Intelligence MEMOS

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To: Canada's Ministers of Health

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Re: A Dutch Model for Canadian Healthcare

The pandemic has revealed the fragility of Canada's healthcare system, and there is growing recognition that change is needed to curb rising costs and promote efficiency. But in a healthcare financing model such as ours, change is difficult, especially with responsibility spread across various political masters. We should try a different approach, based on a model such as that in the Netherlands, which scores better on criteria such as completeness of coverage and wait times, an option we explore in depth in our recent C.D. Howe Institute Commentary.

Canadian medicare, of course, is often described as a "single-payer model" because everyone in a given province or territory is covered by the same government plan. Doctors and hospitals derive virtually all their revenue from that government plan.

This system is outdated. It was designed more than 50 years ago for a simpler world in which most curative care could be supplied by general practitioners in solo practice. With today's complex medical and pharmaceutical technology, and a plethora of specialized professionals and services, efficient care requires a different, more collaborative and integrated approach, with different payment methods.

Adapting the system to evolving technology would benefit from the competitive forces in a multipayer financing model (like that in the Netherlands) where consumers have a choice among different insurance plans. These plans can compete through innovative new arrangements that affect the way their clients' healthcare is administered.

Canada should give serious thought to drawing on the Dutch example and modifying our model of universal health insurance so that it would also allow consumers to choose among alternative competing plans, whether public or private. The Dutch multipayer model of "managed competition" preserves the principles of universal insurance and an equitable sharing of healthcare costs. Universality is ensured by means of compulsory insurance, and equity is attained through requirements that plans have open enrollment and a set of risk-adjusted government subsidies.

In a multipayer system, insurers can negotiate with providers about funding methods and other contract provisions that provide incentives for them to make more cost-effective choices when caring for their insured patients. Consumers choose the plans that offer what they see as the best combination of cost and expected quality of care; providers will only join those that offer acceptable working conditions and compensation. As a result, the healthcare system can adapt and become more efficient owing to voluntary decisions by consumers and providers, without the need for politically difficult reforms.

Changing the way healthcare is supplied to patients is difficult. The modernization of a publicly funded single-payer system that covers all patients and providers can only happen as a result of initiatives by politicians, and reforms to improve the system's efficiency will always be controversial. More efficient delivery of healthcare typically means lower spending on some services, and hence less revenue for those who supply them.

In Canada, health policy is also complicated by divisions in federal and provincial jurisdiction, and by those who think we should use health care policy to show how Canadians are more committed to equity than our neighbours to the south. In a multipayer system, change can happen gradually and with less controversy.

The multipayer system that most Canadians are likely to be familiar with of course is the United States, whose system is very expensive and leaves many people uninsured. But the US is an exception. Switzerland, Germany, Israel and the Netherlands offer examples of multipayer financing systems where costs are much lower than in the US and health insurance coverage is universal (and includes more than the Canadian system, such as prescription drugs.)

One way to make the introduction of a multipayer model less controversial would be to treat existing provincial health insurance plans as a default option, meaning that everyone would continue to be covered by their provincial plan unless they choose to opt out and get coverage through an approved substitute plan.

Canada's healthcare system faces major challenges, including the need for more doctors and health professionals and the growing demand for their services from aging baby boomers. To make the system more efficient and sustainable, we need structural reform. A financing system with managed competition among multiple payers, along Dutch lines, would give us a better chance of accomplishing that. We should try it.

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