




NSG2113: Lecture 2

Medicare





A friend reports to you that, last week, his grandfather fell and broke his hip. He was transported to the local emergency department, where he waited five hours to be seen. He is currently waiting for a total hip replacement.



What are your thoughts on this situation?

What advice do you have for your friend?

How can you contribute to improving access to health care for your friends, family, and community?

Outline

1. Governance of Canadian health care system
2. Funding of Canadian health care system





Governance of Canadian Health Care System

The Health Care System

What are purposes, mandates, and ideologies that underpin health care?

Purpose of the Canadian Health System

- Goal:
 - To provide Canadians with reasonable access to medically necessary services
 - To do so without our needing to pay at time of use
- Two questions remain:
 1. What constitutes “reasonable”? 
 2. What constitutes “necessary”? 



The Issues of “Reasonable”



- Who measures this?
- What is measured?
 - Reasonable in time vs. reasonable in outcome
- Take for example:
 - Rural populations
 - Northern populations
 - Minority populations
 - Marginalized populations



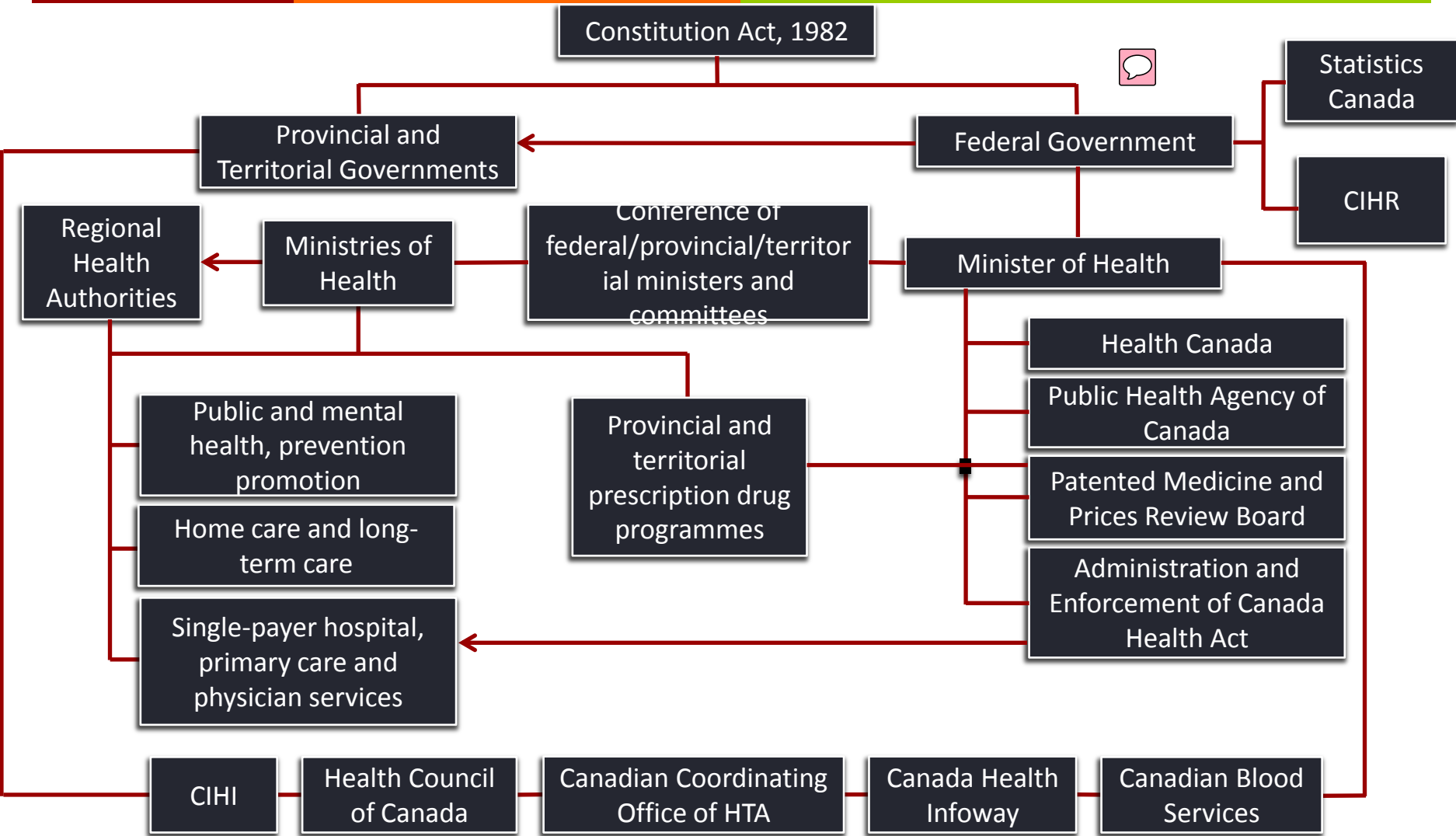
The Issue of “Necessary”

- What constitutes a necessary service?
- Can there be an objective marker for “necessity”?
- Take for example:
 - Heart transplant
 - Schizophrenic crisis
 - Abortion
 - Sex change

How is the System Organized?

- *Constitution Act, 1982, s.92* (s.91 Federal gov't)
 - Social welfare
 - Hospitals are a provincial responsibility
 - Education
 - Civil law 
 - Agriculture
 - All other health care service delivery is not specified
-
- *Canada Health Act, 1984* 
 - Cost-sharing between federal and provincial governments to ensure health care service delivery

Simplified Organization Chart



Key Organizations



- Health Canada



“Health Canada is the federal department responsible for helping the people of Canada maintain and improve their health. HC is committed to improving the lives of all of Canada’s people and to making this country’s population among the healthiest in the world as measured by longevity, lifestyle, and effective use of the health care system.”

- Public Health Agency of Canada

“PHAC is the main Government of Canada agency responsible for public health in Canada. PHAC’s primary goal is to strengthen Canada’s capacity to protect and improve the health of Canadians and to help reduce pressures on the health-care system. To do this, PHAC works to build an effective public health system that enables Canadians to achieve better health and well-being in their daily lives by promoting good health, helping prevent and control chronic diseases and injury, and **protecting Canadians from infectious diseases and other threats to their health.** PHAC is also committed to reducing health disparities between the most advantaged and disadvantaged Canadians.”



Key Organizations

- Statistics Canada




“Stats Can produces statistics that help Canadians better understand their country – its population, resources, economy, society, and culture. In Canada, providing statistics is a federal responsibility. As Canada’s central statistical agency, StatsCan is legislated to serve this function for the whole of Canada and each of its provinces and territories.”


- Canadian Blood Services

“CBS is a not-for-profit, charitable organization whose sole mission is to manage the blood and blood products supply for Canadians.”





Key Organizations

- Canadian Institutes of Health Research 


“The CIHR is the Government of Canada’s agency responsible for **funding health research in Canada**. CIHR’s mandate is to ‘excel, according to internationally accepted standards of scientific excellence, in the creation of new knowledge and its translation into improved health for Canadians, more effective health services and products and a strengthened Canadian health-care system.”
- Canadian Institutes of Health Information 

“An **independent** not-for-profit corporation that provides **essential information** on Canada’s health care system and the health of Canadians. The goal is to help improve Canada’s health system and the well-being of Canadians by being a leading source of unbiased, credible, comparable information that will enable health leaders to make better-informed decisions.”


Distribution of Powers

- Canada does not have a national health care system 
 - It has an array of separate systems that are united under common principles
- Federal government:
 - Territories (unofficially have assumed responsibility)
 - Aboriginals on reserves
 - Armed forces and veterans
 - RCMP
 - Inmates of federal institutions
- Provincial governments 
 - Everyone else

What does this mean?

- Federal government implements **some** health care
- Provinces implement most health care 
 - Decide on how services are made available
 - Decide on where services will be made available
- Federal government provides money to provinces
 - **provided that they fulfill their obligations to provide care**

Health care legislation

- After many reviews, the *Canada Health Act* was introduced in 1984
<http://www2.parl.gc.ca/content/lop/researchpublications/944-e.htm#fimpositiontxt>
- It comprises:
 - Five pillars 
 - Distinctions between insured and uninsured services
 - Provisions regarding penalties for defaults
- Legislation remained in effect despite a 23 day physician strike in Ontario in 1986
 - Issue was user fees

Canada Health act, 1984

- 13 page document
 - Compare with 1000 page proposal in the United States
- Identifies and enforces common Canadian values
 - Social justice
 - Equity
 - We have a shared responsibility as well as shared risk of ill health
 - Health care as a right
- Allows provinces to enact these values as they see fit / as are needed


Canada Health Act Pillars


- Universality 
- Comprehensiveness
- Accessibility
- Portability
- Public administration

Quotations from:

<http://www2.parl.gc.ca/content/lop/researchpublications/944-e.htm#fimpositiontxt>

CHA – Universality

“The health insurance  plan of a province must entitle one 100% of the insured persons of the province to the insured health services provided for by the plan on uniform terms and conditions.”

- Everyone **legally** in the province must be covered for public health insurance under the same terms and conditions
 - **Exclusions: tourists, visitors, transients, illegal immigrants**
- **This pillar defines health care as a right** 

CHA – Comprehensiveness

“The health insurance plan of a province must insure all insured health services provided by hospitals, medical practitioners, or dentists, and where the law of the province so permits, similar or additional services rendered by other health care practitioners.”








- Refers to:
 - Medical practitioners
 - Dentists performing required procedures in hospitals
 - NOT ALL HEALTH SERVICES

- It is not clear what comprehensiveness means in practice
 - Hospital-based comprehensiveness is clearly defined
 - Medical comprehensiveness is defined by individual practitioners



CHA – Accessibility

“The health care insurance plan of a province must provide for:

-  (a) insured health **services on uniform terms** and conditions and on a basis that **does not impede** or preclude, either directly or indirectly whether **by charges** made to the insured persons or otherwise, reasonable access to those services by insured persons; 
- (b) payment for insured services in accordance with **a tariff or system of payment authorized by the law** of the province; 
- (c) reasonable **compensation** for all insured health services **rendered by medical practitioners** and dentists; and 
- (d) the payment of amounts to hospitals, including hospitals owned or operated by Canada, in respect of the cost of insured health services.” 

CHA – Accessibility

- To be accessible, services must be similar for everyone
 - E.g., there cannot be hospitals for the rich and others for the poor



- Health services must be without barrier (financial or otherwise)





- No additional user-fees or extra-billing by physicians or hospitals

CHA – Portability

“The health care insurance plan of a province must:



- (a) not impose any minimum period of residence in the province, or waiting period, in excess of three months before residents of the province are eligible for or entitled to insured health services;

- (b) provide for / be administered and operated so as to provide for the payment of amounts for the cost of insured health services provided to insured persons while temporarily absent from the province on the basis that
 - (i) where the insured health services are provided in Canada, payment for services is at the rate that is approved by the insurance plan of the province in which the services are provided, unless the provinces concerned agree to apportion the cost between them in a different manner, or
 - (ii) where the insured services are provided out of Canada, payment is made for the amount that would have been paid by the province for similar services rendered in the province, with due regard, in the case of hospital services, to the size of the hospital, standards of service, and other relevant factors; and
- (c) provide for / be administered and operated so as to provide for the payment, during any period of residence, or any waiting period, imposed by the health care insurance plan of another province, of the costs of insured services provided to persons who have ceased to be insured persons of that other province, on the same basis as though they had not ceased to be residents of the province.”


CHA – Portability


- You can take health insurance with you from province to province
 - Your home province pays at the rate of the province being visited
- When you move, you are insured by your previous province for the initial 3 months
- Procedures that are available in Canada, but not your province, can be, with prior approval from one's home province, be sought out in other provinces
- Our insurance is not linked to job, employment status, or location
 - This grants greater movement than in the United States (people won't leave certain jobs, move, etc. due to the health insurance benefits)

CHA – Public Administration


- “(a) the health insurance plan of a province must be administered and operated on a non-profit basis by a public authority appointed or designated by the government of the province;
- (b) the public authority must be responsible to the provincial government for that administration and operation; and
- (c) the public authority must be subject to audit of its accounts and financial transactions by such authority as is charged by law with the audit of the accounts of the province.”




CHA – Public Administration

- Insurance plan must be administered by a non-profit agency
- Agency must be responsible to the provincial government 
- Provinces must report to the federal government each year about how they are fulfilling the five pillars of the *CHA*
- Provinces must acknowledge financial contribution from the federal government

Insured Services – Hospitals

- Hospital services that are medically necessary to:
 - Maintain health 
 - Prevent disease
 - Diagnose or treat injury, illness, or disability

- This includes:
 - Accommodation and meals
 - Physician and nursing services 
 - Drugs
 - All required medical and surgical equipment and supplies

Other Insured Services





- Any medically required services rendered by medical practitioners




- Any required medical/surgical-dental procedures that can only be properly carried out in hospitals



User Fees & User Charges




- The *CHA* explicitly proscribes user fees 
 - User charges are permitted
- User fees 
 - Requiring partial payment from individuals for insured health care services
- User charges 
 - Co-payments for uninsured services 

For example:

- OHIP pays for a medical visit
- Person pays for vaccination 



Penalties for Defaults

- Penalties are financial in nature
 - Federal government cannot regulate health care 
 - They can only subsidize it
- Extra-billing and user-fees
 - A dollar-for-dollar **withholding of transfer funds** by the federal government 
- Failure to satisfy any of the five pillars
 - **Monetary fine**
 - No such enforcement has occurred to date
 - Should it? 

Limitations of Medicare

- Target groups
 - People who are already ill



- Cost





Funding of Canadian Health Care System



Expanding Costs of Health Care

1975

\$12.2 billion

7.0% of GDP

\$527 per person

2005

\$142 billion

10.0% of GDP

\$4,411 per person

After inflation addressed, equals ~3X
greater cost than in 1975

1992

61.0 billion

9.9% of GDP

\$2,458 per person

2008

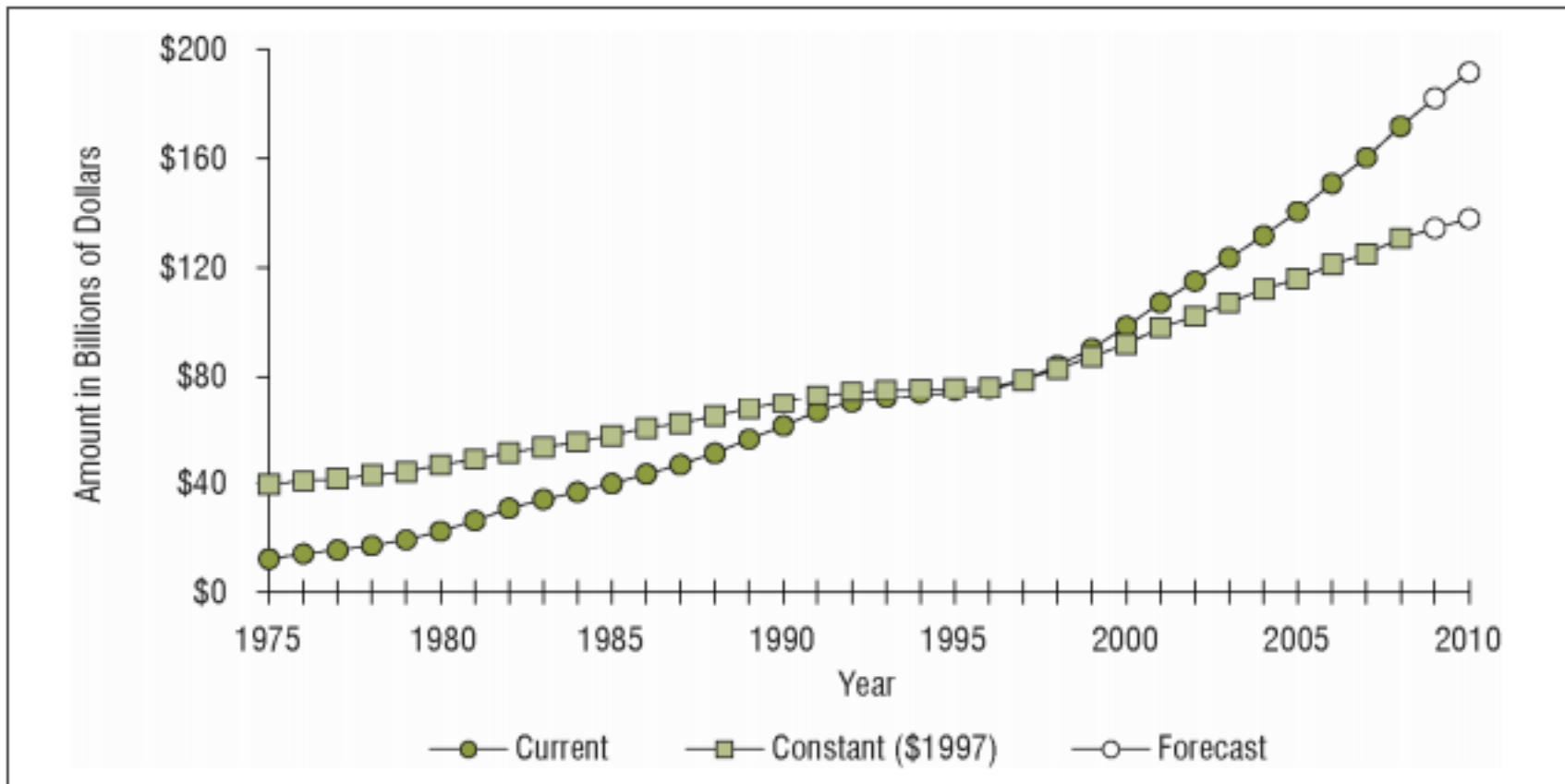
171.8 billion

10.7% of GDP

\$5,154 per person

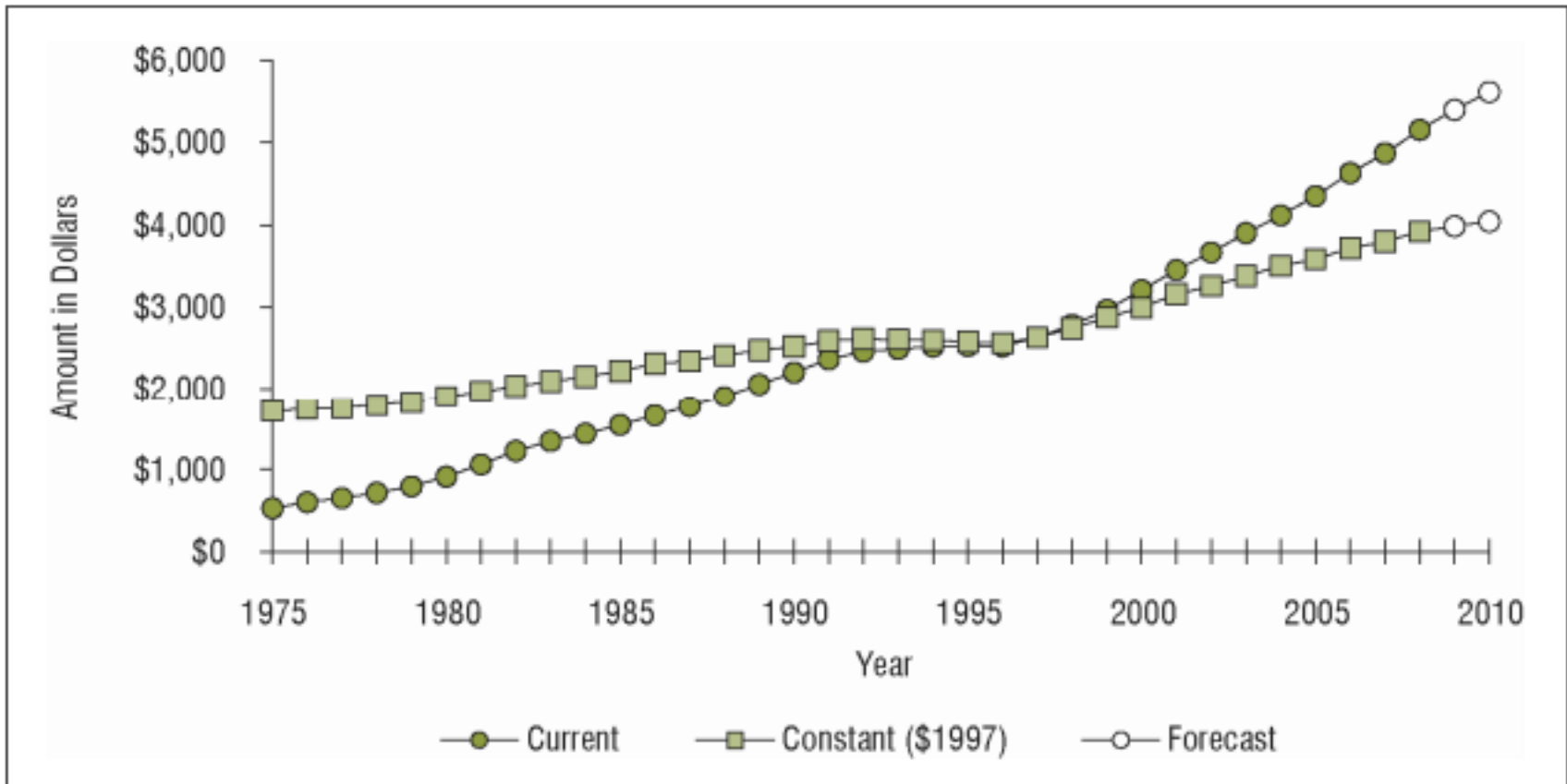
Expanding Costs of Health Care

Figure 1: Total Health Expenditure, Canada, 1975 to 2010




Expanding Costs of Health Care



Figure 3: Total Health Expenditure per Capita, Canada, 1975 to 2010



Revenue

- Three main sources
 - Taxation 
 - Out of pocket
 - Private health insurance

Taxation

- ~70% of funding arises from taxation
 - Federal
 - Provincial / territorial
- These taxes are
 - Income tax
 - Consumption tax 
 - Corporate tax
 - Premiums 
- A very **small** amount of money is raised via **municipal taxes**
 - This money is used for local health departments

Taxation



- Federal government transfers most money to provinces / territories
 - Does keep some money to fund health care for federal groups
 - Does keep some money for public health, pharmaceutical regulation, *et cetera*
- Provinces must still generate most of own revenue for health care



Out of Pocket Expenses

- Accounts for 15% of funding
- Primarily used for
 - Vision care
 - Over-the-counter medications
 - Complementary and alternative medicines / therapies
- Also used for pharmaceutical purchases in cases of no private coverage

Private Health Insurance

- Accounts for 12% of funding 
- Designed for services not covered by Medicare 
- Often offered as compensation packages with employment
- Private insurance for faster access or private alternatives
 - Legally prohibited in some provinces
 - BC, Alb, Man, Ont, Que, PEI
 - Discouraged by an array of regulations in other provinces

Private Health Insurance

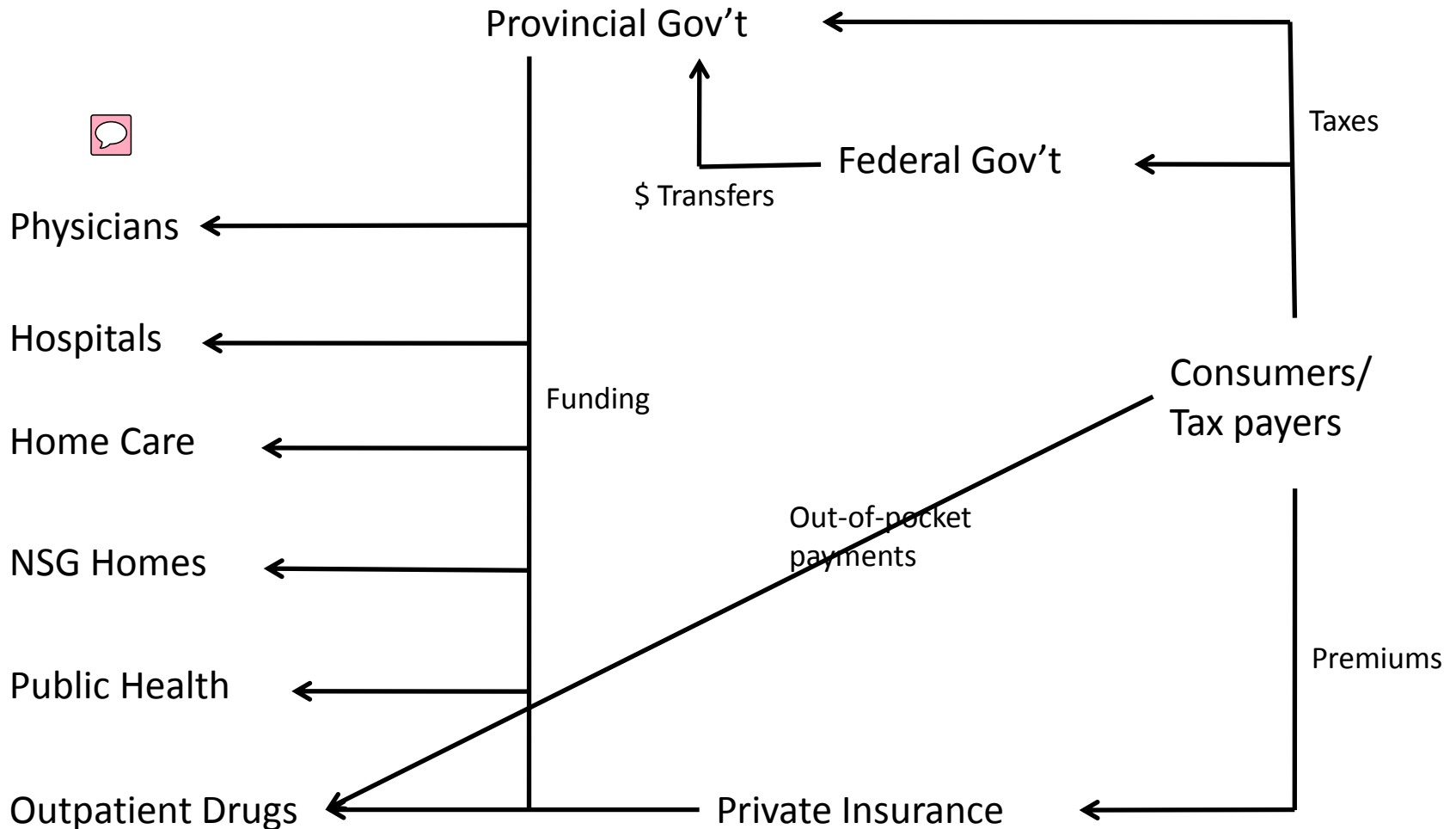
- Primarily used for:
 - Prescription drugs
 - 53.6% of all drugs purchased are done so through PHI
 - Dental care
 - 94.6% done through PHI
 - Vision care
 - 91.6% done through PHI
- Very few Canadians have private insurance for
 - Home care
 - Long-term care

Other Sources of Funding

- Remaining 3% of funding
 - Social insurance funds
 - Workers compensation boards
 - Charitable donations



Overview of Funding System



Health Care Expenditures

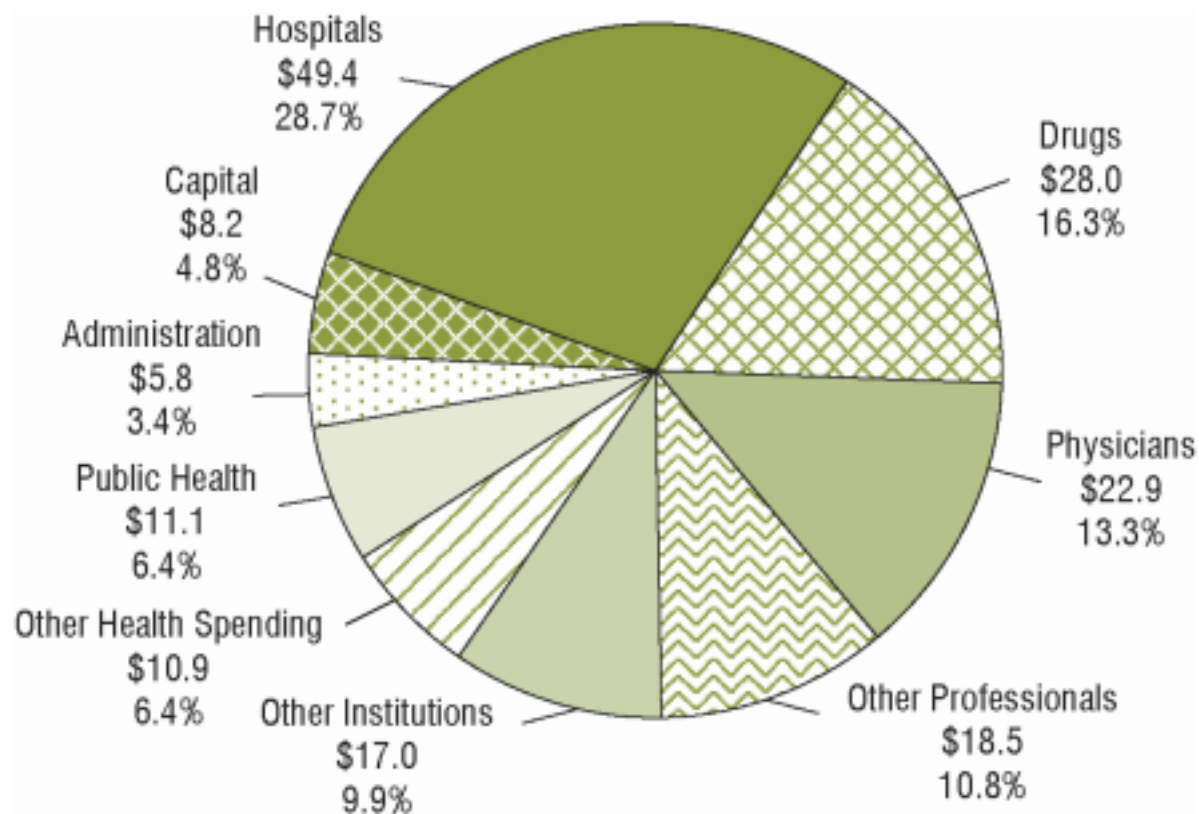
- How is the money spent?
- **Insured services** (~43% of expenditures)
 - Hospitals
 - Physicians
- **Uninsured services**
 - Long-term care
 - Home care
 - Community care
 - Public health
 - Prescription drugs

Health Care Expenditures (%)



Year	Hospitals	Other institutions	MDs	Other HCPs	Drugs	Capital	Public health & Admin	Other
1975	44.7	9.2	15.1	9.0	8.8	4.4	4.5	4.3
1980	41.9	11.4	14.7	10.1	8.5	4.4	4.3	4.6
1985	40.8	10.3	15.2	10.4	9.5	4.1	4.5	5.2
1990	39.1	9.4	15.2	10.6	11.4	3.5	4.2	6.7
1995	34.4	9.6	14.4	11.6	13.6	3.1	5.2	8.1
2000	31.2	9.5	13.3	11.8	15.4	4.0	6.4	8.4
2004	29.9	9.6	12.9	11.2	16.7	4.5	6.7	8.6

Health Care Expenditures (shares)

Figure 12: Total Health Expenditure by Use of Funds, Canada, 2008 (Billions of Dollars and Percentage Share)



Insured Services – Hospitals

- ~30% of total health care expenditures
- Two main costs
 - Human resources 
 - Equipment / Medications
- HR causes most hospital costs (~75%)
 - Wages 
 - Salaries
 - Benefits

Insured Services – Hospitals

Area	2005-2006 Spending† (\$'000,000)
Administration and Support†	4,150.0
Inpatient Nursing Services‡	7,749.3
Operating Room**	811.2
Emergency	966.5
Ambulatory Care Services	1,638.2
Diagnostic and Therapeutic	4,027.1
Research and Education	502.6
All Other	965.1
Total	20,810.0




**These data exclude physicians remuneration

Insured Services – Hospitals

- How is the aforementioned money spent on the individual level?
- Different patients cost different amounts
 - Even similar patient groups can vary by cost based on treatment selection
 - E.g., C-section vs vaginal birth
- Age also affects cost
 - Relates to:
 - Speed of recovery
 - Discovery of co-morbidities
 - Required tests

Insured Services – Hospitals

- Nurses account for 45% of hospitals expenditures
 - = >13.5% of total health care expenditures
 - = 45% of 30% (this is hospitals alone)
 - Nurses are paid benefits, sick leave, pension, and so forth
 - Physicians are not; what does this mean? 

- 2008:
 - 261,889 RNs in Canada
 - 59.05% work in hospitals
 - n=154,645


Insured Services – HCPs

- Most non-physician HCPs are salaried
 - Nurses are the largest group within this category
- Terms and conditions of employment are negotiated via collective bargaining between unions and employers

Insured Services – Physicians

- ~13% of total health care expenditures
 - Average salary in 2004 of ~\$244,000 per annum
- Majority of physicians are remunerated on a fee-for-service model
 - Some exceptions: CLSCs, health units, CHCs, FHNs

Insured Services – Physicians

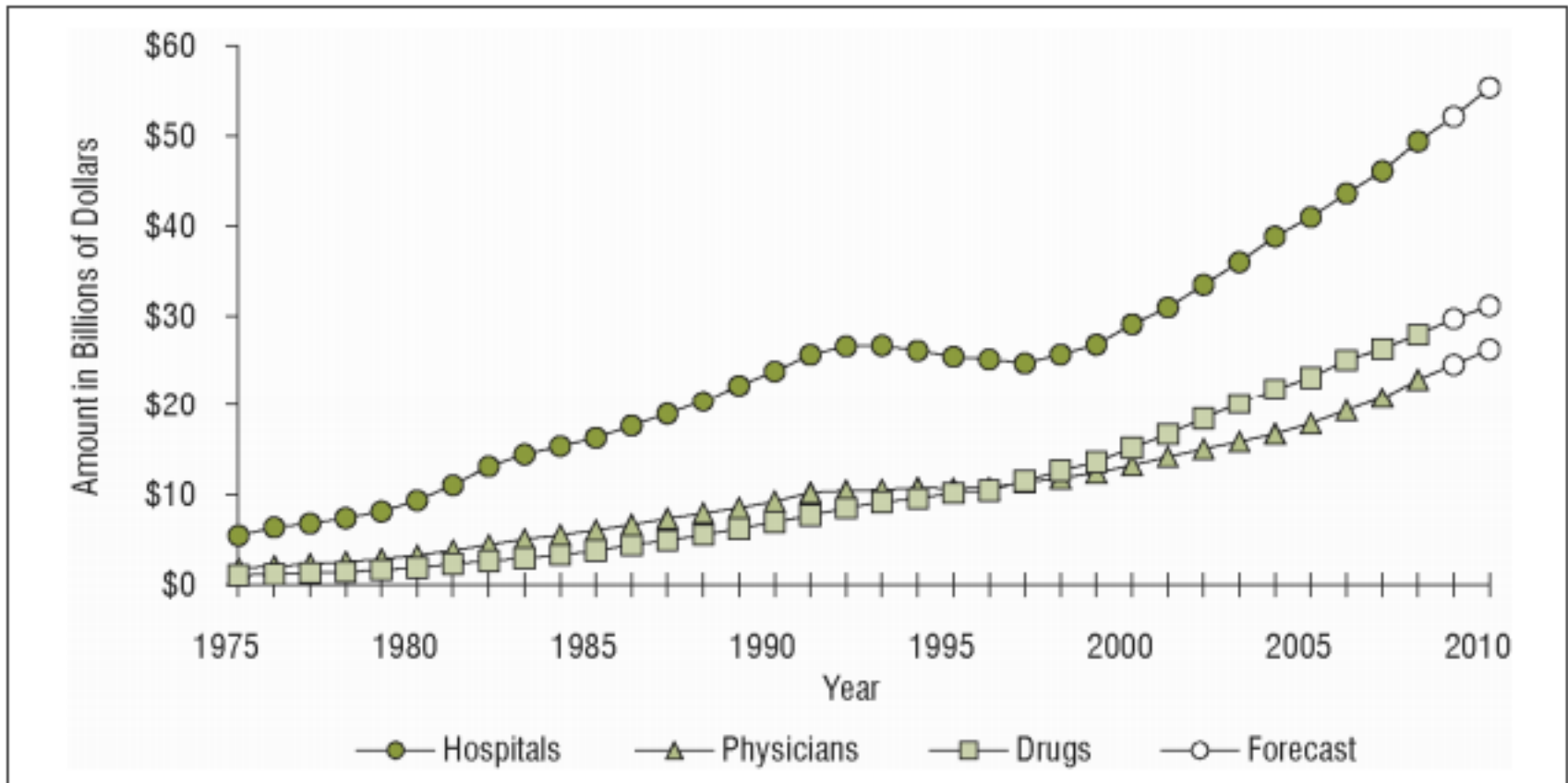
- This means that most physicians do not work for hospitals
 - They are ‘consultants’ who bill for their time / work
 - They use hospital services on behalf of their patients 
 - Physicians are granted ‘privileges’ to use a hospital
 - These can be revoked
 - ‘Hospitalists’ are salaried employees
- In 2002
 - Physicians received \$0.136 of every health care dollar in form of fees
 - Decisions about treatment spends rest of dollar
 - Each physician costs the system about \$0.5 million annually in salary and procedures


Insured Services – Medications

- Constitute ~17% of total health care expenditures
 - Certain medications are covered through provincial drug plans (e.g., Trillium, ODB)
 - All required medications are covered in hospital
- This is the most rapidly growing cost in health care
- Medications are also uninsured in some cases
 - 90% of Canadians have drug coverage
 - 10% of insured individuals have inadequate drug coverage

Insured Services: What Changes?

Figure 13: Total Health Expenditure, Selected Use of Funds, Canada, 1975 to 2010





Now that we understand the macro-level funding mechanisms, let us examine what these funding strategies do at the level of the individual practitioner.

Remuneration

- How we fund services determines:
 - Incentives for all stakeholders
 - System-wide effects of incentives
 - Flow of patients between different types of care
- Providers, behavioural variables and reimbursement systems
- Impact of alternative funding arrangements on behavioural indicators
- Congruency among payment types: system-wide analysis

Payments Methods – Physicians

- Fee-for-service (F-F-S)
 - Services are allotted different fees
 - Remuneration occurs based on services rendered
- Capitation
 - A 'per head' amount of money is given
 - Depends on size of roster
- Salary
 - Gross salary per year
- Mixed salary plus volume adjusted
 - Gross salary per year
 - Added bonus based on performance



Payments Methods – Physicians

- Further examination of fee-for-service



A **general re-assessment** (A004) is a family practice code that includes all of the services included in a general assessment, with the exception of the patient's history (which need not include all the details already obtained in the original assessment).



A **minor assessment** (A001) includes a brief history and examination of the affected part, region or disorder and/or brief advice or information regarding health maintenance, diagnosis, treatment, and/or prognosis. For example, seeing a patient with a simple skin rash or conjunctivitis would be billed as a minor assessment. This is a family practice code.

An **intermediate assessment** (A007) is a service for physicians providing family practice or paediatric services and is more extensive than a minor assessment.




Payments Methods – Physicians

- Further examination of fee-for-service


Salary = #weeks × #days/week × #hours/day × time/service × fee-for-services


A007 Intermediate assessment or well baby care.....	33.10
A001 Minor assessment.....	20.60

Payments Methods – Hospitals

- Global budget
 - X number of dollars per period 
- Case mix adjusted budget
 - X number of dollars per period 
 - PLUS: adjustments made on the acuity of patient loads
-  Flat fee per visit
 - Like fee for service
 - X number of dollars per person (not service)

Payments Methods – Home Care

- Fee per visit 
 - X number of dollars per visit

- Fee per hour 
 - X number of dollars per hour

Payments Methods – Pharmacy

Price per prescription

- Also known as a 'dispensing fee'
- Pharmacies charges a provincially established fee per dispensing act

Remuneration Summary

TYPE OF SERVICE	INDICATOR	REIMBURSEMENT SYSTEMS
Physician services	Number of procedures	Fee for service Capitation Salary Mixed salary plus volume adjustment
Inpatient (IP) care	Case mix Cost per weighted day Admissions Length of stay	Global budget Case mix adjusted global budget
Outpatient care	Number of cases Cost per weighted case	Global budget Case mix adjusted fee per case
Emergency care	Number of emergency visits	Global budget Flat fee per visit
Outpatient pharmaceuticals	Number of prescriptions	Price per prescription Price per reference drug
Nursing home care	Number of cases Case weighted days	Flat fee per day Case mix adjusted fee per day
Home care professional	Number of cases Number of visits Number of hours	Fee per visit Fee per hour