

PHYSIO CAN HELP

Physiotherapy Can Help Reduce BC's Rising Health Costs



April 2017

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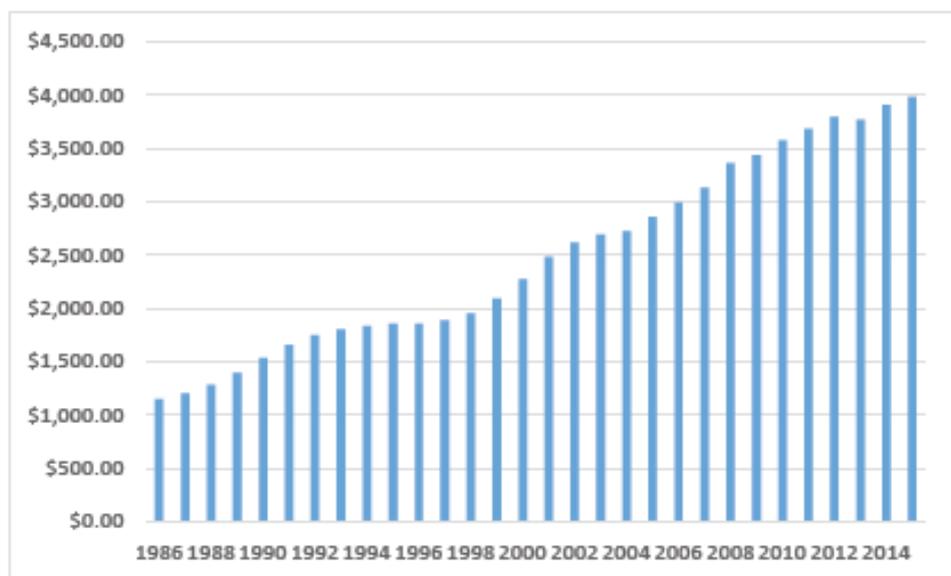
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Executive Summary

- Annual health expenditures from the Province of British Columbia's Consolidated Revenue Fund (CRF) have grown from \$3.0 billion in 1984/85, to more than \$18 billion in 2016.
- As a proportion of total CRF outlays, health spending over that period grew from 30.2 per cent to 47.9 per cent.¹
- Total provincial government healthcare spending, as measured by the annual GAAP (Generally Accepted Accounting Principles) Budget, increased from \$8.0 billion in 1998/99 to an estimated \$19.2 billion in 2015/16.²
- The Canadian Institute for Health Information (CIHI), an independent, non-partisan organization funded by the federal and provincial governments, has calculated that British Columbians have seen their per capita healthcare expenditures rise from \$1,146.18 in 1986, to an estimated \$3,983.36 in 2015.³
- There are many ways to measure healthcare expenditures in Canada. CIHI describes total expenditures, which then breaks those down into public and private healthcare expenditures.
- Generally, public healthcare expenditures represent approximately 70 per cent of total health spending, while private expenditures compose about 30 per cent.⁴
- CIHI estimates that total healthcare spending in BC in 2016 added up to \$29.5 billion. Of that amount, \$20.6 billion was undertaken by the public sector, and \$8.9 billion was done privately.⁵

TABLE 01
Provincial Government Health Expenditures, per capita



(Source: Canadian Institute for Health Information)

- CIHI also breaks down public spending into two categories. The first is *provincial government sector* and the second is *other public sector* — which includes outlays by the federal and municipal governments, plus social security.
- Provincial government health spending in 2016 was estimated by CIHI at \$19.2 billion — or 93.4 per cent of total public healthcare outlays.⁶
- Physicians and hospital expenditures compose the largest percentage of provincial government health spending, together representing almost two-thirds of annual outlays.⁷
- On April 1, 2017, the annual growth rate of the Canada Health Transfer – which each year for more than a decade has increased by six per cent – will be cut to about three per cent, with the possibility for slightly greater increases to reflect economic expansion.
- Last fall, BC's Ministry of Finance estimated that revenue lost over the next five years through the new CHT arrangement could be as high as \$2.1 billion.

Decade-by-Decade, BC's Health Costs Rise Higher

BUDGET SPEECH, 1986

The Ministry of Health continues to have the largest allocation of any ministry, with a total of \$2.755 billion or 28.6 percent of the total provincial budget. The health-care system still faces difficult pressures in adapting to population shifts, changing expectations, and new medical technology. – *Hon. Hugh Curtis, Minister of Finance Hansard, p. 7445, March 20, 1986.*

BUDGET SPEECH, 1998

Healthcare represents more than a third of the provincial budget. – *Hon. Joy MacPhail, Minister of Finance Hansard, p. 11452, March 30, 1999*

BUDGET SPEECH, 2007

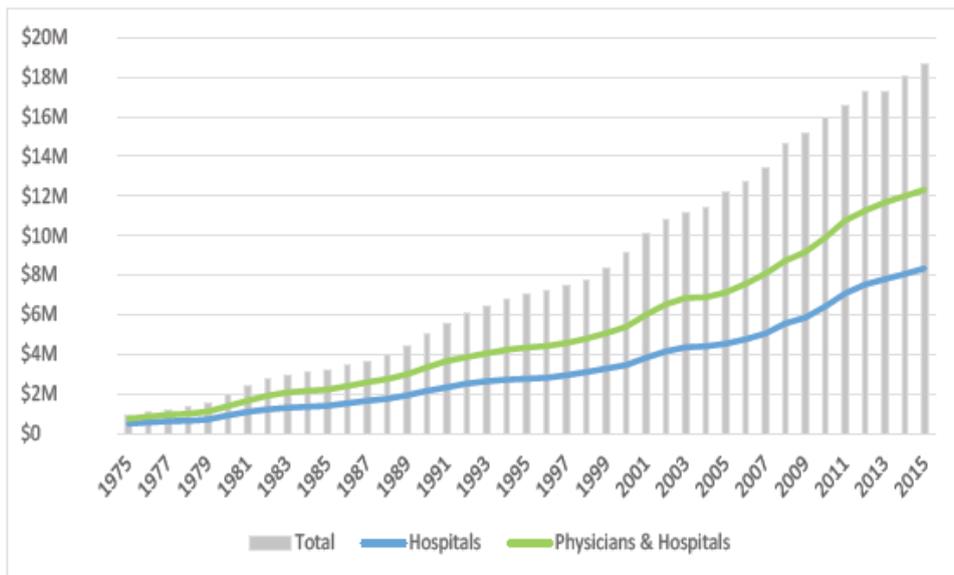
The budget for healthcare is now \$13.1 billion. It's up more than 7 percent from the year just ending, and ... total health spending is up over 50 percent since the year 2000. That rate of increase is not sustainable over the long term, so ... we will be looking for new ways to provide better care for our patients, new ways to ensure the sustainability of our healthcare system. – *Hon. Carole Taylor, Minister of Finance Hansard, p. 5423, February 20, 2007.*

BUDGET SPEECH, 2016

Budget 2016 continues to add more dollars to healthcare, with \$3.2 billion of additional funding overall for the Ministry of Health in the next three years ... In the third year alone, we forecast an increase of \$560 million compared to the previous year, bringing the annual ministry budget to a forecast \$19 billion in 2018-19. – *Hon. Mike de Jong, Minister of Finance Hansard, p. 10424, February 16, 2016.*

- There are many ways physiotherapy can reduce rising healthcare costs in BC.
- Physiotherapists should be able to refer, directly to specialist physicians, those patients with complex musculoskeletal (MSK) concerns. At present, patients must be redirected to a general practice physician (GP) to obtain a specialist referral. This extra step increases costs.
- GPs with MSK patients should have an MSP referral for physiotherapy consultation as one option for treatment.
- Physiotherapy in a post-operative setting, especially for hip- and knee-replacement surgeries, should be enhanced. This would speed up recovery and reduce hospital stays.
- The bottom line is that when it comes to reducing BC's healthcare costs, [Physio Can Help](#).

TABLE 02
Rising Hospital and Physician Costs Push Up Provincial Health Spending
(\$millions)



(Source: Canadian Institute for Health Information)

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Introduction

Rising healthcare costs represent one of the most challenging issues facing British Columbia's policy makers. Three decades ago, in the year of Expo '86, the BC government's total health expenditures from the province's main spending account (the Consolidated Revenue Fund) were \$3.4 billion. Healthcare spending represented nearly one-third of the annual provincial budget.¹

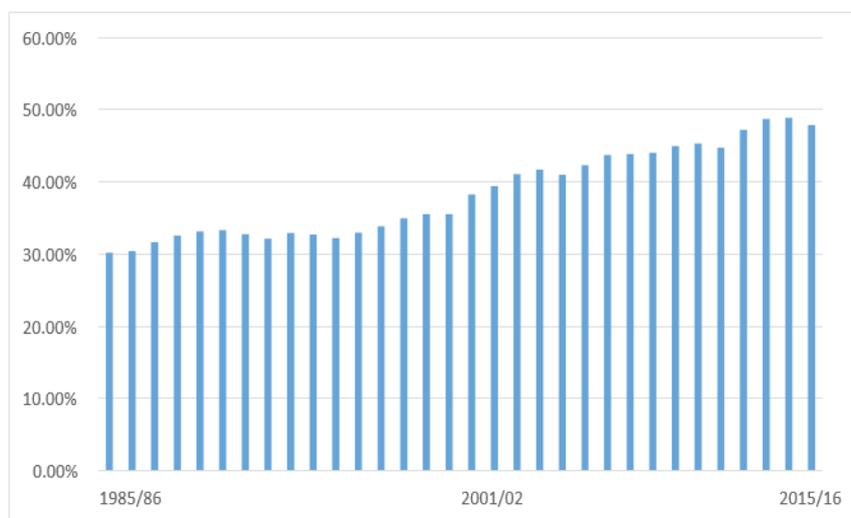
By 2016, the province's total allocation to healthcare had grown to \$19.6 billion, which composed nearly half of all expenditures from the Consolidated Revenue Fund.

New technologies, the cost of prescription drugs, a growing seniors' population, a shortage of skilled professionals — they all add up to ever increasing government expenditures on health. This is not to say that increased spending on healthcare is necessarily a bad thing. British Columbians today on average live longer than ever before, and many of us are living exceptionally productive, fulfilling and rewarding lives.

Still, it is always possible for us to spend more wisely to achieve better results with finite resources. The plain fact is that BC, each year, allocates a tremendous amount of money to health and we all share a responsibility to ensure that it is spent efficiently and effectively.

The bottom line: there is a growing imperative for all British Columbians to ensure that our province's healthcare spending is well managed and cost-effective. As we work together to achieve those objectives, one fact is becoming increasingly evident, [Physio Can Help](#).

TABLE 03
Annual Health Expenditures, Province of British Columbia
Consolidated Revenue Fund, 1984/85 to 2015/16



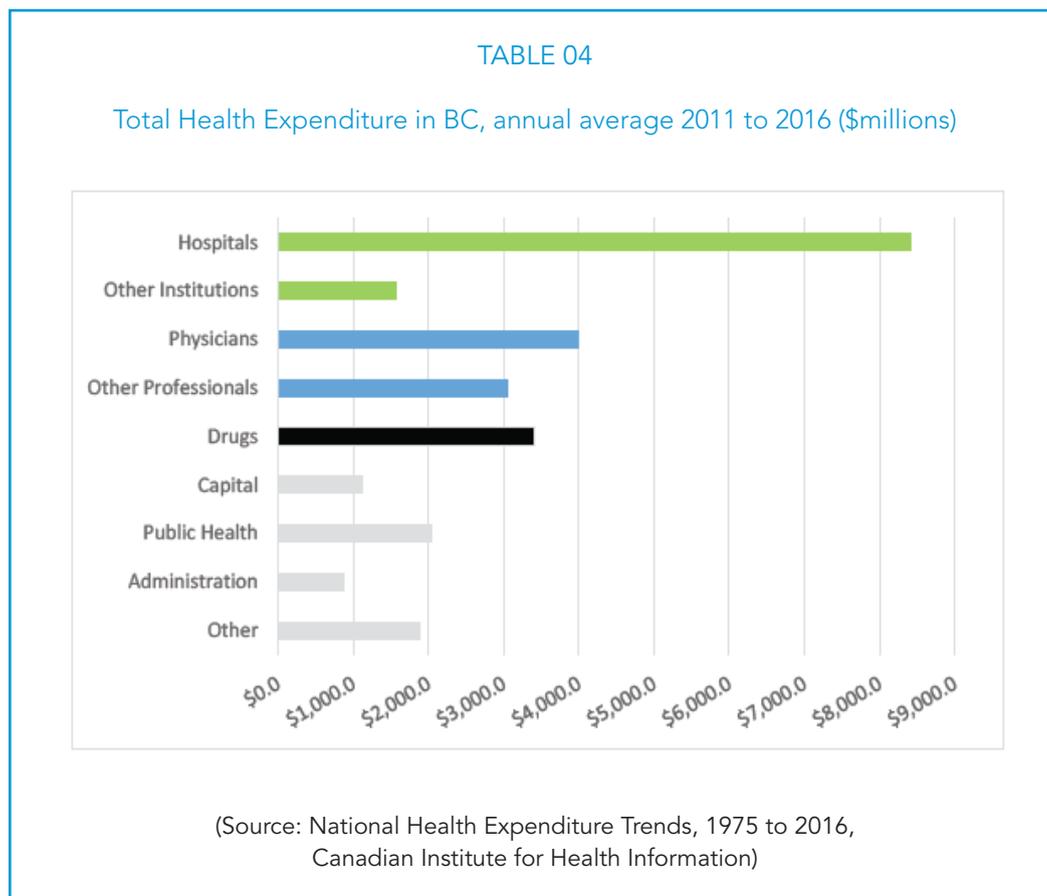
(Sources: BC Financial and Economic Review, 2001; BC Public Accounts, various years)

Total Health Expenditures in BC

Total healthcare spending in British Columbia in 2016, both public and private, added up to an estimated \$29.5 billion.¹ That number was approximately six times the total expenditure in 1986, when it was just under \$5.0 billion, and double the total in 2001, when it was \$14.7 billion.

As a proportion of the provincial economy, healthcare expenditures in BC during Expo '86 represented 8.6 per cent of nominal gross domestic product (GDP). That number was slightly higher than the average amongst all provinces across Canada in that same year, which was 8.3 per cent.

By the year 2001, BC's total health expenditures had risen to 10.8 per cent of provincial GDP compared to a national average in 2001 of 9.4 per cent. By 2016, total health spending in our province was 11.7 per cent of GDP, or slightly higher than the 11.1 per cent average across Canada.



Hospitals represent the largest category of health expenditures in British Columbia, consuming nearly one in every three healthcare dollars.

In 2016, **hospitals** cost almost \$9.4 billion (or 31.7 per cent) out of the total healthcare spending of \$29.5 billion. That proportion today is down slightly from three decades ago, in 1986, when hospitals utilized nearly \$1.9 billion (37.6 per cent) out of total BC expenditures of almost \$5.0 billion.

Another 5.7 per cent of health expenditures are dedicated to Other Institutions, a definition which refers to long term care facilities and operations. In 2016, the monies allocated to long term care totalled \$1.7 billion.

The share of healthcare spending attributed to Other Institutions has seen considerable fluctuation over the last few decades. It represented 9.5 per cent in 1986, rose to a peak of 12.1 per cent in 2002, and then dipped below six per cent in 2016.

Together, total expenditures on hospitals and long term care facilities in 2016 slightly exceeded \$11.0 billion. That was about two in every five (37.4 per cent) of total healthcare dollars expended during the year.

Three separate categories of expenditure — Physicians, Other Professionals and Drugs — added together represent approximately two in every five dollars (40.2 per cent) of BC's total healthcare spending.

Physicians. More than \$4.4 billion was allocated in 2016 to physicians, which includes both general practitioners and specialists. As a share of total health spending in BC, doctors represent approximately 15.1 per cent — a proportion little changed over the past three decades. (It was 18.2 per cent of the total in 1986.)

Other Professionals. This category of expenditure includes a wide array of highly trained individuals, including: **physiotherapists**, regulated nurses, audiologists, chiropractors, dentists, midwives, optometrists and dietitians, among many others. Interestingly, the total expenditure for all of these health professionals was not quite \$3.6 billion in 2016 — almost one-billion dollars less than the monies allocated to physicians alone. The proportion of total health expenditures to non-physician health professionals is just 11.5 per cent of the total — down from a peak of 13.9 per cent in 2000.

Drugs. British Columbians spent more than \$3.8 billion on pharmaceuticals in 2016. That represents close to an eightfold increase over the amount expended on drugs in 1986 (when the comparable number was \$445.6 million) and nearly doubling of the total in 2001 (when it was \$1.8 billion). Between 1986 and 2010, the proportion of total health spending allocated to drugs rose from 8.9 per cent to 14.5 per cent. That latter number has dipped somewhat in recent years, however, and by 2016 was an even 13.0 per cent.

The remaining one-fifth of health monies spent in British Columbia in 2016 went to four categories of expenditure: **Public Health** (7.8 per cent of the total), **Other Health Spending** (7.0 per cent), **Capital** (4.2 per cent), and **Administration** (3.4 per cent).

Public Health Expenditures in BC

So far, we have examined British Columbia's total health expenditures, both public and private sector combined, over a thirty-year period from 1986 to 2016. And to repeat an earlier point, public spending for health across Canada in recent decades has represented about 70 per cent of the total, with private expenditures about 30 per cent. In British Columbia, over the last five years, public healthcare expenditures were an annual average of 71.6 per cent of the total, while private health spending was 28.4 per cent.

Those proportions, however, are not constant across all categories of healthcare expenditures. In some categories, the public share clearly predominates, while in others the private contribution is much greater.

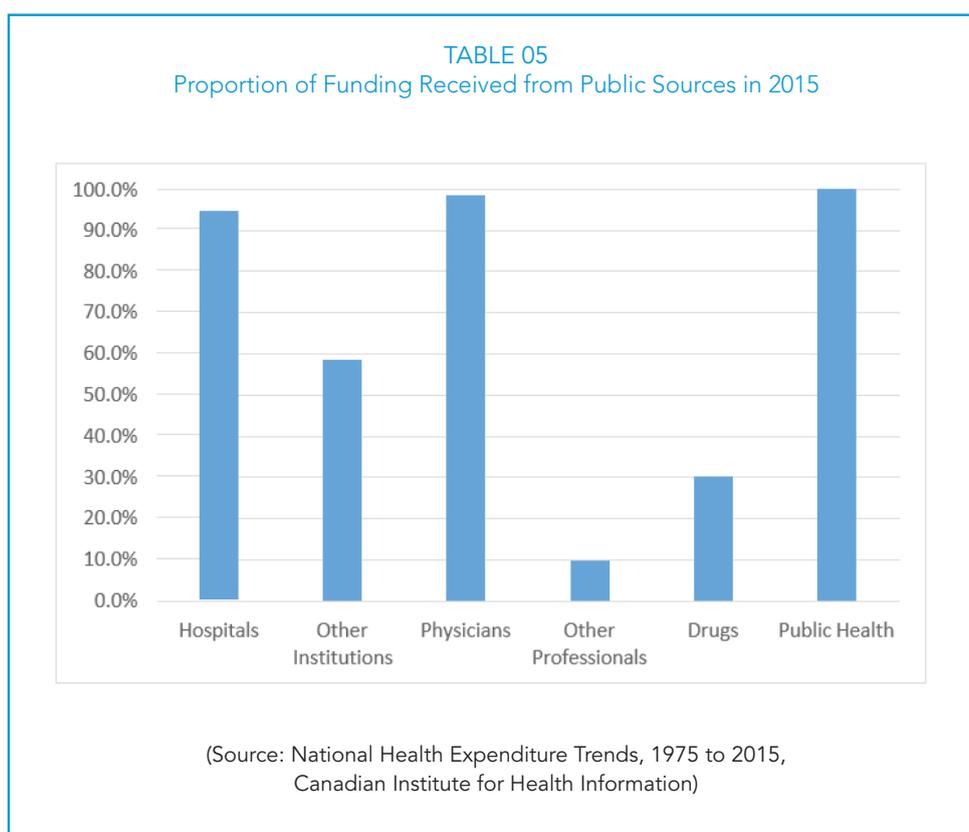
It should be no surprise, for example, that all funding for public health (100 per cent) is derived from public sector sources. Nearly all payments to physicians working in BC originate from the public sector.

Over the last five years, an average of 98.5 per cent of doctors' compensation was publicly derived.

Similarly, nearly all of the monies (94.2 per cent) allocated to hospitals is provided by public sources. On the other hand, only about half of the funding needed to operate long term care facilities (58.6 per cent) comes from the public sector. As explained earlier, long term care operations are officially categorized as Other Institutions, so as to distinguish them from hospitals.

Interestingly, less than one in every three dollars spent each year on drugs is derived from the public sector. In this light, private purchases represent 69.6 per cent of all pharmaceutical drug sales, while the public sector consumes, or pays for, just 30.4 per cent of the total.

And, surprisingly, Other Professionals are compensated almost entirely by the private sector. An annual average of just 9.9 per cent of monies expended over the last five years for this category, which includes physiotherapists, pharmacists, audiologists, optometrists and others, originates from public coffers.

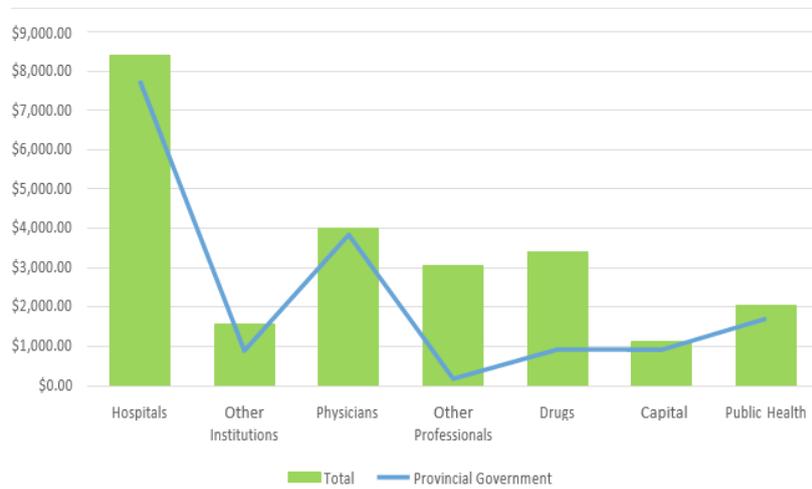


Provincial Government Health Expenditures in BC

Almost all public monies expended each year on healthcare originate from, or are provided by, the Province of British Columbia. Over the last five years, the provincial government has funded 93.3 per cent of all public expenditures on healthcare.

Again, the proportions vary across different categories of spending. For example, the province provided 98.7 per cent of all public monies allocated to hospitals, 97.7 per cent of funding to long term care facilities (of the 58.6 percent mentioned above) and 97.6 per cent of public compensation for physicians. Categories of expenditure that received less than average funding from the province include: drugs (89.2 per cent), public health (84.3 per cent) and other professionals (60.1 per cent).

TABLE 06
 Provincial Government Health Spending Compared to Total Health Expenditures
 (average annual expenditures, 2011 to 2015)



(Source: National Health Expenditure Trends, 1975 to 2015, Canadian Institute for Health Information)

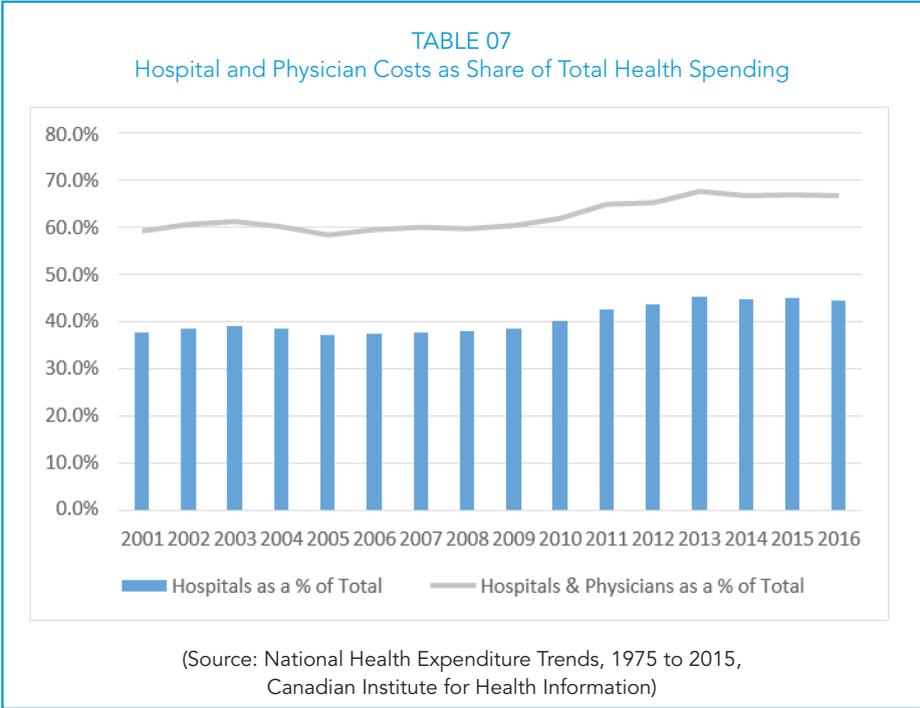
Rising Hospital and Physician Expenditures in BC

Rising health expenditures in British Columbia, and especially those incurred by the provincial government, may be attributed to increased expenditures on hospitals and physicians.

A few points to consider:

- Between 2001 and 2011, the provincial government's total health expenditures rose from \$10.1 billion to \$16.6 billion — a total increase of 63.7 per cent.
- Total provincial spending on hospitals and physicians combined, over the same period, climbed from almost \$6.0 billion to more than \$10.7 billion. That represented an increase of 79.4 per cent.
- The provincial government's combined expenditures on hospitals and physicians account for approximately two-thirds of all of Victoria's annual health expenditures. Significant cost savings could be achieved by addressing these two spending categories.
- For the sake of comparison, hospitals and physicians in 2001, together, represented 59.2 per cent of the province's health expenditures. The comparable proportion over the five year period from 2011 to 2015 was 65.3 per cent.
- Non-hospital and non-physician expenditures on items such as long term care, "other professionals", drugs, capital, administration and other represented 40.8 per cent of the provincial government's health expenditures in 2001. The comparable proportion of health spending over the last five years was just 34.7 per cent.

There is no denying that hospitals and physicians are vital, essential components of BC’s healthcare system. However, to repeat a point made earlier, it is always possible for us to spend more wisely, to achieve better results with finite resources. Working together in a team led by physicians will result in better utilization of these resources.



Looming Cuts to Federal Health Transfers

The federal government reduced the yearly growth rate of the Canada Health Transfer (CHT), through which Ottawa provides monies to the provinces for healthcare, effective April 1, at the beginning of the 2017/18 fiscal year.¹

Since 2005, the CHT has increased by six per cent annually, but the new growth rate is just three per cent, with the possibility of small increases in the event of above average GDP growth. Ottawa has promised to provide additional monies for home care and mental health, but it is evident that future health transfer lifts will be smaller than has been the case for more than a decade.

Last fall, BC’s Ministry of Finance calculated potential losses over the next five years from a reduced CHT growth rate at \$2.1 billion. A federal-provincial agreement in February should reduce that number, although BC will inevitably have less healthcare funding as a result of the reworked CHT.

Paying for Physiotherapy

Currently, MSP will pay a portion of physiotherapy treatments for premium assistance clients in private care settings. Patients can sometimes receive a limited number of physiotherapy sessions covered through MSP for rehab after certain medical treatments (i.e. surgery). As well, ICBC will pay a portion for physiotherapy treatments for people who have an ICBC claim number and WorkSafeBC will sometimes pay for their clients to be treated by physiotherapists.

In the aforementioned situations, physiotherapy is delivered through public practice physiotherapists (who work for health authorities, public care facilities or public rehab facilities) or through private practice physiotherapists in private clinics or private care facilities.

For all other physiotherapy treatments (including those outside of the limited prescribed post-surgery rehab and ICBC/WorkSafeBC treatment session limits), clients pay out of pocket or through third party billing via private insurers.

Reducing Health Costs: Physio Can Help

At present, physiotherapists cannot refer patients with complex musculoskeletal (MSK) concerns directly to specialist physicians, notably orthopaedic surgeons. As a result, patients must be sent back to their general practice physician (GP) to obtain the referral. This represents an unneeded cost to British Columbia's Medical Services Plan. In 2013, an analysis undertaken in Australia reported that such redundant referrals cost that country's Medicare system \$13.6 million annually.¹

In 2003, a study in the Netherlands found that as many as 49 per cent of patients who might have been referred to a specialist, instead received alternative, less costly and non-surgical treatment after consultation with a physiotherapist.² The Dutch study made reference to the role of GPs as "gatekeepers", tasked with the responsibility of directing patients to an appropriate specialist or treatment. "There appears to be an assumption that [GPs] have a knowledge of the scope and breadth of practice of other healthcare professionals," the report observed.

A 2007 study in Australia found that with physiotherapists acting as gatekeepers for patients with non-urgent MSK conditions, nearly two-thirds of patients "did not need to see a surgeon, and were appropriately assessed and managed by experienced, qualified physiotherapists."³

A Canadian study conducted in 2007 in Kingston, Ontario determined that physiotherapists "could effectively manage post-operative patients for orthopaedic surgeons; they make similar assessments of the patients' status and offer the appropriate conservative management strategies to the patients."⁴

By allowing physiotherapists to provide direct referrals in British Columbia, considerable cost savings may be achieved. It is evident that when it comes to achieving cost savings for BC's healthcare system, [Physio Can Help](#).

Conclusion

British Columbia's provincial government dedicates nearly half of its annual operating budget to health care. The province's health costs also are rising rapidly, soaring from \$8.0 billion in 1998/99 to an estimated \$19.2 billion in 2015/16.

To a large extent, the ongoing increases in BC's healthcare expenditures may be attributed to two large categories of spending: hospitals and physicians, which together represent approximately two-thirds of health expenditures. While total provincial government expenditures on healthcare from 2001 to 2016 grew by 90.0 per cent, expenditures on hospitals and physicians rose by 114.0 per cent.

BC also now faces potential losses over the next five years of between one- and two-billion dollars as a result of Ottawa's new formula to calculate the annual growth rate of the Canada Health Transfer.

We all share a responsibility to ensure that the public monies allocated to health are spent efficiently and effectively. To that end, [Physio Can Help](#).

Recommendations

Physiotherapists should be able to refer directly to specialist physicians those patients with complex musculoskeletal (MSK) concerns. Currently, patients must be redirected to a general practice physician (GP) to obtain a specialist referral, a costly and potentially redundant endeavour.

GPs with MSK patients should have an MSP referral for physiotherapy consultation as one option for treatment. Physiotherapy in a post-operative setting, especially for hip- and knee-replacement surgeries, should be enhanced. This would speed up recovery and reduce hospital stays.

Notes

EXECUTIVE SUMMARY

1. British Columbia Financial and Economic Reviews, various years; British Columbia Public Accounts, various years.
2. BC Financial and Economic Reviews, various years, op. cit.
3. Canadian Institute for Health Information. National Expenditure Trends, 1975 to 2016. December 2016.
4. Ibid.
5. Ibid.
6. Ibid.
7. Ibid.
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9. Ibid.
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1. British Columbia Financial and Economic Reviews, various years; British Columbia Public Accounts, various years.

TOTAL HEALTH EXPENDITURES IN BC

1. Canadian Institute for Health Information. National Expenditure Trends, 1975 to 2016. December 2016.

PUBLIC SECTOR HEALTH EXPENDITURES IN BC

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PROVINCIAL GOVERNMENT HEALTH EXPENDITURES IN BC

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RISING HOSPITAL AND PHYSICIAN EXPENDITURES IN BC

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LOOMING CUTS TO FEDERAL HEALTH TRANSFERS

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Physiotherapy Association of BC



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