

Efficiency, Equity and the Politics of Healthcare Financing

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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?