



Medicare Action Kit 2012

FACT SHEET #3

Cost drivers

What they're saying...

Some politicians, media and right-wing think tanks say we need to privatize our public health care system because costs are “out of control”. They say “we can’t afford” a public system, especially because of an aging population. They say a public system is more costly and less efficient than a privatized system.

That is not the truth.

The truth is....

Costs are not out of control. Yes there are pressures on the system, but that doesn’t mean we are in a crisis or that costs are exploding. It is true that some costs are rising more quickly than others, but the costs that are rising sharply are exactly the ones where a strong private component is already present. More privatization would make the problem worse! With smart and long-term policy we can take on these challenges.

Drugs is the highest factor in rising costs. As a proportion of total health spending, it went from 8.8 per cent 35 years ago to 16.3 per cent today. With a universal Pharmacare program, better controls and more generics (as they did in many countries such as New-Zealand) we could save more than \$10 billions a year in drug costs in Canada. (Source : CIHI, *Health expenditure database*; Gagnon, *The Economic Case for Universal Pharmacare*).

It is true that an **aging population** will increase costs, but nowhere near the apocalyptic predictions that some would make. Serious studies estimate that growth in health care costs due to population aging will be about one per cent per year between 2010 and 2036. (Source: Mackenzie and Rachlis, *The sustainability of Medicare*). That is a challenge, but certainly manageable. With more home care and long-term care facilities we can expand health care services and lower long term costs at the same time.

Administrative costs in the public system are under control, and stand at approximately four per cent. In systems (such as Great Britain) where they allow market mechanisms and competition between hospitals, administrative costs are 12 per cent. In the United-States, where private clinics and private insurance companies rule, these costs are almost 20 per cent. A universal public system costs less to administer.

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