Figure 4.11. EXPLORATORY DATA ANALYSIS: Comparison of Canadian and U.S. Medical Costs

EM9003: Kitchener-Waterloo Record, January 13, 1990, page ?

Same treatment could cost 300% more in U.S., insurers say

The one comment I heard repeatedly when I told people I was doing a story on medical treatment costs was: "Boy, you're lucky you didn't have to have the same surgery in the states. You'd really have paid through the nose."

They would also regale me with stories about members of their family or relatives in the United States being stunned by medical bills, including a charge for the bedside box of facial tissues.

I decided to find if there was a great difference in costs. After all, those same people admitted they had no idea what OHIP paid on my behalf.

Remember that many private health plans in the U.S. try to make a profit or at least break even. In Canada, the health insurance system is non-profit and provincial plans often run deficits.

Comparison of Canadian and American treatment costs

	Ontario	Buffalo	Florida	New York City
Total cost	**$5,301**	**$10,675**	**$17,318**	**$20,436**
Surgeon fees	$1,890	$2,677	$4,509	$6,000
Hospital bed (8 days)	$3,200 (est.)	$7,639	$12,507	$13,693
Family MD	$119.80	$282	$302	$525

Source: Ontario Health Insurance Plan; Community Blue, Buffalo, N.Y.; Empire Blue Cross/Blue Shield, N.Y.C.; Health Options of South Florida

Because health insurance in the U.S. is largely a private matter – only seniors or people hovering around the poverty line get government assistance – it's estimated that 37 million people, or about 18 per cent of the population, have no medical coverage.

A recent Washington Post feature article comparing costs of health care in Canada and the U.S. noted that because Canadian governments finance health services, "it has a mighty leverage of doctors' fees and hospital costs that cannot be matched by the uneven and often irrational U.S. system in which federal, state and local insurance programs compete with 1,500 private insurers, often paying different rates."

The article also revealed that as pressure mounts on U.S. legislators to do something about the uninsured millions, Canada is one of the first countries considered as a model.

But the American Medical Association, which strongly opposes government control of physicians' fees, counters this pressure by pointing out long waiting lists for hospital beds and limited facilities for complex procedures such as heart transplants in Canada.

I asked four U.S. health insurance organizations to determine the cost of the same treatment procedures I went through. Firms in Buffalo, New York City and south Florida replied. A California hospital did not respond.

All figures were converted into Canadian dollars using a 20-per-cent exchange rate.

The comparison is not exact because there are differences in terminology and calculation of costs.

And where OHIP paid for an assistant surgeon and my family doctor to assist in my operation, U.S. insurers either made no allowance for those charges, paid for one person or didn't cover those costs at all.

But the overall figures were reasonably close.

Community Blue has about 130,000 subscribers in the western New York area, most in group plans. The average family premium is $250.61 a month and that covers everything except prescription drugs and certain other items, such as prosthetic devices.

Community Blue withholds 20 per cent of all physicians' fees and at year's end, depending on profitability, returns nothing or up to 20 per cent to the doctors.

"If we still have money left over, we try to provide extra services to subscribers," Mary Lee Campbell-Wisley, manager of the firm's medical review section, explained.

Its staff calculated the same charges I incurred would have totalled $10,818. That's $5,478 more than the estimated Ontario costs.

Campbell-Wisley, manager of Community Blue's medical review section, pointed out that the Buffalo-Western New York state area is among the "more conservative" in the U.S. when it comes to medical costs. Moreover, the cost of living is lower.

Empire Blue Cross/Blue Shield calculated it would pay an average of $19,580 for similar procedures in the metropolitan New York City area.

That's $13,985 higher than the Ontario total. The company has different fee schedules for its 10 regions.

Because so many Canadians make Florida a second winter home, I asked Health Options of South Florida for costs. Theirs were more modest than Manhattan – $17,016.

That's still $11,677 more than Ontario.

Those high-paid U.S. doctors, you say. Well, partially.

But it was the hospital costs that really made the difference.

Also, if you consider that K-W Hospital's $400-a-day standard bed rate is only an estimate and U.S. facilities determine expenses much more precisely, perhaps the differences aren't that great.

In the Buffalo example, doctors' fees were $787 more than OHIP rates.

The difference in hospital costs was $4,439.

The Florida payments to the doctors were $2,619 higher than those paid by OHIP. The spread between the average Florida hospital costs and the K-W estimate was $9,307.

In Manhattan, the doctors' charges totalled close to $6,000 while the hospital account would have been $13,693.

I say "close to" because the company couldn't provide a figure for what an anesthetist would charge, explaining that those specialists negotiate fees on a "case-by-case" basis.

There is no doubt U.S. surgeons, particularly those in Manhattan and Florida, get much more than their Ontario counterparts for my type of surgery.

Also, as one local surgeon pointed out, OHIP pays a flat rate for a procedure regardless of the doctor's experience.

Family physicians also do better in the U.S. While OHIP paid my doctor $119.80 for office and hospital visits, the same visits in the Buffalo area would have cost $282, in Florida $302 and in Manhattan, $525.

However, U.S. doctors pay considerably more in malpractice insurance premiums than their Canadian counterparts – a fact considered when fees are set in the U.S.

Diagnostic tests in the U.S. centres were generally also higher. In Manhattan, the average cost of a barium enema was $218, but in the Buffalo area it was $77, less than the $91.20 OHIP pays.

(continued overleaf)

1 The headline overleaf on page 4.31 of the article EM9003 states that .... *treatment could cost 300% more* .... Give the equivalent statement involving a *ratio* instead of a percentage.

- Which form of the statement do you consider would be easier for the 'average' reader of the *K-W Record* to understand correctly? Explain briefly.
  - Suggest reason(s) why the *Record* used the 'percentage' form in its headline.

2 The first entry for Ontario in the last line of the Table of costs at the upper right overleaf on page 4.31 is $119.80, the *only* value in the Table given to the nearest cent; suggest reason(s) why the cents were included in this case.

- Describe briefly any *changes* you would make to the presentation of the Table overleaf on page 4.31 to improve its readability.

3 In the fifth-last paragraph of the first column overleaf on page 4.31, a weakness of the Canadian health care system, as perceived by the American Medical Association, is described. Comment briefly on:

- the *accuracy* of this decsription, on the basis of your experience;
- its *relevance* to the matter under discussion in the previous paragraph of the article EM9003.

4 In the paragraph starting at the bottom of the first column overleaf on page 4.31, the article EM9003 gives (three) alternatives. List these alternatives and comment briefly on how they differ.

5 Some of the figures given overleaf on page 4.31 in the article EM9003 are as follows:

- in the sixth paragraph of the middle column: $10,818 and $5,478;
- in the eighth and ninth paragraphs of the middle column: $19,580 and $13,985;
- in the tenth and eleventh paragraphs of the middle column: $17,016 and $11,677.

Show how these values are derived from the information in the Table overleaf on page 4.31 at the upper right .

6 At the end of the fifth paragraph of the right-hand column of the article EM9003 overleaf on page 4.31, a Florida-Ontario difference in costs is given as $9,307. Is this a *sensible* form in which to state this figure? Explain briefly.

7 In the second-last paragraph of the article EM9003, the higher costs of malpractice insurance in the U.S. are cited as a reason for the higher U.S. medical fees. Discuss briefly the *plausibility* of this argument in light of the other information in the article.

8 Give an overall assessment of the information in the article EM9003 considered as a report of a data-based investigation of the relative costs of medical treatment in Canada and the U.S. Set out your assessment in point form, giving first the likely accuracy and then the limitations of the answers.

The article EM9003 reprinted overleaf on page 4.31 is also used in Statistical Highlight #99.

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