



Written by [Michael Tennant](#) on June 2, 2010

Canadian Healthcare Continues Its Collapse

With the passage of ObamaCare, the United States has taken another fateful step down the road to fully socialized medicine, the ultimate goal of the American political class with regard to healthcare. Meanwhile, our neighbor to the north, which reached the end of that road over 40 years ago, is being forced by the laws of economics, which no government can repeal, to head in the opposite direction.



Just as the retirement of the baby boomers is causing major strains on U.S. government programs such as Social Security and Medicare, it is also putting serious pressure on the Canadian universal healthcare system. In a Reuters news analysis, Claire Sibonney writes: “Pressured by an aging population and the need to rein in budget deficits, Canada’s provinces are taking tough measures to curb healthcare costs, a trend that could erode the principles of the popular state-funded system.”

Among the “tough measures” the provinces are instituting or considering, according to Sibonney: cutting generic drug prices and eliminating “incentive fees” to generic drug manufacturers; paying hospitals on a “fee-for-procedure” basis rather than with block grants; imposing “a new flat health tax”; requiring “payments on each medical visit”; “experimenting with private funding for procedures such as hip, knee and cataract surgery”; applying “means testing” to benefits payments; correlating “hospital chief executive pay with the quality of patient care”; and putting “more physicians on salary.”

The reason for these measures is simple: Healthcare “ate up about 40 percent of provincial budgets, or some C\$183 billion (US\$174 billion) last year,” writes Sibonney. “Spending has been rising 6 percent a year under a deal that added C\$41.3 billion of federal funding over 10 years [ending in 2013].... Ontario says healthcare could eat up 70 percent of its budget in 12 years, if all these costs are left unchecked.”

Mary Webb, senior economist at Scotia Capital, correctly noted the underlying problem: “If it’s absolutely free with no information on the cost and the information of an alternative that would be have been more practical, then how can we expect the public to wisely use the service?” Her solution, however, was simply “to make patients aware of how much it costs each time they visit a healthcare professional. ‘[The public] will use the services more wisely if they know how much it’s costing,’ she said.”

Merely telling people how much a procedure costs will do little to curb their overuse of the healthcare system as long as they believe that other people are bearing the burden of the cost and that they are entitled to “free” healthcare. It’s the same problem of third-party payment we have in the United States.



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With Americans largely having their healthcare bills covered by employer-paid insurance or government programs, they have little incentive to shop around for the best buy or to consider alternative treatments. Would you buy a Honda instead of a Lexus (or two) if someone else were footing the bill?

The Canadian healthcare system has been slowly but surely collapsing of its own weight, as all socialist systems eventually do, for years. David Gratzer detailed some of the problems in an excellent 2007 *City Journal* [article](#). Recounting his conversion from staunch believer in the Canadian healthcare system to firm defender of free-market healthcare, he wrote:

My health-care prejudices crumbled not in the classroom but on the way to one. On a subzero Winnipeg morning in 1997, I cut across the hospital emergency room to shave a few minutes off my frigid commute. Swinging open the door, I stepped into a nightmare: the ER overflowed with elderly people on stretchers, waiting for admission. Some, it turned out, had waited *five days*. The air stank with sweat and urine. Right then, I began to reconsider everything that I thought I knew about Canadian health care. I soon discovered that the problems went well beyond overcrowded ERs. Patients had to wait for practically any diagnostic test or procedure, such as the man with persistent pain from a hernia operation whom we referred to a pain clinic — with a three-year wait list; or the woman needing a sleep study to diagnose what seemed like sleep apnea, who faced a two-year delay; or the woman with breast cancer who needed to wait four months for radiation therapy, when the standard of care was four weeks.

Gratzer decided to write a book on the subject. In researching the book he found that “at a time when Canada’s population was aging and needed more care, not less, cost-crunching bureaucrats had reduced the size of medical school classes, shuttered hospitals, and capped physician fees, resulting in hundreds of thousands of patients waiting for needed treatment — patients who suffered and, in some cases, died from the delays. The only solution, [Gratzer] concluded, was to move away from government command-and-control structures and toward a more market-oriented system.”

Gratzer’s book, *Code Blue*, was published in 1999. The system’s problems and bureaucrats’ attempted solutions haven’t changed in the 11 years since. In fact, with the aging population the problems have only become *more* severe and the solutions, even less successful and more cruel to those dependent on the system.

The good news, as Gratzer noted in his article, is that even in 2007 the Canadian provincial and federal governments had to a large degree stopped trying to stamp out private healthcare providers that kept cropping up to fill the void left by the socialist healthcare system. Furthermore, the Canadian doctors’ association had in 2006 elected president a “former socialist who ... has nevertheless become perhaps the most vocal critic of Canadian public health care, having opened his own private surgery center as a remedy for long waiting lists and then challenged the government to shut him down,” wrote Gratzer. “‘This is a country in which dogs can get a hip replacement in under a week,’ he fumed to the *New York Times*, ‘and in which humans can wait two to three years.’ ”

Even more private options are available to citizens of the Great White North today, which is especially good news given that their government, while beginning to dip its toes into the waters of private funding for certain procedures, is largely continuing down the socialist road, rationing care and creating longer waiting lists and worse hospital conditions. The U.S. government, rather than learning from the mistakes of the Canadians, British, and others who have tried and failed to bring about healthcare utopia through socialism, persists in following them into the abyss.



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Instead of [creating incentives](#) for people to pay for their own healthcare instead of relying on third parties — the only way costs will ever be brought under control — our government has recently forced everyone to sign up with a third-party payer and has prevented that third party from charging its customers based on their actual likelihood of needing its services. This can only result in more overuse of the system and less cost consciousness among those partaking of it.

What is needed is not more government involvement in the healthcare sector but less. As Gratzer concluded his article, “America is right to seek a model for delivering good health care at good prices, but we should be looking not to Canada, but close to home — in the other four-fifths or so of our economy. From telecommunications to retail, deregulation and market competition have driven prices down and quality and productivity up. Health care is long overdue for the same prescription.”

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