

## **PRIVATE HEALTH INSURANCE PLANS**

**Question:** Why are private health insurance plans so expensive when drug coverage is included?

**Answer:** Having sold both group employee benefit plans and individual plans over the years, this question is easy to understand.

Over the years, drug costs have been steadily increasing. These higher costs, as well as increased usage, make up a substantial portion of your overall health insurance premiums.

According to a recent study by the Canadian Institute for Health Information; Canadian health spending at the pharmacy is now greater than costs related to visiting the doctor's office. Thus, for those in the private sector (households, private insurance firms and subsequently employers); this means having to pay more of the health care bill than ever before.

It is now typical to see sales of prescribed and non-prescribed drugs making up a larger portion of Canada's total health expenditure than physician services. The numbers show the spending gap between drugs and physician services getting even wider every year. The growth of the drug category has been steady over the past three decades, representing more than 15 per cent of total health spending, compared with only 8.4 per cent in the late 1970s.

The increase in spending on drugs relative to other health care costs means that the private sector is financing a larger piece of the health care pie. This is because the private sector accounts for the majority of drug expenditures. In contrast, spending on physician services is funded almost 99 per cent by the public sector.

Private sector funding consists primarily of health expenditures by households and private insurance firms, but also includes non-consumption expenditures such as hospital non-patient revenue, capital expenditures for privately owned facilities and health research.

The private sector share of overall health expenditures has grown steadily over the years. For a more detailed summary of the study's findings, visit the Canadian Institute of Health Information website at:

[www.cihi.ca/medrls/execnhex.htm](http://www.cihi.ca/medrls/execnhex.htm)

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