Economics and Ethics of Health Care Policy
Issues in Canadian Health Care

- Problem of access.
- Choosing one's doctor
- 'Rights' focus:
  - Claims on social resources.
  - Duty of gov't, physician
- Need vs. ability to pay.

More on Canada

- Canadian approach (myth?) of universal access.
  - Aversion to user fees.
- American myth of no rationing.
- Canadian pattern:
  Prosperity → public provision → large spending increases → level off → now: more selective, concern with prevention, early detection, etc.

Why Canadian health care is controversial

- More efficient than US, but…
  - Costs keep increasing more than inflation.
  - Demand is increasing, higher expectations
  - Expanding tech.
- Health care crisis and possible solutions:
  - From fee-for-serice to fixed salary. Avoid incentive for over-treatment
  - Deductible for the wealthy.
  - User fees
  - Bureaucratic rationing

Cost containment

- Canada: gov't negotiates billing, drug costs.
  - Single payer (monopsony)
- US: managed care by insurance co's
- Health care providers higher paid in US.

Cost comparisons

	US	Can
Gov't spend	$2548	$1866
Private spend	$2716	$630
% of GDP	13.6%	9.5%

More statistics

- Admin costs as % of Health Costs
  - Canada: 11%
  - US: 24%
- Per capita increase since 1990
  - Canada: 7%
  - US: 27%

Problem:

- Can everyone have a right to all forms of care?
- If not what are the ethical and economic criteria we should use to make choices?
- PET scans, lung cancer screening, colonoscopies, etc..

Universal Access vs. Rationing:
A False alternative

- 'Rights' approach: rationing is morally wrong
- Univeral access = non-price rationing (NPR).
- Waiting lines.
- Fords vs. BMW?
- Administrative rationing.

Other issues

- Individualized doctor/patient relationship
  - Distant from funding decisions.
  - Distinction between need and complaint.
  - Serious illnesses vs. aches, pains and sniffles.

Economists' views

- Market, price system, user fees.
- Encourages users & providers to be responsible.
- Critique of bureaucratic rationing:
  - User fees are visible ground rules
  - Alternative is discretion.

Market discipline

- Avoid over-practice.
- Need based system means:
  - Scarce resources used til marginal utility = 0.
- Market:
  - Scarce resources used til marg utility = opportunity cost.

Is market the better way?

- U.S. system more expensive, no better.
  - Competitive insurance market.
  - High transaction costs.
  - Patient ratings, management of doctors, marketing.
- Higher mortality rates in for-profit vs. non-profit sector.

Be more systematic

- Prevention vs. cure.
- Role of poverty, lifestyle and social class.
- Health care vs. sick care?
- Life-prolonging technology:
  - Expensive medicalized dying
  - Tech in health care doesn't save money.

Market solutions

- Markets ration by 'ability to pay'.
- Hence we would have
  - Unequal access
  - lots of drugs, cures, but little prevention
  - Not efficient
- Better to use another criterion:
  - Utilitarian: Allocation that 'does the most good'
- Broome: qalys (quality adjusted life-yrs)
  - Yrs x quality.

Problem with utilitarianism

- Allows discrimination
- Valuing lives differently.
- Doing the most good:
  - Old vs. young.
  - Disabled vs. able.
  - Rich vs. poor (not health-relevant)
  - Need vs. urgency

What is public health care?

- Not direct state provision (like schools).
- Insurance monopoly.
- Physician services commodified (fee for service).

- What would happen if doctors were salaried like school teachers?

Is commodification a problem?
- Commodification consistent with need-based distribution.
- Ensuring access to food and shelter.
  - Only need income redistribution.
- Health care requires insurance.
- Best insurance is state monopoly
  - Avoids adverse selection and moral hazard.
- Case of genetic testing.

Two tier medicine
- Buying PET scans outside of public insurance.
- What's wrong with this?
- Would it make our system less:
  - Efficient?
  - Fair?
- Which value justifies our system according to Heath?

Heath's partial openness to two-tier medicine
- When harm not caused to others.