

Canadians spend more on private health insurance for smaller payouts

March 24 2014

Spending by Canadians on private health insurance has more than doubled over the past 20 years, but insurers paid out a rapidly decreasing proportion as benefits, according to a study published today in the *CMAJ* (*Canadian Medical Association Journal*).

The study, by University of British Columbia and University of Toronto researchers, shows that overall Canadians paid \$6.8 billion more in premiums than they received in benefits in 2011.

Approximately 60 per cent of Canadians have private health insurance. Typically obtained as a benefit of employment or purchased by individuals, private health insurance usually covers prescription drugs, dental services and eye care costs not paid by public health care.

Over the past two decades, the gap between what insurers take in and what they pay out has increased threefold. While private insurers paid out 92 per cent of group plan insurance premiums as benefits in 1991, they paid only 74 per cent in 2011. Canadians who purchased individual plans fared even worse, with just 38 per cent of their premiums returned as benefits in 2011.

"Small businesses and individual entrepreneurs are the hardest hit – they end up paying far more for private health coverage," says study lead author Michael Law, an assistant professor in UBC's Centre for Health Services and Policy Research, "It's essentially an extra health tax on one of our main economic drivers.

"Our findings suggest that private insurers are likely making greater profits, paying higher wages to their executives and employees, or spending more on marketing," Law adds.

The authors call for greater transparency from private insurers and for the federal government to introduce new regulations. "Obamacare requires insurers to pay out 80 to 85 per cent of their premium income as benefits, which resulted in \$1.1 billion being returned to policyholders in 2012," says Law. "Our numbers suggest that Canadians are getting a worse deal than Americans."

Provided by University of British Columbia

Citation: Canadians spend more on private health insurance for smaller payouts (2014, March 24) retrieved 5 April 2024 from <https://medicalxpress.com/news/2014-03-inefficiency-private-health-canada.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--