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NEWS RELEASE

## ***Competition In Service Delivery Essential to Preserving Publicly-Funded Health Care in Canada, Says IRPP Study***

***Senators Kirby and Keon call for breaking the monopolistic  
stranglehold of provider groups and more effective hospital funding.***

***Institute for  
Research on  
Public Policy***

***Institut de  
recherche  
en politiques  
publiques***

**Montreal** – The Institute for Research on Public Policy (IRPP.org) today released a study by senators Michael Kirby and Wilbert Keon entitled “Why Competition is Essential in the Delivery of Publicly Funded Health Care Services”.

The media is cordially invited to attend a Q&A session with Messrs. Kirby and Keon on Wednesday, September 1st, 2004 at 5:00 p.m. at the National Press Club in Ottawa.

The authors argue that the only way to stave off a financial crisis in medicare is to increase the cost-effectiveness of health care service delivery. They conclude that “the introduction of what are usually called ‘market forces’ is the only effective way to make the health care delivery system more efficient and its providers more productive.” Without such incentives, there will be ever-increasing pressure for private financing of health care services that would threaten the future of medicare itself.

Kirby and Keon contend that associations of health care professionals wield “excessive power” in salary and fee negotiations (which generally leave the need for productivity improvements off the table). And scope-of-practice rules, established by the associations, are so rigid that they prevent health professionals from using their full range of skills. The authors call for relaxation of such rules, which would allow more flexibility in deploying medical personnel and lower costs of service delivery.

According to the senators, a second area that would benefit from competitive incentives is hospital funding. Rather than the current block-funding model based on historical spending patterns, Kirby and Keon propose a service-based model whereby hospitals would be paid an agreed-upon fee for each service that they actually provide. This would encourage hospitals to improve operating efficiency (since they would keep any savings generated) and create competition among hospitals and smaller specialized clinics.

The authors praise medicare’s single-funder structure, which “yields considerably more efficiencies than any multifunder arrangement” and “must be preserved.” But, they write, assertions that the introduction of competitive incentives in the *delivery* of health services threatens public funding are “manifestly false” and “without any supporting argument or evidence.” They point out that governments have played a funding, not delivery, role in

medicare from its inception and delivery of publicly-funded health services is almost entirely in the hands of the private sector.

“Why Competition is Essential in the Delivery of Publicly Funded Health Care Services” is the latest *Policy Matters* study to be released as part of the IRPP’s Health and Public Policy series. It is now available on-line in Adobe (.pdf) format on the Institute’s Web site ([www.irpp.org](http://www.irpp.org)).

For more information or to request an interview, please contact the IRPP.

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Founded in 1972, the IRPP is an independent, national, nonprofit organization based in Montreal.

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**Contact:**

Jeremy Leonard ([jleonard@irpp.org](mailto:jleonard@irpp.org))  
Senior Fellow, Policy Outreach  
IRPP.org  
(514) 985-2461, ext. 323