

The President's Letter

Dr. Tzu-Kuang (T.K.) Lee



August 30, 2006

Dear Member:

Even though the Alberta government's health expenditures per capita are the highest in the country, when it comes to physicians, Alberta ranks sixth (!) – only ahead of Saskatchewan, Newfoundland/Labrador, Prince Edward Island and Quebec.

Health expenditures per capita by province

Province	Health expenditures \$ per capita <i>2005-2006 forecast</i>	Rank
AB	3297.74	1
NL	3183.65	2
MB	3128.18	3
SK	2920.92	4
ON	2891.06	5
NS	2875.50	6
BC	2860.71	7
NB	2846.85	8
PE	2682.11	9
QC	2448.86	10

Physician expenditures per capita by province

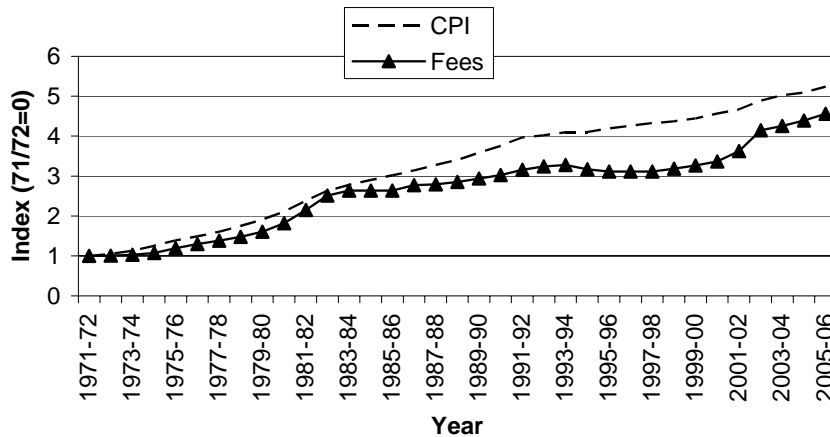
Province	Physician expenditures \$ per capita *	Rank
BC	628.35	1
ON	618.29	2
MB	575.81	3
NB	575.05	4
NS	555.94	5
AB	545.09	6
SK	544.70	7
NL	539.95	8
PE	425.25	9
QC	421.67	10

Source: Canadian Institute for Health Information, Preliminary Provincial and Territorial Government Health Expenditure Estimates 2005-2006, November 2005.

It is important to note that physicians employ thousands of Albertans. "Physician expenditures" represent the total billings of physicians and are not net incomes. For example, overhead costs (e.g., staff salaries, equipment, rent, office supplies, computers, taxes, etc.) for general practitioners average between 40-50% of their total billings. Overhead costs are included in the physician expenditure data.

Nor have Alberta's fees for physicians kept pace with the escalating consumer price index (CPI) and skyrocketing overhead costs.

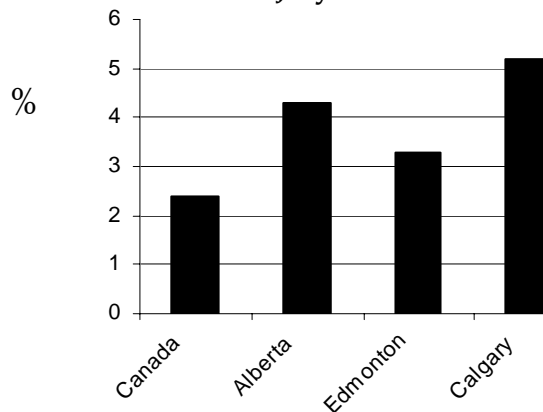
Alberta Physician Fees Compared to Consumer Price Index



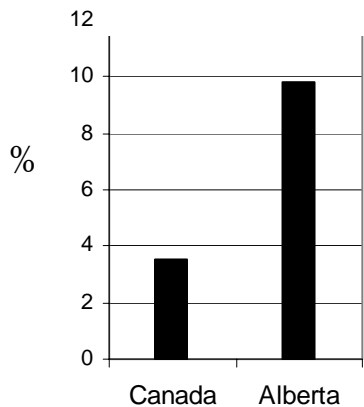
Source: Canadian Institute for Health Information and Statistics Canada

According to the latest data, in July the consumer price index was substantially higher in Alberta than anywhere else in Canada. One component, shelter, was 9.8 in Alberta, almost triple the 3.5 average for Canada. In June, the construction price index was 9.8 for Canada - compared to a massive 49.2 in Calgary and 28.1 in Edmonton.

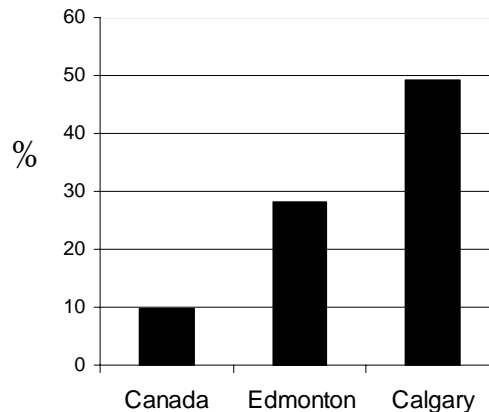
Consumer Price Index July 2006



**Consumer Price Index - Shelter
July 2006**



**Construction Price Index
June 2006**



Source: Statistics Canada

You may recall that, in my July 10 *President's Letter*, I highlighted the following comments from Alberta physicians concerning overhead costs:

- "Staff costs are going up dramatically and we cannot pass these costs on to patients."
- "Young doctors cannot afford to come to Calgary."
- "Utilities and computerized medical records costs have both increased substantially, causing income to decrease."
- "It is very difficult to recruit and retain physicians when there are significantly increased overhead costs and no fee differential for high cost locations."

It's not surprising that we now are seeing communities look to local solutions to recruit and retain physicians – places like Bashaw, Fort McMurray, Grande Prairie and High Level. The challenge is doing so within a provincial framework under the trilateral agreement.

At a provincial level, Alberta has an immediate shortage of more than 1,000 physicians. It is expected to jump to 1,500 in less than five short years as Alberta competes for physicians provincially, nationally and internationally.

On August 23, Finance Minister Shirley McClellan forecast the government's surplus at \$4.3 billion and increased capital funding by \$1.8 billion. Alberta can have a health care system that puts Patients First® by increasing system capacity and by being competitive in physician recruitment and retention.

Yours truly,

Tzu-Kuang (T.K.) Lee, MB, BS
President