



## All the Pain and None of the Gain: Doctors Fees and the Need for a Free-Market System

**October 14, 2015** – For several years now, the Ontario government and its 28,000 physicians have been playing a game of give and take or, more accurately, give and take, take, take. While dating back decades, for ease of argument, let's start in 2012 when the Liberal government under Dalton McGuinty got doctors to agree to a 5% cut in fees. Given that doctor fees account for **10 per cent of Ontario's overall budget and 25 percent of the health-care budget**, it was an understandable move by a cash-strapped province, albeit borne on the backs of physicians. Unfortunately, things didn't turn out quite as planned. The hoped-for savings did not materialize to the extent expected and, instead of simply taking their 5% pay cut and calling it a day, doctors worked harder, saw more patients, and billed for more procedures in order to make up for the shortfall.

Eventually, with their contract set to run out in March of 2014, physicians once again began talks with the province in hopes of negotiating a mutually acceptable new agreement. Yet, despite extensive discussions and calling upon the skills of conciliator Warren Winkler, a former Chief Justice of Ontario and facilitator David Naylor, the respected former president of the University of Toronto, the two sides could not reach an agreement. By January of this year, when the Liberal Government – now under Kathleen Wynne – offered a 2.65% *cut* to OHIP billings, physicians rejected the offer. The government side responded by unilaterally imposing an even bigger 3.15% cut. If that wasn't bad enough, in round two, which played out October 1<sup>st</sup> of this year, the government cut doctor fees by an additional 1.3% *and* unilaterally limited funding for physician services by imposing a hard-cap, a move that, **some say**, bring about the possibility that by the end of the year, doctors won't be paid for the work they perform.

In a free-market economy, there are few, if any, employers who can get away with asking their workers to accept pay cut after pay cut after pay cut. Yet the

government of Ontario can because the province is in complete control of physicians' incomes. Doctors are not allowed to extra bill, they are not a union and they don't have bargaining rights. They are forced to deal with a government that continually makes deals, only to break them. Their only recourse, to leave the country or leave the profession entirely, is a particularly unpalatable option.

Ontario Health Minister Eric Hoskins effectively dismisses the doctors' grievance, saying they are “[handsomely paid](#)”. Although that is arguable given that these de facto public servants have none of the pensions and benefits that other public servants do, his blasé attitude fails to take into account the fact that physicians are essentially small-business people and that despite the straight-jacket-like constraints to the revenue side of their business, the other side, the cost side, *does* operate in a free market economy. Their overhead costs such as rent, staff wages, supplies, office materials and all the other things that go in to running a practice are subject to free market forces including supply, demand and inflation. Considering this, a doctor's \$354,000 average gross salary looks a little less comely once expenses are netted out.

To be fair, the government is in a tough position. They have a responsibility to fund health care for their citizens, a right that Canadians have proudly and vigorously claim. But so many things, including the age and medical needs of our population, improved (and more expensive) diagnostic technology, and an increase in medical malpractice claims (and associated insurance costs) due, in part, to the relatively recent introduction of contingency fees into Canada, have changed since then.

Like it or not, the time has come for Canadians to consider changing to a market-based health care system. Countries including Belgium, France, Germany, Japan, Korea, Luxembourg, Switzerland and the Netherlands are able to successfully provide universal access to health care to their citizens using some form of competitive market model that includes giving people the option to access services either within or without the government system. The benefit in these countries has been a reduction in wait times and cost cuts to the taxpayer system as well as the



introduction of some free-market access for health care providers. It's a system that Canadians need to explore.