Comparison of U.S. and Canadian Health Care Systems: Dispelling the Myths

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Health Care System

- Often US view is that Canadian system covers all health care needs

- Canada Health Act
  - 1966—focus was in-hospital care and doctors
    - In 1967, those responsible identified design was incomplete but time existed to correct (home care and out patient services)
    - In 90s, # of hospital beds in Hamilton/Wentworth roughly the same as San Francisco/Bay area
    - Out patient and home care remain priorities but….
  - Cost Sharing—90% paid by health care system
    - Currently less than 70% and decreasing
Health Care System

• General view is that US system is most expensive and Medicare is very poor coverage

• Post Retirement Medicare program
  • Part A covers Hospital, Nursing Facility, **home health and hospice care**
  • Part B covers doctors, **outpatient** and preventive services, lab tests, ambulance, equipment and supplies
  • Part D—drug coverage
  • Access and timely delivery a concern (compared to private coverage)
Recent Headlines

• April 11, 2012—premature birth
  • Australian Family expects to pay $1,000,000 after baby born in Florida
    • Hospital stay about 4.5 months
    • Mother’s bill—$40,000 reduced to $10,000—hospital discount

• March 26th, 2012—premature birth
  • Australian Family to pay $1,000,000 after baby born in Vancouver
    • Payment being made at $300 per month
    • Hospital stay less than 3 months
Billing and Payment

- Medical Costs for one year billed at one location
  - $1,465,000
- Employees out of pocket cost expected at 15%
  - Amount paid by employees—$125,000
- Amount paid by Woodbridge (includes employee contributions of $130,000)—$834,000
- What happened to roughly $500,000?
  - Discounts, preferred provide negotiated fees
- Which number is used in determining cost of HC?
Comparison

• A couple with one child earning the same income
  • Used Ontario and Michigan for calculations

• Both employed with one having benefits similar to Woodbridge

• Take basic deductions for all purposes

• Individuals have chosen to participate in retirement savings programs
Comparison

- Canadian couple would have almost no other means to reduce taxation
  - Retirement savings limited by company plan
    - .9% career average DB plan
    - 5% EE cntr to DC with 50% match
  - US couple has more opportunity to reduce taxes
    - Mortgage Interest deductibility
    - retirement savings room still available
      - 1% Career average plus 6% EE cntr with 3.5% match
    - FSA—pre tax to cover Health Care, Day Care, etc.
Comparison

- In retirement, neither couple has ER sponsored health Care Benefits
  - Government provided health care, income and savings
- US Couple has greater income, lower taxes
  - Premiums to medicare system and co-insurance
- Canadian couple has lower income and higher taxes
  - OHIP premium built into payroll tax
  - Limited Home Care and out patient services
Family with $60,000 Gross Income

- Canadian family’s situation
  - Just over $46,000 in take home pay
  - Out of pocket benefit costs—about $400

- US Family’s situation
  - Just over $47,000 in take home pay
  - Out of pocket benefit costs—about $1,500

- At this level or lower, disposable income after payroll taxes and health care not much different
  - Assumes US couple does not take advantage of their tax breaks
Family with $120,000 Gross Income

• Canadian family’s situation
  • Roughly $84,000 in take home pay
  • Out of pocket benefit costs—about $400

• US family’s situation
  • Just over $86,000 in take home pay
  • Out of pocket benefit costs—about $1,500

• Without other tax choices, US couple ahead
  • Mortgage deductibility, FSA, etc.
Family with $180,000 Gross Income

- Canadian family’s situation
  - Just over $121,000 in take home pay
  - Out of pocket benefit costs—about $400

- US Family’s situation
  - Just over $125,000 in take home pay
  - Out of pocket benefit costs—about $1,500

- Again without the other tax deductions available to the US couple
Recent Trips to US

• Visited some Canadian friends who now live in US
  • View was about time Cdn type system adopted in US

• Considerations
  • On filling car with gas in Canada, I paid about $1.25/litre (4.75/g)
  • Just before their house, I filled my car at roughly $0.88/ltr ($3.34/g)
  • As I was paying, noticed a sale on “Grey Goose” at $19.95 a bottle, cost in Ontario roughly $53.
  • At golf course, 6 tall boys in bag of ice, $15, back home on course bought 4 tall boys here at $24

• Most of difference, taxes

• 50% of Ontario Tax Revenues go to Health Care
Breakdown of Costs

• US Couple
  • Employee Premiums—$1,800 per year
  • Employer Cost—$7,000 per year
  • Employee out of pocket costs—$1,500 per year
  • Medicare costs—$1,900 per year
  • Total—$12,200

• Canadian Couple
  • OHIP premium/Tax—$1,400
  • Employer premiums—$3,500
  • Employee out of pocket—$400
  • 50% of provincial income taxes—$4,700
  • Total—$10,000

• Canadian Cost (Consumer and Corporate Taxes)—Priceless
Costs

• It is also not always what you pay but what you get for what you pay

• US population is about 5 years older than Canadian population, so costs should be higher

• Canadian system has significantly lower administration costs

• Preventive Services
  • Much higher utilization in US, increases costs
    • Annual visits, age related tests, blood tests, etc.
    • May be driven by possible litigation in US and wait times in Canada

• Bankruptcy—a view only US issue
Covered population

- Focus is often on 47,000,000 million Americans without coverage
  - Choice—about one third of this population has incomes above $50,000
  - Choice—another third had option but chose to opt out
    - Need (younger/healthy) and lower income
    - Non residents/illegal immigrants
- In Ontario, about the same percentage do not have a family doctor
  - Choice—do not need one, can always go to emergency or clinic
  - Landed immigrant status/illegal immigrants (not eligible)
Costs/Incentives (back to premature births)

- Study showed labour began as much as 5 days before birth
- Average costs associated with premature births
  - About $300,000 in hospital services
  - Long-term health issues for child/ issues for parents
- With early recognition of labour, one could take steps to delay birth
  - Cost $7,000 to $10,000 (preventive service)
- Not appropriate for all but if one could identify high risk pregnancies, would you pay cost to get pregnancy towards full term?
Costs/Incentives (back to premature births)

• In US context,
  • I pay the full cost, so the investment can result in significant savings

• In Canada,
  • I pay the full cost but the government system realizes savings
  • No incentive for the health care system to address this

• Recent celeb checked into US hospital with twins expected to assist in delaying early birth, almost one month prior to birth
  • Children born near full term and went home earlier and healthier

• Growing item—C-Section versus Natural
  • Money, convenience, new concern about health
Costs/Incentives (other areas)

- Chronic Illnesses
  - Diabetics, Asthmatics, heart patients
    - All would benefit from wellness initiatives
    - Investment again benefits overall system
  - In Canada, no incentive within Health Care System

- Prescription Drugs
  - our Brand Names—less expensive
  - our generics—more expensive
  - Generic usage under Canadian Plan—35%
  - Generic usage under US plans—some approaching 90%
Quality of Care

• In both systems, if properly diagnosed
  • The care is excellent

• Where the individual is active/engaged
  • The system works much better

• Access and waiting lists for services will continue to be an issue

• Ability exists to produce better outcomes in both countries and at lower cost is some areas

• Demographics and new technologies impact in both directions
QUESTIONS