Abstract for "Does Public Health Care Redistribute from Me to You, or Just to Myself When I'm Old: On the Lifetime Redistributive Impact of Publicly Financed Health Care in Canada"

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Following Sen, Stiglitz, Fitoussi (2009), there has been a resurgence of interest in the proper measurement of government-provided goods and services, especially in the framework of official measures of income and income distribution. A fundamental reason is that impressions of the degree of income inequality can be substantially altered by the way these in kind benefits are treated, for example as shown by Smeeding et al (1993) and more recently by the OECD (2010, 2012). However, the vast majority of these analyses have been cross-sectional. But age is then a major confounder, since the elderly tend to have both lower incomes and higher health care utilization, while the middle aged are both healthier and have higher incomes. As a result, from a lifetime perspective, the redistributive impact of publicly financed health care is likely overstated compared to current cross-sectional estimates.

In this analysis, we provide both cross-sectional and lifetime estimates of the distribution of Canada's publicly funded health care, specifically hospital and physician services and pharmaceuticals. This analysis is complicated by Canada's fiscal federalism, where most health care is provided at the provincial level, while provincial revenues come not only from their own taxes, but also from federal to provincial fiscal transfers. While data on the distribution of income taxes among households are readily available, another challenge has been estimating the household distribution of commodity taxes, for which Statistics Canada's Social Policy Simulation Database and Model has been used. Further, there is very strong evidence that life expectancy increases with income, a factor which must be considered when taking a life course perspective. These various elements have been woven together into a microsimulation model that synthesizes period birth cohorts for men and women, disaggregated by income group. The result is estimates of the lifetime as well as cross-sectional distributional impacts of Canada's publicly funded health care. While the extent of redistribution is attenuated by taking a life course perspective, publicly financed health care remains substantially redistributive with impacts on the same order as the personal income tax.