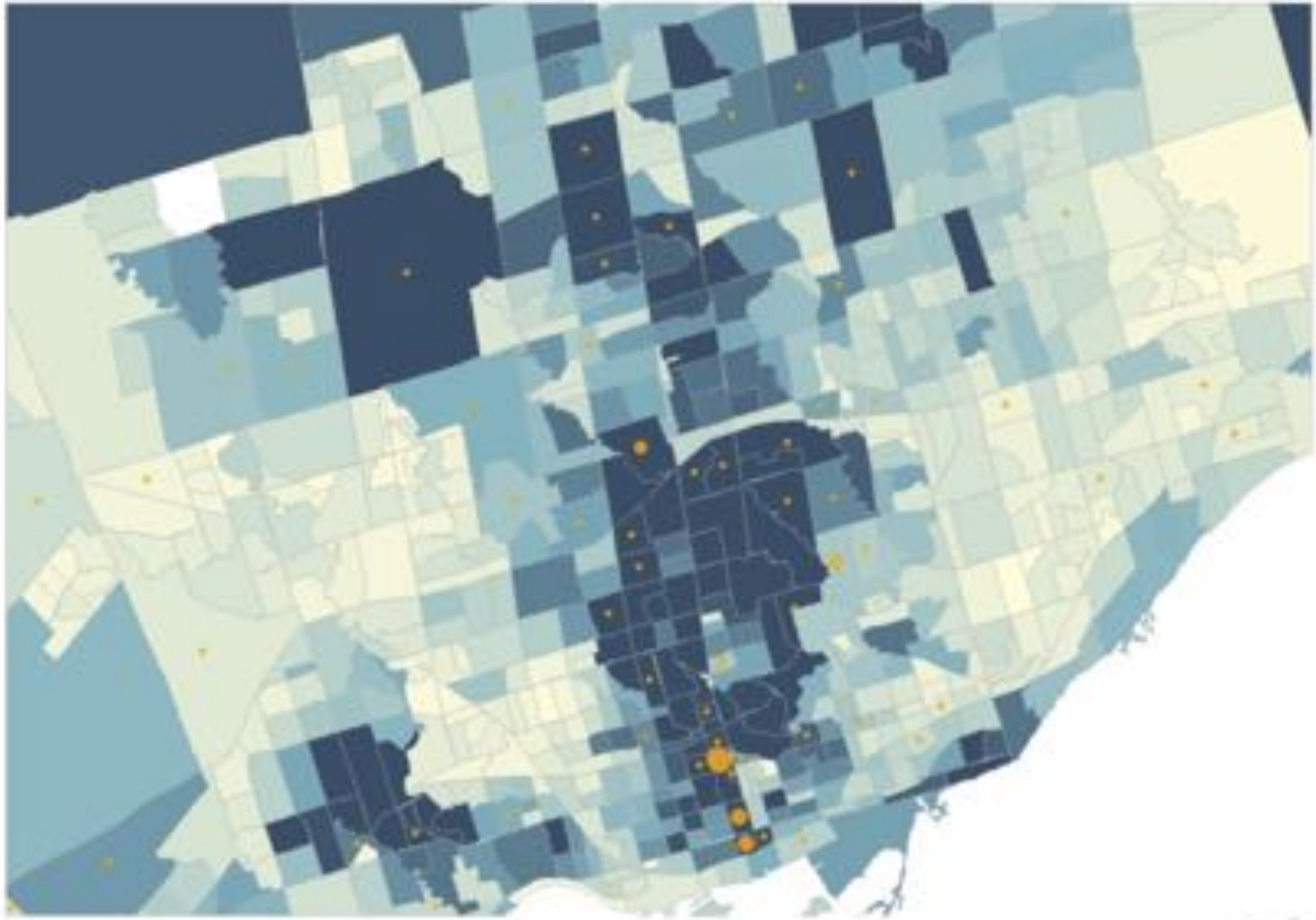
clinic_doc

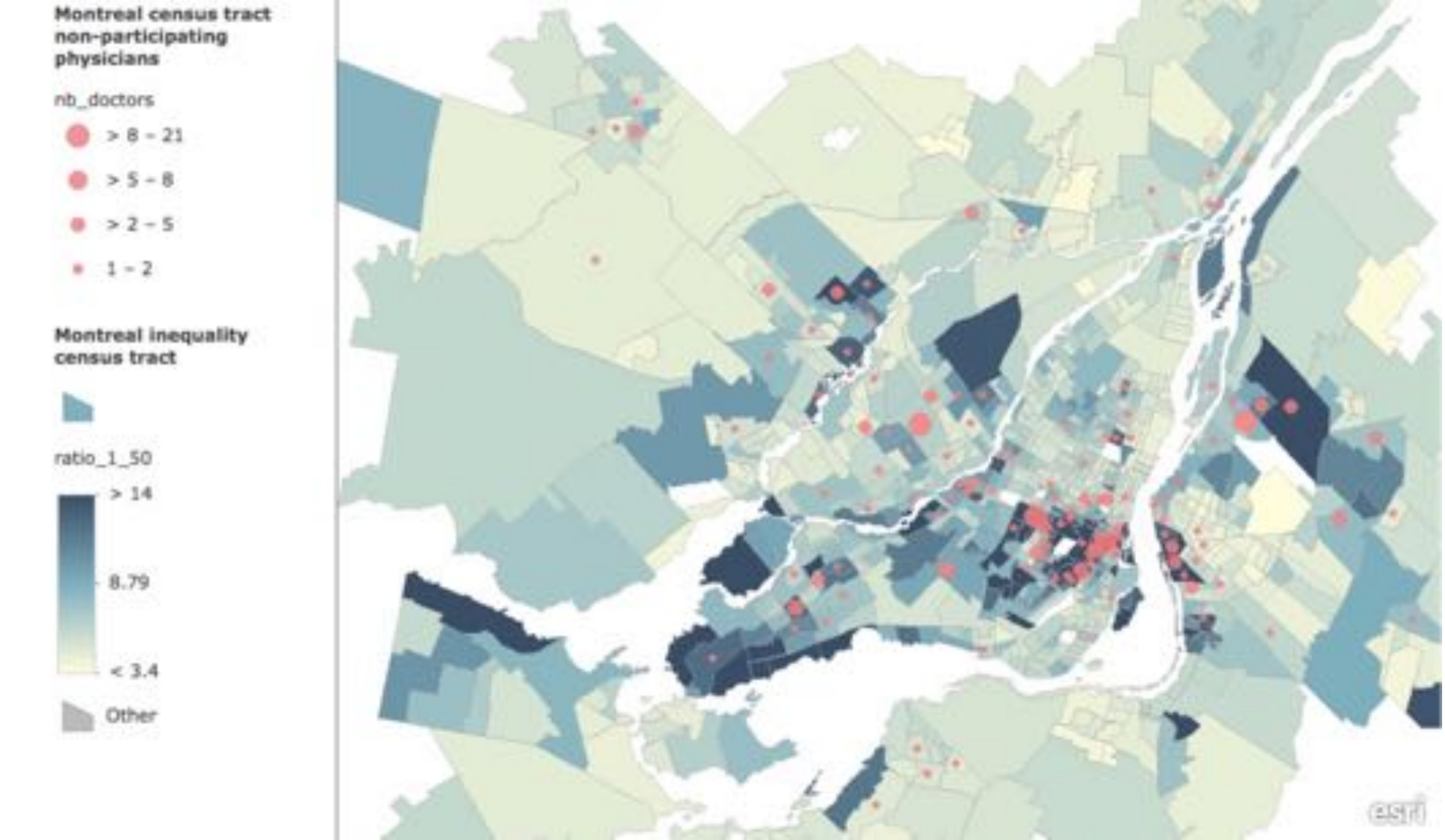
- > 5 – 6
- > 4 – 5
- > 3 – 4
- > 2 – 3
- 1 – 2

Toronto census tract inequality

ratio_1_50

- > 15.4
- 9.7
- < 4
- Other




Montreal census tract non-participating physicians
nb_doctors
> 8 – 21
> 5 – 8
> 2 – 5
1 – 2
Montreal inequality census tract
ratio_1_50
> 14
8.79
< 3.4
Other
esri

Relationship between inequality, income and private clinics

	Physician services	Physician, ophthalmology or diagnostic imaging	Any services
	(1)	(2)	(3)
Panel A: All Census Tracts			
Local inequality (ratio top 1/median)	0.001	0.002	0.004
	(0.001)*	(0.001)*	(0.002)**
Average income ($K)	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
Observations	5380	5008	5242
Panel B: Census metropolitan areas only			
Local inequality (ratio top 1/median)	0.002	0.002	0.005
	(0.001)*	(0.001)*	(0.002)**
Average income	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
Observations	4941	4988	4988
Panel C: Montreal, Toronto and Vancouver census tracts only			
Local inequality (ratio top 1/median)	0.007	0.007	0.007
	(0.002)***	(0.002)***	(0.003)***
Average income	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.001)
Observations	2,435	2,435	2,435

Moving from Clinics to Doctors

- Can’t be 100% sure that clinics are billing for medically necessary stuff that should be covered publicly.
- Quebec data allows us to get at this more directly.
- These are doctors that have opted out of RAMQ. Patients can not be reimbursed by RAMQ in total or in part.

Relationship between inequality and physicians opting out: QC

	Any physician type	Family physicians	Physician specialist
	(1)	(2)	(3)
Panel A: All Census Tracts			
Local inequality (ratio top 1/median)	0.010**	0.009*	0.003**
	(0.005)	(0.005)	(0.001)
Average income ($K)	-0.000	-0.001	0.000
	(0.001)	(0.001)	(0.000)
Observations	1363	1363	1,363
Panel B: Census metropolitan areas only			
Local inequality (ratio top 1/median)	0.010*	0.008*	0.003**
	(0.005)	(0.005)	(0.001)
Average income	0.000	-0.001	0.000
	(0.000)	(0.001)	(0.000)
Observations	1,274	1,274	1,274
Panel C: Montreal census tracts only			
Local inequality (ratio top 1/median)	0.008*	0.006*	0.003**
	(0.004)	(0.003)	(0.001)
Average income	0.000	-0.001	0.000
	(0.000)	(0.001)	(0.000)
Observations	903	903	903

Recap

1. Growing income inequality is different from growing income. I'm talking about the top of the income distribution pulling away from the rest. Not about the absolute level of income.

2. There appears to be a relationship between income inequality and the demand for private health care in Canada. The top are demanding more private care and insurance.

3. There appears to be a relationship between income inequality and the supply of private medicine in Canada. In areas with more inequality we are seeing more and more private medicine to support the top of the income distribution.