

## Comparative Economic Analysis of Public and Private Health Insurance: Canada and America

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**Abstract:** This paper examines the differences between public and private health insurance systems through a comparative analysis of Canada and the United States. These two countries were selected because they represent two different ways of approaching the healthcare system. Canada operates under a primarily public system, while the United States relies mostly on private insurance. The focus of this paper is not on which model is better, instead on the exploration of the strengths and weaknesses of each system in terms of cost, access, and health outcomes. The research is based on a review of existing academic literature and an analysis of secondary data obtained from the World Bank. Indicators such as healthcare spending per capita, out-of-pocket costs, physician availability, life expectancy, and infant mortality are used to assess system performance and the broader impact on population health. The findings reveal that although the United States spends significantly more on healthcare per person, it does not translate into better health outcomes. Canada, despite its lower spending, shows higher life expectancy and lower infant mortality. However, its public system is not without problems. Limited coverage for services such as dental care and prescription medication creates gaps that are filled by private insurance, which are at times unreliable. In the United States, many individuals remain uninsured or underinsured, as high costs continue to limit access for a large part of the population. Neither system is perfect. A hybrid approach that combines the universality of public coverage with the flexibility of private options, alongside proper regulation, may offer a more balanced and effective solution to healthcare challenges.

**Key words:** Public Health Insurance, Private Health Insurance, Healthcare Systems, Canada, United States, Healthcare Access, Healthcare Spending, Health Outcomes, World Bank Data, Health Policy

**JEL classification:** I10, I13

### 1. Introduction

One of the most significant and persistent challenges in economics and healthcare is the issue of insurance. Government agencies around the world have a constant struggle on choosing which system not only meets the health needs of their populations but also ensures economic sustainability. The main question being, does a private or public insurance plan best serve the people and the economy? Public health insurance is typically funded through progressive tax structures and strives to offer universal coverage. In contrast private insurance, often financed out of pocket or through private agencies- are quite expensive, are often quite costly but can offer quicker access to services and more personalization. Despite the goal that is commonly shared of improving health outcomes, the two systems differ in terms of cost-efficiency, equity, and quality of care. Raising important questions about the efficiencies of each model in terms of delivering comprehensive, accessible, and sustainable healthcare. This paper shifts the focus from which is the better system to understanding the strengths and limitations of each, and what balance might be struck between them to optimize healthcare delivery.

To ground this analysis in real-world examples, this paper will compare Canada's predominantly public health system with America's private health system. This comparison allows for a more nuanced analysis of the real world applications for both systems that goes beyond theory. Shedding light to how these systems perform in practice. By examining two high-income nations with vastly different approaches, we can assess not only the outcomes they produce but also how their healthcare financing models impact accessibility, satisfaction, and efficiency.

The first focus of the literature review will be on the Canadian healthcare system, using the article '*Canada's universal health-care system: achieving its potential.*' (2018) by Martin D, Miller AP, Quesnel-Vallée A, Caron NR, Vissandjée B, and Marchildon GP. Written by Canadian healthcare professionals and researchers, this article provides valuable insights into the foundational goals, achievements, and shortcomings of Canada's public health insurance.

One of the shortcomings being that there is limited coverage of health needs beyond basic hospital and physician care. In order to provide a more encompassing view over the care that is not covered by the government, this section will also examine '*The Increasing Inefficiency of Private Health Insurance in Canada*' by Law M.R., Kratzer J., and Dhalla I.A.

Following this, the review explores the U.S. model of private health insurance. The primary review on the end of private healthcare will be '*The State of Health Insurance Coverage in the U.S.*' which was written by Sara R. Collins and Avni Gupta. This source is rooted in survey data and provides a comprehensive overview of how private health insurance functions in the United States today, including its evolution since the introduction of the Affordable Care Act (ACA).

Once the literature review is concluded, the paper will proceed to detail the research methodology. The data sourced for our methodology will be exclusively from the World Bank database which ensures consistency across the

selected indicators. The selected indicators include healthcare spending, out-of-pocket costs, physician availability, life expectancy, and infant mortality. These metrics provide a broad yet focused perspective on the performance of Canada's and the United States' healthcare systems, enabling a critical evaluation of how differing economic models impact overall health outcomes. This paper aims to contribute to the ongoing conversation about healthcare insurance systems by offering a balanced perspective and analysis of two contrasting methods.

## **2. Literature review**

### **2.1.1 Canada- Public Health Insurance**

*"Access to health care based on need rather than ability to pay..."* This blurb from *'Canada's universal health-care system: achieving its potential'* gives a solid foundation of the principles that the Canadian healthcare system is structured on. Despite this noble goal, the reality of Canada's public healthcare system is more nuanced and reveals several shortcomings. The most prominent issues being long wait times to get treated, patient neglect among marginalized groups such as indigenous communities, and limited coverage beyond hospital and physician care.

The most crucial factor that sustains the overarching public health coverage of Canada is the deep sense of national identity and pride associated with it. The authors, Martin D, Miller AP, Quesnel-Vallée A, Caron NR, Vissandjée B, and Marchildon GP, refer to what they call an "implicit social contract" between the public, healthcare providers, and the government. Canadians view the tax dollars going into the healthcare system as less of a burden and more of a moral and civic duty. This contributes to political and public pressure that holds the government responsible in its maintenance and improvement of their public healthcare system.

The article goes into a more detailed account of the historical evolution of Canada's healthcare system. While interesting it does little to help the current article in the sense of comparing the system to a private one such as the United States. However the following information on a particularity of the healthcare system is of great importance. While the health system is publicly funded, actual administration is carried out by independent entities. Hospitals, health authorities, and other healthcare providers operate under their own boards and manage their own budgets. This allows for flexibility and local responsiveness, but can lead to inconsistencies and inefficiencies in care and challenges in implementing nationwide reforms.

### **2.1.2 Canada- Private Health Insurance**

Taking a turn to the private aspect of Canadian healthcare, *'The increasing inefficiency of private health insurance in Canada'* by Law MR, Kratzer J, Dhalla IA, is examined. The article highlights that private insurance in Canada primarily covers services not included in the universal public plan, namely prescription drugs, dental services and eye care. These are essential aspects that fall outside the scope of the publicly funded system. As a result, despite the existence of universal healthcare, approximately 60% of the population had some form of private health insurance as of 2014. This private coverage is most often obtained through employment-based benefits meaning that those without stable employment will not have adequate access to the before mentioned sectors. A growing point of concern in this system is the steady rise of premiums for private insurance. All the while the premiums are growing, the increased costs have not been matched by improvements in the coverage or the quality of mentioned services. Canadians are paying more for private insurance but receiving no substantial gains in health outcomes or access. This suggests a lack of regulatory oversight in the private insurance sector, which leads to inefficiencies and a decline in value for consumers. Introducing stricter government regulations could significantly enhance the efficiency and affordability of private insurance.

### **2.2.1 United States of America- Private Health Insurance**

America is not only the most influential country, but also the perfect case study for this research paper seeing as they are renowned for their private health insurance model. *'The State of Health Insurance Coverage in the U.S.'* written by Sara R. Collins and Avni Gupta will serve as a basis in understanding the foundations of this system. This article was built off of the findings of a health insurance survey. As opposed to the literature mentioned in 2.1.1. This gives a more direct view of how the population of America feels about their own healthcare system. According to this article about 8% of Americans, as of 2023, are left without health insurance. Although this seems like a very small amount it is estimated to be around 26 million Americans. In "...years prior to the Affordable Care Act (ACA)... twice as many people — 49 million, or 16 percent of the population — lacked health coverage." Which stands to prove that some level of government intervention/regulation is needed in order to provide adequate coverage to as many people as possible. This boost happened when the congress along with the administration at the time (which happened to be the Biden-Harris administration) boosted the ACA with premium subsidies, extending its covid plans to following years. This was a huge step in the correct direction however there are still further actions that need to be taken in order to minimize medical debt and denials of coverage. The most eye opening results that were gained from their surveys was that 66% of adults who, despite being insured year round, found themselves underinsured received their coverage through an employer, the majority of underinsured adults who avoided medical care did so because they had pre-existing medical debt to pay off. In the end, despite there being significant improvements to the American private health insurance, there is still a downright exploitation of the American citizen that will only be fixed should the current administration wish to focus on it.

## **2.3 Overall Review**

The literature stood to offer the stark contrast between Canada's predominantly public health insurance model and America's privatized system. Whereas in Canada the principle of universal access remains a source of national pride, which grants it the opportunity for it not to be politicized. Despite which party held the majority vote in Canada, Canadians had never had to worry if their basic health insurance was on the line. Despite the strong moral foundation it holds, there are flaws embedded into the Canadian system that did not see improvement for years. Alongside this, not even Canada can function on a purely public healthcare system, relying on private sectors in pharmaceutical care, dental care and eye care. These private sectors are easily impacted by the lack of regulation around them leaving them to be exploited for rising premiums and administrative costs yielding little in the way of additional health benefits. America on the other hand relies on a market-driven model, where the private insurance sector wins out. While government interventions such as the Affordable Care Act have improved coverage rates, millions of Americans remain uninsured or underinsured, with many avoiding necessary medical care due to cost or existing debt. The primary avenue for insurance in America being employer-based coverage is also the revenue where there is proven to be more exploitation and less regulations which fails to shield individuals from financial strain. The findings being that, although it is unrealistic to expect the entirety of healthcare to fall under a universal umbrella, the sectors that remain private do in fact need some sort of government regulation and aid lest they fail at insuring the health of the population.

### 3. Research methodology

The research in this paper relies exclusively on secondary data sourced from the World Bank Open Data platform and is presented in a clear table format that compares key healthcare indicators for Canada and the United States. The indicators were carefully selected to provide a comprehensive view of each healthcare system without overwhelming the analysis with excessive variables. Current health expenditure per capita and out of pocket expenditure were included to highlight the economic burden that both the government and individuals in each perspective system carry. Physician density (measured by the number of physicians per 1,000 people) was chosen to reflect the accessibility and availability of medical professionals within each system. Life expectancy at birth and infant mortality rate were incorporated to serve as direct measures of population health and healthcare effectiveness. While other potentially informative indicators, such as insurance coverage rates and preventable mortality, were taken into consideration, the decision was made to limit the dataset to what is available through the World Bank in order to maintain data consistency, reliability, and transparency. This approach ensures that the comparison remains grounded in accessible, standardized, and globally recognized metrics.

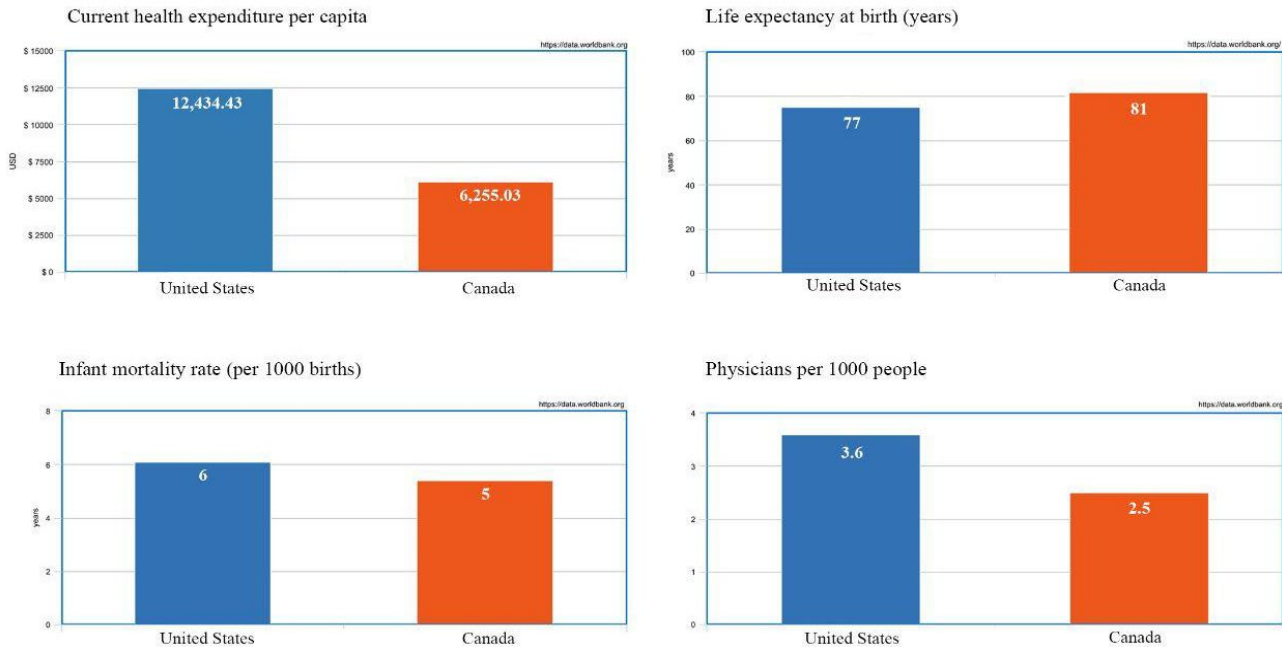
### 4. Results and discussions

The data of the table showcased below represents a comparison of the key healthcare indicators between Canada and the U.S. for the year 2022. The United States spent almost double the amount as Canada on healthcare per capita. Although there is a huge disparity in spending between the two, that does not seem to have translated to better health outcomes. We see that Canada has a higher life expectancy as opposed to America by four years. Additionally, the infant mortality rate was slightly lower in Canada (5 deaths per 1,000 live births) compared to the U.S. (6 per 1,000), although that may seem like a very small difference, when taken into account that Canada in 2022 had a population of about 38 million whereas America's population in that same year is 333 million, that clears up just how drastic that difference can be. We see again that despite America's poor results in health cases it has a higher physician density with 3.6 physicians per 1,000 people compared to Canada's 2.5. This discrepancy could be explained by the earlier literature review. Despite the amount of money or the amount of physicians it has, America will not hold up to Canada in terms of the healthcare of its overall population due to the fact that healthcare in America is simply not as accessible. The last indicator measured is the out-of-pocket health expenditure, which refers to the share of healthcare costs paid directly by individuals. The results were somewhat surprising with Canada having a higher percentage of healthcare costs out-of-pocket expenditures (14.85%) than Americans (11.10%). However when put into perspective of the fact core care is covered by Canada's public system, the picture begins to clear. In fact the results may come from the fact that Canadians permit themselves to pay for the mentioned services out of pocket knowing that the basic aspects of their care is looked after.

**Table 1.** Healthcare Indicators in Each Respective Country in 2022

Indicator	Canada	America
Current health expenditure per Capita (USD)	\$6,255.03	\$12,434.43
Life expectancy at birth (years)	81	77
Mortality rate, infant (per 1,000 live births)	5	6
Physicians (Per 1,000 people)	2.5	3.6
<b>5.</b> Out-of-pocket expenditure (% of current health expenditure)	%14.85	%11.10

Source: (World Bank Open Data)



Source: compiled by authors based on the data from World Bank Open Data

Looking beyond just the numbers, it's important to think about how the overall design of a healthcare system can shape how people actually use it. In Canada, because of the single-payer setup, people are more likely to go to the doctor early on or get regular checkups, since they don't have to worry about paying out of pocket each time. It's a different story in the U.S., where even people with insurance might put off going to the doctor because of high deductibles or the fear of getting hit with a surprise bill. Waiting too long to get care often leads to more serious health issues that are harder and more expensive to treat. On top of that, the U.S. system is more complex behind the scenes, which drives up costs and can even wear down doctors and nurses—something that could affect the care patients receive. So while money definitely matters, it's really about how the system is set up and how those funds are used that makes the biggest difference in public health outcomes.

Another important angle to consider is how these systems affect overall public satisfaction and trust in healthcare. While quantitative indicators like spending and physician density offer useful insights, they don't fully capture how people experience the healthcare system day to day. For instance, in Canada, the sense of security that comes with knowing basic care is universally accessible may contribute to higher public confidence, even if wait times can be frustrating. In contrast, Americans often face uncertainty about what their insurance will cover, how much they'll end up paying, or whether they'll be approved for a needed procedure. This uncertainty can discourage people from seeking timely care, which may partially explain why better-funded infrastructure doesn't necessarily lead to better health outcomes. Taken together, these differences suggest that accessibility and consistency in coverage might play a larger role in population health than raw financial input or system size alone.

## 6. Conclusions

This paper set out to examine a predominantly public system in comparison to a largely private system by analyzing real-world data of Canada and the United States of America respectively and peer-reviewed literature. Through both qualitative and quantitative analysis, the research demonstrates the complex relationship between healthcare spending, system structure, and health outcomes. The foundations of each are fundamentally different with varying degrees of success. Canada's public health insurance system, though often lauded for its universality and rooted in the principle of equitable access regardless of income, is not without shortcomings. Systemic issues seem to have taken over it and its private sectors remain largely unmandated. So much so that despite only certain sectors remaining under private insurance, whereas America remains entirely private, Canada's out of pocket expenditure is higher than America's by almost 3%. This mixed reliance highlights the limits of a purely public model, showing that it is perhaps unrealistic to expect 100% universal health insurance. Conversely, the American system, while offering greater personalization and faster access for those with adequate insurance, remains deeply flawed in terms of equity and economic sustainability. America spends twice as much on healthcare expenditures than Canada does, the U.S. consistently reports poorer outcomes on critical indicators such as life expectancy and infant mortality and around 26 million Americans are left with no insurance. The U.S. also has a higher physician density, yet the benefits of this are not realized across the population due to systemic barriers like high costs, lack of insurance, and underinsurance. Although government interventions such as the Affordable Care Act did in fact lead to significant improvements, America still has a long way to go. Along with the fact that its healthcare has been highly politicized, the availability of care in the U.S. remains highly reliant on the government body, this leads to great insecurities especially during the changing of government administrations. Each

shift in political power can bring significant policy changes that directly impact the availability, affordability, and structure of healthcare in the United States.

That question then shifts from which insurance system is better to what balance could be struck between the two. Each model has its strengths and weaknesses. The public system, while universally available, struggles with long wait lists and a lack of personalization. Whereas the private system allows for flexibility and innovation is open to exploitation and is often under regulated. The challenge lies in integrating the best aspects of both: ensuring broad, affordable access through public oversight while allowing room for private sector support where it adds value.

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