

Presentation to Edmonton Chamber of Commerce
“Calculating the Real Costs of the Third Way”
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When it comes to politics in Alberta, there really have been only two issues that have dominated public attention over the last few months.

The first, of course, has been the Premier and his plans for retirement.

The second is the Third Way.

Like most other Albertans, I have strong feelings about Premier Klein’s leadership.

But for our purposes today, I’ll bite my lip about what I think of the Premier and focus instead on his policies for health care.

We’ve all seen or heard the news. For more than two years now, Premier Klein, has been telling us that the sky is falling.

He’s been telling us we can no longer afford Medicare. And he’s been telling us that privatization is at least part of the solution.

In many ways, this may be one of the most important political debates this province has ever had. From our perspective, the very future of our health care system is at stake.

With that in mind, over the next twenty minutes or so, I’d like to do four things.

First, I’ll talk about what’s actually being proposed when we talk about the third way.

Second, I’ll talk about why we in the labour movement think at least some of those proposals will take us down a dangerous path.

Third, I’ll talk about how those proposals, if implemented, might affect individuals, businesses and the economy.

And finally, I’ll talk about what I think Albertans, from all walks of life, can and should do to protect Medicare.

So what is the Third Way?

For several years now, Premier Klein has been promising something big. He has even suggested that’s he’s willing to violate the Canada Health Act.

Until recently, it’s just been talk. But, he has finally moved from rhetoric to action.

At the end of February, the Premier and his health minister, Iris Evans, released something called The Health Policy Framework.

It’s not legislation – it’s really just a skeleton of ideas. But the government has made it clear that this document will form the basis of new legislation that we could see as early as the middle of April.

It’s the first time they’ve actually spelled out what the Third Way will involve. In a sense, they’ve finally put their cards on the table ... and that’s a positive thing.

The other positive thing is that there are actually a number of policy directions contained in the Framework that almost everyone involved in the health care debate can agree on.

It's no secret that we in the labour movement are big defenders of Medicare. We helped create it and we still believe it's worth fighting for.

But even we can take issue with some of the proposals.

For example, we support the suggestion that there should be more teamwork between health professionals; we support the suggestion that we should experiment with replacing the fee-for-service approach to paying doctors with salaries; and we support the suggestion that there should be a greater emphasis on wellness and prevention.

If these kinds of reforms were the sum total of the Framework, I probably wouldn't be here today. And the government probably wouldn't be facing a rising tide of public opposition.

Unfortunately, the good in this document is far out weighed by the bad and the down-right dangerous.

Like many of the groups and individuals who have voiced opposition to the Third Way, there are four policy directions in the Framework that we find particularly alarming.

First, we're concerned about plans to remove the prohibitions on doctors working in both the public and private system.

Second, we're concerned about plans to allow patients to buy their way to the front of the line for certain services, like hip and knee replacements.

Third, we're concerned by the suggestion that some services may be de-listed or that new services may never be listed.

And fourth, we're particularly concerned about plans to open the door for private health insurance.

Despite repeated reassurances from the government, these are not mild reforms. This is not tinkering around the edges.

For the better part of a decade now, conservative governments like ours here in Alberta have been chipping away at our public health care system. We've seen contracting out of ancillary services; we've seen de-listing of things like vision care and physiotherapy; and, here in Alberta and in provinces like Quebec and B.C., we've seen strong moves towards increased for-profit delivery of services within the public system.

But let's be clear about one thing: if the Klein government goes ahead with the plans contained in the Framework document – in particular, if they allow people to buy their way to the front of the line for certain services and if you open the door for private health insurance – then they will be going one giant step beyond where anyone has gone before.

They will be going from "private delivery" to "private payment." They will be going from "access based on need" to "access based on wealth." They will be introducing a gold-plated tier of care for the few – and an inferior tier of care for everyone else.

And that doesn't just violate both the letter and the spirit of the Canada Health Act – it strikes at the very foundations of Medicare.

Before I dive into my specific critiques of the Framework document, I'd like to step back and take a closer look at the government's goals and assumptions ... because in the same way that buildings are constructed on foundations of concrete and steel, public policies are built on the foundation of goals and assumptions.

If the foundations of a building are weak, then the structure above is shaky. And if a government's goals and assumptions are faulty, then public policies that flow from them will be weak as well.

In many ways, the problem is not with the governments goals. Both Health Minister Evans and the Premier have said that their primary goals in these reforms are to control costs and reduce waiting lists.

Frankly, who can argue with that?

But while it may be hard to take issue with some of the government's over-arching goals, the same cannot be said for some of the assumptions that their plan is built on.

To put it bluntly, many of their core assumptions are flawed. And that's where the Third Way starts to come off the rails.

The first assumption that I'd like to take issue with is the assumption that public health care is not financially sustainable.

People in government have sometimes accused people like me and other leaders in the labour movement of fear-mongering on various issues. But on the issue of sustainability, it is the government that has been running around saying the sky is falling.

The truth about health care spending in Alberta is both more complex and less alarming than the government lets on.

When I met with Iris Evans last month she said breathlessly; "When Premier Klein took power, we were spending \$5 billion on health care and now we're spending \$10 billion."

That sounds very dramatic. But what this told me was not the health care spending is unsustainable – but rather than the minister doesn't have a really good grasp of basic economics.

The truth is that over the period of 13 years that the minister referred to, inflation in Alberta has increase by nearly 30 per cent and our provincial population has grown by more than 500,000.

We also have to remember that, in the mid-90s, the government imposed deep cuts on health services and staffing, creating a need for substantial "catch-up" spending.

When you look past the doom and gloom being pushed by certain politicians – what we find is that when you adjust for inflation and population growth, real per person spending on health care in Alberta has actually been going up by an average of about 2 percent each year over the past 13 years.

That's the crisis. That's what the government is using as justification to throw the baby out with the bathwater.

And it doesn't stop there. You can't say you really understand trends in health care spending until you break down that spending into its component parts and until you put it into the context of our provincial income.

When you do that, you see that spending on hospitals and doctors – which forms the core of Medicare – has remained almost entirely flat over the past 15 years.

You also see that the areas with the highest cost increases are actually the ones with the biggest for-profit components – most notably prescription drugs.

And then there is the question of what we can afford.

Thanks largely to a lucky accident of geology and geography, we're the richest province in the country – and getting richer.

As a percentage of our provincial GDP – which is our collective income – public spending on health care has remained stable at under 6 percent for the past twenty years.

The bottom line on health care spending is that the sky is not falling. Costs are rising, and that's a legitimate concern. But they are not as out of control as the Premier would have us believe. And they are certainly not bad enough to justify throwing the baby out with the bath water.

From our perspective, Medicare costs are still manageable – especially in a province as wealthy as Alberta.

That leads me to the second, and I would argue, even more dangerous assumption that almost all the government's Third Way proposals are built on. And that's the assumption that privatization is one of the best ways to achieve their goals on cost control and shortened waiting lists.

On the day the Framework document was released, I told reporters it read like a love-letter to private health care. That's because privatization was the strand that wound through the entire document and tied it together. It was the magic pill, the silver bullet.

But the assumption that greater privatization will lead to lower costs and reduced waiting list is just that – an assumption. And all the available research – and all the available evidence from the real world – suggests that it's a false assumption.

Take the proposal to allow doctors to work both sides of the street, for example.

The Framework suggests that by allowing doctors to take paying patients this will somehow reduce pressure on the public system.

It's a nice sounding theory – but experience shows it doesn't work in practice.

It doesn't work because there are only a limited number of doctors – and if they're working two days a week in their for-profit practice, that's two days a week they won't be available to work in the public system. The result is longer waits in the public system, not shorter.

And this isn't hypothetical. These kinds of reforms have been tried in Britain, Australia and other countries. And, to put it bluntly, the experiments have failed. They haven't taken the pressure off their public systems.

On the contrary, experience shows that doctors consistently chose their higher paying private clients, and leave their public patients waiting in longer in public lines.

But allowing doctors to work both side of the street, is only one piece of the puzzle.

The government is also talking about allowing people to buy their way to the front of the line for certain service like hip and knee replacements. And you're talking about shrinking the umbrella of what's covered by Medicare by either de-listing some services or not listing new services.

When I look at all these proposals together, what I see is a deliberate attempt on the part of the Alberta government to create a market for private health care and private health insurance where there was no market before.

By shrinking the Medicare umbrella and allowing people to pay privately for things like joint replacement, they're creating the demand. And by freeing doctors to give faster access to those with thick wallets, they're creating the supply.

The big question is this: are these changes really in the best interests of Albertans? Will the creation of a market for private health care save us money? Will it improve access to care? Will it benefit our economy and serve our families better?

Our short answer to those questions is an emphatic “no” – private health care is not in our best interests.

As I've said, the biggest danger of the Third Way is that it is opening the door for and creating a market for private health insurance.

When I met with Iris Evans, I gave her a list of reasons why any move towards a greater reliance on private health insurance would not be in the public interest. And I'd like to share five of those reasons with you today.

First, an increased reliance on private health insurance would not be in the public interest because it costs more.

Our single-payer public system pools risk, thereby lowering cost. Our public health insurance system also has very low administrative costs – less than two percent of overall cost versus about 13 percent in private health care.

This explains why the American system – which relies on private insurance – is roughly twice as expensive on a per capita basis when compared to the Canadian public system.

Introducing a new tier of private insurance here in Alberta would undermine the advantages of having a single-payer system. It would fragment our system, reduce efficiencies and increase overall costs.

Second, an increased reliance on private health insurance would not be in the public interest because private health care has a much worse track record of cost containment than public health care.

Costs in the public system have been going up, but not nearly as much as costs in the for-profit health care sector.

In the U.S., private health insurance premiums have been rising at an average rate of more than 10 percent a year for each of the past seven years. The increases in premiums rates have been even higher for smaller employers.

In fact, the only way private insurers have been able to stop costs for completely spiralling out of control south of the border is by denying more people coverage, reducing the scope of coverage for those who are enrolled in plans and by charging ever-increasing deductibles and co-payments.

Third, an increased reliance on private health insurance would not be in the public interest because the companies most likely to step in and provide expanded private health insurance here in Alberta are the same American companies that have been found guilty of fraud on an almost mind-boggling scale.

Columbia/HCA, for example, was fined \$745 million for fraud. Tenet Health Care was fined \$683 million.

Even AON, the private insurance company that our provincial government contracted to help draft its Third Way framework, was fined \$190 million.

Are these really the people we want to turn to as saviours? Are these the really people we want to invite into Alberta and entrust the care of our families to?

Fourth, an increased reliance on private health insurance would not be in the public interest because the expansion of private health insurance will hurt Alberta employers.

If the government shrinks the Medicare umbrella, workers (both union and non-union) will have no choice but to push for increased health benefits from their employers. And employers, especially in Alberta's current tight job market, may have no choice but to comply in order to attract and retain employees.

For public sector employers, this will mean less money left in their budgets to pay for the services they provide. And for private sector employers, it will mean reduced profits.

To understand just how costly the Third Way might be to employers consider these numbers: the average cost for health benefits in Canada is currently about \$930 US per employee per year. In the States, the average cost is more than \$10,000 US per year for employees with families.

To illustrate this point further, consider some of the numbers we've been able to gather from the construction industry. In the labour movement, we have many unions that operate on both sides of the border – and I had

an opportunity to look at some of the contracts that had been negotiated by the Ironworkers in both Canada and the U.S. The numbers on health benefits were truly shocking. In Canada, construction companies in northern Alberta pay ironworkers \$1.50 per hour for extended health benefits. In Saskatchewan they pay \$1.60 per hour and in Manitoba it's \$1.70.

But in the States, the amount they pay for health benefits is, in some cases, more nearly three quarters of what they pay for wages.

I'll give you four examples. In Phoenix, \$7.15 construction employers pay ironworkers \$7.15 per hour (Can) for health benefits. In San Francisco it's \$7.38 per hour. In Minneapolis, it's \$7.29 per hour and in Buffalo, NY it's \$10.89 per hour.

These costs have been literally eating American businesses alive.

The bottom line is that Medicare, as it is currently constituted, lowers costs for our businesses and gives them a huge economic advantage when competing with their American rivals. Creating a new tier of private insurance in Alberta will substantially reduce that advantage.

A move to a greater reliance on private health insurance will be particularly problematic for smaller businesses because large employers will more easily be able to afford extended health benefits. In the current tight job market that means that smaller employers will be at an even greater disadvantage when it comes to attracting and retaining employees.

With all this in mind, I ask these questions: Will your business or organization be able to afford increased health benefits for your employees? Where will the money come from? And, in a province as wealthy as Alberta, do you really think it's justified to download public costs onto individuals and business?

Fifth, an increased reliance on private health insurance would not be in the public interest because less than 35 percent of Alberta workers currently have access to supplemental health benefits through work.

These are the people most likely to receive increased benefits to cover the new tier of private service that the Third Way would create. Even if you add in the families of workers covered by private insurance, more than 50 percent of the Alberta population will likely be left without supplemental insurance.

Sixth, and finally, an increased reliance on private health insurance would not be in the public interest because there is only one payer for health services – the individual citizen.

By opening the door for more private insurance, the government won't really be reducing costs, they'll just be downloading them to businesses and individuals. I ask this question: shouldn't the government consider the broader social costs of health care rather than just the focusing on getting health care costs "off its books"?

At this point I'd like to make one thing very clear. We in the labour movement do not want to bargain for increased private health insurance coverage. We don't want to add an extra burden on our employers. And we don't want to have to deal with another item on the bargaining table that could cause tension and possibly lead to strikes.

Our strong preference is to maintain a comprehensive and universal public system. But make no mistake: if the government starts shrinking the umbrella of Medicare coverage, we will have no choice but to act. We will have no choice but to attempt to fill the gap at the bargaining table.

With all sincerity, I hope it never comes to that. It won't be good for our members, it won't be good for business and it won't be good for Alberta.

I'm fiercely proud of the fact that the Canadian labour movement has always fought for health care benefits for all Canadians, not just our members. And that will continue to be our priority.

But if the government proceeds with the Third Way as currently proposed, they'll be opening a Pandora's Box.

As it stands right now, Alberta employers cover extended health benefits costs for about 582,000 individual Alberta workers. If you add a new tier of care, that's a good indication of how many people will be demanding more private coverage from their employers.

Of course, other than hips and knees, we don't know yet what services your government plans to let people buy faster access to. So we don't know exactly how many new benefits we might have to bargain for and how much benefit costs might increase. But for each item they add to the list, the cost to employers to cover the gap will go up.

One way to estimate the cost would be to look at monthly cost being projected by Accure Health, the private insurance firm associated with Jim Dinning. They're planning to offer a plan that will cover access to services like hip and knee replacements – at a cost of \$70 per month.

So if all 582,000 Albertans who currently have extended health benefits are successful in getting that kind of coverage – that would translate into an extra cost to employers of about \$41 million a month and more about \$492 million a year. And that's just for the one procedure.

At the end of the day, I'm left with many troubling questions about the framework document. For example, why would the government want to download so such significant costs onto businesses and individuals?

Why would they want to undermine the economic advantage conferred by Medicare?

How, if their goal is to control costs, are they going to do that by opening the door to private insurance which we know from experience is much more expensive?

And if their other goal is to reduce waiting list, how are you going to accomplish that by let doctors work both sides of the street – a practice we know will probably lead to longer public waits, not shorter?

I know that the buzzword for the government on this issue is "choice." They say that people should have the free to choose where to spend their money – even if they're spending it on health services.

In democratic western societies, we've always tried to protect individual choice – and that's a good thing.

But we've also said that reasonable limits often need to be placed on choice – especially when an individual's choice might have adverse effects on other individuals. That's why we say people don't have the right to choose to drive down the highway at 200 km/hour or the right to smack their neighbour in the head when they have an argument.

Given that private insurance drives up cost and has the potential to increase waiting lists for everyone, I would argue that it's reasonable to prohibit access to it. It's a clear example of the public good trumping the narrow interests of wealthy individuals.

The majority of Canadians and Albertans understand this. It's just too bad that whoever wrote the Framework document didn't share that insight.

In conclusion, I just like to say this: Private health care and the Third Way may be Ralph's hobby horse, but Albertans don't have to hop on board.

All the evidence shows that privatization is the wrong way to go. The evidence also shows that there are many potential fruitful avenues for reform within the public system.

The bad news is that our Premier, despite his impending retirement, seems determined to proceed. And there's nothing more dangerous than a politician with a bad idea who knows he's not going to face the voters again.

The good news is that while Ralph may be riding off into the sunset, the majority of his caucus members are not. THEY will have to face the voters.

That's, frankly, is why I'm here today. We in the labour movement are often on the opposite side of issue compared to business. But in this case, I think our interests coincide.

We don't want our members to lose health benefits – and you don't want to face increased costs.

Medicare gives individuals security and access to top notch health care that, in most cases, they would otherwise be unable to afford. But it also gives business an economic advantage especially when it comes to competing with their rivals south of the board.

Medicare is an important part of the Canadian Advantage and the Alberta Advantage. It's an Advantage we should not give up lightly.

That's why I want you to help us send a message to the government.

With the Premier's retirement announcement, the Third Way is teetering. But it needs one more big push to knock it over.

We in the labour movement will be doing our part. But I'm a realist.

Here in Alberta, the Premier and the health minister can afford to ignore angry letters from people like me. But they really stand up and take notice when they hear from people like you.

The Third Way may be on life support, but, more than anyone, you and your colleagues in the business community have the power to pull the plug.

So thank you for taking the initiative to establish this committee. I hope that, after gathering the information you need, you capitalize on the power you have to stop the Third Way before it becomes an albatross around the neck of the Alberta economy.

Thank you.