



Growth in private payments for health care by Canadian households

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ABSTRACT

Introduction: Despite first-dollar public coverage for hospital and physician services, Canadians spend more privately on health care than citizens of most other developed countries. We quantified recent growth in private payments by Canadian households for health care. **Methods:** Using data from 163,081 respondents to Statistics Canada's annual Survey of Household Spending from 1998 to 2009, we calculated inflation-adjusted per-household spending on private health insurance premiums and out-of-pocket payments on six types of health care services. Further, we estimated the prevalence and some socio-economic determinants of households spending over 10% of after-tax income on health care using logistic regression.

Results: We found that Canadian households spent \$19.8 billion on private payments for health care in 2009. This represents an average of \$1523 per household—a 37% increase over 1998. The top three spending categories in 2009 were private health insurance premiums (\$5.9 billion), dental (\$4.9 billion) and prescription drugs (\$4.2 billion). Even after adjusting for inflation, expenditure on every category of health care spending increased between 1998 and 2009. The proportion of households spending more than 10% of after-tax income on health care increased by 56% (from 3.3% to 5.2%). Households including a senior, with a low income, and in British Columbia or the Atlantic Provinces were significantly more likely to reach this threshold.

Interpretation: Over the period studied, the burden of private health care expenditures increased substantially for Canadian households. As direct charges reduce the use of necessary health care services, investigation into the health consequences of these increases is warranted.

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1. Introduction

Despite the perception that Canada has a “public health care system,” the country actually relies on private financing of health care more than most comparable countries. Private expenditures on health care in Canada totalled \$1569 per capita in 2010, the third highest level in the

OECD—trailing only the predominantly private-insurance systems of the United States and Switzerland [1]. This is because Canada's first-dollar public insurance system covers only medically necessary physician and hospital services. Other important components of modern health care, including home care, prescription drugs, dental care, and vision care, are largely privately financed [2].

There are two major sources of private financing in Canada: employers and individuals. Employers make payments toward private health insurance costs when offered to their employees. When paid by the employer these contributions are not taxable (except provincially in Quebec); these exemptions reduced taxes by \$3.2 billion in 2011 [3].

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Individuals can also make payments toward private insurance premiums if required by their employer or if they purchase their own individual insurance policy. In addition, individuals can be required to make direct out-of-pocket payments at the point of care. This includes user-charges under both private and public insurance programs (e.g., deductibles and co-insurance for pharmaceuticals and dental care [4]) as well as all payments by the uninsured.

The reduction of financial barriers to care and protection of households against catastrophic out-of-pocket health costs are recognized goals for health financing systems [5]. Direct user charges may cause individuals to forgo needed care with negative (and potentially costly) health consequences. They can also have implications for equity in health care financing [6,7]. Significant out-of-pocket costs for care as a proportion of income can threaten the economic well-being of households, and result in sacrifices in other necessity spending, particularly for those with lower incomes [8]. Despite the importance of private spending, we have very limited knowledge regarding the types, trends and burden of private health care expenditures by Canadian households. Therefore, we studied the trends and distributions of household spending on private health benefits premiums and out-of-pocket charges for six types of health care services in Canada.

2. Methods

2.1. Data and variables

We used data from each wave of Statistics Canada's annual survey of household spending (SHS) from 1998 to 2009. We specifically selected these years because prior and subsequent years used different data collection methods and are thus not directly comparable [9]. The data from each year is cross-sectional in nature and was collected using similar methods over time.

SHS data is collected through an in-person interview and involves verification against receipts and other household documentation. The annual number of households responding to the survey ranged from 9493 to 15,774, with response rates ranging from 63.4% to 76.4%. A total of 163,081 responses were received over the period.

The SHS provides household-level information on both sources of private household spending on health care: private health insurance premiums and six different categories of direct out-of-pocket payments for health care services. This includes direct payments for prescription drugs, dental care, eye care, physicians, hospitals and nursing homes, and for other healthcare practitioners. Private premium expenditure includes automatic deductions from salaries for employee-paid portions of private insurance premiums where relevant. The SHS also includes reported after-tax household income, which we used as a measure of household purchasing power.

2.2. Statistical analysis

To detail changes in out-of-pocket spending over time, we compared the absolute levels and growth between 1998 and 2009 both overall and for each spending category. To

investigate changes in spending for affected households, we also calculated the average spending for households in each year, conditional on a household having positive spending for that category of expenditure. To illustrate the distribution of private payments for health care by households, we developed a concentration curve of the proportion of after-tax income spent on health care by the proportion of households affected (both in 2% increments).

Following previous studies in developed countries, we defined high-burden households as those having combined out-of-pocket expenses for services and premiums greater than 10 per cent of annual after-tax household income [10–12]. Using a denominator of after-tax income is preferable to before-tax income as it is a more accurate measure of a household's disposable financial resources [13]. Based on this measure, we calculated the percentage of households that spent over 10 per cent of their inflation-adjusted, after-tax income on health services.

We also used this measure to investigate the factors associated with households having a high burden of private payments as a proportion of net income. We developed a logistic regression model to assess the association between spending over this 10% threshold and several variables available in the 2009 survey cycle that were likely related to health care services access and costs and available in the survey: namely, whether a household includes one or more individuals 65 or older, quintiles of household after-tax income, and province of residence. Because of the small number of respondents in some provinces, we combined Saskatchewan and Manitoba, as well as the four Atlantic provinces. All of our estimates used survey weights and estimation methods provided by Statistics Canada. All figures were adjusted for inflation and are presented in 2009 dollars [14].

3. Results

We found that Canadian households spent \$19.8 billion on health care in 2009 (Table 1). After adjusting for inflation to year-2009 dollars, we found the average Canadian household spent approximately \$1112 on health services in 1998 and \$1523 in 2009 (Fig. 1). This represents a 37.0% increase overall, or an annual growth rate of 2.9% over inflation.

As shown in Table 1, the largest single category of household spending in 2009 was private health insurance premiums, at a household average of \$452 (equivalent to total spending of \$5.9 billion). In terms of direct payments for services, the top two categories were dental care (total \$4.9 billion, average \$373) and prescription drugs (total \$4.2 billion, average \$320). As shown in Table 1, average, inflation-adjusted out-of-pocket spending per household increased in every category studied.

Table 2 presents the proportion of households that incurred out-of-pocket expenditures on each different area of health care services, and the mean amount they incurred conditional on positive spending. Overall, 90% of Canadian households incur private health care expenditures every year. As shown in the Table, changes in the proportion of households incurring private expenditures were very modest across all 7 categories of spending. The largest

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