

Health system costs not incurable but preventable — Aging population only small part of the problem

by Michel Grignon

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The tsunami metaphor is more and more often used in commentaries about the effect of aging on health care spending in Canada. It musters up images of devastation and irresistible strength submersing any levees the system might try to mount to oppose it. It is a powerful but misleading metaphor.

There is a worrying rise in health care spending in Canada, but it doesn't have much to do with population aging. To stay with the oceanographic metaphor, aging might be, at most, a modest tidal wave. The real tsunami of health spending is the result of changes in the way all patients are treated in the system, resulting from both price inflation (drugs and doctors cost more than ever) and technical progress (new diagnostic tests, surgeries and drugs).

The yearly increases in total health care spending in Canada — approximately 10 billion dollars per year nowadays — does not result from aging per se, but the costs of treatment, including diagnostic tests, drugs and doctors, for all patients, young and old. It's not that we have too many seniors that will break the bank, but

how those seniors, and others, are treated in the health system that affects the bottom line.

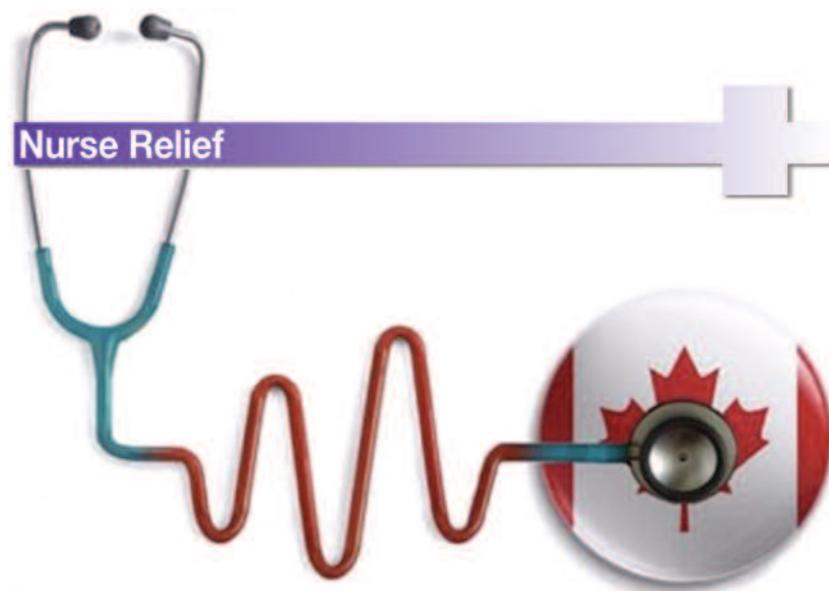
Put another way, aging on its own adds around two billion dollars to the annual health care bill while changes in the cost of treatment per average patient adds eight billion dollars.

How is it possible? To answer, let's take a closer look at the age profile of health care spending: if age is on the horizontal axis and average spending per individual of a given age on the vertical axis, the profile resembles a valley. In other words, it costs a lot to be born, because it happens most often in a hospital; then, each year of age between one and 50 does not cost the health system much on average (the profile is flat and low) — but costs start picking up again at age 50 and the slope becomes steeper with age until plateauing around 80.

Contemplating such an age profile (drawn to illustrate a single year, say 2013), one might conclude that aging will increase spending dramatically. However, looking at two such annual profiles (one for 1993 and one for 2013), it is easy to see that the really striking change has been at the ground level: we spend much more today on anyone at any age than twenty years ago, and this is what really drives our health care costs.

This increase in costs for patient care has not been sudden, but has taken place over several

See *Health System Costs* page 7



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