For-Profit Health Care

Dispelling the Myths

Myth #5
Medicare is Bad for Business

Advocates of for-profit health care argue that, in the case of health care, government has corrupted the market through the implementation of the entitlements established by medicare.

David Gratzer sets out this argument very clearly in his 1999 book, *Code Blue*.

> *Consider that in a normal market, problems are solved by consumers and producers pursuing their own self-interests. Consumers tend to avoid waste and inefficiency because they usually result in higher prices. Instead, consumers seek good products at attractive prices offered by efficient suppliers. Producers search for less costly ways of delivering wanted goods. ... Pursuit of self-interest by consumers rewards efficient producers, and pursuit of self-interest by producers rewards cost-conscious consumers.*[1]

Medicare, so the argument goes, is bad for business because it disrupts normal market processes.

However, a study by the Conference Board of Canada shows that Canada's health care system has been a central determinant of the costs of doing business in this country. The study revealed that the lower costs of employer-paid statutory benefits and taxes in Canada, which reflected the existence of a publicly funded health care system, created a significant cost advantage for employers located in Canada.[2]

> "Numerous studies have shown that Canada's publicly sponsored health care system has provided a real source of comparative advantage, particularly over the United States."
>
> Conference Board of Canada 1996

In fact...

The strengths of Canada's medicare system and its comparative efficiency is good for the whole economy and represents a bargain for Canadian business.

- Health insurance premiums paid by Canadian employers amount to only 1 per cent of gross pay compared with 8.2 per cent in the U.S., giving them a big leg up on U.S. businesses.

  "Our Business Costs a Bargain"
  Toronto Star, Nov. 13, 1996

- In 1999, Ontario accounted for 17% of the North American vehicle production market, up from about 13.5% in 1994. Roughly 90% of Canadian-made vehicles are exported to the U.S. Those exports are valued at $100 billion a year. Automakers building in Canada gain from a number of benefit costs.

  "Health care is one of the big advantages. Savings amount to between $1,200 and $1,500 for every vehicle assembled here. In terms of overall production, auto makers that manufacture vehicles in Canada save $3.5 billion to $4 billion a year."

  "Ontario Close to Overtaking Michigan as Car Capital"
  Globe and Mail, Nov. 30, 1999

- In Canada's health care system, it is the combination of public administration and not-for-profit care that helps keep costs under control and lower than those in the United States. A survey of the cash and stock received by senior executives of for-profit hospitals, HMOs, and the like, when a corporate takeover occurs, provides an example of why costs are higher in a for-profit system. To take an extreme example from 1996:

- "Leonard Abramson, CEO of U.S. Healthcare, will get more than $967 million in cash and stock, plus a $25 million corporate jet and a $10 million consulting contract, from the firm's purchase of Aetna. Two of U.S. Healthcare's co-presidents will receive an extra $11.62 million in cash and stock for joining Aetna.[3]"

"Canada's health care system is an economic asset, not a burden... one that today more than ever, our country dare not lose."

"[I]n an era of globalization, we need every competitive and comparative advantage we have. And the fundamentals of our health care system are one of those advantages."

Charles Baille
Chairman & CEO
Toronto-Dominion Bank of Canada

References

1. David Gratzer, *Code Blue*, Toronto: ECW Press, 1999, pp. 172-173.
2. Christine L. Taylor, "The Corporate Response to Rising Health Care Costs," The Conference Board of Canada, 1996, p. 6.
3. Cited by Pat and Hugh Armstrong with Claudia Fegan, *Universal Healthcare: What the United States Can Learn from the Canadian Experience*, New York: The New Press, 1998, pg. 118.