

April 26, 2006

## **Government releases AON health benefit design options report**

### **Study reveals concerns about the sustainability of the health care system**

Edmonton... The Government of Alberta has released the Health Benefit Design Options Report prepared by Aon Consulting and will use it as a reference document only.

Aon Consulting was contracted on Oct. 31, 2005 to review Alberta's health care system and examine alternative ways to fund health services. The first known report of its kind in Canada, the study projects health costs to 2050.

"The Aon report shows us that health system sustainability is a very significant issue," says Health and Wellness Minister Iris Evans. "The analysis of insurance-based funding models provide important information on funding alternatives for government to consider in the future. There are no plans to adopt any of these models at this time. We will study them closely to see what valuable lessons can be learned."

The company conducted economic and actuarial analyses and developed conceptual insurance options in four areas: prescription drugs, continuing care, non-emergency health services and supplemental health services and products. There were several key findings in the report, one of which is that regardless of what type of funding model is used, costs of health services in these four areas are rising at unsustainable rates. The report also found that insurance may only be part of the sustainability solution, as any new funding model must be accompanied by strong cost control measures.

The report shows that:

- Approximately \$5 billion of non-emergency health services in 2006 will grow to \$245 billion by 2050 and that an insurance-based model to pay for these services would consume, on average, approximately 16 per cent of Albertans' taxable income in premiums;
- At current growth rates, total provincial prescription drug costs are projected to exceed Albertans' total taxable income by 2036. Taxable income is used in the report as a measurement for illustration purposes only. The report does not imply that taxable income should be the only source of funding. The Alberta government funds health care through various sources including general revenues, transfers from the Government of Canada, health care premiums, and lottery funding.
- Based on the projected higher cost of continuing care over the next 44 years, Albertans would need to start contributing today to the costs of continuing care services, in particular to meet the needs of the aging baby-boomers.
- Since Albertans already receive most of their supplemental health services and products from private and employer-sponsored insurance, new insurance-based funding options for these services were not developed in the report.

The Aon report and its executive summary are located at [www.health.gov.ab.ca](http://www.health.gov.ab.ca).

## Attachments: Health Benefit Design Options Report

, Report Backgrounder, [Aon Backgrounder](#)

Media enquiries may be directed to:

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To call toll-free within Alberta dial 310-0000.

# Backgrounder

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## Health Benefit Design Options Report

### Background

- In October 2005, Alberta Health and Wellness awarded a contract to review Alberta's health care system and propose alternative ways to fund health services.
- Aon Consulting Inc. was contracted to examine options for health care insurance in the areas of prescription drugs, continuing care, supplemental health products and services and non-emergency health care.
- The study is the first known report of its kind in Canada, looking at actuarial and economic projections of insurance models up to the year 2050.
- The study explored alternative financing models with respect to health care services by
  - creating conceptual models for health services insurance
  - conducting actuarial analysis of the new models
  - assessing the economic impact of each model
- Conceptual models of insurance plans in the study were developed to illustrate some of the options available. They represent a variety of different funding and benefit structures and different approaches regarding insurance principles.
- The study took into consideration experiences in other provinces and countries (e.g.: Quebec, Australia, Germany and the Netherlands), the private sector and other types of insurances. It used Alberta Health and Wellness and Alberta Finance data and models using projected Alberta population and forecasted health care costs.
- The report provides economic analyses of the impacts of health insurance models on the Alberta economy and on five representative Alberta households. It also provides actuarial analyses of Alberta's demographic, economic and health system cost information to support the conceptual insurance models.
- Six conceptual models of health analysis and their features are reviewed in the report:
  - mandatory public health insurance
  - mandatory public health insurance with optional private supplemental coverage
  - mandatory public health insurance with optional private replacement coverage
  - mandatory private health insurance with public premium pooling
  - mandatory private health insurance
  - optional private health insurance
- Each model was evaluated using three objectives: personal responsibility, efficient care and cost control.

### Key Findings

- Regardless of what type of funding model is used, the rates of growth in each of the four health service areas considered are unsustainable and will be more difficult to control as time progresses.
- Any new funding model, using private insurance or not, must be accompanied by strong cost control and demand management measures to achieve sustainability.
- An insurance-based funding model may not result in a reduction in overall health system costs, but it may provide tools and incentives to influence consumer and health care provider behaviour, and to encourage increased choice and control over one's own health and wellness.
- Five representative Alberta households are modelled to describe the impact of the insurance models on family income. There is an inter-generational cost transfer, with older generations receiving more benefits and younger generations paying proportionally higher costs.

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