

Decentralization and Recentralization in Canadian Health Care

Gregory P. Marchildon

Canada Research Chair in Public Policy and Economic History
Johnson-Shoyama Graduate School of Public Policy, University of Regina
Fellow, School of Policy Studies, Queen's University

AcademyHealth Annual Research Meeting, Chicago 2009
Decentralization v. Recentralization Roundtable, June 29, 2009

Presentation Overview

- Public health care and decentralization
 - Thumbnail history
 - Political decentralization
 - Market decentralization
- Regionalization
 - Types of regionalization
 - Relationship to decentralization
 - Regionalization reforms and policy goals
 - Recent trend to recentralization
 - What we know and what we don't know

Public Health Care and Decentralization

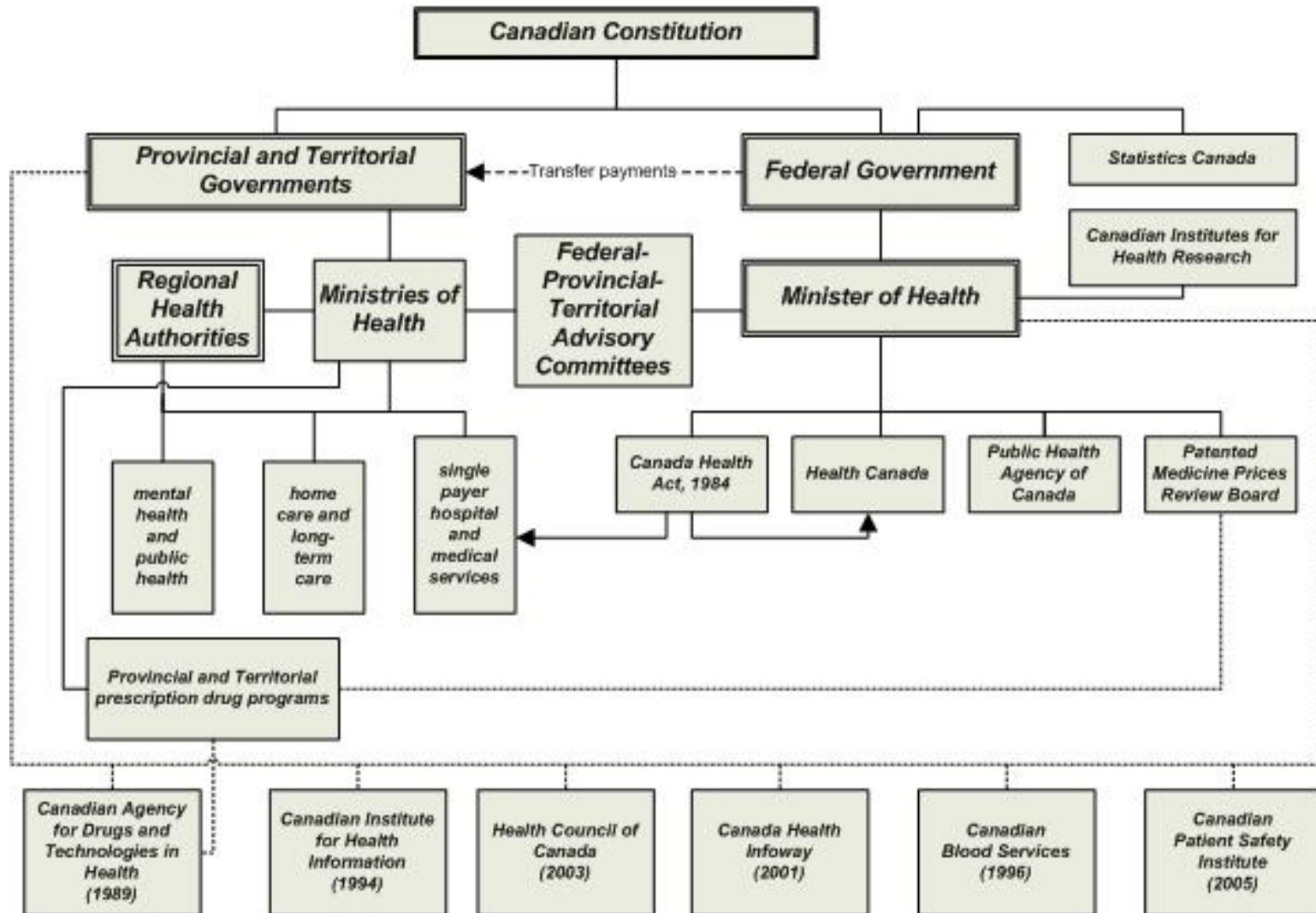
History of Public Health Care in Canada

- **1945:** Federal government's offer of cost-sharing to provinces for introducing public health insurance
- **1947:** Saskatchewan implements public hospital insurance
- **1948:** Federal government introduces health grants
- **1957-61:** National hospital insurance (*100% universal coverage of necessary hospital services*)
- **1962:** Saskatchewan introduces medical care insurance
- **1964:** Royal Commission on Health Services (Hall)
- **1968-72:** National medical care insurance (*100% universal coverage of necessary physician services*)
- **1970s:** Provincial investments beyond medicare: drug plans, home care and long-term care (*generally < 100% basis*)
- **1984:** Canada Health Act and discouragement of user fees
- **1990s:** Regional health authorities (decentralization + centralization)

World's First Postmodern Federation



Political Decentralization



Market Decentralization and Role of Private Sector in Canada

	Funding	Administration	Delivery
Public & Universal (Canada Health Act) hospital, diagnostic and physician services	Public taxation (general revenue funds of governments)	Universal, single-payer provincial systems. Private self-regulating professions under provincial legislative framework	Private professional and for-profit, not-for-profit and public arm's length facilities and organizations
Mixed goods and services, including most prescription drugs, home care, and long-term care	Public taxation, private (often employment-based) insurance and out-of-pocket payments	Public services that are generally welfare-based and targeted, and private services regulated in the public interest by government	Private professional, private not-for-profit, for-profit, and public arm's length facilities and organizations
Private goods and services including dental and vision care as well as over-the-counter drugs and alternative medicines and therapies	Private insurance and out-of-pocket payments including full payments, co-payments and deductibles	Private ownership and control; private professions, some self regulation with state regulation of foods, drugs and natural health products	Private providers and private for-profit facilities and organizations

Public Universal System

- Medicare: universal hospital + medical care services → narrow but deep
- Defined as *medically necessary* or *medically required* services
- Funded by both orders of government
- Provincial single-payer administrations
- National framework of *Canada Health Act*
 - Five federal criteria: 1) public administration; 2) universality; 3) comprehensiveness; 4) portability; and 5) accessibility

Provincial Mixed Systems

- Prescription drug plans
- Long term care (nursing homes +)
- Home care
- Mental health services (beyond psychiatrists)
- Services targeted not universal
- Often accompanied by user fees

Private Systems

- Most dental care
- Most vision care
- Almost all complementary and alternative (CAM) services and medicines
- More than 50% of prescription drugs
- Significant role for private health insurance

Regionalization

Types of Health Regionalization

1. Democratic decentralization (e.g. Italy, Denmark, etc.)
2. Fiscal and managerial decentralization (e.g. most provinces in Canada)
 - i) RHAs as purchasers and providers
 - ii) RHAs as purchasers only (Ontario)
3. Fiscal and managerial centralization with some administrative deconcentration (e.g. Ireland and Alberta)

Relationship with Decentralization

- Regionalization is complex combination of decentralization, centralization and new managerial function
- Decentralization of resource allocation from ministries to regional authorities
- Centralization of planning from multiple facility boards to single regional board
- Creation of complex managerial function through new body

Policy Goals in Canada

1. Integrate and coordinate a broad range of health services (*vertical integration*)
2. Consolidate and rationalize hospital services in order to reduce costs (*horizontal consolidation*)
3. Shift emphasis and resources to illness prevention and health promotion (*population health*)
4. Improve service quality and evidence-based practice
5. Decentralize resources to facilitate better match with population needs
6. Decentralize decision-making to increase public participation and input

Nature of Policy Change

- Had been urged for decades before by policy experts
- Fiscal crisis of early 1990s finally pushed most governments to act
- “Big bang” structural change
- Little idea of actual consequences
 - High level of uncertainty throughout process
 - Law of unintended consequences

Regionalization Reforms

Province or Territory	Total Population In thousands	Established/ Changed (year)	Current Number of RHAs	Population Size of RHAs (2005)
British Columbia	4,196	1997/2001	5 (16)	1,314,635-285,560
Alberta	3,202	1994/2003/2008	1	1,042,855-66,005
Saskatchewan	995	1992/2001-2002	13	272,195-2,125
Manitoba	1,170	1997-1998/2002	11	622,015-955
Ontario	12,393	2005	14	1,356,500-234,000
Québec	7.543	1989-1992/2003	18	1,782,835-9,600
Nova Scotia	937	1996/2001	9	398,038-33,165
New Brunswick	751	1992/2002	8	179,840-29,325
Prince Edward Island	137	1993-1994/2005	0	-
Newfoundland and Labrador	517	1994/2003-2004	6/4/2	295,145-40,516
Northwest Territories	43	1997-1998/2002	8	18,115-2,441

Impact of Regionalization in Western Canadian Provinces

- Vertical and horizontal integration
 - Hundreds individual hospital, long-term, home care and ambulance boards disbanded
 - Single RHA boards and executive teams
 - Closing or converting smaller, rural hospitals to “health” centres
- Reallocation of scarce resources
 - Population health mandate of RHAs
 - Population-based funding formulas

Recentralization Trend in Canada

- Federal government
 - Increase in cash transfers
 - Funding of more intergovernmental agencies
- Provincial government:
 - Performance management
 - Health quality councils and similar organizations
- Regional health authorities
 - Substantial reduction in number
 - Eliminated in Prince Edward Island

Recentralization: The Alberta Case

- A major structural shift in 2008
- A single regional governance board separated from Ministry: the Irish model
- Administrative districts and old regional boundaries
- Government wanted more horizontal integration and coordination
- Desire for more equity in services

What We Know

- Regionalization did not fundamentally alter trajectory of cost-cutting and rationalization (***horizontal integration***)
- But regionalization spurred reallocation from illness to wellness and improved co-ordination and continuity of care for defined population within geographic region (***vertical integration***)
- Increased complexity of systems management requires new and sophisticated set of managerial and leadership skills that has taken years to develop (*i.e. **transitional risk** of moving to more managerially complex organizational structure*)

What We Still Do Not Know

- Optimal geographic and population size of RHAs
- Effective shift in resource allocation to lower-cost but more appropriate care
- Correct division of roles/responsibilities between provincial ministries of health and RHAs
- How to integrate primary health care
- Whether governance can be severed from management (i.e. devolution)
- Appropriate funding model: (e.g. population-based)
- And much else!

JOHNSON
SHOYAMA GRADUATE SCHOOL OF
PUBLIC POLICY

Thank You!