

A series of essays giving the research evidence  
behind Canadian healthcare debates

Myth Busted June 2005



## Myth: Canada has a communist-style healthcare system

*Amazingly, Canada joins Cuba and North Korea as countries where it is a crime to provide and accept private payment for health-care services ostensibly provided by the government.<sup>i</sup>*

Is private provision of healthcare a crime in Canada? Is it illegal to pay for healthcare out of your own pocket? Many critics of Canadian healthcare argue the answer to both these questions is “yes” and claim that every time a patient waits for a service or access to technology, it is a result of Canada’s communist-style healthcare system.

The truth is Canada does not have a government-funded and -operated monopoly, but rather a series of taxpayer-funded insurance schemes for hospital care and certain doctors’ services, supplemented by private insurance and out-of-pocket payments for other health services. While there are some restrictions on what private insurance can cover, many types of private payment are allowed for many healthcare services.

### Comrades in care?

The first thing to note is that governments do not provide the majority of healthcare in Canada. Most hospitals are owned by not-for-profit organizations, such as community and religious groups. Physicians are not civil servants; most of them are not even employees, but rather independent entrepreneurs able, in many provinces, to incorporate themselves as businesses for tax purposes.<sup>ii, iii</sup>

Canadian governments do fund most healthcare services through provincial insurance plans, including all medically necessary hospital and physician care, as required by the Canada Health Act. However, a sizeable amount of healthcare spending is private — approximately 30 percent in 2002, according to the Organisation for



Economic Co-operation and Development.<sup>iv</sup> In Canada, private insurance and out-of-pocket payments usually cover things like prescription drugs and dental and eye care, which do not fall under the act.<sup>v, vi</sup> This means that Canadians spend as much or more privately on healthcare as do citizens of 15 other OECD countries, including Germany, France, Sweden, and the U.K.<sup>iv</sup>

### Is private payment for healthcare illegal in Canada?

The argument that Canada and the communist countries of Cuba and North Korea are the only ones in the world to disallow private payment for healthcare originated with a rhetorical piece written in the late 1990s, but it has grown to the status of urban myth.<sup>vii</sup>

It is true that regulations in six of the 10 provinces make private insurance illegal for the physician and hospital services covered by provincial insurance plans. (And even in the four provinces that do allow this private insurance, little use is made of the provision in practice.) However, every province allows patients to use their own money to privately purchase medically necessary care, as long as it is delivered by “opted out” private doctors — those who have given up their right to get paid from the provincial public plan. The intent of this is to make sure doctors are not getting double-paid — once from the provincial plan and then again from private insurance or the patient — for medically necessary, taxpayer-funded services.<sup>viii</sup> It also prevents the diversion of resources, both financial and human, to the private system, which would place further stress on the public one.<sup>ix, x</sup>



Canada is not the only country to place restrictions on private insurance, either. In Australia, for example, private insurance does not cover physician services provided outside of a hospital, nor does it cover the gap between what hospital care costs and what medicare will pay.<sup>xi</sup>

### Are international “solutions” less monopolistic?

Systems in other countries are often held up as examples of how Canada should reduce its alleged healthcare monopoly. In particular, France’s healthcare system is lauded as a model for how Canada might “introduce” private payment and improve the healthcare system without giving up universal access.

In France and some other European countries, every citizen is covered by a sickness fund administered by the government. The funds partially reimburse patients for medical care, including hospital and GP visits, prescription drugs, nursing home use, and some dental and vision care. Most people also purchase supplementary insurance to cover co-payments and care categories with lower reimbursement levels.<sup>xii</sup>

The irony is that, overall, public financing covers 76 percent of all health expenditures in France — six percent more than the amount of public financing in Canada.<sup>iv, xiii</sup> Unfortunately, the decision to concentrate private payment in co-payments and other direct charges appears to cause some people, particularly the poor, to avoid seeking expensive but necessary forms of care.<sup>xiv</sup>

### The true cost of healthcare

One of the main reasons the Canada Health Act requires public payment for medically necessary healthcare is to obtain the economic efficiencies of a single-payer system. Tax-funded systems have greater potential (not always realized) to control costs than multi-payer systems,<sup>xv, xvi</sup> and research shows the more insurers there are, the higher the costs of running the system. For example, the annual overhead costs of the provincial insurance plans are 1.3 percent of expenditures for physicians and hospitals, while Canada’s private insurers average 13.2 percent in administrative costs.<sup>xvii</sup>

Tax-funded insurance plans have important social benefits as well. First, they are less regressive, in that they play a “Robin Hood” role of levelling out income gaps to ensure poorer and sicker people are not denied care.<sup>xv</sup> Second, they ensure that insurance is offered for all medically necessary services, not just the profitable ones.<sup>xviii</sup>

Clearly, the argument that Canada has a communist-style healthcare system that outlaws private payment is false. With 30 percent of healthcare spending coming from private sources, Canada is on par with most other developed countries, each of which has a complex mix of public and private financing in different sectors.<sup>iv</sup> While private insurance for publicly covered services is largely illegal, there is nothing to stop patients from paying out of their own pockets if they can find a doctor who is not part of the public plan.<sup>viii</sup>

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