

Commission on the
Future of Health Care
in Canada



Commission sur
l'avenir des soins de santé
au Canada

ISSUE/SURVEY PAPER

Medically Necessary: What is it, and who decides?

JULY 2002

This paper is one of a series of nine public issue/survey papers designed to help Canadians make informed decisions about the future of Canada's healthcare system. Each of these research-based papers explores three potential courses of action to address key healthcare challenges. Canada may choose to pursue some, none, or all of these courses of action; in addition, many other options are available but not described here. These research highlights were prepared for the Commission on the Future of Health Care in Canada, by the Canadian Health Services Research Foundation.

Thank you for your interest in shaping the future of Canada's healthcare system.

This issue/survey paper on medically necessary care: what is it, and who decides, is one of a series of nine such documents the Commission on the Future of Health Care in Canada has developed in partnership with the Canadian Health Services Research Foundation. They were designed to enable Canadians to be better informed about some of the key challenges confronting their health care system and to express their preferences on proposed solutions. We have worked hard to summarize relevant, factual information and to make it as balanced and accessible as possible.

Each of our nine documents follows an identical format. We begin by briefly summarizing a particular health issue. Next, we identify three possible courses of action to address the issue and their respective pros and cons. Last, we ask you to complete a brief survey relating to the courses of action.

To make it easier to provide us with your responses, the survey questions are included on the final pages of this document. Please detach and forward these pages to us by fax at: (613) 992-3782, or by mail at:

Commission on the Future of Health Care in Canada
81 Metcalfe, Suite 800
Ottawa, Ontario
Canada K1P 6K7

You can also complete the survey on-line through our interactive website at:
www.healthcarecommission.ca.

There are no "right" or "wrong" answers, and the results are intended to be informational only. They are designed to illustrate how each person's response fits within the context of others who have responded, not to have scientific validity in and of themselves. The survey results are only one of many ways the Commission is studying and analyzing this issue. To order other titles in this series, please write to us at the address above, or call 1-800-793-6161. Other titles include:

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We are grateful for your contribution to shaping Canada's healthcare system and hope that this document will be as informative to you, as we know your survey responses will be valuable to us.

Sincerely,



Roy Romanow

Medically Necessary: What is it, and who decides?

“Medically necessary” is a term that seems straightforward enough on the surface. If you are sick, whatever makes you well again is medically necessary. If you are in good health, what’s medically necessary is what keeps you well.

The Canada Health Act, which sets the terms that provinces must meet in order to receive funding for hospital and doctor’s services, uses the term to identify when these services must be funded by the provincial health-insurance plans. The Act says that to receive federal government funding for health care, the provinces must pay for all hospital services that are “medically necessary” as well as doctor’s services that are “medically required.”

However, the Canada Health Act doesn’t define medical necessity, or provide a process for doing so. That means individual doctors decide what is medically necessary, usually on a patient-by-patient basis (although they are guided by lists of what provinces cover under their public insurance plans). From time to time, procedures are dropped or added — most provinces, for example have “de-insured” in vitro fertilization, and the removal of warts and tattoos.

When a service provided to a patient is medically necessary, it is fully funded by the government and delivered based on the patient’s need, not their ability to pay. If a service is deemed unnecessary, however, patients must pay for it directly. The idea is to have need, not want, dictate what the healthcare system provides.

However, as demands on the healthcare system grow, there is pressure for a precise definition of what’s considered medically necessary; provincial governments would then have a clear idea of what medical services they must provide. Various models and frameworks for determining which patients should receive which services have been proposed.

Many feel our understanding of what’s medically necessary is too restricted, because it’s limited to hospital and doctor services. They argue the concept should be broadened to include the many things that may contribute to a person’s health.

This paper looks closely at the concept of what’s medically necessary. In particular, the paper examines three courses of action Canadians might consider:

I. Setting a definition of what’s medically necessary in the Canada Health Act. Should the federal government define what medically necessary means and include that definition in the Act?

II. Asking a group of healthcare experts to determine which treatments and services are medically necessary. Would it be better to rely on those studying and working in the healthcare system to use their specialized skills to make decisions about medical necessity? Should the public provide input into those decisions?

III. Using the benefit to an individual’s health as the measure of what’s medically necessary. Should we decide which services are medically necessary based on each individual’s capacity to benefit? We could leave it up to doctors and other clinicians to decide what course of treatment should be used, free of any rules or lists.

Defining Medical Necessity

The idea of medically necessary services is a cornerstone of the Canada Health Act, which sets the rules provinces must follow in order to receive federal funding for healthcare. If they want to receive federal funding for hospitals and doctors, the Act says, they must provide those services that are medically necessary.

But the Act doesn't define medical necessity, and coverage of hospital and medical services differs in every province. There are even greater variations in the services that don't fall under the Canada Health Act, such as home care and prescription drugs.

Many provinces are asking for a better idea of what's medically necessary. With an official definition, they could assess services and potentially stop paying for some things. Doctors don't mind the idea; what isn't covered by provincial medical plans can be charged for privately (the circumcision of baby boys, for instance, is a service that many provinces do not pay for, but many people still choose to have and are willing to pay for). That's extra income for physicians, not limited by provincial rate setting. Other procedures — bunion removal is a good example — are popular, but don't really make much difference to a patient's overall health, and some people question whether such services should be paid for with public funds.

Course of Action: The Canada Health Act should provide an explicit definition of what's medically necessary.

The federal government could re-open the Canada Health Act and insert a definition of the concept of medical necessity. This could be a set of principles, or it could go so far as listing which services are medically necessary.

ARGUMENTS FOR

A process is needed that is not directly linked to physician payment. The current definition of medical necessity amounts to no more than a list of what's covered by the provincial insurance plan. Often, these lists are directly linked to negotiations between the government and doctors over the size of the annual budget for doctor's services. These decisions are not usually based on evidence of the appropriateness of the services in question.

There are no national standards. Because provinces have been left to their own devices when defining what services they think are medically necessary, Canadians receive varying coverage for services, depending on where they live in Canada. If the Canada Health Act was explicit about which of these services were medically necessary, there would be more equality across provinces.

We depend too much on doctors to decide. Because the Canada Health Act does not define what's medically necessary, the issue is largely left to the discretion of doctors, who may have a variety of reasons for giving a certain treatment, ranging from the impact a condition is having on a patient's employability to whether the patient's family is affluent or involved in their care. As a former president of the Canadian Medical Association once put it, "There are many things we physicians do that by the strictest criteria could not be considered to be essential health services."

ARGUMENTS AGAINST

It probably can't be done. Several researchers have noted that attempts to define "necessary" as well as terms such as adequate, appropriate and minimal, usually fail. The definitions reached are either too broad and vague to assist in developing policy, or they end up being long lists of diverse needs of many groups, which do not add up to a meaningful whole.

Full of sound and fury. Defining what's medically necessary won't solve all the complex issues facing the healthcare system. It may not even help much with funding; several countries, including the United States, have tried to define medical necessity but what they've come up with have generally not provided any meaningful guidance to people operating insurance plans.

It's a risky move. If we ask the federal government to define medically necessary, Canadians could end up with more services covered by their provincial health plans. Then again, they could end up with fewer services, due to the current preoccupation with controlling provincial healthcare budgets.

Technology is always changing healthcare. If medical necessity is a list of what is and is not covered, it can quickly become out of date, as technology causes some healthcare services to be replaced by better treatments. Restricting coverage to treatments and services can cause the system to cover services that are less than optimal.

SURVEY QUESTIONS

Please refer to page 11 for the survey questions for this section.

III

Expert determination

As far as most of us are concerned, something that is medically necessary is something you need to stay in good health. For example, if you break your arm, you need to get the bone set. If you have a severe head injury, trauma treatment is medically necessary.

At the other end of the spectrum are things that most of us consider unnecessary — services that people don't need to keep them alive or in good health, but they might like to have anyway, like laser eye surgery.

In between these extremes are a whole range of services which may be considered more or less necessary, depending on circumstance. That's why medical necessity is so hard to define. In most cases, what's necessary is determined by the condition of the patient. Often, a treatment which is very effective for one patient doesn't work for another; sometimes something that's been effective in the past for a patient doesn't work anymore.

Assessing effectiveness is complex; it involves weighing the usefulness of different treatments for one disease, and considering them compared to different treatments for quite different illnesses and the impact they have on different people at different stages in their lives. That's why some countries turn to panels of experts — including doctors, health researchers and economists — to look at the effectiveness of different interventions.

In the United Kingdom, for example, the National Institute for Clinical Excellence has been given the task of determining the effectiveness of various health interventions, including drugs, and providing guidance to health professionals on how to use them.

Nevertheless, the degree of a treatment's effectiveness would not matter if we had infinite funds to spend on healthcare. But when resources are limited, it becomes important to set priorities to ensure that the treatments in use are the most effective possible to meet medical need. That's why, for example, the Alberta Premier's Advisory Council on Health recently called for the province to establish a permanent expert panel to review and make decisions on which health services are publicly funded. According to the Council, such a panel is needed to ensure that treatment is available for the "most serious illnesses and injuries."

Course of Action: A group of healthcare experts should decide what treatments or services are medically necessary.

Canada could establish a panel of healthcare experts to decide which treatments or services are medically necessary. This panel would include physicians as well as researchers and health economists, to look at issues such as cost-effectiveness. The panel could either come up with a list of services that are medically necessary, or a set of principles that each province would then be required to use to develop its list.

ARGUMENTS FOR

Experts have the tools needed for the job. Determining the medical necessity of different treatments and services is a complex matter. Much work has been put into ways of quantifying the benefits of different healthcare services, both by economists and doctors, who already have some standard guidelines which they use to determine appropriate treatment. It would be better to base decisions on what's funded on that kind of expertise than the opinions of politicians or the public.

The quality of care might improve overall. A national process could ensure much better evaluation of health technologies. Much of what doctors do has never been evaluated by scientific study; many of the studies that have been done are of very poor quality. This means the system may be paying for many inappropriate treatments.

The public wants experts to make these decisions. Numerous studies show members of the public don't want to make decisions about medical treatments. While they want to be consulted on the broad priorities of medicare, they do not want to be asked to make micro-level decisions, which they see as "rationing." They prefer that experts make these decisions, because they see them as more qualified to do so.

A national process would shed some light on the dark corners of the healthcare system. Any process that increases public understanding of the tough choices made in the healthcare system, and forces consideration of whether to make those choices, is better than having those decisions made in private, or by default.

An exercise that is always worth doing. While no list of medically necessary services will be perfect, it is still important to go through the process so the list appears reasonable to those who will be receiving services in accordance with it.

ARGUMENTS AGAINST

The public should decide. Decisions about what's medically necessary can never be made independent of society's values, and effectiveness is only part of what matters to us in giving and receiving care. Research and science will never provide us with complete answers. To make satisfactory decisions about what medicare should pay for, broader input is needed.

Experts will probably find most services are necessary. Similar processes in other jurisdictions have found that it is very difficult to reach a consensus on what treatments are necessary, because most services are of benefit at least some of the time, or to some degree in most patients. After an exhaustive process of examining all the services funded by the healthcare system in New Zealand during the 1990s, a Core Services Committee reported that it "has not found any treatment or area of service within the current range of publicly funded services which can be completely excluded." The situation was similar in the state of Oregon: very few services were found to be outright unnecessary.

Experts are only human. There is often a great variety of opinion and evidence on what should or should not count in assessing care. There's no absolute truth; researchers may place different values on different diagnoses, treatments and outcomes. There are always value judgments involved in the selection and interpretation of evidence.

Availability of good data. A process that relies solely on experts and their notions of evidence may not be good for all patients. Some treatments are easier to research and measure than others, but they're not necessarily more effective. For example, randomized controlled trials, considered the best, most objective way to assess evidence are easy to do for drugs, but other technologies are much harder to evaluate, and may never meet the standards that experts want.

Lobbying will become a factor. Experts on a national committee could be subject to intense lobbying pressure from various interest groups trying to get what they want on the list.

SURVEY QUESTIONS

Please refer to page 11 for the survey questions for this section.

III Individual Benefit

When doctors and other clinicians put patients on a course of treatment, it is designed to meet that patient's particular needs. As a result, patients suffering from a similar condition may receive different treatments. For example, patients who have had a heart attack may be treated with drugs, a procedure to unblock arteries or bypass surgery, whichever their doctor feels is best for them.

Some argue that we should take a more broad approach when considering what an individual patient needs, and say the health system should fund whatever improves a patient's health, without any rules or lists of treatments approved for funding. This could mean funding alternative medicine or even paying for things that are not medical treatments at all, such as housing or education.

Course of action: The benefit to an individual's health should be used to decide what's medically necessary.

Under this course of action, there would be no central definition or lists of what is medically necessary. Instead it would be up to individual doctors to make decisions for their patients, though they could be assisted by an expert panel or guidelines, to help them make treatment decisions. This would require looking far beyond the way "medically necessary" is currently used in the Canada Health Act.

ARGUMENTS FOR

People are different. People get sick for different reasons. Many factors determine whether a person is in good health — everything from genetic characteristics to the food they eat and the neighborhood they live in. Each patient's social, economic and cultural environments must be considered when assessing a treatment.

Patients respond differently. Individuals have different capacity to benefit from different treatments, and some patients may require more attention and resources in order to benefit. Making the individual's health our main criterion will encourage more focus on certain groups and conditions in society that can benefit from appropriate treatments.

Patients should never fall through the cracks. Focusing on the benefit to an individual's health would ensure that we pay for treatments that are very effective, even if not many people need them.

Healthcare resources should never be wasted. Focusing on individual benefit also allows the system to deny treatment to those individuals who will probably not benefit, and to ensure that limited healthcare resources are used only for those who are likely to have a benefit. There are already precedents for this within the system. For example, many organ transplant programs do not allow transplants for people who are unlikely to recover properly, so those organs can be put to better use with other individuals.

We need to address the anomalies. Currently, the system sometimes does not pay for treatments that are necessary, by any definition. For example, the Canada Health Act does not require provinces to provide funding for life-saving drugs like insulin or anti-psychotics (though most provinces have programs that help people pay for drugs they can't afford). Essential treatments like physiotherapy and psychological counseling may or may not be covered, depending on circumstance. If we know a service is effective, governments should ensure access for all Canadians who would benefit.

ARGUMENTS AGAINST

A healthcare system is not just about benefiting an individual's health. Publicly-funded healthcare systems can and do provide services which do not benefit an individual's health, but are beneficial nonetheless. These can include reassurance that they do not have a condition and do not require treatment, or hotel rooms for families who must travel with a child or elderly parent needing surgery in a major centre.

There may be tradeoffs. There are other reasons to provide a service than just to improve someone's health. A treatment could make someone physically better, but not benefit their sense of wellbeing, personal autonomy, or other values. And some people, especially those with cancer or other terminal diseases, choose at some point not to be treated, preferring to give up a hard fight they can't win.

What about public health? Some treatments may not seem particularly valuable when just one person's health is considered, but are clearly important to larger groups and to society as a whole. For example, flu vaccination may not be a priority for a healthy middle-aged adult, but it is important to people living or working in nursing homes, where it may make the difference between life and death. A strict focus on individual health may also undermine public health and community health initiatives. The basic neighbourhood-building exercises that community health centres often lead are known to have effects on health, but they could be lost in a system that focuses on the benefits of certain treatments to individuals. A healthcare system funded by the public should keep public needs first and foremost.

We shouldn't forget those who are less able to benefit. If the focus is on providing services to those individuals who can get the most benefit to health, groups who may be less likely to benefit could be excluded from receiving health services — such as the elderly and the disabled.

Standard practices have usually evolved for a reason — they work. Leaving the discretion to individual clinicians will inevitably result in a situation where two patients with identical symptoms will receive very different treatments and one may be far better than the other. While there should be room for clinical discretion, it is important to give clinicians access to information on the best practices in treatment and in some cases, guidelines that they should follow that give patients the best likelihood of a good outcome.

SURVEY QUESTIONS

Please refer to page 11 for the survey questions for this section.

Acknowledgements

This document was produced by the Canadian Health Services Research Foundation, in partnership with the Commission on the Future of Health Care in Canada. The topics and courses of action reflect key issues raised frequently in the Commission's consultations to date, for which the Foundation was able to find relevant research evidence to help inform the debate.

This document has been reviewed by the following experts for accuracy and fairness, but final responsibility lies with the Canadian Health Services Research Foundation:

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A complete bibliography of the research used to prepare these documents can be found at www.healthcarecommission.ca.

SURVEY INSTRUCTIONS

Please detach the following pages and forward to us by fax at:
(613) 992-3782

Or by mail at:
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81 Metcalfe, Suite 800
Ottawa, Ontario
Canada K1P 6K7

For information:
Call toll free at 1-800-793-6161
www.healthcarecommission.ca

Thank you

Survey Questions

Please indicate your opinion on each of the following questions by checking the appropriate response.

DEFINING MEDICAL NECESSITY

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Healthcare in Canada would improve if the concept of “medically necessary” was explicitly defined in the Canada Health Act.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The federal government should create a set of principles to guide provinces and providers in making decisions about what services are medically necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The federal government should create a list of which specific services are medically necessary and under what circumstances.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. It’s really important for people in different provinces to have the same access to services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

EXPERT DETERMINATION

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Healthcare in Canada would improve if a group of healthcare experts were the ones to decide what treatments or services are “medically necessary”.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It’s important to have an objective expert group set standards that apply to everybody for deciding what services are medically necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It’s important that all Canadians can see what decisions have been made about which services are medically necessary, and by whom and how those decisions were made.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. As patients and taxpayers, the public — not just experts — should play a major role in deciding what services are medically necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

INDIVIDUAL BENEFIT

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Healthcare in Canada would improve if the benefit to an individual's health were the criteria used to decide what is medically necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. It's important to individualize care for each person rather than rely on standards that call for the same services to be provided to everybody in similar circumstances.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It's more important to focus on the benefit of specific services to the individual than on the benefit — or the cost — of those services to society more broadly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Any service which benefits an individual's health — even if it is not a traditional medical treatment — should be considered medically necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ANALYSIS INFORMATION

Please complete the following information for analysis purposes. Thank you.

Gender: Male Female

Age: under 18 19-29 30-49 50-65 over 65

Province or Territory in which you reside: _____

Continued ...

Your annual household income from all sources before taxes is: (Optional)

Choose one:

- Less than \$20000
- \$20000 to \$39999
- \$40000 to \$59000
- \$60000 to \$79000
- \$80000 to \$99000
- More than \$100K

The highest level of schooling you have completed is: (Optional)

Choose one:

- Elementary School or less
- Secondary School
- Community College/CEGEP/Trade School
- Prof./Trade Certification
- Bachelor Degree
- Graduate Degree

Are you a healthcare professional? (Optional)

- Yes No

Approximately how many times in the last year have you personally used the healthcare system? (eg. seen a doctor or specialist, spent time in the hospital, received care in a hospital emergency room, etc.) (Optional)

Choose one:

- 0-3
- 4-6
- 7-9
- More than 10

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