New Study Compares Healthcare System Costs among OECD Countries

OTTAWA, January 30, 2014—The Canadian Institute of Actuaries (CIA) and the Society of Actuaries (SOA) have released a research report, *Funding Public Health Insurance Plans, Canada and Globally*, that could help improve healthcare systems around the world.

With health costs taking up an increasing percentage of Gross Domestic Product (GDP) in most countries, health budgets are receiving greater scrutiny. Among Organisation for Economic Co-operation and Development (OECD) members, spending on public and private healthcare has spiralled in the last 20 years and generally exceeds 10 percent of GDP. However, conducting direct comparisons is complex as each nation’s population demographics and healthcare status and systems are different. Thus, a great deal of attention is being paid to developing healthcare measurement systems, or metrics, that will allow meaningful comparisons to be made.

This report focuses on several different funding models used by seven countries—Canada, the United States, Sweden, France, Germany, Switzerland, and the United Kingdom—and the current healthcare metrics for 20 OECD members.

It analyzes potential healthcare metrics that would allow different countries to compare their results and identify relative inefficiencies in their healthcare systems. It incorporates a Lifestyle Index, which considers alcohol consumption, smoking, and obesity prevalence rates and looks at the influence of current health status on future costs and needs. A higher Lifestyle Index number for a country indicates overall poorer health, leading to higher healthcare needs and costs. The index ranges from 55.3 (Japan) to 123.2 (United States). Canada’s index is 93.3. The report suggests that healthcare costs will vary by about 10 percent of the index difference between countries. So, Canada can expect 10 percent of (93.3-55.3) or 3.8 percent more in healthcare costs than Japan, solely as a result of lifestyle differences.

The report also identifies areas where actuaries could offer additional insights.

The report’s conclusions include:

- Overall, countries that have a mandated insurance funding model (Germany, the Netherlands, Switzerland, and Japan) appear to have the best mortality results.

- Countries with a government service model, including Canada, the United Kingdom, Ireland, Australia, New Zealand, Denmark, Norway, Finland, Sweden, Italy, Portugal, and Spain, have made great improvements in life expectancy since 1990.
Public healthcare systems operate in political settings, responding to the needs of the population. Actuaries can add significant value to public health plans by quantifying the core issues and simplifying the discussions, potentially leading to more optimal healthcare policy decisions. For instance, they can connect the costs with the population demographics and attach values to improved health status while looking at the longer term.

The Canadian Institute of Actuaries is the national organization of the actuarial profession. The Institute is dedicated to serving the public through the provision, by the profession, of actuarial services and advice of the highest quality. In fact, the Institute holds the duty of the profession to the public above the needs of the profession and its members.

For further information or to set up an interview with an actuary, contact Josée Racette, the CIA’s project manager, communications and public affairs, at 613-236-8196 ext. 107, or e-mail josee.racette@cia-ica.ca.

The Society of Actuaries (SOA) is an educational, research and professional organization dedicated to serving the public, its members and its candidates. The SOA’s mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal problems. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk. Visit http://www.soa.org.