

Globe and Mail
August 21, 2003

Canada-U.S. Gap in Health Care Grows

By **BRIAN LAGHI**

OTTAWA -- The overhead cost of operating the United States health-care system is more than three times that of running Canada's, and the gap is getting bigger, new research says.

The study, to be published today in the *New England Journal of Medicine*, puts the administrative cost of the U.S. system at \$294-billion (U.S.) per year, compared to about \$9.4-billion in Canada. That translates to a per-person cost of \$1,059 in the U.S. and \$307 in Canada. A similar study, conducted in 1991, put per-capita costs in the U.S. at \$450 and Canadian costs at one-third of that.

The study, whose lead author is Dr. Steffi Woolhandler of the Harvard Medical School, indicates that Americans spend more on administrative costs because of its many private companies from whom they buy their insurance. The companies increase paperwork by creating multiple claims-processing offices, while Canadian doctors send their claims to a single insurer, the government. Private insurers also spend money on marketing and underwriting, costs that the Canadian system doesn't have to bear.

However, the same issue of the journal says that the authors may be overestimating the gap between the two nations.

Editorial writer Dr. Henry Aaron, an economist with the Brookings Institution in Washington, said the authors have overestimated the cost of the U.S. system by about \$50-billion.

Not all the reporting in the journal about Canada had such a rosy outlook.

A paper produced by two prominent Toronto doctors argues that the recent health accord signed by Canada's first ministers will not be the panacea many think it to be.

"The Health Accord represents a welcome reinfusion of previously withdrawn federal funds and contains many useful reform initiatives," says the study, authored by C. David Naylor, dean of medicine at the University of Toronto, and Allen Detsky, chief of internal medicine at Toronto's Mount Sinai Hospital. "However, we also believe that the latest federal-provincial agreement is best interpreted as yet another temporizing compromise."

The authors argue, for example, that the plan to reform family doctors' offices to add multidisciplinary teams will be very difficult to achieve because such a change requires a negotiated settlement and can't be imposed.

A part of the accord also calls for reasonable access to catastrophic drug coverage, a requirement that can be interpreted in several different ways.

Yesterday, a spokesman for Alberta Premier Ralph Klein reiterated the Premier's pledge not to join the proposed Canadian Health Council.

"As it stands right now, they'll be doing it without Alberta," said Gordon Turtle. "It's not something we would push because we don't see any need for it."

Prime Minister Jean Chrétien has said that the government is ready to announce the establishment of the council. Senior sources said that the body will be created even if certain provinces don't sign on.

The council has been a source of controversy since it was agreed to at a first ministers meeting earlier this year. Several provinces are concerned that it will constitute an incursion into their right to run their own systems. The council is supposed to monitor the progress of the accord and of the provinces as they endeavor to meet certain service goals.

Mr. Turtle said that, while Alberta will continue to discuss the council with other deputy ministers, the province does much of its own monitoring and feels the money allocated to the council would be better spent on direct health-care costs.

Other provinces, such as Ontario, have also expressed concern about the council.

"It's a nice idea and we'll look forward to talking to Paul Martin about it," a source with the Ontario government said.

Toronto Star
August 21, 2003

U.S. wastes health-care funds: Study

Administrative costs double Canada's rate Better system could aid millions, researchers say

By GENE EMERY, REUTERS NEWS AGENCY

BOSTON -- Thirty-one cents of every dollar spent on health care in the United States goes to pay administrative costs — nearly double the rate in Canada, according to a new comparison that sees colossal bureaucratic waste in the American system.

Americans spend \$752 more per person per year than Canadians on medical administrative costs alone, according to the study by investigators from Harvard University and the Canadian Institute for Health Information, which was published in this week's New England Journal of Medicine.

Researchers who prepared the comparison said yesterday that the United States wastes more money on health bureaucracy than it would cost to provide health care to the tens of millions of uninsured Americans.

The team, led by Steffie Woolhandler of Harvard, said a large sum of money might be saved in the United States if administrative costs could be trimmed by implementing a Canadian-style, single-payer health care system.

"The difference in the costs of health-care administration between the United States and Canada is clearly large and growing," the researchers said, questioning whether the \$294.3 billion spent each year on U.S. health care administration is money well spent.

Woolhandler, and co-author David Himmelstein, also of Harvard and a founder of Physicians for a National Health Program, added that if the United States adopted a Canadian-style system the savings would likely pay for coverage for the more than 41 million Americans without health insurance.

The study found overhead costs for U.S. insurance companies — mostly for underwriting and advertising — ate up 11.7 cents of every health care dollar, compared with 1.3 cents for Canada's government-run system and 3.6 cents for the U.S. Medicare system for the elderly.

Among Canada's private insurance companies, the overhead costs were even higher: 13.2 cents per dollar.

The study also found that after certain exclusions, administration accounted for 31 per cent of health-care expenditures in the United States and 16.7 per cent in Canada. The estimates do not include the advertising costs of drug companies or hospitals, health care industry profits, or the value of patients' time spent on paperwork.

But in an editorial in the Journal, Henry Aaron of the Brookings Institution in Washington, said the administrative costs in the United States might be 24 per cent lower than the Woolhandler estimate.

He said the excess spending on health care administration in 1999 was probably closer to \$159 billion, not \$209 billion cited in the study.

Aaron said it also doesn't prove the United States would save a lot of money if it converted to the Canadian system.

New England Journal of Medicine

**Costs of Health Care Administration in the United States and Canada
By S. Woolhandler and Others**

<http://content.nejm.org/cgi/content/short/349/8/768?query=TOC>