Efficiency, Equity and the Politics of Healthcare Financing

Åke Blomqvist
Carleton University and the C. D. Howe Institute
Introduction

• Why is private healthcare finance so controversial?
• Idealized views of public and private finance, vs the real world
• Canada’s unique single payer model
• The future: A role for public-private competition?
Public-private financing: Why the controversy?

• All economic issues have both an efficiency and an equity dimension; in healthcare the two can’t be separated
• Are economists only concerned with efficiency?
• The public-private debate and economic self-interest
Science, truth and beauty

• “Science is organized common sense where many a beautiful theory was killed by an ugly fact”
  – Thomas Huxley, nineteenth-century English biologist

• In the social sciences, however, the facts are often ambiguous, so some beautiful theories don’t get killed

• Health financing gives a good illustration
Two beautiful models

• “Health care should be provided on the basis of need, not ability to pay. It should be financed by taxes that reflect ability to pay”

• “Let economic resources (including those in health) be allocated by supply and demand in competitive markets; achieve equity by transferring cash”
The ugly economic and political facts

• Market failure: Private insurance markets won’t give poor people access to healthcare even if they have income support
• Government failure: “need” is hard to measure; who decides what is needed?
• The result: every real-world system is a compromise, with a public-private mix
Canada’s unique single-payer model

- Our system is mixed, too: government only pays about 70% of healthcare costs
- But our restrictions on private medicine and private parallel insurance are unique; other countries are less rigid
- Why we ended up being so different: History and geography
Drawbacks of the single-payer model

• Diverting political energy: does the single-payer model actually help the poor?

• The lack of innovation in Canadian healthcare: Is the lack of public-private competition part of the reason?
What if Cambie wins?

• Encourage clinics to treat patients who currently are on provincial-plan waiting lists
• Make departing doctors’ operating-room slots available to other doctors
• Explore agreements with clinics re terms for treating patients under provincial plans
The way forward

• Closing existing Medicare gaps (pharmacare, dentistry, long-term care) remains a priority

• May be done by creating public “default plans” but with room for private options
  – “default plan”: a public plan to which a person belongs unless they have an approved private plan

• Similar to Québec’s pharmacare plan; a template for a reformed Medicare system?