

Highlights

Slower growth in Canada's health expenditure

- Total health expenditure in Canada, in current dollars,ⁱ was \$200.1 billion in 2011 and is forecast to have reached \$205.9 billion in 2012 and \$211.2 billion in 2013.
- In current dollars, total health expenditure per capita in Canada was \$5,803 in 2011. Forecasts for 2012 and 2013 are \$5,902 and \$5,988, amounting to respective growth rates of 1.7% and 1.4%. When adjusted for inflation and for population changes, real rates of increase are expected to decrease by 0.1% in 2012 and by 0.2% in 2013.
- Total health expenditure in Canada was 11.4% of gross domestic product (GDP) in 2011. It is forecast to be 11.3% in 2012 and 11.2% in 2013.

Health-spending split between public and private sectors unchanged for more than a decade

- In 2011, at the pan-Canadian level, hospitals and physicians were mainly financed by the public sector, while drugs and other professionals were primarily financed by the private sector.ⁱⁱ
- Since 1997, the public-sector share of total health expenditure has remained relatively stable at around 70%. In 2011, the public sector spent \$140.8 billion on health care, accounting for 70.4% of total health expenditure. It is forecast to be \$144.6 billion in 2012 and \$148.2 billion in 2013, accounting for 70.2% and 70.1% of total health spending, respectively.
- In 2011, the private sector spent \$59.3 billion on health care. The annual growth rates are forecast to be 3.4% and 2.9% in 2012 and 2013, respectively. Both are higher than public-sector annual growth rates, which are forecast to be 2.7% in 2012 and 2.5% in 2013.

Slower growth in hospitals, drugs and physician services

- In 2013, hospitals, which make up the largest component of health care spending, are forecast to have grown by 2.6% from 2012 to reach \$62.6 billion, reflecting 29.6% of total health expenditure.
- In 2013, drugs, which account for the second-largest category, are forecast to have grown by 2.4% from 2012 to reach \$34.5 billion, amounting to 16.3% of total health care spending.
- During the same period, spending on physicians is forecast to have increased by 3.6%, reaching \$31.4 billion, which represents 14.8% of total health care spending.

i. All figures are in current dollars (unadjusted for inflation) unless otherwise stated.

ii. See Section 8.1 for category definitions.

Health care cost drivers

- The major cost drivers of health care spending in the past decade were compensation of health care providers, increased use of services and an evolution in the types of services provided and used.
- Physician spending has been among the fastest-growing categories in recent years; this is partly attributable to increases in physician fee schedules.
- Canadians used more health care in some areas, including increased medical procedures, volume of drugs sold and use of physician services.
- The emergence of new drugs and new diagnostic and surgical tools also contributed to growth in health care costs.
- Population aging has been a relatively modest contributor to costs. However, the impacts of aging on health care spending varied considerably by province. It was more significant in the Atlantic provinces and Quebec, for example, than in Ontario and the western provinces.
- Weaker prospects for economic growth combined with fiscal deficits and fewer savings from debt service charges could have a dampening effect on the future growth of health spending.
- As the percentage of the population age 80 and older increases, decision-makers will be faced with the challenge of determining the levels of hospital care, long-term institutional care and community care for older Canadians that balance access, quality and appropriateness of care on the one hand and cost on the other.
- Managing health-specific price inflation for core medicare goods and services, including doctors, nurses, other health care professionals and advanced diagnostics, will be a challenge.

Variations in provincial/territorial spending on health

- Total health expenditure per capita varies among the provinces. In 2013, Newfoundland and Labrador and Alberta are forecast to spend more per person on health care than any other province, at \$7,132 and \$6,787, respectively. Quebec and British Columbia are forecast to have the lowest health expenditure per capita, at \$5,531 and \$5,775, respectively.
- In 2013, total health expenditure as a percentage of provincial GDP is forecast to have ranged from 8.3% in Alberta to 16.6% in Prince Edward Island. For the territories, the health expenditure-to-territorial GDP ratio was 20.9% for Nunavut, 12.6% for Yukon and 9.0% for the Northwest Territories.
- Similar to previous years, per capita health care spending by provincial and territorial governments was highest for infants and seniors. In 2011, the latest available year for data broken down by age group, Canadians younger than age 1 cost an estimated \$9,632 per person. For youths age 1 to 14, per person average spending on health was \$1,377; it was \$2,552 per capita for those age 15 to 64. Compared to other age groups, per person spending for seniors increased prominently: \$6,431 for those age 65 to 69, \$8,631 for those 70 to 74, \$11,740 for those 75 to 79 and \$20,387 for those 80 and older.

- During 2013, provincial and territorial government health expenditures are forecast to reach \$138.3 billion, which accounts for 65.5% of total health expenditures in Canada.
- Provincial government per capita health expenditure growth varied among the provinces. In 2013, the highest annual growth rates were forecast to be 2.9% in Quebec and 2.5% in Alberta. Nova Scotia and Newfoundland and Labrador were forecast to have the lowest annual growth in 2013, at -0.5% and -0.4%, respectively.

Canada's health care per capita spending in the top quartile

- Among 30 countries that had comparable accounting systems in the Organisation for Economic Co-operation and Development (OECD) in 2011, the latest year for which data is available, spending per person on health care remained highest in the United States (US\$8,508). Canada was in the top quartile of countries in terms of per person spending on health, spending US\$4,522, which was similar to several other OECD countries, including Germany (US\$4,495), Denmark (US\$4,448) and Austria (US\$4,546). The lowest per capita expenditures were seen in Turkey (US\$906) and Mexico (US\$977).