# The Pitfalls of Single-Payer Health Care: Canada's Cautionary Tale

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by CANDICE MALCOLM *April 13, 2017 4:00 AM*

Before resigning themselves to socialized medicine, flummoxed legislators should consider the experience of our neighbors to the

North.

In the Netflix series *House of Cards*, President Frank Underwood campaigned for the White House by telling Americans, "You are entitled to nothing." The fictional president — a Democrat, no less — was forthright with American voters about the unaffordable and unsustainable structure of America's entitlement programs, and he was rewarded at the polls.

"You are entitled to share in prosperity"

In real-life America, unfortunately, there is no such courageous honesty from the political class. Even many in the Republican party, once the stalwart force fighting against the growth of big government, are now resigned to contemplating a government takeover of the health-care industry in the wake of their failure to repeal and replace Obamacare. Charles Krauthammer, for example, woefully predicts that President Trump will opt for single-payer health care. F. H. Buckley, meanwhile, optimistically calls for Trump to look to the Canadian model of universal coverage.

> There's just one problem: The Canadian model of universal coverage is failing.

## ASSESSING CANADA'S SINGLE-PAYER SYSTEM

The Canada Health Act (CHA), introduced in 1984, governs the complicated fiscal agreement between the provinces, who administer health services, and the feds, who manage their health-insurance monopoly and transfer funds to the local governments. Unlike in the United Kingdom, where health care is socialized and hospitals are run by the National Health Service, in Canada health care is technically delivered privately, although given the Kafkaesque regulations and restrictions that govern it, the system is by no means market-based. In fact, Canada's government-controlled health-care system has become more restrictive than communist China's.

Debates about health-care policy typically revolve around three key metrics: universality, affordability, and quality.

Canada passes the first test with flying colors: Every resident of the country is insured under the CHA, with covered procedures free at the point of delivery. While medical providers are independent from the federal government, they are compelled to accept CHA insurance —and nothing else — by a prohibition on accepting payments outside the national-insurance scheme so long as they wish to continue accepting federal health-transfer funds.

The spigot of money from Ottawa thus ensures a de facto government monopoly in the health-insurance market.

The CHA provides and ensures universal coverage from the top down. In Canada, the government determines what procedures are medically necessary. Bureaucrats, not doctors, decide which procedures and treatments are covered under the CHA — based on data and statistics rather than on the needs of patients. While private insurance does exist — an OECD report found that 75 percent of Canadians have supplementary insurance — it applies only to procedures and services that fall outside the CHA — including dental work, optometric care, and pharmaceutical drugs.

When it comes to affordability, the Canadian system also passes, if just barely. Canadians pay for health insurance through their taxes; most never see a medical bill. But that doesn't mean the system is affordable. Au contraire, it relies almost entirely on current taxpayers to subsidize the disproportionately large health-care needs of elderly Canadians in their final few years of life. Rather than pre-funding the system to deal with the coming tsunami of aging Baby Boomers, Canada's provincial governments pay and borrow as they go — and rank among the most indebted sub-sovereign borrowers in the world. According

to Don Drummond, an economist appointed by Ontario's Liberal government to help fix its finances, Canada's largest province is projected to see health-care costs soar to the point where they will consume 80 percent of the entire provincial budget by 2030, up from 46 percent in 2010.

In the meantime, to address scarcity in the health-care system, government central planners ration care and cap the number of procedures offered in a given year, leading to queues, longer wait times, and a deterioration in the quality of care. Speaking of which#…#

#…#When it comes to the final metric, quality of care, Canada lags behind most other developed Western nations. A 2014 report by the Commonwealth Fund ranked Canada tenth out of eleven wealthy countries (ahead of only the United States) in health-care quality, and dead last in timeliness of care. The report showed that 29 percent of adult Canadians who fell ill and needed to see a specialist waited two months or longer, and 18 percent waited four months or longer, compared with 6 percent and 7 percent of Americans, respectively.

Canada's quality of care is poor, and it continues to deteriorate in the face of a looming fiscal crunch and further rationing. In Canada's single-payer system, citizens cannot pay directly for procedures,

and they cannot purchase private insurance to cover services provided by the CHA. They must instead wait in line or seek health-care services outside the country.



to think that health care is "free" in Canada, when in fact, Canadian taxpayers pay, on average, $10,500 per year for all their health-care needs. Canadians simply have no concept of how much

the services they consume cost, since the CHA prohibits providers from ever showing patients a bill.

Finally, there is the fact that Canada's single-payer system is made possible only by an accident of geography: It is propped up by the U.S. health-care industry next door, which provides a parallel private system for very sick and very rich Canadians while acting as the driving force for global medical innovation.

Ultimately, the antidote for Canada's poor health outcomes and long wait times has been for Canadians to seek care elsewhere. Don't take my word for it. A few years ago, Dr. Martin Samuels, the founder of the neurology department at Harvard's Brigham and Women's Hospital, wrote in *Forbes* about his experiences as a visiting professor in Canada:

> The reason the Canadian health-care system works as well as it does (and that is not by any means optimal) is because 90 percent of the population is within driving distance of the United States where the privately insured can be Seattled, Minneapolised, Mayoed, Detroited, Chicagoed, Clevelanded, and Buffaloed, thus relieving the pressure by the rich and influential to change a system that works well enough for the other people but not for them, especially when they are worried or in pain.

> In the United States, there is no analogous safety valve, so the influential simply demand a different level of care and receive it.

In other words, Canada's rigid state monopoly on health insurance works only because Canadians secretly have a private alternative: America's market-based system. It isn't just "rich and influential" Canadians who seek treatment in the U.S., either. In a recent government document obtained by the *Toronto Star*, five stem-cell-transplant directors laid out the "crisis" in Ontario, revealing that "the health ministry approved more than $100 million in spending recently to redirect hundreds of patients who will probably die waiting for transplants in Ontario to hospitals in Cleveland, Buffalo, and Detroit." Likewise, a recent report from the Fraser Institute, Canada's leading public-policy think tank, estimated that more than 52,000 Canadians received medical treatment outside of Canada in 2014.

Canadians might like their single-payer health-care system in theory, but in practice, large numbers of them are going elsewhere for care.

## UNIVERSAL SUFFERING

As previously mentioned, the three key indicators to consider in evaluating a health-care system are universality, affordability, and quality. It's often said that you can have two out of the three, but

you cannot have all three. The Canadian model offers universality, affordability, and the illusion of quality. But an illusion is all it is: The more closely you look, the worse the quality of Canadian health care appears.

As policymakers in Washington continue to debate the future of American health care, they might want to consider another quote from the cynical President Underwood before giving in to temptation, following Canada's lead, and pursuing a single-payer system: "Pay attention to the fine print. It's far more important than the selling price."

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