The Future of Health Care in Canada
A decade of complexity and opportunity ahead

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Prepared by Aon Hewitt
Health and Benefits
The Business Context for Health

Why is the health of your employees important?

People

Business results
4 key factors leading the way to 2025

1. Demographics: Finding, deepening, engaging talent
2. Public health
3. Lifestyle
4. Technology
Growing Competition for Talent

The mismatch between supply and demand for talent in 2021

<table>
<thead>
<tr>
<th>Country</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2.1</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.0</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>0.5</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>0.5</td>
</tr>
<tr>
<td>China</td>
<td>0.0</td>
</tr>
<tr>
<td>Spain</td>
<td>-0.4</td>
</tr>
<tr>
<td>U.S.</td>
<td>-0.8</td>
</tr>
<tr>
<td>Canada</td>
<td>-0.9</td>
</tr>
<tr>
<td>Taiwan</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

Source: Oxford Economics: Global Talent 2021
Workforce 2020

By 2020 there will be five generations of employees working together

- Traditionalists: 1%
- Baby Boomers: 22%
- Generation X: 20%
- Generation Y/Millennials: 50%
- Generation Z: 7%

Source: Future Workplace Survey
Changing Workforce Demographics

Your workforce 20 years ago
Aging Baby Boomers

Health care cost

Age

Baby boomers today
Baby boomers in 10 years
Delivering Healthcare to Millennials... and Generation Z

Health Care Delivery
- Expectations
- Technology
- Preferred practitioners

Employer Health Delivery
- Health vs. benefits
- Flexibility
- Access to information

Engaging Millennials
- Benefits?
- Health
- Experience!
4 key factors leading the way to 2025

1. Demographics
2. Public health: Financing and delivery
3. Lifestyle
4. Technology
Historical role of public healthcare in Canada

- **As outlined in the Canada Health Act (CHA)**
  - Comprehensive
  - Universal
  - Publically administered
  - Portable
  - Accessible

- **Defining comprehensive**
  - “All insured health services provided by hospitals, medical practitioners or dentists”
  - Leaves significant range for debate on definition

- **Federal versus provincial**
  - Some (declining) federal funding
  - Balance of funding is provincial
  - Provincial delivery within CHA guidelines

- **Canada Health Transfer**
  - Health Accord expired March 15, 2014
  - Future funding increases based on Gross Domestic Product (GDP) growth
Who Pays for What in Canadian Healthcare?

70.1% Public

29.9% Private

Source: National Health Expenditure Database, CIHI, 2013
Total Health Expenditure: Public + Private

- **$215 billion**
- **2.1% growth**
- **$6,045 per person**
- **11.0% of GDP**

**Source**
Canadian Institute for Health Information, *National Health Expenditure Trends, 1975 to 2014.*
• About 60% of total health expenditure in 2014 will be directed to hospitals, drugs and physicians

- Hospitals: 30% of health spending, $63.5 billion, 2.1% growth
- Drugs: 16% of health spending, $33.9 billion, 0.8% growth
- Physicians: 15% of health spending, $33.3 billion, 4.5% growth

Growth has outpaced that for hospitals or drugs since 2007.

Source: Canadian Institute for Health Information, National Health Expenditure Trends, 1975 to 2014.
How does Canada compare internationally?

2012
(year of most recent available data)

Per person ($US)

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP % of GDP</th>
<th>USD ($)</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>16.9%</td>
<td>$8,745</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12.1%</td>
<td>$5,219</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>France</td>
<td>11.6%</td>
<td>$4,288</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>11.4%</td>
<td>$6,080</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Germany</td>
<td>11.3%</td>
<td>$4,811</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>Denmark</td>
<td>11.0%</td>
<td>$4,698</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>Canada</td>
<td>10.9%</td>
<td>$4,602</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9.3%</td>
<td>$3,289</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Australia*</td>
<td>9.1%</td>
<td>$3,997</td>
<td>32%</td>
<td>68%</td>
</tr>
</tbody>
</table>

OECD Average
9.4% of GDP
$3,590

Source
OECD Health Statistics 2014.

* 2011 is the latest year available.
How the bottom line is changing Canada’s balance of power; While Ottawa is on the right road to financial stability, growing health care costs are going to leave provinces in a precarious position

By Andrew Coyne, Vancouver Sun. 28 September 2013

Managing the Costs of Healthcare for an Aging Population: Good – and Bad – News About Saskatchewan’s Fiscal Glacier

CD Howe Institute, December 19, 2014

Ottawa’s overhaul of health-care funding has left enormous ‘fiscal gap’ for provinces, PBO warns

By Jason Fekete, Postmedia News, 26 September 2013

Health Care Costs Will Eat 97% of Provinces’ Budgets As Canadian Population Ages

Canadian Medical Association. 15 October 2013
Public health: How to balance future costs and funding

Efficiency in delivery
• Shift to less expensive delivery

Increasing funding
• Taxes – increasing taxes and/or increasing the allocation of tax revenue to healthcare
• User fees – can be used to support overall system funding issues
  – Cost effective care = Free / More expensive care = User fee
    (e.g. Emergency Rooms vs Doctors Offices)

Rationing of services
• Income testing – may go against universality of CHA but may be politically acceptable
• Limiting eligibility – 70 has become the new 65

De-listing of non-essential services
• Expect a growing list of private health services
• Recall that services such as dental care, chiropractor and physiotherapy were once part of provincial programs (now absorbed by employer plans)
### Shifting Delivery of Healthcare and the Canada Health Act

<table>
<thead>
<tr>
<th>Public / Government</th>
<th>Individual / Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>From</strong></td>
<td><strong>To</strong></td>
</tr>
<tr>
<td>In-patient hospital</td>
<td>Out-patient</td>
</tr>
<tr>
<td>Physicians</td>
<td>Nurses, paramedical or pharmacists</td>
</tr>
<tr>
<td>Surgical intervention</td>
<td>Non-surgical</td>
</tr>
<tr>
<td>In-person</td>
<td>Mobile health</td>
</tr>
<tr>
<td>Acute treatment</td>
<td>Health maintenance</td>
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Who Pays for What in Canadian Healthcare?

Public: 70.1%
Private: 29.9%
4 key factors leading the way to 2025

1. Demographics
2. Public health
3. Lifestyle: Behaviour, health and behaviour change
4. Technology
Lifestyle-based Health Challenges

8 risks and behaviours

- Poor diet
- Physical inactivity
- Smoking
- Lack of health screening
- Poor stress management
- Poor standard of care
- Insufficient sleep
- Excessive alcohol consumption

Diabetes
Coronary artery disease
Hypertension
Back pain
Obesity
Cancer
Asthma
Arthritis
Allergies
Sinusitis
Depression
Congestive heart failure
Lung disease (COPD)
Kidney disease
High cholesterol

accounting for 80% of total costs for all chronic illnesses worldwide.
Lack of Knowledge?

19.3% smoke
Statscan, 2013

60% of men overweight or obese
Statscan, 2012

45% of women overweight or obese

14.4% inactive
Statscan, 2011

46% exceeded the amount of alcohol that leads to chronic effects
Canadian Alcohol and Drug Use Monitoring Survey, 2011

Misjudged risks
59% who indicate at least good health are actually overweight or obese
Aon Hewitt, 2014
Influencing Behaviour Through **Incentives**

- Participation in disease/condition management programs: 16% Penalty, 28% Incentive
- Participation in health coaching activities: 13% Penalty, 34% Incentive
- Successful completion of lifestyle programs (e.g. weight loss, quit smoking): 17% Penalty, 39% Incentive
- Participation in physical fitness challenges (e.g. 10,000 Steps® Program): 4% Penalty, 40% Incentive
- Participation in lifestyle modification classes (e.g. weight management, tobacco cessation): 21% Penalty, 42% Incentive
- Participation in health improvement/wellness programs: 13% Penalty, 51% Incentive
- Participation in biometric screening: 53% Penalty, 64% Incentive
- Participation in health risk questionnaire (HRQ): 70% Penalty, 84% Incentive

- 37% approve of employers charging higher premiums if no participation
- 21% approve of higher premiums if health goals not met
  - Kaiser Health Tracking poll, June 2014
4 key factors leading the way to 2025

1. Demographics
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Technology

Changing everything

Medical advances

How individuals access the health system

How employers support health

Data and analytics
Navigating the Future
Private plan sponsor’s role

- Covering what governments don’t
  - Prescription drugs
  - Dental care
  - Vision care

- Supplementing what governments cover
  - Prescription drugs for seniors
  - Semi-private hospital room
  - Medical services & supplies

- Choosing not to cover
  - Long-term care
  - Physician supplemental charges

- Moving away from covering
  - Retirees
  - “Non essential services”
  - Anything covered by someone else

- Debating coverage for
  - Health promotion / “wellness”
How are you going to navigate this future?

• Should government cuts flow into employer plans?
  – Employer impact not high on government radar

• Likely greater variations between provinces as our 10+ health systems evolve
  – Greater challenges in managing plans across multiple provinces

• Demographic (increased demands of aging boomers) and government (cut backs to balance budgets) trends will mean cost shifting to either employers or individuals

• Balancing employer cost and employee health
  – Maximizing the value for the dollars spent

• We have a bit of time…..But not much
Navigation Plans – Charting Your Course

- Effective plan management
- Strategy and prioritization
- Communication to all stakeholders
- Being informed and prepared
Effective Plan Management means ...

Managing the plan today
- You’ve focused on provider mgmt … not as much on cost mgmt
- Do the basics right – take advantage of cost management strategies

Managing the employee’s health
- Increasing focus on pre-claim activities
- Beyond basic education to behaviour change

Managing your data
- Integration of data:
  - Drug, disability, EFAP, HRA, engagement, etc.
- Understand drivers of health and health-related costs
- ROI can’t be measured without a baseline

Managing risk
- Employer large claim risk: large amount pooling
- Individual large claim risk: out-of-pocket maximums

If you could spend a dollar to:
- Pay a claim or;
- Prevent a claim
Which would you rather do?
Health Strategy & Prioritization

If we can’t afford to pay for everything for everyone, then we need to prioritize what our health plans provide.

Why do we assist employees with their health?
• Healthy, happy, engaged, productive employees

What do we cover?
• Drug selection and prioritization
• Benefits plan design prioritization
• Separating wants from needs
• Separating insurance from cash flow management

Who pays?
• Maximizing government coverage
• Pharmaceutical patient assistance programs
• Employers as the payor of last resort

If you had the option of paying for cancer treatment for one employee or eye glasses for 100 employees, which would you choose?
Communication to all stakeholders

Does your organization know that change is coming?

Do your employees? Union and non-union?

What can you prepare them for today?

• Funding realities of public healthcare
• Interconnected role of public and employer health
• Your strategy toward health
• Shift from benefits to health
• Shift in role of employers in individual health
• Expectation that changes will be coming

No one likes change.

But people like surprises even less.
Be informed and prepared

• Many of our underlying assumptions in Canadian healthcare are in flux
• Several changes in society playing a part:
  – Social
  – Demographic
  – Financial
  – Health

Your survival guide
• Stay informed
• Start preparing now
  – Preparing yourself, your organizations and your employees
• Think about health, not benefits
• Embrace change
• Partner with advisors that can help

If you want to be prepared to navigate a storm, be sure to at least look at the weather forecast.
Thank You