A Prescription for Productivity: Toward a more efficient, equitable and effective health system

CMA's 2005 Pre-Budget Submission to the Standing Committee on Finance

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Ruth L. Collins-Nakai, MD, MBA, FRCPC, FACC
President

Executive summary

Introduction

This pre-budget submission makes the case that healthier Canadians are more productive Canadians. It also recognizes that the delivery of quality health care, in a timely manner, is paramount and is not mutually exclusive to any productivity agenda. As Emerson once said, "the first wealth is health."[1] Last fall, the First Ministers recognized this by agreeing on a plan that will, over the next 10-years, add an additional $41 billion federal dollars into our health care system. The Canadian Medical Association applauds the government for spearheading this renaissance in federal health care funding. But like the human body, that is always evolving, the health care system needs to be monitored and trained for optimal performance. The consequences of under investing in health care in the past are haunting us today.

Better health … better Canada

Canada, which at one time was the most attractive place on earth to live, is falling behind. According to the Conference Board of Canada, Canada's overall economic performance has fallen from 3rd best in the world, to 6th and now to 12th. One of the drivers of this precipitous fall is – according to the Conference Board's analysis – the weakened state of our health care system. For example, our infant mortality rates are rising, not falling, in relative terms. We have tumbled from our top-five ranking in the 1980s — to where we are today in the 22nd spot out of 27 countries of the Organization for Economic Co-operation and Development (OECD). That is why, now more than ever, Canada's economy is in need of strategic federal direct investments in health care as part of an overall productivity enhancing package. The CMA is not alone in linking health care investments to better economic performance.

According to the latest economic research, "There is now strong empirical evidence to suggest a two-way relationship: improved health significantly enhances economic productivity and growth.[2]" Furthermore, the Royal Institute of International Affairs states that, "…improved health supports labour productivity; by augmenting life expectancy, it encourages savings and private investment. Health expenditures are an investment not a cost. It is crucial that governments develop a long-term perspective."

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>
> The Royal Institute of International Affairs
> July 2005

The health care sector in Canada employs over a million people or 7.5% of the labour force. In 2004, Canada invested $130 billion in health care representing 10% of our GDP. The benefits of the health care investments not only accrue to a higher quality of life for all Canadians, but the economic multiplier effect of the initial investment is estimated to create an additional $65 billion in economic activity.[3]

The health care sector employs over a million people. In 2004, Health Care Investments of $130 billion raised billions in taxes and generated an additional $65 billion in economic activity.

The CMA has identified a number of key issues related to health human resources and infrastructure that require immediate attention if the Canadian economy is to retain its competitive position in the global economy. We will make the case that, by making strategic federal direct investments in health human resources and public health, the federal government can make a great leap forward in reinforcing a critical foundation for a healthier more productive Canadian economy. These initiatives involve investments in physical, human and entrepreneurial capital, which if sustained over the long-term, will pay dividends in terms of improved population health.

The competition for world class health care labour is becoming more global and will intensify. Unless Canada can provide excellent training, tools and working conditions international demand threatens to undermine the foundations of our system. For example, if Canada were to move today to cap working hours on physicians to 48 hours per week as the European Union has done, Canada would be short a whopping 12,780 physicians. Not only is there international demand for world class medical professionals, but also the stock of these professionals especially in Canada is aging. The United States is expected to be short by 200,000 physicians by 2020. They have looked to Canada before to fill the gap, and they may again. This is why the federal government must play a leadership role in supporting health human resources (HHR) while at the same time sustaining Canadian health care industries.

When investments in health are aligned with technology at the right time, they can, as Federal Reserve Chairman Allan Greenspan suggests, "provide key insights into clinical best practices and substantially reduce administrative costs."

"If supported and promoted, these (IT) efforts could provide key insights into clinical best practices and substantially reduce administrative costs."
Chairman Allan Greenspan,
Testimony to the US House Budget Committee.
12 March 2005.

One of the key health infrastructure investments that has to be made is the electronic medical record (EMR). For too long Canada has lagged all major industrialized countries in adopting an EMR. A pan-Canadian EMR would deliver higher quality care, faster and at a higher value. An EMR would also allow Canada's health care system to dramatically increase communication between jurisdictions.

Communication and coordination of resources are keys to dealing with natural disasters such as Hurricane Katrina which devastated New Orleans. We need these investments sooner rather than later to avoid making the mistakes (e.g. in the case of SARS) as pointed out by the Naylor Report[4].

One of the key areas where the federal government can make a difference is the creation of a secure communications network linking up public health authorities and health providers across the country. According to Dr. Klaus Stöhr, project leader of the Global Pandemic Project at the World Health Organization, "Once a pandemic virus emerges, it is too late to begin planning or to begin collaboration."[5] In spite of the imminent threat of a pandemic influenza, there are $34.3 millions in planned cuts to the Public Health Agency of Canada, over the next two years, as a result of program review.

We need only look as far as New Orleans to see what an under-funded federal emergency preparedness system can reap. The loss of life in New Orleans was tragic and many agree unnecessary. In Canada we had SARS. Canada did squelch SARS and learned a lot about our capacities, yet we still have not lived up to the potential of being better prepared. Looking ahead, "In the event of a pandemic, the economic effects could be severe, affecting virtually all sectors and regions," according to Dr. Sherry Cooper Chief Economist, BMO Nesbitt Burns. Dr. Cooper goes on to say that "Awareness is key to preparedness and proper surveillance, planning and preparation are essential to effective response and containment."[6]

Over the last several years, the CMA raised serious concerns about the ability of Canada's public health system to respond to disasters and made a number of recommendations to address national preparedness in terms of security, health and capacity of the system. The CMA firmly believes that there remain significant shortcomings in our capacity to respond to health care emergencies. As we look to the future it is critical that the federal government make a stronger commitment to public health. Public health programming is too important to be sacrificed in the short-term expenditure review exercises.

The continued application of the GST on physician practices is an unfair tax on health. Because physicians cannot recapture the GST paid on goods and services for their practices in the same way most other businesses can, the GST distorts resource allocation for the provision of medical care. As a result, physicians end up investing less than they otherwise could on goods and services that could improve patient care and enhance health care productivity such as information management and information technology systems. Zero-rating the GST on physician practices would remove an unfair tax on health and allow for greater investment in technologies that would result in better care.

Summary

The CMA's pre-budget submission has presented the facts on how investments in physical, human and entrepreneurial capital can enhance our health care system and, in turn, make our economy more productive. As our health care system efficiencies improve, the benefits not only accrue to health care workers, but also the ultimate dividend is better patient care and improved population health. Improvements in the quality of care, and especially speed of care, enable the Canadian labour force to increase its performance and fully reach its potential. These health care investments ultimately translate into a stronger, more competitive and more productive economy.

CMA's 10 point productivity plan (with estimated investment)

Efficiency

Recommendation #1: That Health Canada, in collaboration with Citizenship and Immigration Canada, provincial and territorial governments and Canada's medical schools, provide funding for 600 postgraduate training positions to enable qualified international medical graduates who are Canadian citizens or landed immigrants to complete medical training requirements. Investment: $45 million per year for 3 years. [600 x $75k (approximate annual training cost per resident].

Recommendation #2: That Health Canada, in collaboration with Foreign Affairs Canada and provincial and territorial governments, carry out a direct ad campaign in the United States to encourage expatriate Canadian physicians and other health professionals to return to practice in Canada. Investment: A one-time investment of $10 million.

Recommendation #3: That the Minister of Finance in collaboration with the Minister of Health allocate $1 billion over 5 years to a Health Human Resource Reinvestment Fund. This fund would be used to implement a needs-based, pan-Canadian, integrated health human resources plan based on the principle of self-sufficiency for Canada. Investment: $1 billion over 5 years.

Recommendation #4: That Health Canada, in collaboration with the Department of Human Resources and Skills Development and the provincial and territorial governments, create the Canadian Coordinating Office for Health Human Resources to facilitate pan-Canadian planning of health human resource needs. Investment: $3 million per year.

Equity

Recommendation #5: That the Minister of Finance introduces legislation to amend the federal *Excise Tax Act* to zero-rate the Goods and Services Tax (GST) on physician practices. Investment: $84 million per year or 0.27 % of total $31.5 billion GST revenues in 2005/06.

Recommendation #6 That the Minister of Finance in collaboration with the Minister of Health provide additional financial support to Canada Health Infoway, to realize the vision of a secure interoperable pan-Canadian electronic medical record, with a targeted investment toward physician office automation. Investment: $1.5 billion over 10 years.

Recommendation #7: That the Department of Human Resources and Skills Development introduce changes to the Canada Student Loans Program to extend the interest free status on Canada student loans for medical residents pursuing postgraduate training. Investment: $5 million per year.

Recommendation #8: That the Minister of Finance in collaboration with the Minister of Health increase the base budget of the Canadian Institutes of Health Research to enhance research efforts in the area of population health and public health as well as significantly accelerating the pace of knowledge transfer. Investment: $600 million over 3 years.

Effectiveness

Recommendation #9: In order to ensure that adequate emergency preparedness and public health capacity is built at both federal and provincial levels, the federal government should provide sustained additional funding, to the Public Health Agency of Canada, and exempt it from expenditure review contributions. Investment: $684.3 million over 3 years (details in Appendix 1).

Recommendation #10: That Health Canada and the Public Health Agency of Canada provide a one-time infusion of $100 million, to improve technical capacity to communicate with front-line public health providers in real-time during health emergencies. Investment: A one time investment of $ 100 million.

References

[1] Ralph Waldo Emerson (1803–1882), essayist, poet, philosopher. “Power,” The Conduct of Life (1860).

[2] According to the Royal Institute of International Affairs who also quote two Nobel Laureates in Economics. In, Health Expenditure and Investment Rather than a Cost? International Economics Program, Chatham House. 07/05.
Available: www.chathamhouse.org.uk/index.php?id=189&pid=245 (accessed Oct 2005).

[3] The additional economic activity generated by the health care sector is based on a conservative 1.5 multiplier. The CMA is pursuing precise estimates of the benefits of health care investments in Canada.

[4] *Learning from SARS - Renewal of Public Health in Canada* A report of the National Advisory Committee on SARS and Public Health. Ottawa: Health Canada; Oct 2003. Available: www.phac-aspc.gc.ca/publicat/sars-sras/naylor/(accessed October 2005)

[5] Cooper S. *Don’t fear fear or panic panic an economist’s view of pandemic flu* Toronto: BMO Nesbitt Burns; October 2005. Avalable www2.bmo.com/news/article/0,1257,contentCode-5047_divId-4_langId-1_navCode-112,00.html

[6] ibid