



**UNIVERSITY OF ALBERTA**  
**SCHOOL OF PUBLIC HEALTH**

# **Why is healthcare in Canada, and Alberta in particular, so Costly?**

**Stephen Duckett**

**Presentation to Breakfast with the Chiefs**  
**September 2014**

**Cost per Head**



above  
International  
average

**Worst  
quadrant**

**Canada is  
here**

above  
international  
average

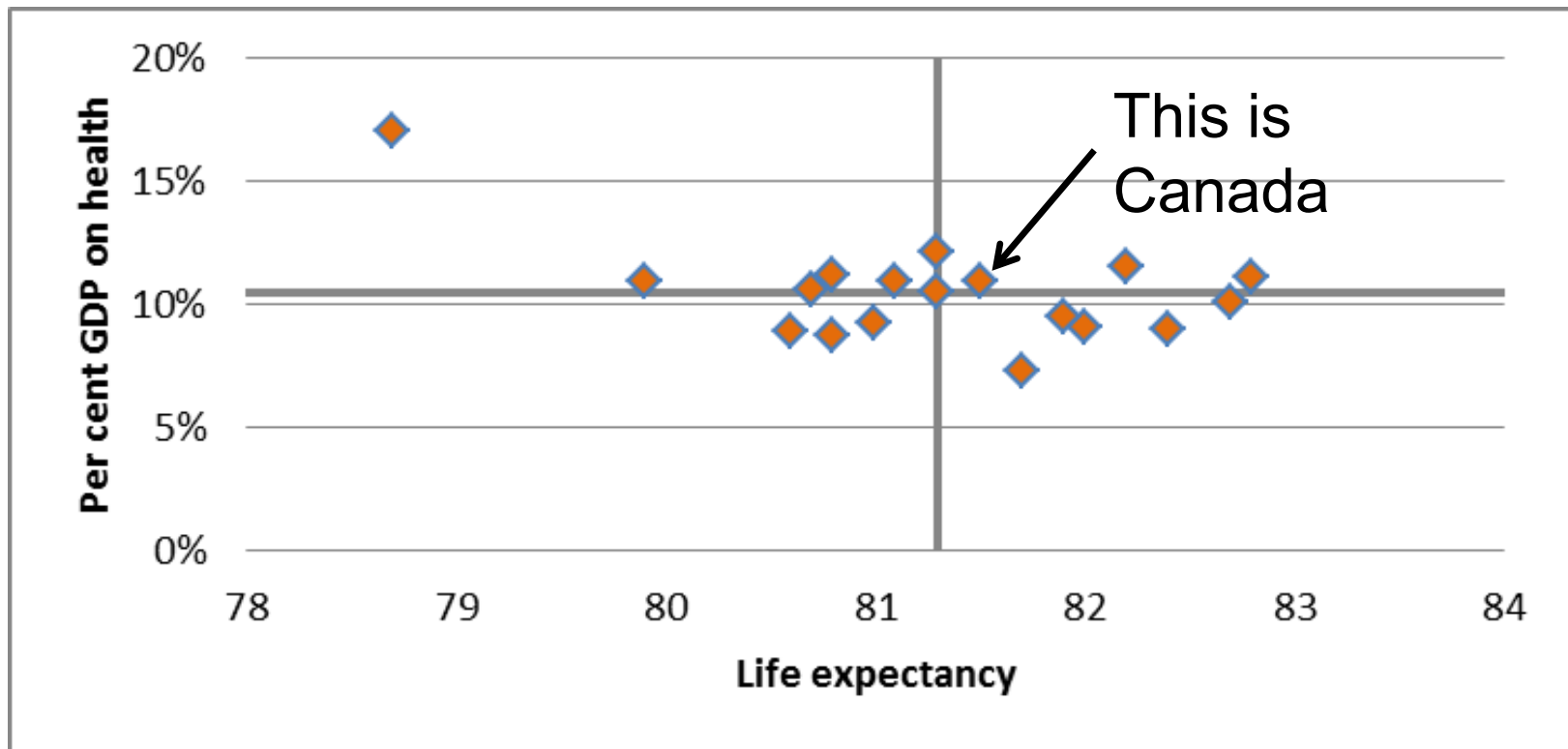


International  
average

**Life  
Expectancy**

**Best  
quadrant**

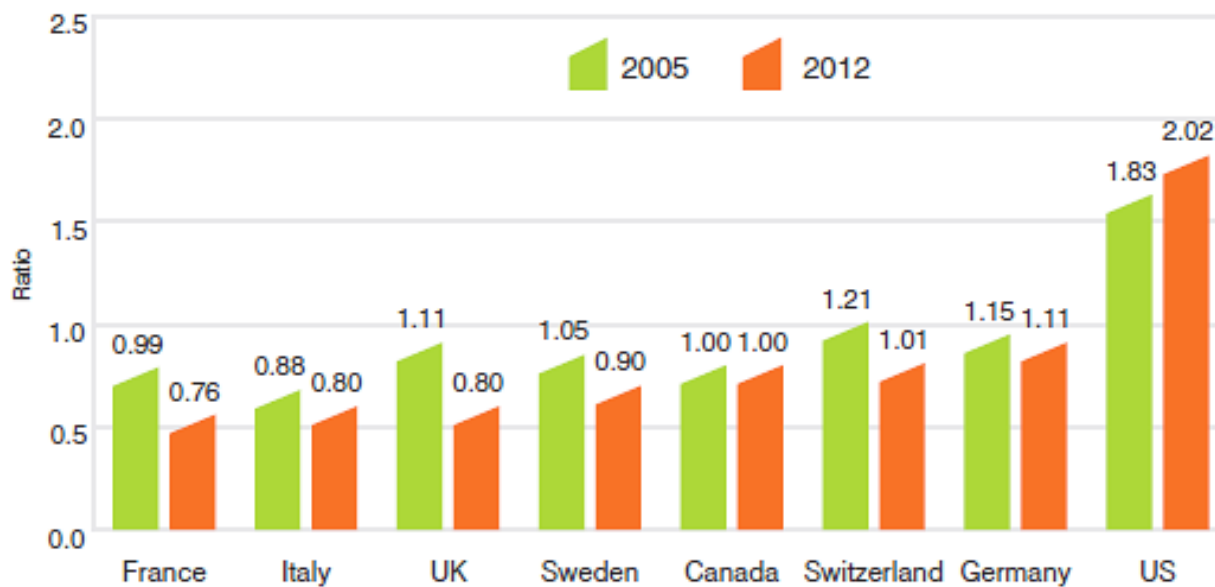
# So is Canada that more expensive?



As a result, Canada's health care costs are higher than those of other OECD countries. What about the potential?

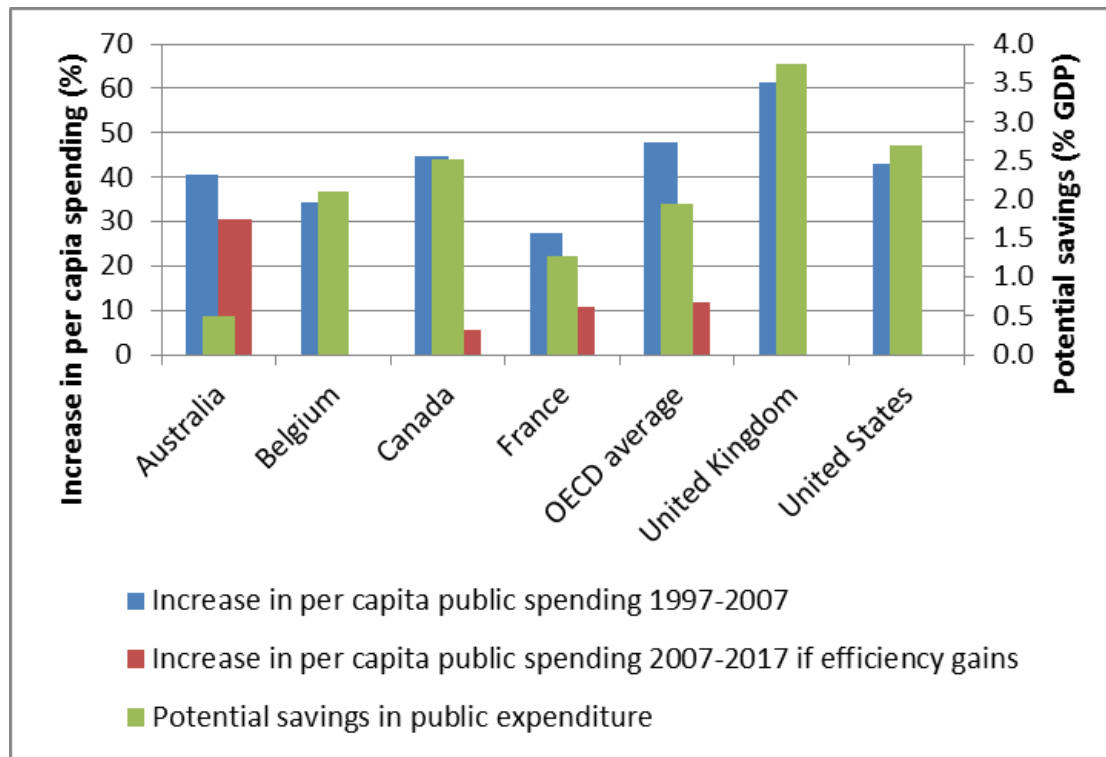
# What if we did international benchmarking?

Average ratio of country pharmaceutical (patented) prices to Canadian prices



Source: Patented Medicine Prices Review Board, Annual Report 2012 <http://www.pmprb-cepmb.gc.ca/english/view.asp?x=1779&mid=1712>

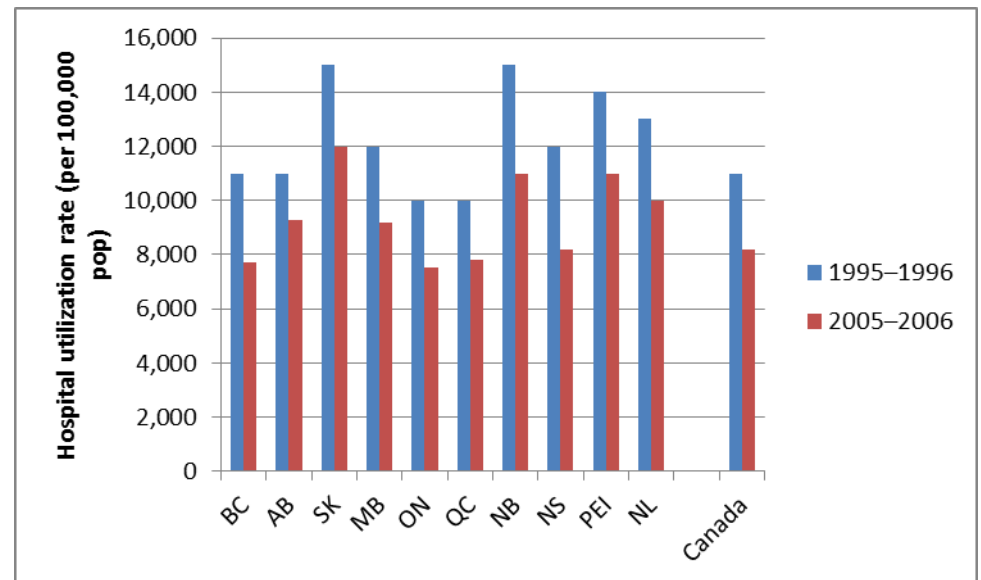
# OECD estimates of potential savings by adopting world's best practice (while protecting life expectancy)



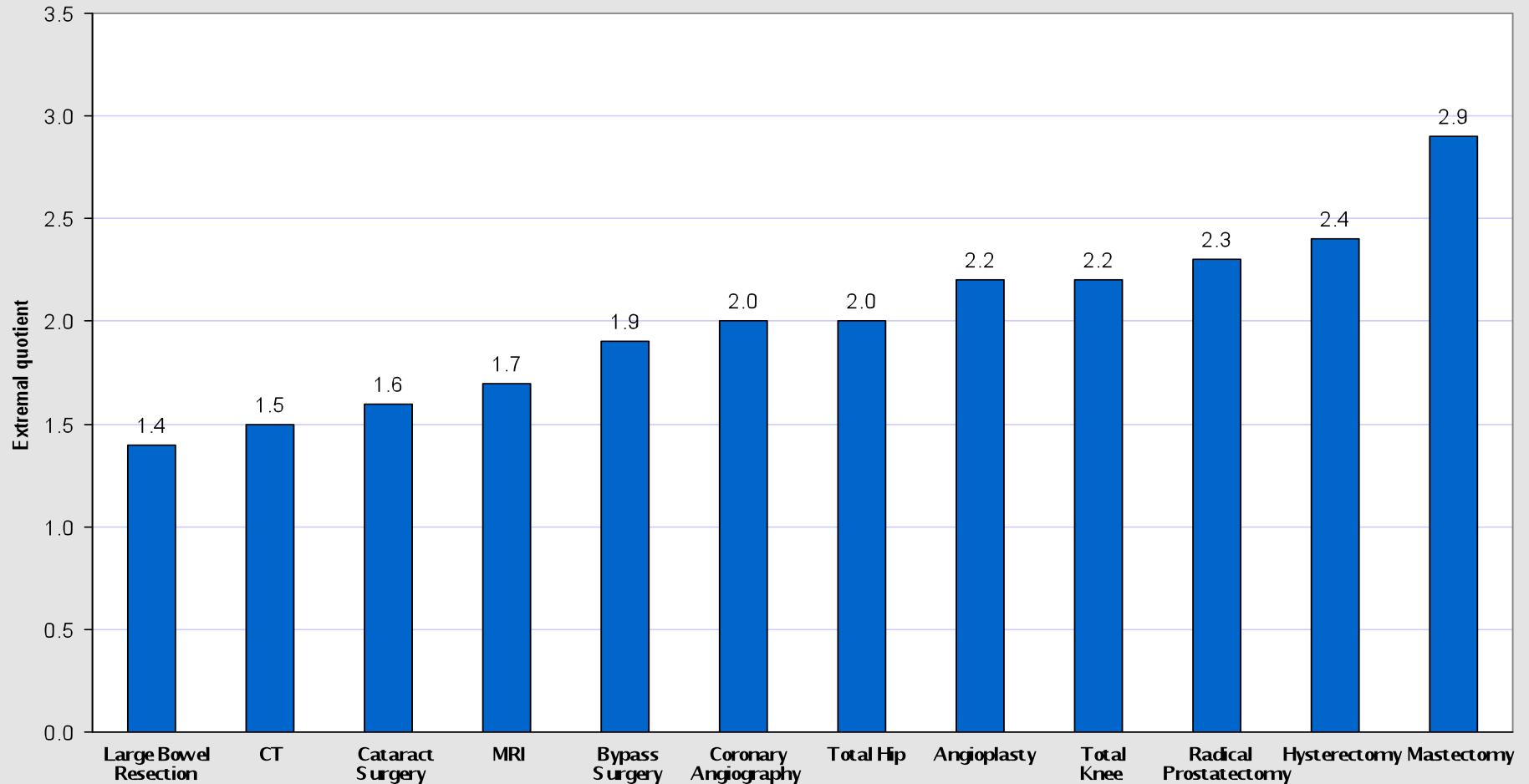
Joumard, I., et al. (2010). *Health care systems: efficiency and policy settings*. Paris, OECD.

# Possible explanations

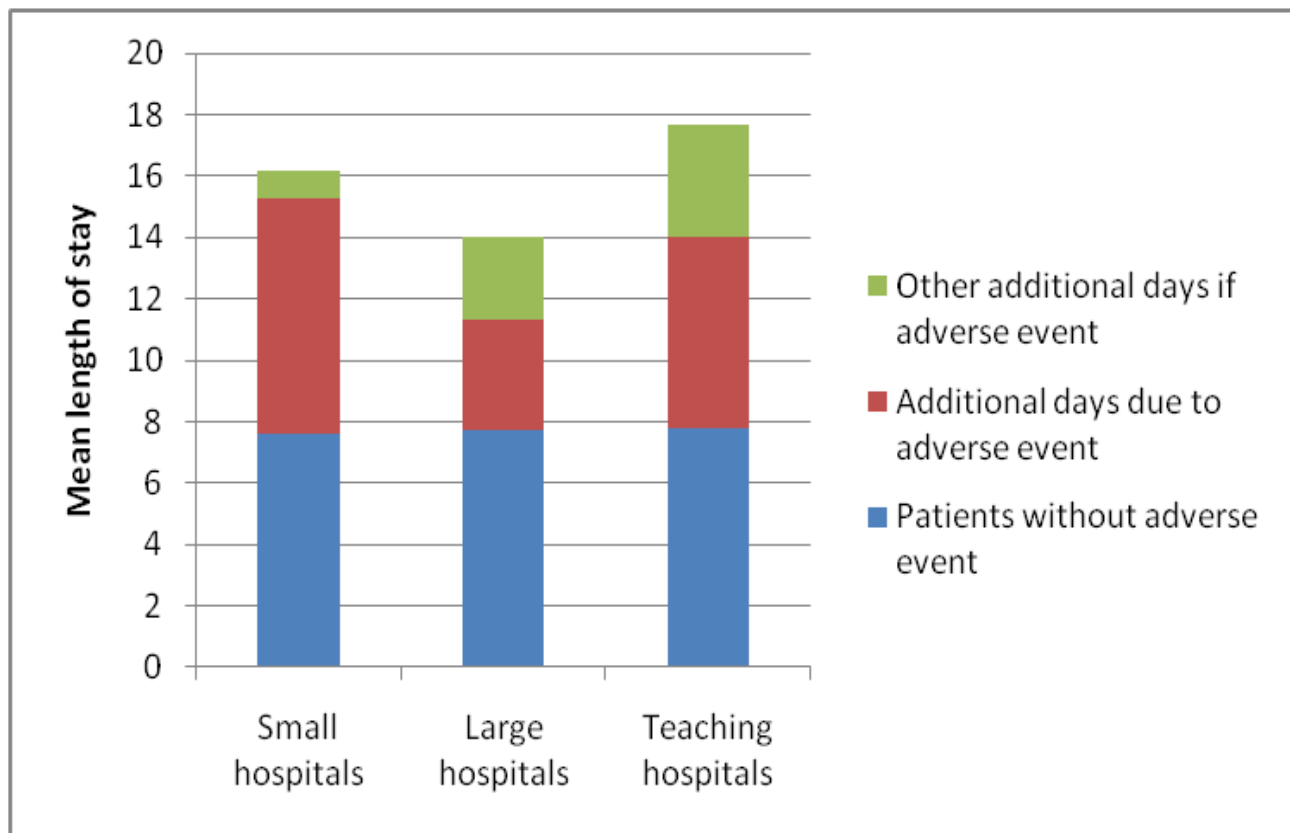
- Prices
  - Commonwealth Fund data suggest this is so
- Excess demand



## 7.4 Variation in procedures across Local Health Integration Networks in Ontario, 2004/05



# Having an adverse event occur doubles length of stay: between 3.6 and 7.7 days is directly attributable to the adverse event



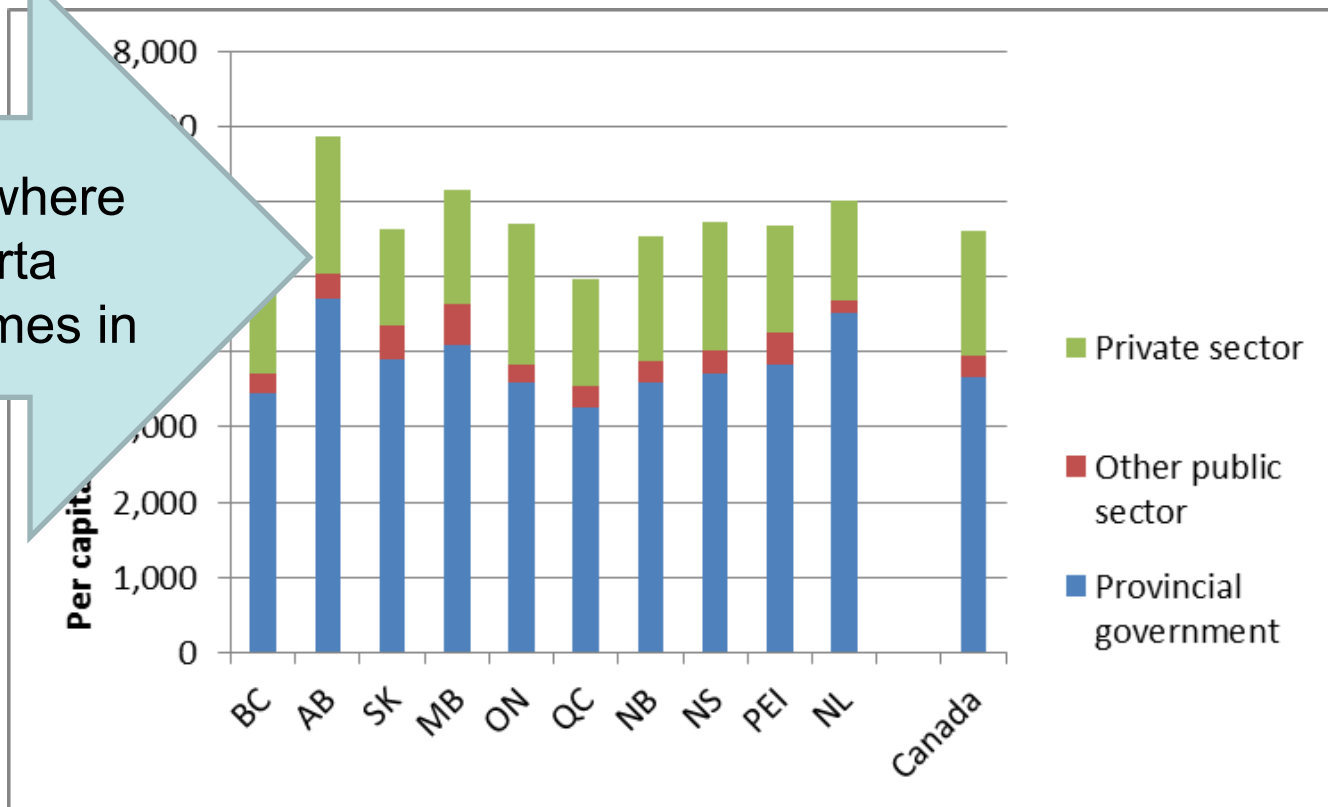
Data source: Baker, G. R., Norton, P. G. et al. (2004). The Canadian Adverse Events Study: the incidence of adverse events among hospital patients in Canada. *CMAJ*, 170(11), 1678-1686.



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# What if we did some provincial benchmarking?

And this is where the 'Alberta problem' comes in



# Summary

- **Alberta is more expensive, with worse outcomes**
- **Driven by higher factor prices and higher utilization**
- **Driven by provincial wealth and politics**

**Cost per Head**



above Canada average

**Alberta 2008**



above Canada average



Canada average

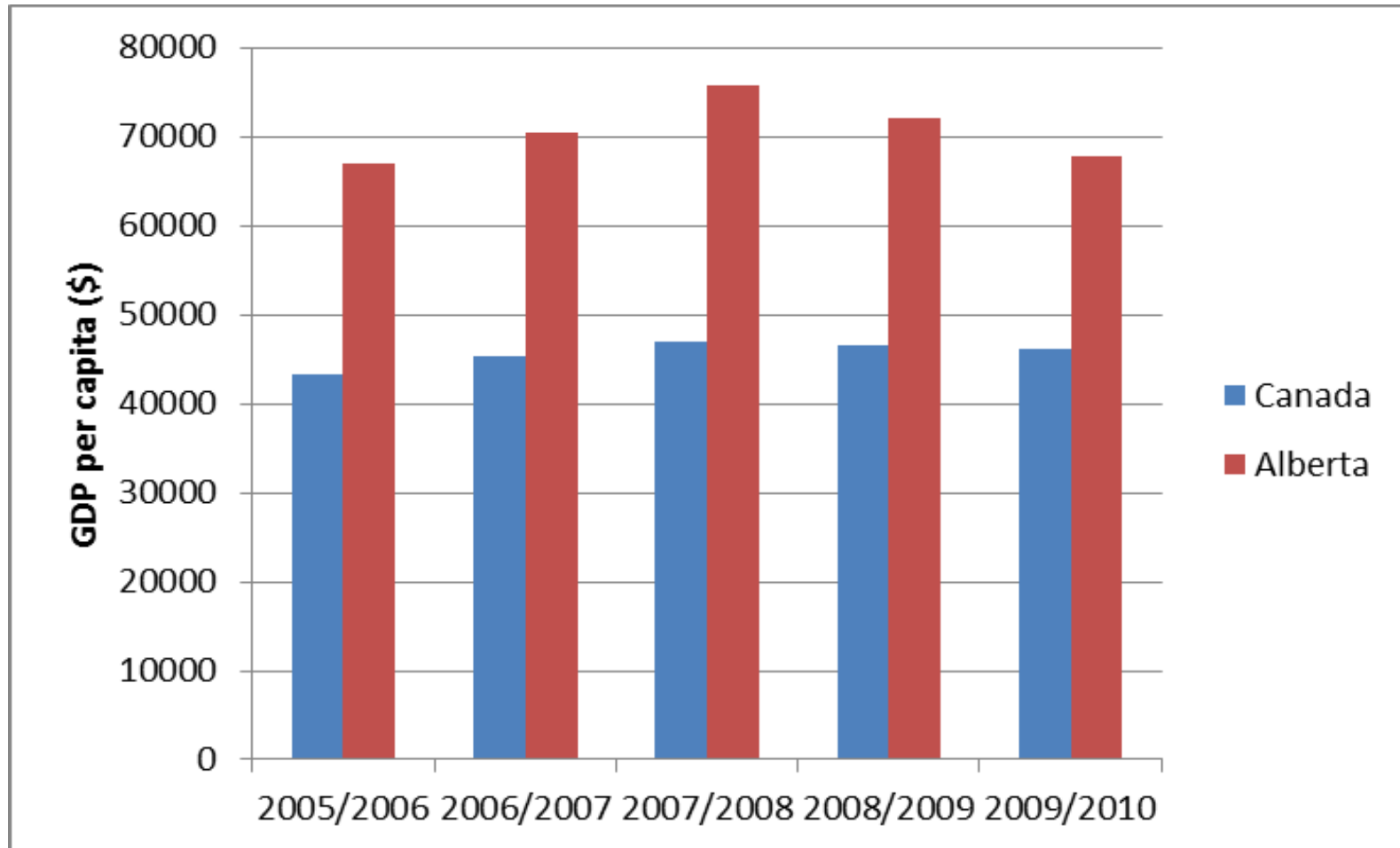


**Life Expectancy**

**Alberta early-mid 1990s**



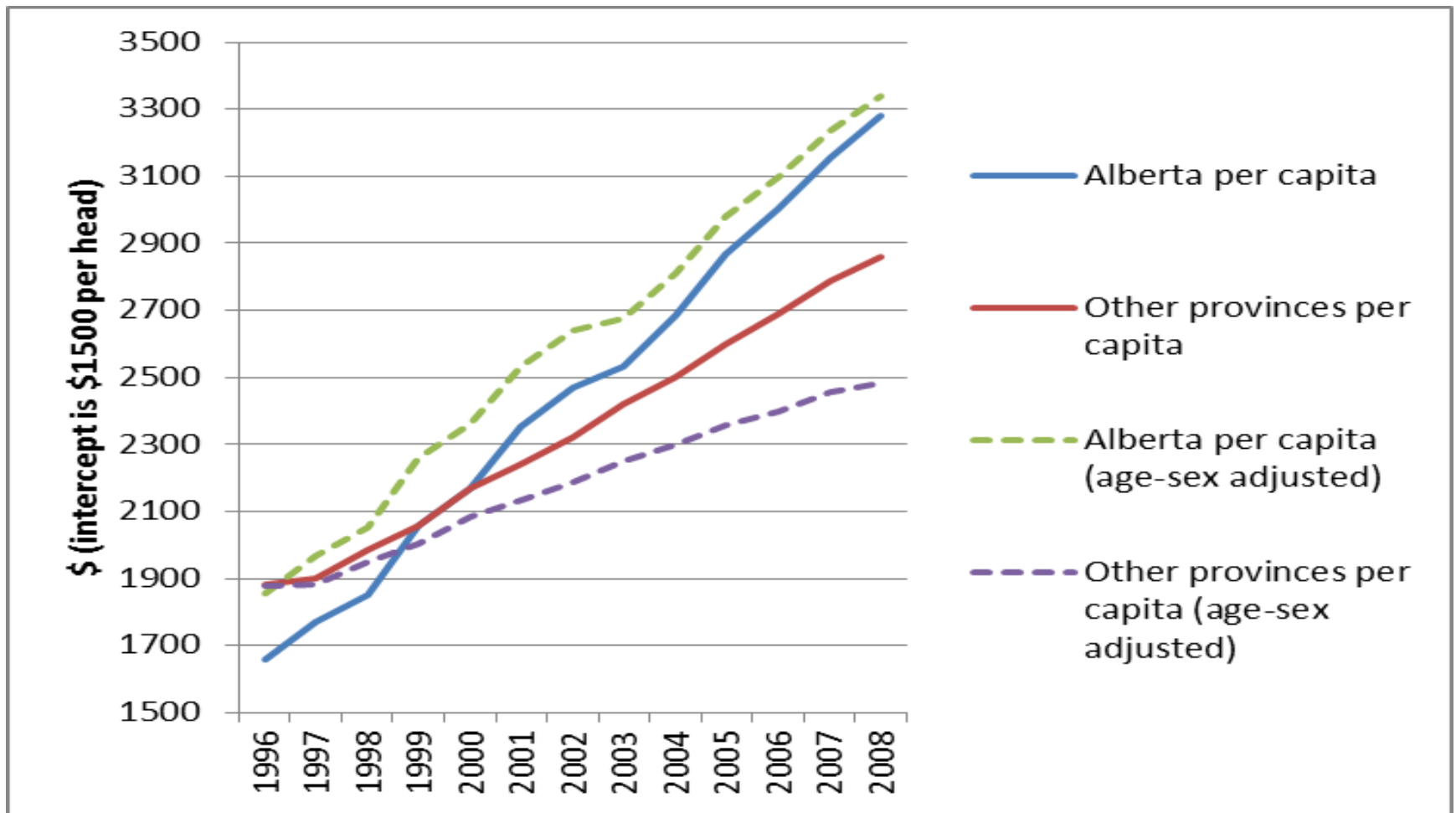
## Alberta's economy is narrowly based, and has declined in size following the (Global) Financial



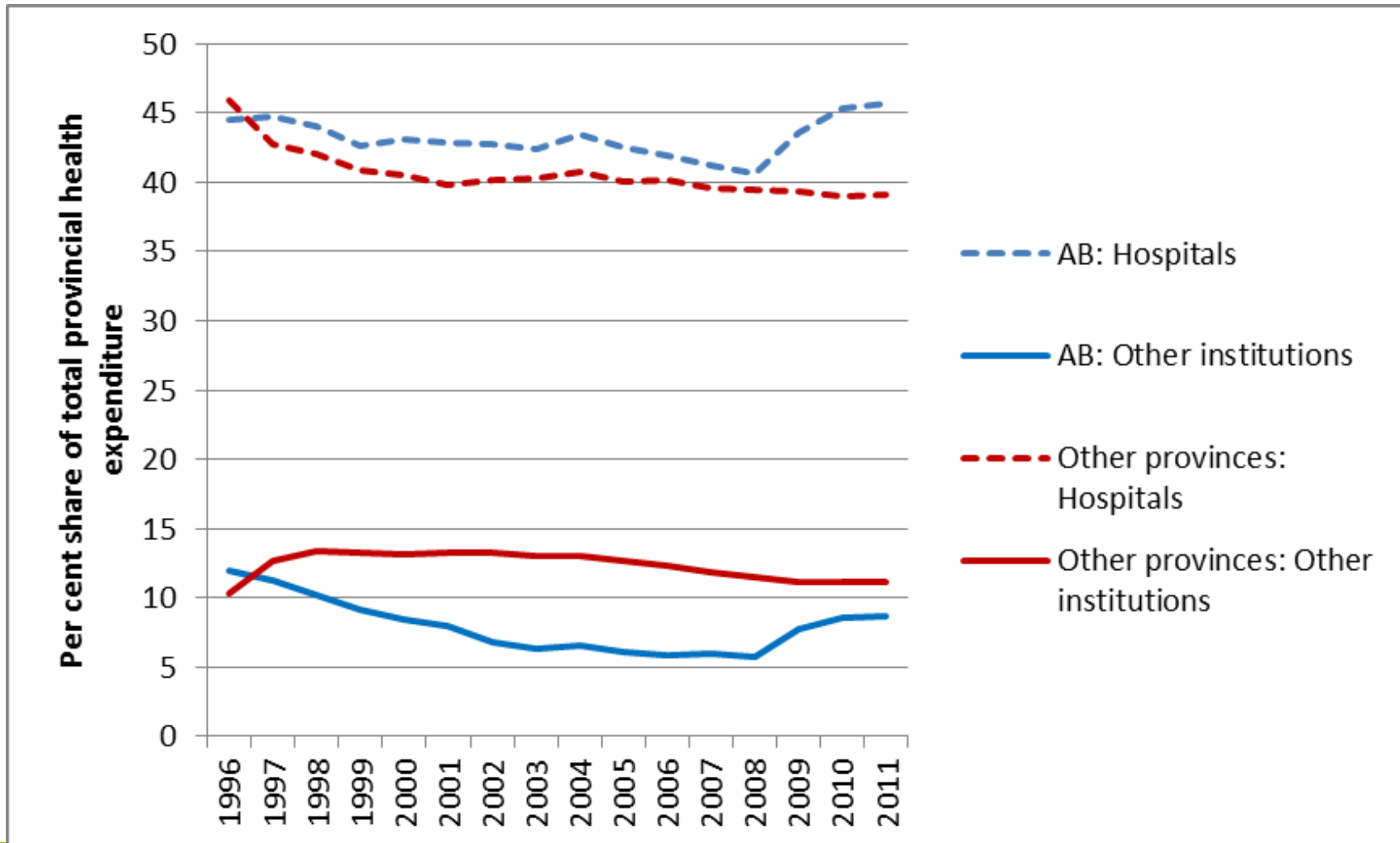
## Alberta is characterized by long-serving (conservative) governments

- Becomes province in 1905, Alberta Liberal Party government (16 years in office)
- Change of government to United Farmers of Alberta in 1921 (14 years),
- to Social Credit in 1935 (36 years),
- to Progressive Conservative in 1971 (41 years so far)

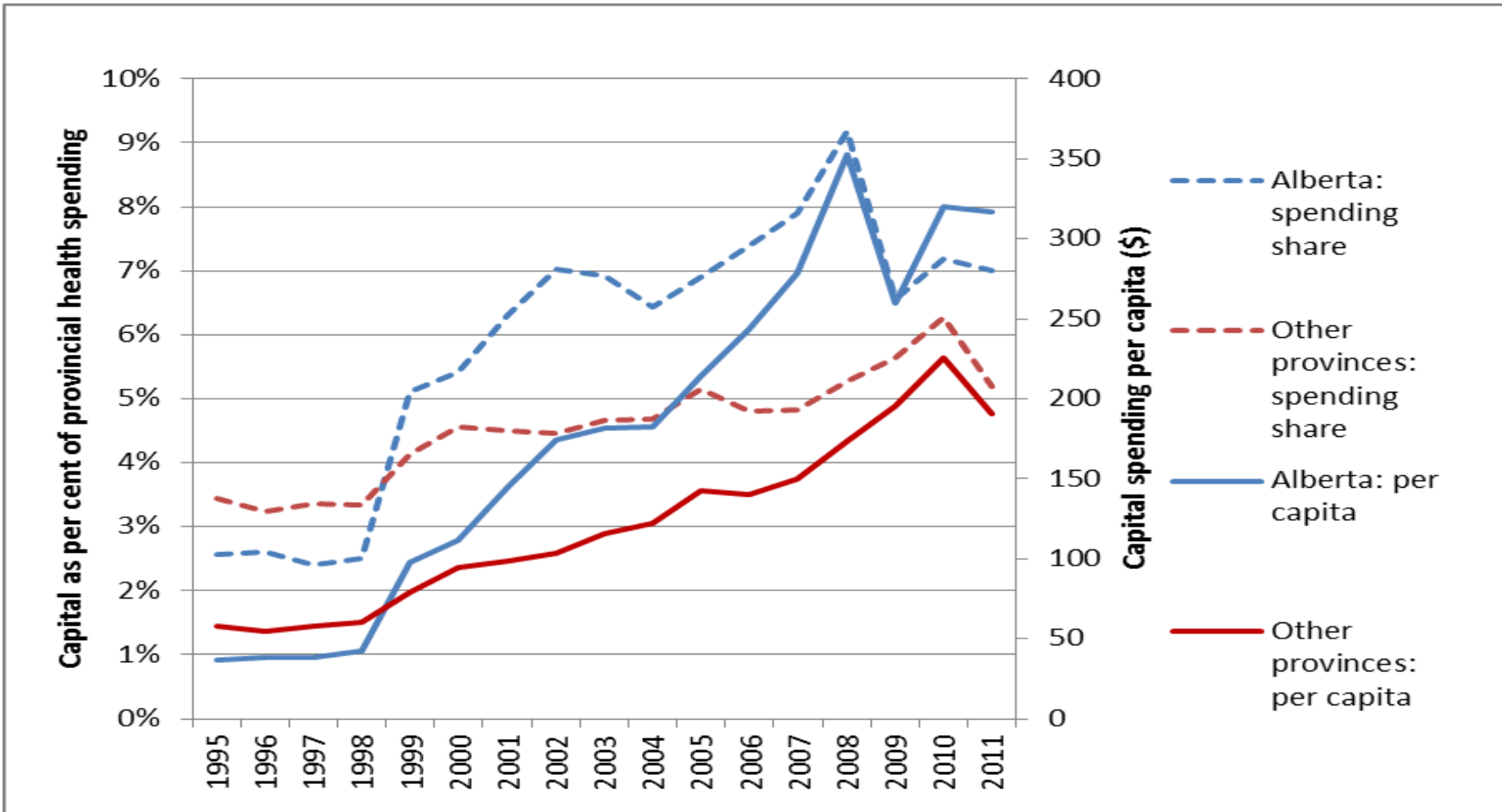
# Alberta used to be below Canadian average on costs, now above, age-sex adjustment widens the gap



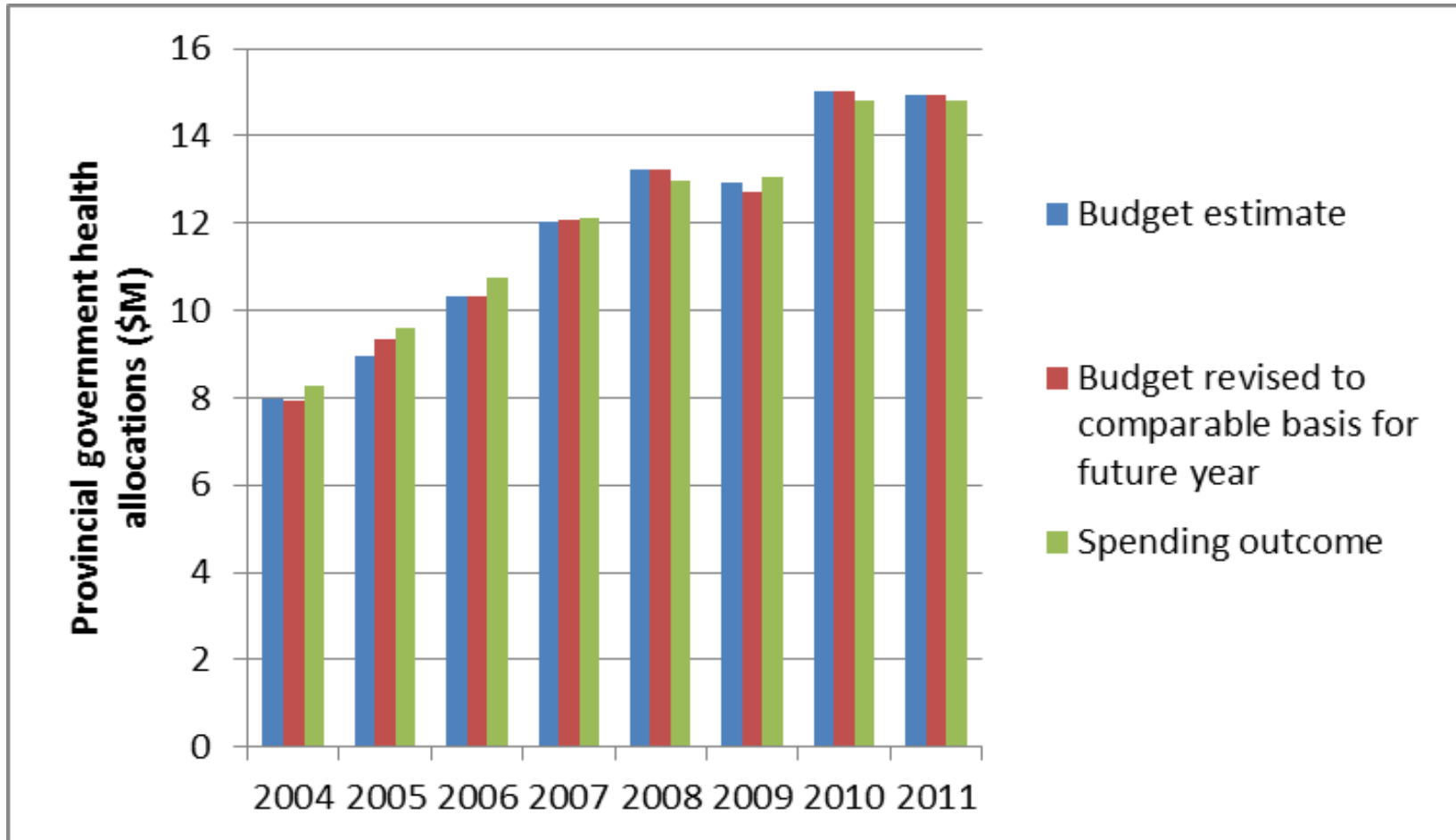
# Alberta loves hospitals, but underinvests in seniors' accommodation



# Alberta loves building things

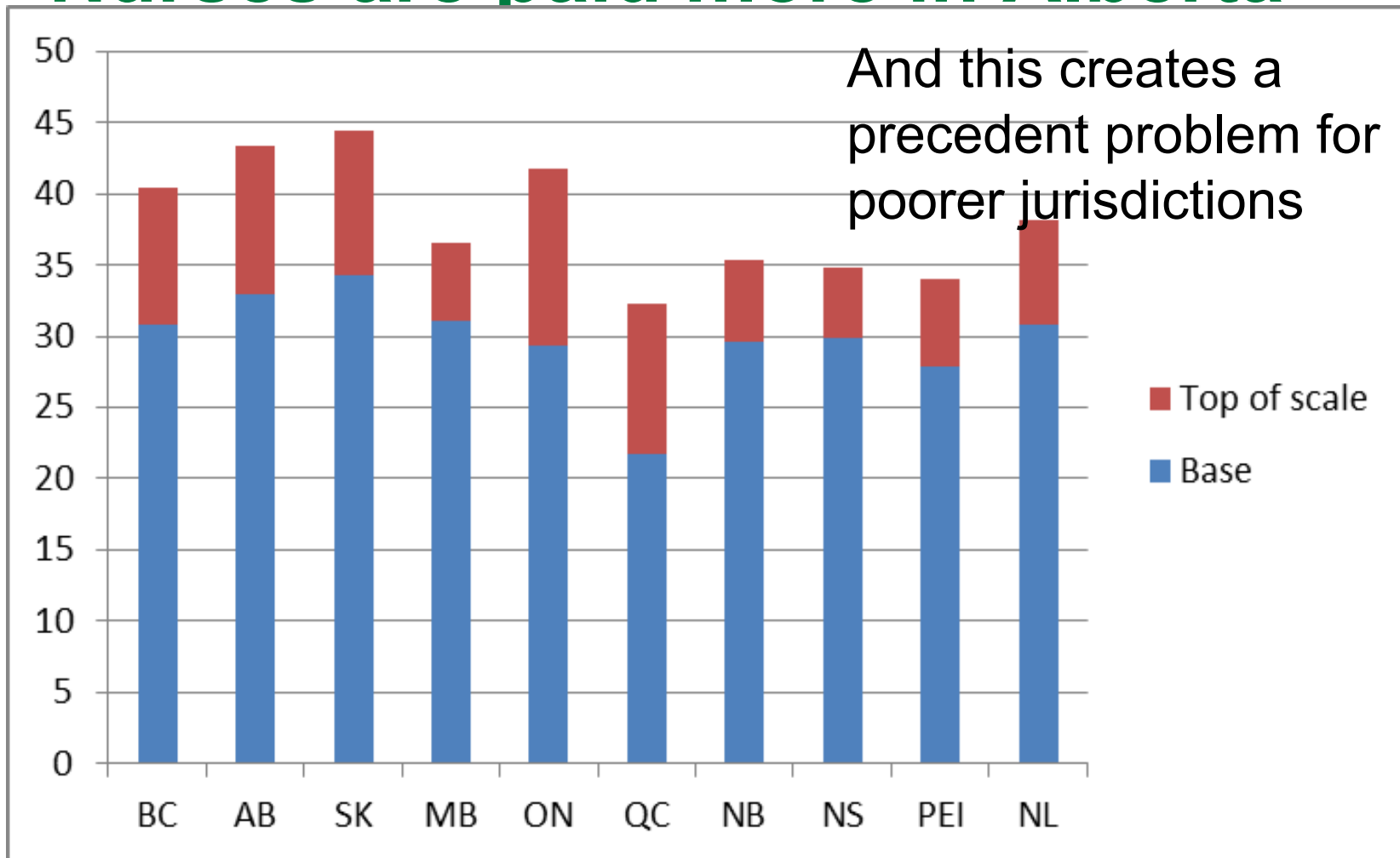


# The budget game: spending outcome was (prior to AHS) generally above initial budget (even after 'approved' adjustments)



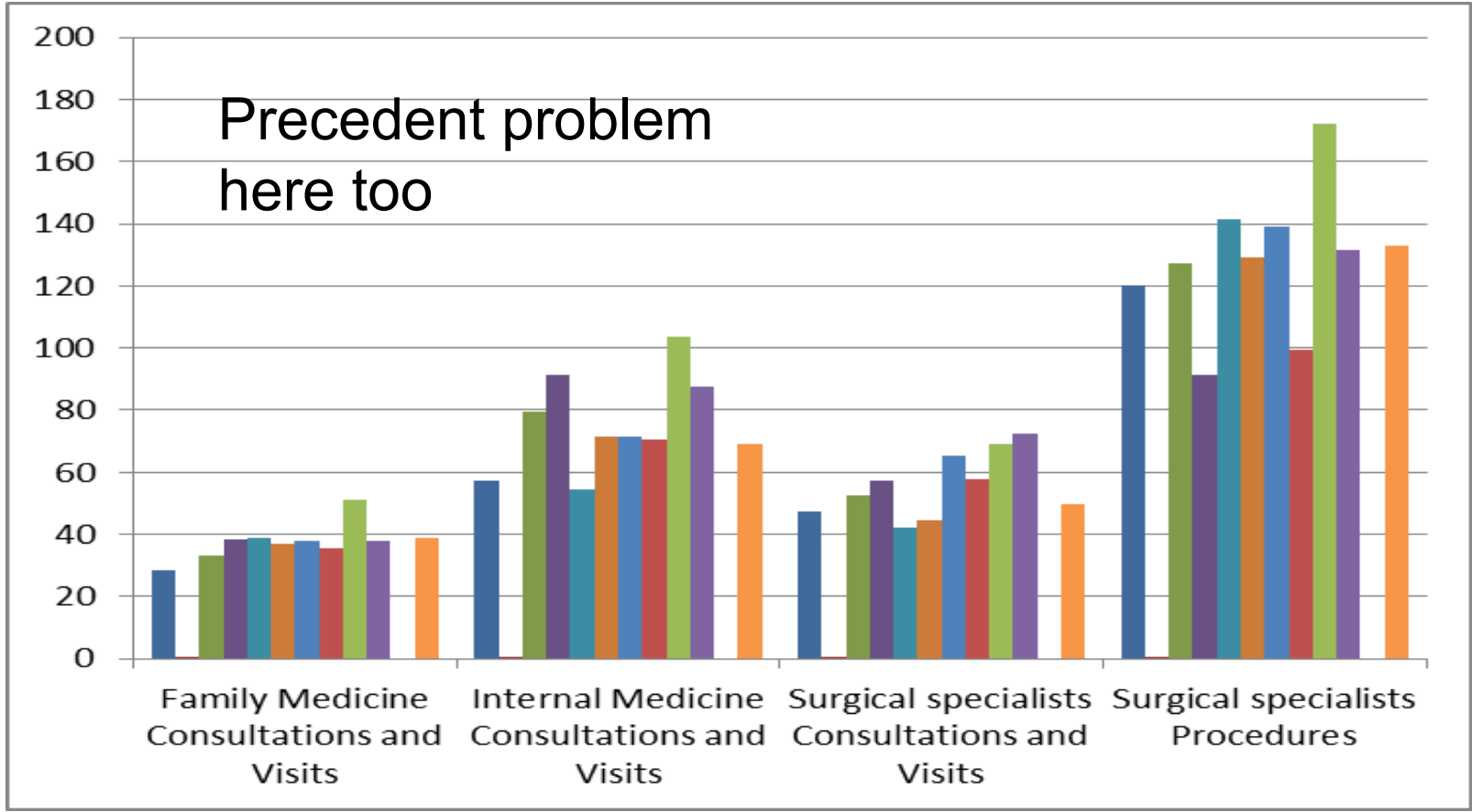
# Higher input costs, higher service costs

# Nurses are paid more in Alberta

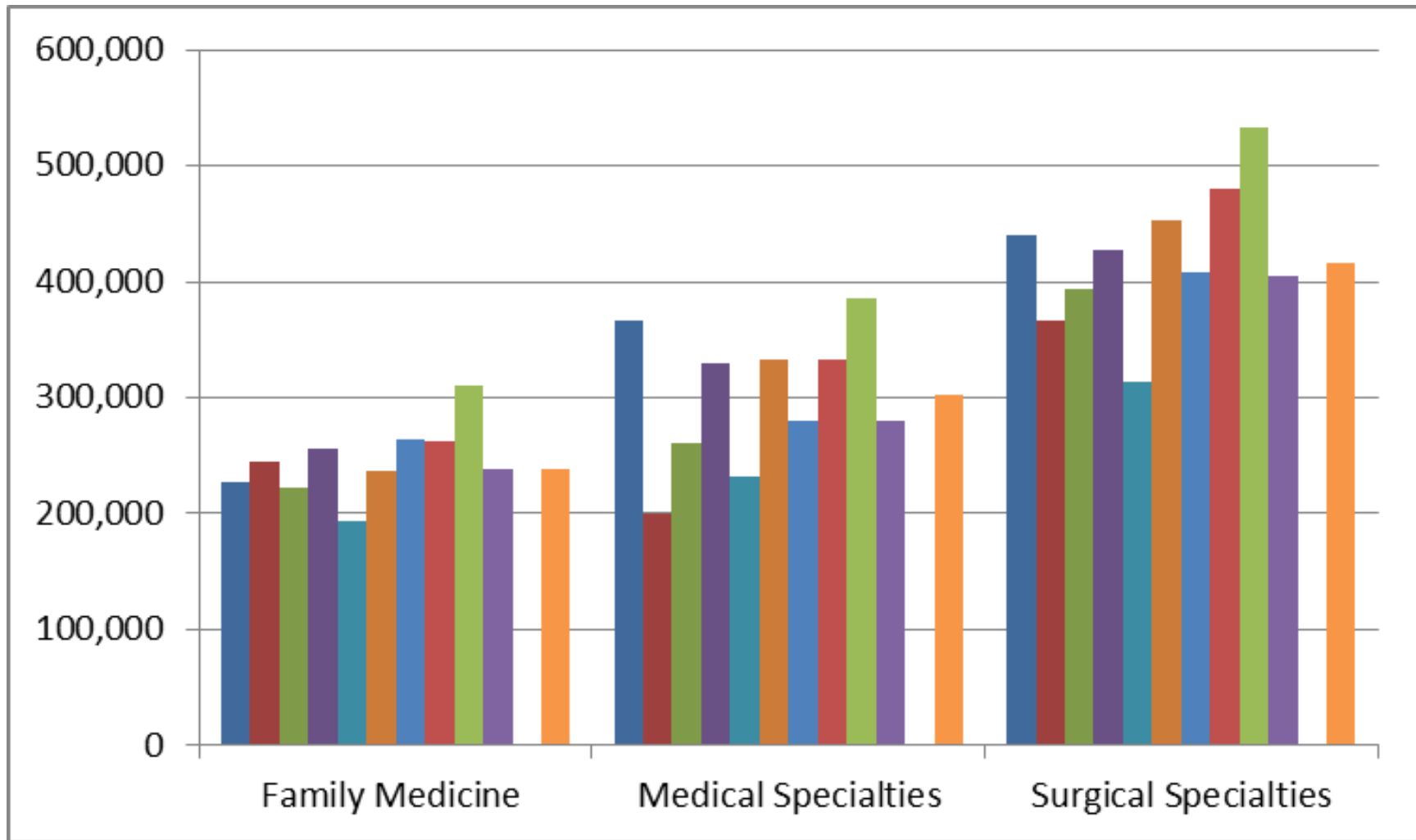


# Average fee for physician visits/procedures are higher in Alberta

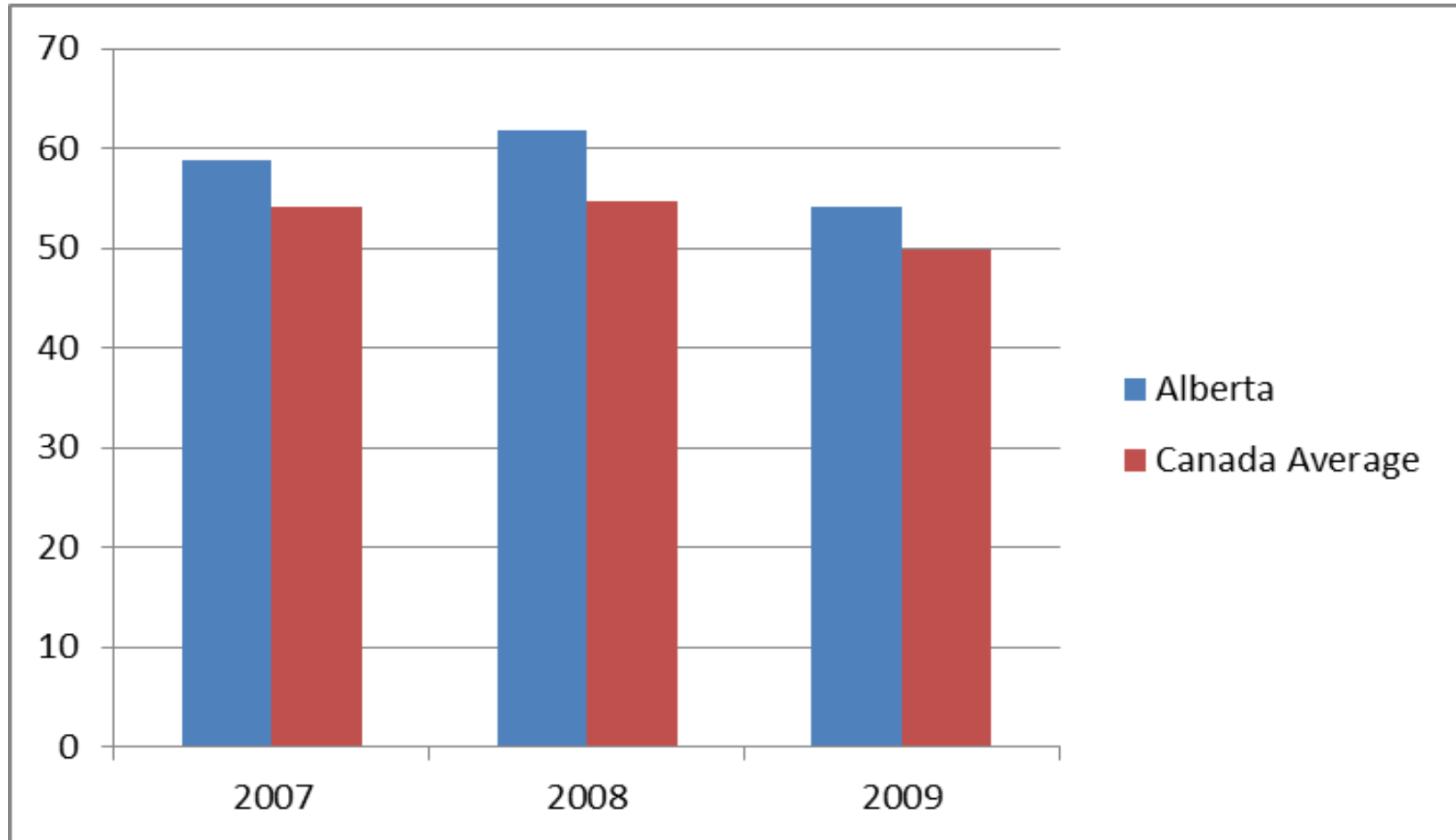
(provinces east to west, Canada average separate)



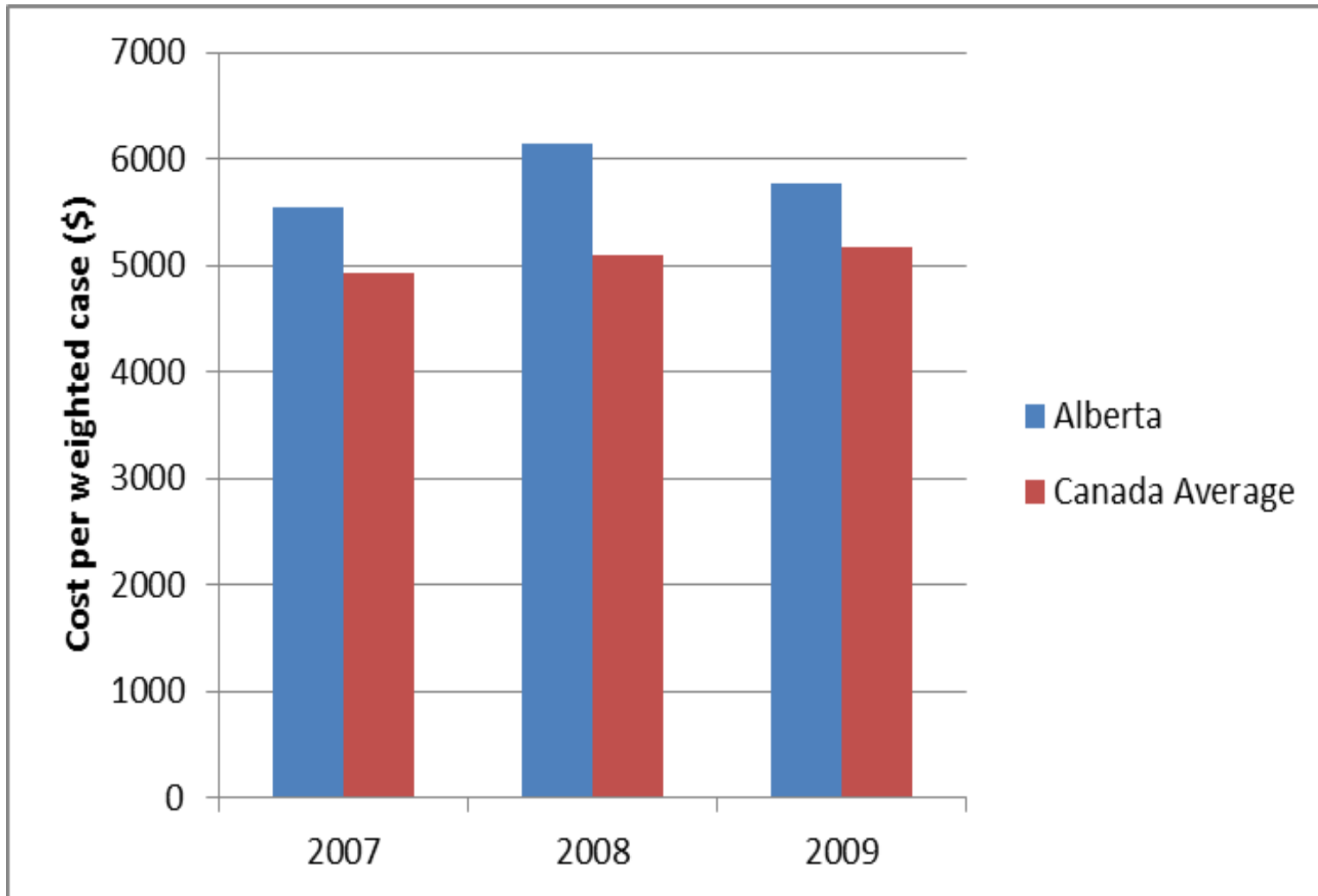
## Average physician incomes are higher in Alberta too



# Alberta provides more nursing hours per (weighted) inpatient



# Patients cost more in Alberta

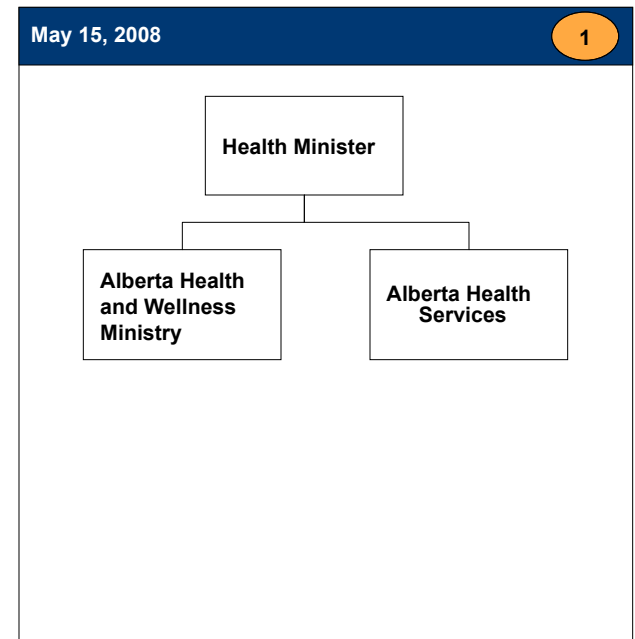
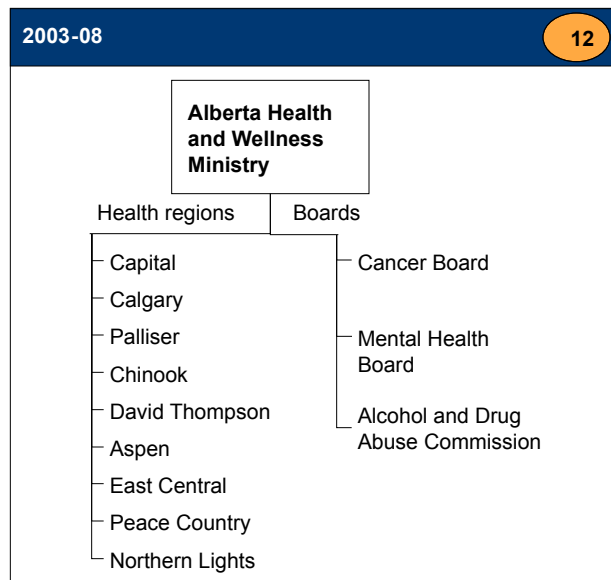
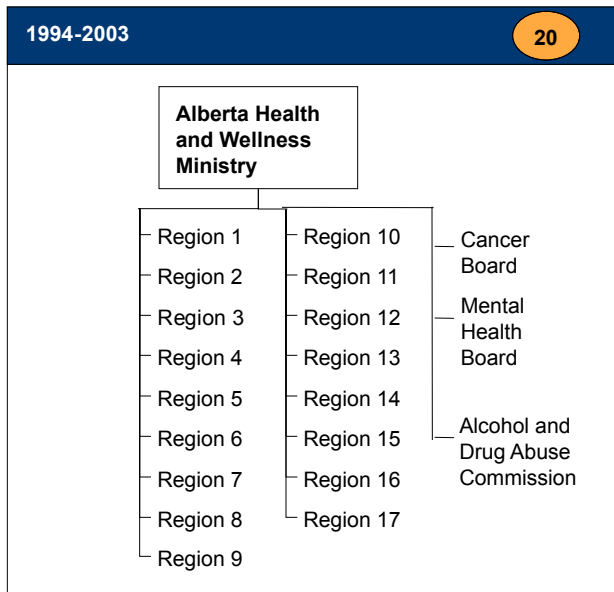
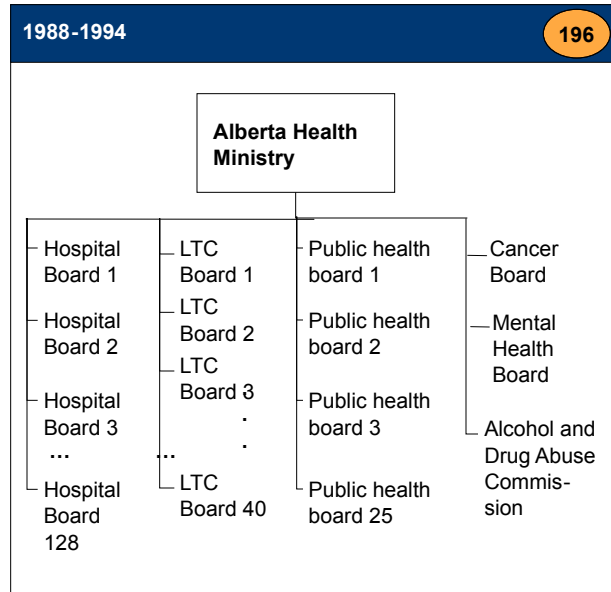
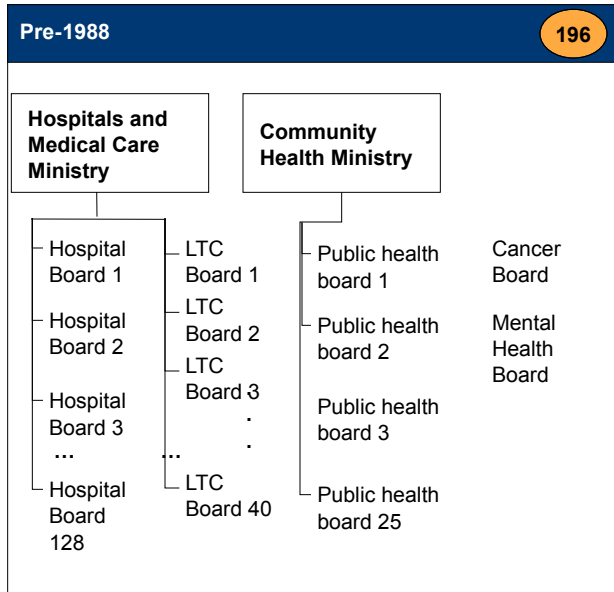


# Bending the curve strategies

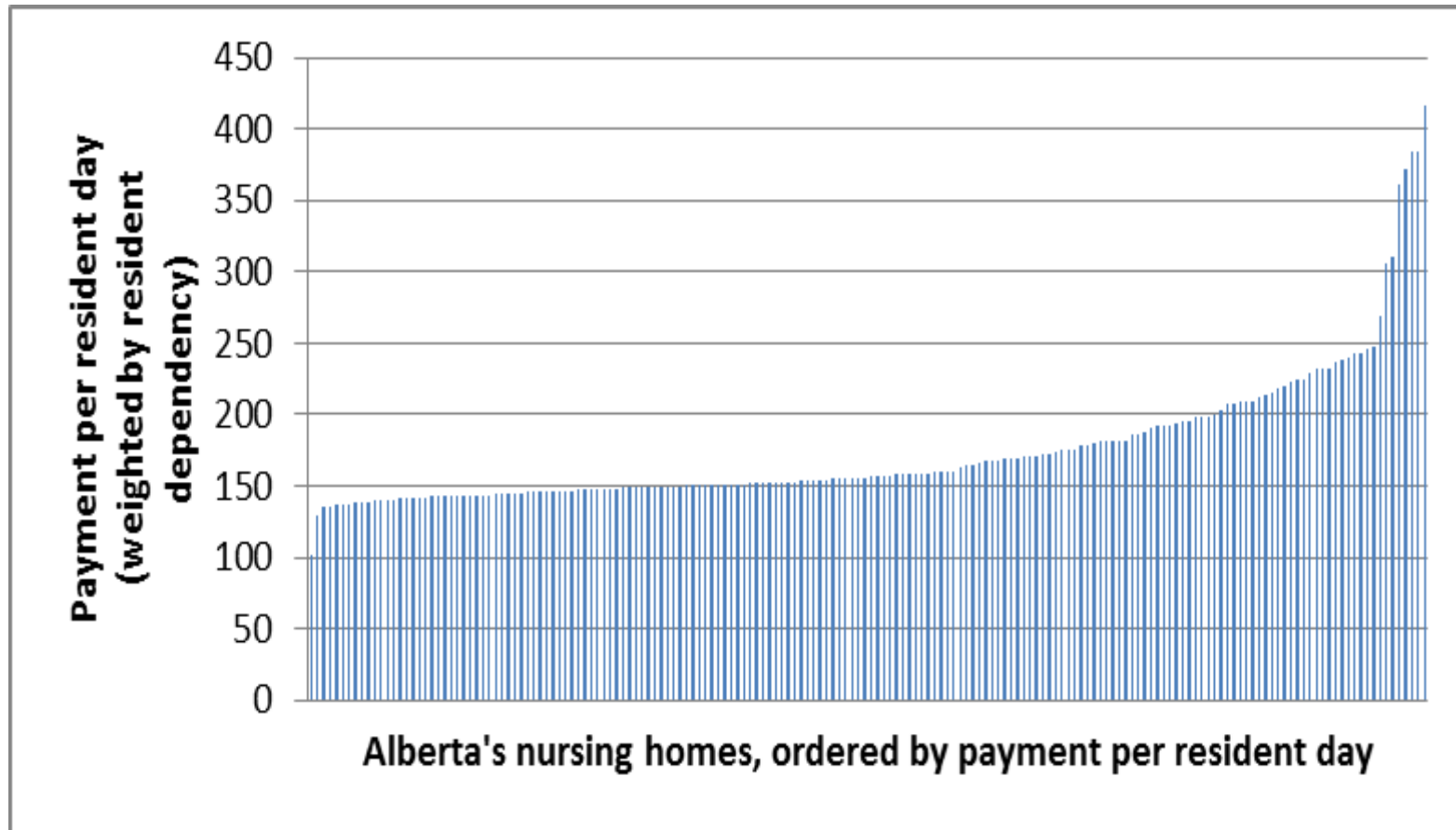
- **Structural change**
- **Privatization**
- **Primary care**

# Historical eras in Alberta's health system

# Number of reports to service delivery integration point



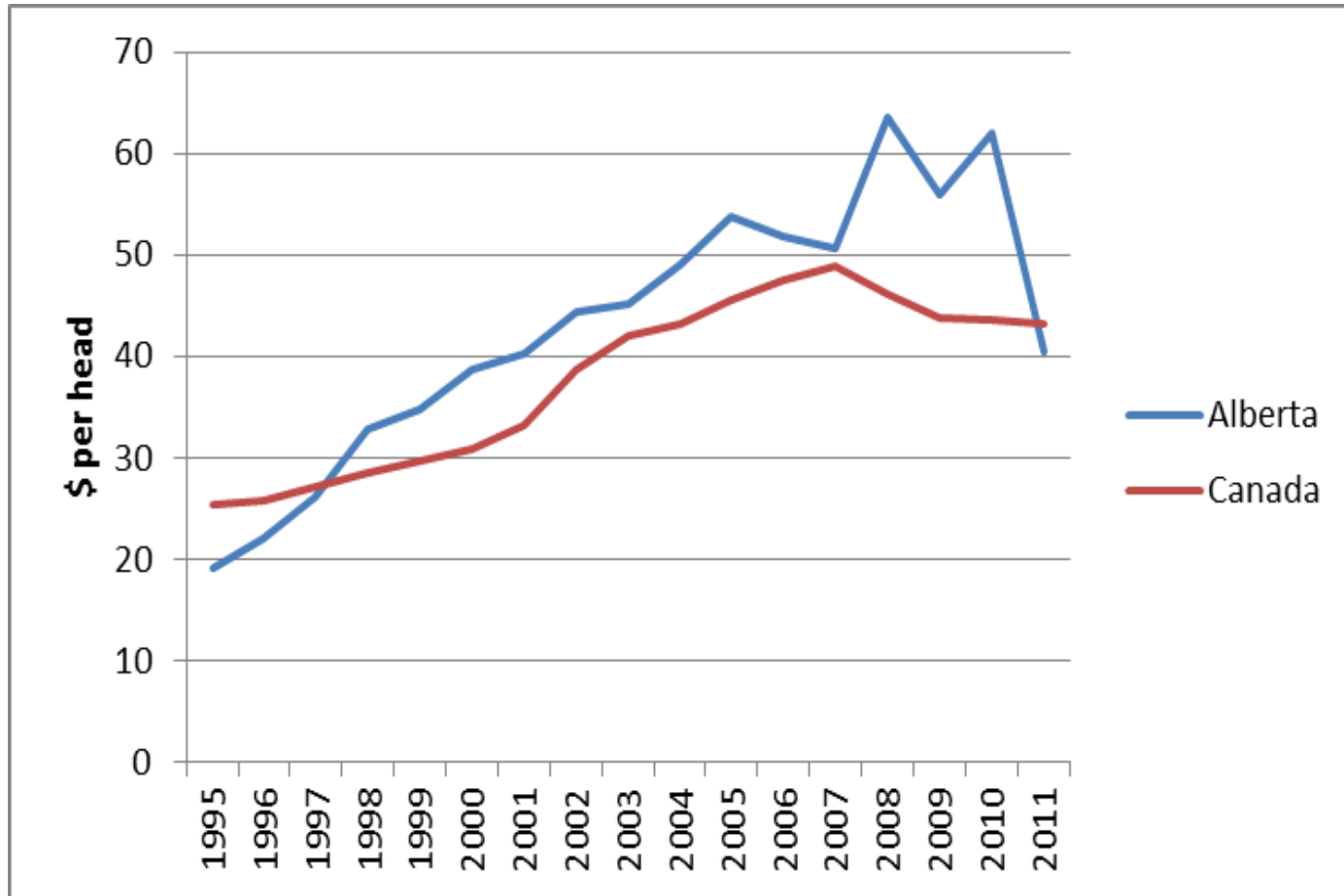
# Example of intra-provincial inequity



# Alberta was characterized by generous remuneration and management staffing

	Calgary	Capital	Cancer Board	All others	Subtotal	AHS
President & CEO	1,335	915	712	3,227	6,189	744
Other Board and CEO Direct Reports	4,332	3,095	2,343	11,174	20,944	5,063

# Administrative expenses are generally higher in Alberta

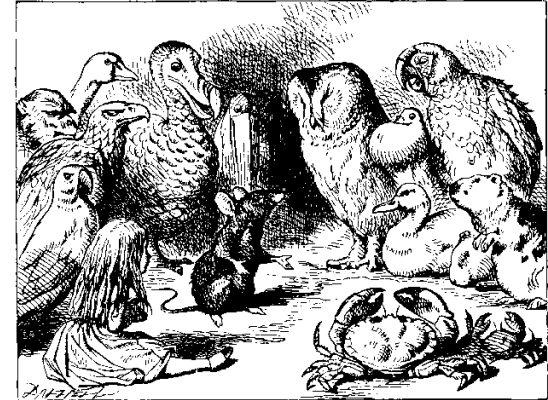


# Province characterized by Noah's Ark principle for planning



# Privatization

- **Cataracts**



- “Facilities submit bids to AHS at regular intervals, and an evaluation committee takes all bids and averages or blends them to determine the price. ... this process does nothing to encourage either truthful bidding or low bidding. There is an implied risk that AHS might allocate more procedures to the lowest bidder (s), but in fact this has never occurred. The process might even encourage providers to inflate their bids to boost the average price”

Dranove, D., et al. (2009). A competitive process for procuring health services a review of principles with an application to cataract services. SPP Research papers. 2(5) School of Public Policy, University of Calgary..

- 2009-10: institute normal tender process
- Tender outcome: reduction in price (returned as 20% increase in volume)
- Non-selected tenderers object
- Ministerial intervention, \$ reallocated to accommodate them

# Privatization -2

- **Orthopaedics**

- HRC in Calgary

SURGERY (Contracted)	AHS CALGARY CASE COST	HRC CASE COST	COST DIFFERENCE (Relative to AHS Calgary Cost)
<b>Total Joint Replacements</b>			
Total Hip Arthroplasty	\$7,238	\$7,724	More expensive by \$486
Total Knee Arthroplasty	\$7,238	\$7,724	More expensive by \$486
Total Shoulder Arthropasty	\$7,851	\$8,369	More expensive by \$515
<b>Other Procedures</b>			
Foot and Ankle Procedure	\$5,677	\$7,491	More expensive by \$1,814

- **Linen**

- K-Bro awarded renewed Edmonton contract
- Made “certain price concessions as compared to the existing services agreement”

# Privatization -3

The screenshot shows a CBC News article from May 21, 2009. The article is titled "Health workers file lawsuit over Telus payroll system" and is categorized under "Canada" and "Calgary". The main text reports that health-care workers in Calgary have filed a class action lawsuit against a Telus subsidiary, Sourcing Solutions Inc., over payroll and benefits issues. The lawsuit, worth \$50 million, was filed by lawyer Clint Docken on behalf of two employees. The article includes a photo of a Telus sign and a quote from a Telus spokesman stating that problems are being quickly rectified. A sidebar on the left offers social media sharing options (Facebook, Twitter, Reddit, Google+, Email) and lists related stories and external links. A "Must Watch" section at the bottom features video thumbnails.

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## Health workers file lawsuit over Telus payroll system

CBC News Posted: May 21, 2009 3:31 PM MT | Last Updated: May 21, 2009 4:24 PM MT

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- Faulty payroll software affecting thousands at Calgary Board of Education

**External Links**

- Class action lawsuit against TSSI

(Note: CBC does not endorse and is not responsible for the content of external links.)

Health-care workers in Calgary have filed a class action lawsuit against a Telus subsidiary that handles their payroll and benefits.

Lawyer Clint Docken said Thursday the lawsuit, worth \$50 million, has been filed against Telus Sourcing Solutions Inc. on behalf of two employees of the former Calgary Health Region.

Docken claimed the workers have endured years of mistakes on pay stubs, problems with their family benefits and issues tracking vacation and pension calculations. There are potentially 4,000 people who could sign on to the lawsuit.

Telus Sourcing Solutions Inc., a department within Telus, began managing the payroll and benefits system in 2004 and still has 10 years left on its contract. The Calgary Health Region no longer exists, but Alberta Health Services still uses Telus Sourcing Solutions for Calgary-area employees.

Docken, who specializes in class action suits, said he has never represented such a large group that has suffered so many problems so often.

"What's unusual here are the number of people that are experiencing the same problems," he said.

He hopes a judge with the Court of Queens Bench will certify the group as having a common legal interest later this year so the matter can proceed.

**Errors in salary, benefits, vacation time alleged**

Laurel Jackson claimed she and other employees have been underpaid, found mistakes on their T-4 slips, have been told members of their families aren't covered by their dental plan, and found problems calculating vacation time.

"It's ridiculous. This should have been settled a long time ago," Jackson said. "They say, oh we're getting better. But they're not getting better. It's just getting worse."

A Telus spokesman said problems that do occur are quickly rectified. (Adrian Wyki/Canadian Press)

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**Must Watch**



# Barriers to bending the cost curve

- **Provincial wealth**

- Difficulty of saying No
- Intra-provincial rivalry
  - Noah's ark again
- Physician power
  - Until AHS, no orderly engagement process



- **Provincial politics**

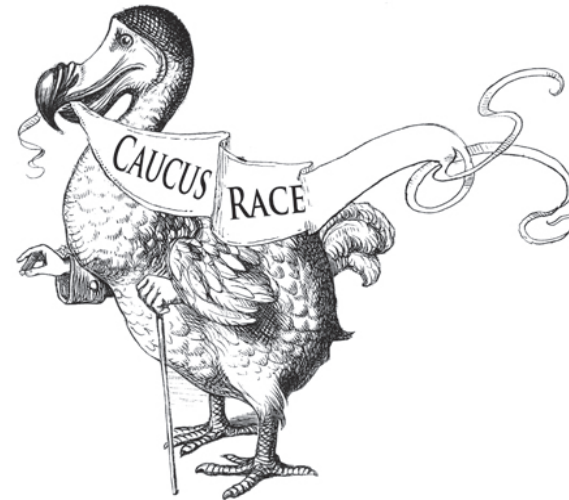
- One party state  $\longrightarrow$  clientelism

# Clientelism

- **Politics is about symbiotic exchange relationships develop which thwart meritocratic resource allocation processes**
- **A Tory loss would trigger Conservatives of convenience to head for the nearest lifeboat, since the PCs have about as much conviction as an empty bag of potato chips and are nothing without power. Not to break any hearts, but many Tory supporters do the supporting because they have an acute sense of smell — for the gravy at the trough. (Rick Bell, *Calgary Herald*)**

# Privatization

- **Cataracts**
- **Orthopaedics**
- **Linen**
- ***Laboratory services***
  
- **Payroll processing**



# Barriers to bending the cost curve

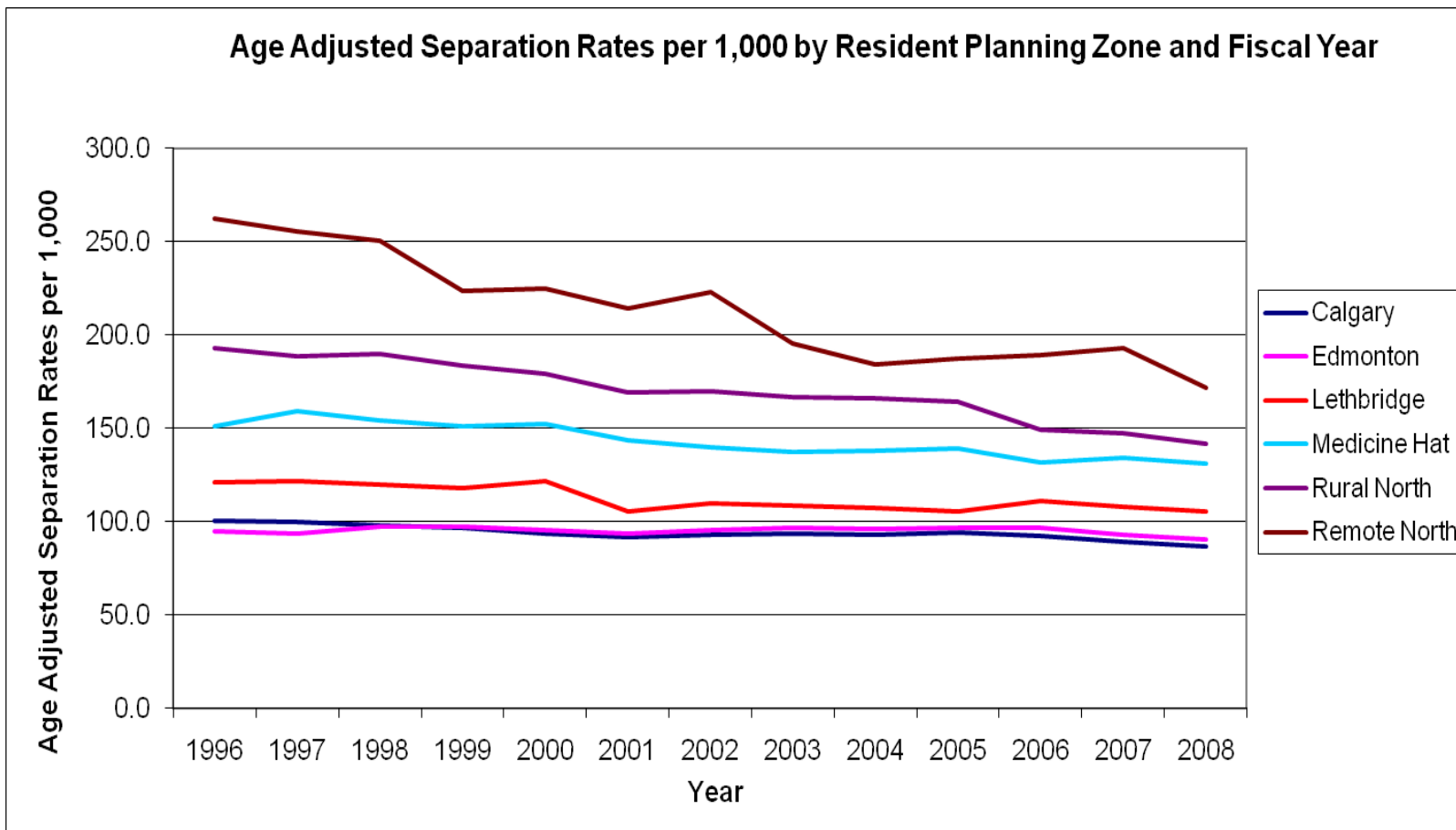
- **Provincial politics**

- One party state
  - Clientelism
  - No need for innovation, competition in policies
  - Local management role becomes (quiet) advocacy for more resources
  - Stifling public advocacy

These situations were seen to have sent a clear message that “if you speak up, this is what can happen to you,” and were seen as having a “chilling effect” on others. Other individuals used strong language when describing their experience; one said “it was like I had rabies.” (Health Quality Council of Alberta 2012, 31)

- Rural gerrymander
- Sharing the oil wealth

# There are significant differences in utilization rates across the province



# Conclusion

In Alberta, political dynamics trump the economic drivers, including cost containment

Further details:

Duckett, S., et al. (2012). Alberta's Health Spending Challenge: A Policy-Oriented Analysis of Inter and Intra-Provincial Differences in Health Expenditure. In D. Ryan (ed) *Boom and bust again: policy challenges for a commodity based economy*. Edmonton, University of Alberta Press.

Duckett, S. (2014). Alberta: health spending in a land of plenty in G. P. Marchildon and L. Di Matteo (eds) *Bending the Cost Curve in Health Care*. Toronto, University of Toronto Press.

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