

Healthy living is a potential solution for a sustainable healthcare system

The overall cost of healthcare in Canada continues to rise at an unsustainable rate. By 2037, 69 percent¹ of provincial budgets will be allocated to covering healthcare. That's \$7,368² per Canadian in constant 2012 dollars. To date, efforts to reverse this trend have focused primarily on the supply side, with mixed results. Though these efforts must continue—and indeed accelerate—solutions addressing the demand side must be also considered.

The Canadian Institute of Actuaries (CIA) calls on the Government of Canada to encourage Canadians to dedicate 30 minutes a day to physical activity as a key step in addressing the country's rocketing healthcare costs.

Numerous studies have demonstrated the health³ and economic⁴ benefits of exercise. Indeed, leading multinational companies have already begun implementing health and wellness programs to improve their bottom line. It's time for the Government of Canada to encourage these initiatives nationally.

Obvious benefits include directly addressing the root causes of rising healthcare costs. Less obvious, yet equally important, is the opportunity to drive informed and transparent governmental decision-making. As individuals assess the merit of exercise on their quality of life, decision makers should have the ability to assess the merit and impact of healthcare policy decisions on their bottom line. But what is the potential benefit of every dollar invested in the promotion of wellness? How much of a reduction in demand should we expect following the introduction of incentives for increased physical activity?

For years actuaries have been helping Canadians assess the impact of socio-economic factors on their future. Whether in the areas of pensions or insurance, actuaries have used formidable rigour to ensure viability. In 2013, in somewhat of a departure for the CIA, it funded the development of an analytical model for the Province of New Brunswick to project steady state

¹ Levert, Stéphane. Sustainability of the Canadian Health Care System and Impact of the 2014 Revision to the Canada Health Transfer. CIA/Society of Actuaries, 2013. <http://www.cia-ica.ca/docs/default-source/2013/213075e.pdf>

² Ibid.

³ Various. The Cooper Institute. <http://www.cooperinstitute.org/key-publications>

⁴ Milani, Dr. Richard, and Dr. Carl Lavie. "Impact of Worksite Wellness Intervention on Cardiac Risk Factors and One-Year Health Care Costs". *American Journal of Cardiology*, 2009. http://www.researchgate.net/profile/Richard_Milani/publications (log-in required).

healthcare costs by year until 2020. The results of the study⁵ outlined current trends in New Brunswick healthcare costs, identified the various sources of healthcare utilization, and determined areas of potential intervention. For example, reducing the obesity level in New Brunswick to the Canadian average would, over time, cut provincial healthcare costs by 10 percent. While it is up to the province to decide what level of healthcare is suitable fiscally and economically, the work performed by actuaries illuminated a sustainable path.

So, why are healthcare decisions not always made with the same level of rigour? Simply put, healthcare is not pre-funded, with the vast majority of its costs covered by governments' general tax funds. Furthermore, no mechanism exists for governments to determine whether a decision will enhance or burden healthcare provision. This must be remedied.

According to the Canadian Institute for Health Information, Canadian healthcare costs were expected to total \$215 billion for 2014⁶. Even with just modest increases this amounts to approximately \$2.5 trillion over the next 10 years. For our health system to be sustainable we must develop and promote health and wellness practices for our whole population. Improving Canadian wellness is more than just treating existing illnesses. It must start by creating resources and incentives to assist and motivate Canadians into better practices in wellness and healthcare. Using our models, actuaries can connect the investments with not only future savings in healthcare costs, but also increased productivity from a healthier workforce.

The next two to three years call for public leadership to help all governments make informed decisions. While the CIA believes the long-term sustainability of healthcare starts with individuals, actuaries and actuarial science offer all governments the rigour required to help decision makers assess the long-term financial impact of healthcare policy on the decision-making process.

⁵ Have, John. Modelling New Brunswick's Future Healthcare Expenses and Resource Needs. CIA, 2013. <http://www.cia-ica.ca/docs/default-source/2013/213054e.pdf?sfvrsn=0>

⁶ Canadian Institute for Health Information. National Health Expenditure Trends, 1975 to 2014. 2014. http://www.cihi.ca/web/resource/en/nhex_2014_report_en.pdf