

Speech to the Canadian Association of Financial Planners

The Honourable Colin Hansen, Minister of Health Services

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Thank you Ian. I should put my small business credentials in perspective, because when I first got elected in 1996, my wife Laura took over running our business by herself and I think in the following eight months, sales went up by 42% and have since tripled. Laura made it quite clear to me leading up to the 2001 election that I better bloody well get myself re-elected because she didn't want me back in the company.

Ian was mentioning the size of the health care budget in British Columbia and if it were a private corporation it would actually be the biggest organization west of Winnipeg in Canada, with a net budget that is now at \$10.7 billion. As Ian mentioned, it's at 41% - which was before the last budget top-up that now puts us at just under 43% of the entire provincial budget.

To put that into a bit of perspective, if you look at Jimmy Pattison's entire worldwide organization, they have net revenues and expenditures of about \$5 billion a year. In the health sector in British Columbia we've got about 120,000 employees directly employed in the health sector. In Pattison's organization there's about 40,000. I think a lot of people tend to look at health care as something that should be treated somewhat like a neighbourhood service, when in fact it is a huge and extremely complex organization, and one that needs to be much better organized and integrated if it's going to be sustained in the future.

In health care in British Columbia, we spend \$1.4 million an hour. That means in the time since we gathered here today, the health sector in this province has spent over a million dollars. That's true every hour of the day, every day of the year.

In addition to that expenditure, we're also seeing cost pressures grow at a rate of about seven to eight percent per year. If we're going to continue to do health care the way that we have in the past, we're going to have to find an extra seven to eight percent a year - if we're going to continue to feed that beast which has an absolutely insatiable appetite. There's lots of reasons for those cost pressures going up, we've got a growing population in British Columbia, we've got an aging population which I'll come to in a bit, we have new and very expensive technologies, we have expanded use of prescription drugs and many of those drugs are very expensive, and we have heightened expectations of what the health care system should be.

At our table we were talking a bit about the history of Medicare in Canada, which goes back 40 years. In that period of time, Canadians' expectations of what health care should be have gone from the late 1960s mentality of Medicare to provide coverage for doctors visits and hospitalization to today's expectation that it should cover everything from aromatherapy through to brain surgery and everything in between. That's clearly where some of our challenges come from.

When I first became health minister in June of 2001, I remember very vividly a meeting I had with the Deputy Minister a couple of days after we were sworn in. At that time, the Premier had established two separate ministries of health, so there was a Ministry of Health Services, which I was responsible for, but there was also a new Ministry that we created, which is the Ministry of Health Planning. I hold the operational responsibilities, so of that \$10.7 billion, I have responsibility for about \$10.5 of that and Health Planning has a much smaller budget. Leah Hollins, who was the Deputy Minister, was telling me her instructions from the premier's office. That was to take all of the staff that were working in the previous Ministry of Health that had responsibility for planning, and move them over to this new Ministry of Health Planning. Leah looked at me across the table and she said, "You're not going to believe this... we don't *have* any senior officials in the Ministry responsible for planning."

This was at the time a \$9.3 billion organization, and they did not have one senior staffer dedicated to a planning function. It's no wonder we've got ourselves into the mess we're in today because we're suffering from governments over generations that have not taken a long-term focus, and not looked at what we have to do to make sure that the health care system is truly sustainable into the future.

There are two solutions to meeting that challenge of seven to eight percent a year growth. We could actually sustain the health care system that's going to cost us eight percent more a year, providing we've got economic growth at eight percent a year, which we don't. All of the initiatives that we've taken as a government will take us in that direction: reducing personal income tax; getting rid of the corporate capital tax; eliminating regulations – and we've made a commitment to reduce the regulatory burden in this province by one third during our first term in office which amounts to one-third of that one-third every single year - and we've made our targets in that first year and will continue to until we hit that goal of one-third reduction. If you start looking at the restructuring of corporation taxes in this province the application of PST to equipment and machinery – all of the things that we had to do to at least start to get our economy back on track so that we could raise economic growth in this province from the one to two percent level that we saw during the 1990s, to something hopefully around the three to four percent level, which will help us meet some of those challenges in funding social services in the future.

Even with the most optimistic forecast of economic growth in this province we're still not going to be able to maintain a health care system at eight percent, we have to bring those costs down. And a lot of the restructuring that we're doing is driving towards that. We also have to recognize that health care has changed dramatically. Just as an example, the number of bed days that we use in our hospitals today, are about half of what they were 15 years ago. So even though the number of surgeries is increasing every year, and in fact last year increased by nine percent, the number of days that patients have to spend overnight in hospitals is actually decreasing every single year. We need different kinds of facilities, we need a different kind of health care than was practiced before. If you look at cataract surgery, it used to be a six-day stay in hospital, now it's a simple outpatient procedure. Something like gallbladder surgery, which used to require about a 10-day stay in hospital is now done as an outpatient procedure using laproscopic surgery. There's better anesthetic techniques, so now instead of the techniques that actually just put you to sleep for surgery, there have been huge advances made in bringing you out of an anesthetic state so you can recover faster and you can be back on your feet faster. Antibiotics have significantly reduced the need to hospitalize children. In terms of mental health, which takes up about 1/3 of all bed days in our hospitals, new medication and new treatments have resulted in a significant decline.

One of the things that we've done with the reorganization of healthcare - which needless to say was quite controversial with the closing of two hospitals and significant restructuring of services offered in other hospitals - is we've been able to bring together regional Centres of Excellence in this province. In the past what we had was a system where every hospital had to be all things to all people. They were all competing with each other to try to attract the newest specialist or an additional specialist without real consideration to how you ensure that patients who live in those regions of the province get access in a timely fashion. We were trying to be everything, everywhere and as a result we were doing nothing properly or adequately in those regions.

We made some tough choices around closing hospitals, and we made some tough choices around shifting procedures from one facility to another. We had to make the tough decisions around which hospital in a region was going to become that Regional Centre of Excellence. The net result of that now is that we actually see we're attracting more specialists into those communities. In the case of Cranbrook for example, it's the first time that they've ever been able to attract an internist. What that means is that the residents of Kimberley, who saw their hospital close, now have to travel about 30 minutes by car or 18 minutes by ambulance to Cranbrook where the regional hospital is located to see an internist, instead of having to travel from Kimberley to Calgary to see an internist, as they would have in the past. So what we see, even with a one year track record on this reorganization, is that the number of patients being transferred out of the East Kootenay's, and the number of patients being transferred out of the Kootenay-Boundary region, are dropping because people are getting access to the care they need within easy driving distance of their own home. It may not be in their own backyard, but it's close to their home. The other thing that I mentioned, is that we've seen an increase in the number of surgeries being done, by nine percent as a direct result of that reorganization and the consolidation of care around Regional Centres of Excellence.

The other thing that we have embarked upon is a fundamental restructuring of how seniors get the care they need. One of the messages that we got as we went across the province, was that seniors wanted their independence, and I think in your respective businesses you probably see this every day. The choice they had in the past was really the choice between the family home and the nursing home and I think we've all experienced in our own families where an aunt or an uncle or a grandparent got to the stage where they could no longer manage

in the family home. It's a pretty traumatic day in the lives of a senior when they're told they're going into a nursing home, and to accept that position because it means a loss of independence. What we really need is a new model, we need new facilities that are in between. There's been some talk about assisted living and supportive housing environments where seniors actually can get the independence that they want but they get the support that they need on their bad days. They get access to meals, they get access to care providers within that environment. It's a model we'll see a lot more of over the coming years.

We're not just focused on next year or the year after. What's important for me is to look 10, 15 and 20 years down the road. I know a lot of you in your businesses have to live with changing demographics, and that's certainly what drives our decision-making in British Columbia. I'll give you a piece of good news for all of us that like getting older every year because it beats the alternative - the fastest growing age group in British Columbia are those over the age of 90. Over the next three-and-a-half years, that age group is expected to grow by 40%. That's very good news for everybody except health ministers and finance ministers because the average cost of providing health care for someone over the age of 90 is \$20,800 a year. In Canada, we had the largest baby boom of any country in the world. I guess the baby booms that took place in the world were in the United States, Australia and New Zealand, but Canada's was by far the most significant. At the height of the baby boom, Canadian women were averaging four babies each and now as you probably know, the average family size is less than two children for those parents that decide to have children.

That baby boom is now approaching target years. Today in British Columbia we have about 550,000 seniors. By 2010, that will grow by about 22%. If you think about that, that's 120,000 British Columbians, or a city the size of Abbotsford that will be added to our seniors population by the year 2010 when we will be hosting the 2010 Olympics. Seniors currently comprise 13.4% of our population. By 2020, it will be 18.6%. By the year 2030, it will be 23.3%. In 1971, when I first started university over half the BC population was under the age of 30. Just 13% of the population at that time were age 60 or over. By 1999, 37.6% were under 30, and the 60+ age group had increased to 17%. Right now there's one in eight British Columbians over the age of 65 and in 30 years that will shrink to one in four. The good news in this is that seniors are living healthier. The seniors of today are considerably healthier than the seniors of 10 years ago or 20 years ago. The seniors 10 years from now, we anticipate, will even be healthier because we are taking better care of ourselves.

In the year 2000, our health care budget in Canada amounted to \$2,200 per person, but the problem is, that's an average across all age groups. For a child between the ages of five and nine, the cost of their health care to our public system is about \$800. For those between the ages of 25 and 45, it's up to about \$1,400. When you hit 50, as I just did last year, it's about \$2,000. Age 65 to 69 it's \$3,800. That's when you start getting into the big bucks. By age 80 it's over \$10,000, and as I mentioned, by age 90, it's over \$20,000.

So the big challenge is how do we prepare for that as we move forward. Not just the fact that those costs are rising, but the number of people who are going to pay for that bill are declining. Today in British Columbia there are 188 seniors for every 1,000 working British Columbians. By the year 2030, when I'm 77 years-old, there will be 433 seniors for every 1,000 working British Columbians. We have some huge challenges ahead of us.

We need to reposition programs in Canada in health care, and we need to reposition expectations in terms of what people can expect the public purse to pay for in health care. Just to give you an example, there's been lots of controversy about the changes around the PharmaCare system in the past couple of months. We have a PharmaCare system that was increasing in cost at a rate of 14% a year, clearly not sustainable as we move forward. We have a system in British Columbia that was paying about 54% of all of the costs of pharmaceutical drugs, paid for by government - the highest of any province in Canada. In Alberta and Ontario, for example, it's around 40%. We had a very generous system, but one we simply couldn't afford, especially if we continue moving forward.

As of May 1st we launched the Fair PharmaCare program. There are two things we had to do. First of all, we had to make sure that it was financially stable in the future and we also had to make sure it was fair, because we had young families, single parents for example with young children, that were facing a PharmaCare deductible of \$800 a year. I know the stories that I heard from pharmacists around the province was that one of the most difficult things they felt they had to do in their job was face a young mom on January 15th, coming in with an extensive prescription and having to pay every penny of that until they had reached their \$800 threshold. What we have

done now is increased the benefits for low and middle-income seniors and low and middle-income non-senior families. Those with higher incomes are going to pay more. But we have to look at that approach to a whole range of services throughout health care. We simply cannot afford that universal approach to non Canada Health Act benefits in the future without totally bankrupting our system.

There's another big change that we made in PharmaCare which hasn't attracted a lot of attention. In order to be eligible for the very generous seniors PharmaCare program, you have to meet two criteria. One you have to be over the age of 65, and secondly, you have to be born prior to 1940. So everybody that's 65 today is on that program. Everybody that turns 65 over the next two years will be on that program, but everybody that turns 65 three years from now and beyond will not. When we started to design that program we asked ourselves, 'do the pharmaceutical needs differ just because someone is 66 instead of 64?' The answer is that as you get older your prescription needs go up, but it's still based on ability to pay, and your need for that program should be based on your ability to pay whether you're 66 or 64. That was our first cut at that program and we realized we had to back off on it because you can't go in to seniors who have built their retirement budgets around certain expectations and then change the rules on them. Those of you that are dealing with seniors who are trying to manage those financial plans into retirement years, know it would have been pretty disruptive if we had actually changed that system on them in the middle of their retirement years. That's why we essentially grandfathered or grandmothered in existing seniors and those on the home stretch of planning for their retirement years. The message we're trying to get out to those that still have a few years before they get there, is they better plan for different realities when it comes to their health care needs because it will be based increasingly on ability to pay because we have to focus those tax dollars on those individuals who need that financial assistance, more than those with higher incomes.

The over-50 age group controls nearly 75% of North American's personal wealth. They spend about 28% of the discretionary income in North America, and that's nearly double than when a household is headed by 34-year-olds are faced with. It represents close to 50% of all consumer spending in North America. About 54% of BC's population has extended health benefits, but the vast majority of seniors do not. As I understand it, we're one of the few provinces in Canada where individual plans for extended health programs are really an anomaly. In fact, in other provinces they're much more common. I believe the reason for that is because governments have tried to extend universal programs to everybody regardless of their income level, so there's never been the opportunity for a market to grow and mature around insurance instruments for seniors for some of these non Canada Health Act procedures.

I think recent governments have not looked to the long term when it comes to planning for health care challenges and governments by and large are criticized for always looking just at the next election when it comes to their initiatives. One of the things that I want to be able to do is, when I'm 77 years old in 2030, look BC's health minister in the eye and be able to say "you know, we actually made some changes back at the turn of the century that better positioned you to meet some of those challenges that are facing our population in the year 2030."

I think we're on the right track. Thank you very much.