



National Health Expenditure Trends, 1975 to 2017



Canadian Institute
for Health Information

Institut canadien
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Table of contents

Key findings	4
About this report	5
Overview of health spending in Canada	6
International comparisons	10
Total health expenditure by source of finance	11
Health expenditure by use of funds	14
Health expenditure in the provinces and territories	20
Analysis	24
Appendix A: Health expenditure data in brief	33
Appendix B: Text alternative for figures	35
References	44

Key findings

National Health Expenditure Trends, 1975 to 2017 — the Canadian Institute for Health Information's 21st annual health expenditure trends publication — provides detailed, updated information on health expenditure in Canada.

Total health expenditure expected to reach \$242.0 billion or \$6,604 per Canadian in 2017

- It is anticipated that, overall, health expenditure will represent 11.5% of Canada's gross domestic product (GDP) in 2017. The trend over the last 40+ years shows that when there is more economic growth, more is spent on health care.

In 2017, total health expenditure is expected to rise by 3.9%, a slight increase in the rate of growth compared with the start of the decade

- Between 2010 and 2014, health spending per capita decreased in real terms by an average of 0.2% per year. This reflects, in large part, Canada's modest economic growth and fiscal restraint as governments focused on balancing budgetary deficits. As prospects for economic growth improve, there could be higher growth in health spending in the future.

Provincial per capita health expenditures vary

- In 2017, total health expenditure per capita is expected to range from \$7,378 in Newfoundland and Labrador and \$7,329 in Alberta to \$6,367 in Ontario and \$6,321 in British Columbia.

Drug expenditure growth fastest among 3 largest health spending categories

- Hospitals (28.3%), drugs (16.4%) and physician services (15.4%) are expected to continue to account for the largest shares of health dollars (more than 60% of total health spending) in 2017.
- Over the last couple of years, the pace of drug spending growth has increased. Drug expenditures are expected to grow by an estimated 5.2% in 2017. Spending on hospitals in 2017 is estimated to grow by 2.9%, while physician spending growth is forecast at 4.4%.

Canada's per capita health care spending among the highest internationally

- Among 35 countries in the Organisation for Economic Co-operation and Development (OECD) in 2015, the latest year for which comparable data is available, spending per person on health care remained highest in the United States (CA\$11,916). Canada's per capita spending on health care was among the highest internationally, at CA\$5,782 — less than in the Netherlands (CA\$6,639) and more than in France (CA\$5,677), Australia (CA\$5,631) and the United Kingdom (CA\$5,170).

About this report

National Health Expenditure Trends, 1975 to 2017 provides an overview of how much is spent on health care annually, in what areas money is spent and on whom, and where the money comes from. It features comparative expenditure data at the provincial/territorial and international levels, as well as Canadian health spending trends from 1975 to the present.

Companion products to the *National Health Expenditure Trends, 1975 to 2017* report are available on CIHI's website at www.cihi.ca/en/nhex:

- *National Health Expenditure Trends, 1975 to 2017: Data Tables* (.xlsx)
- *National Health Expenditure Trends, 1975 to 2017: Methodology Notes* (.pdf)
- *National Health Expenditure Trends, 1975 to 2017: Infographics*
- *National Health Expenditure Trends, 1975 to 2017: Briefing Deck* (.pptx)
- *Health Expenditures in the Provinces and Territories: Provincial and Territorial Chartbook, 2017* (.pptx)
- *How Canada Compares Internationally: A Health Spending Perspective — International Chartbook, 2017* (.pptx)

Please note that, throughout the report (including text and figures), numbers may not add up to the total due to rounding.

Please send feedback and questions to the National Health Expenditure Database (NHEX) team at nhex@cihi.ca.

The Canadian Institute for Health Information (CIHI) expresses its gratitude to the National Health Expenditure Expert Advisory Group for its advice and constructive comments related to national health expenditures:

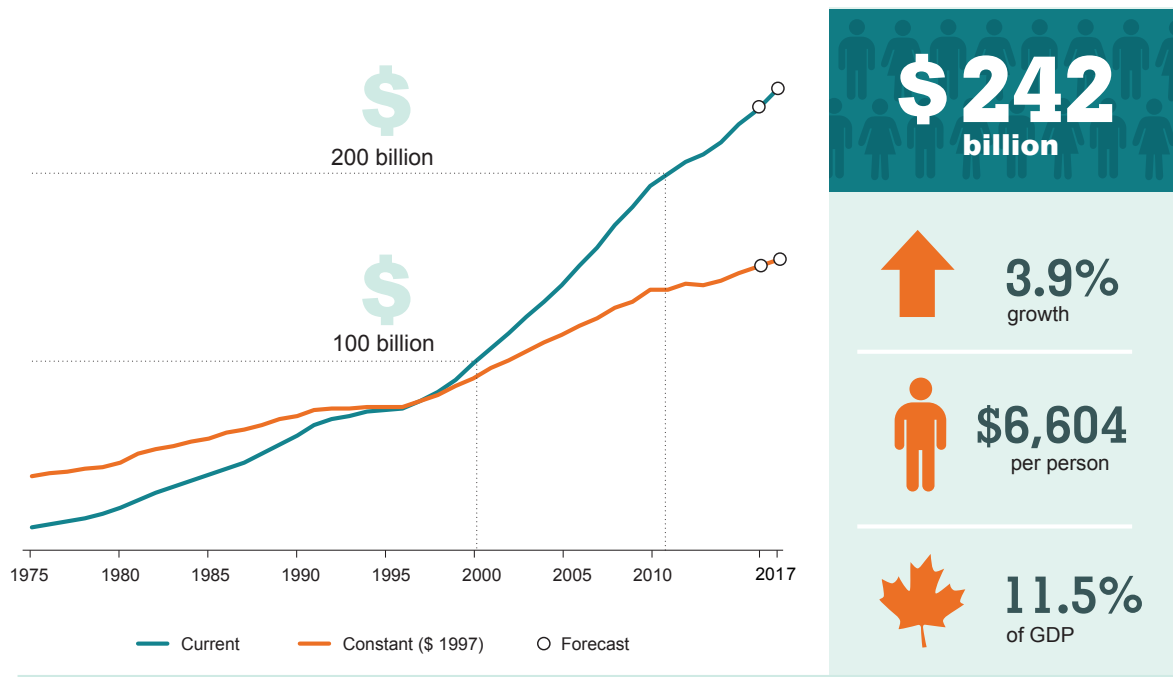
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Overview of health spending in Canada

Total health expenditure is expected to amount to \$6,604 per Canadian in 2017

Health spending in Canada is projected to reach \$242.0 billion in 2017, representing 11.5% of Canada's GDP. This amounts to \$6,604 per Canadian.

Figure 1 How much will we spend on health in 2017?



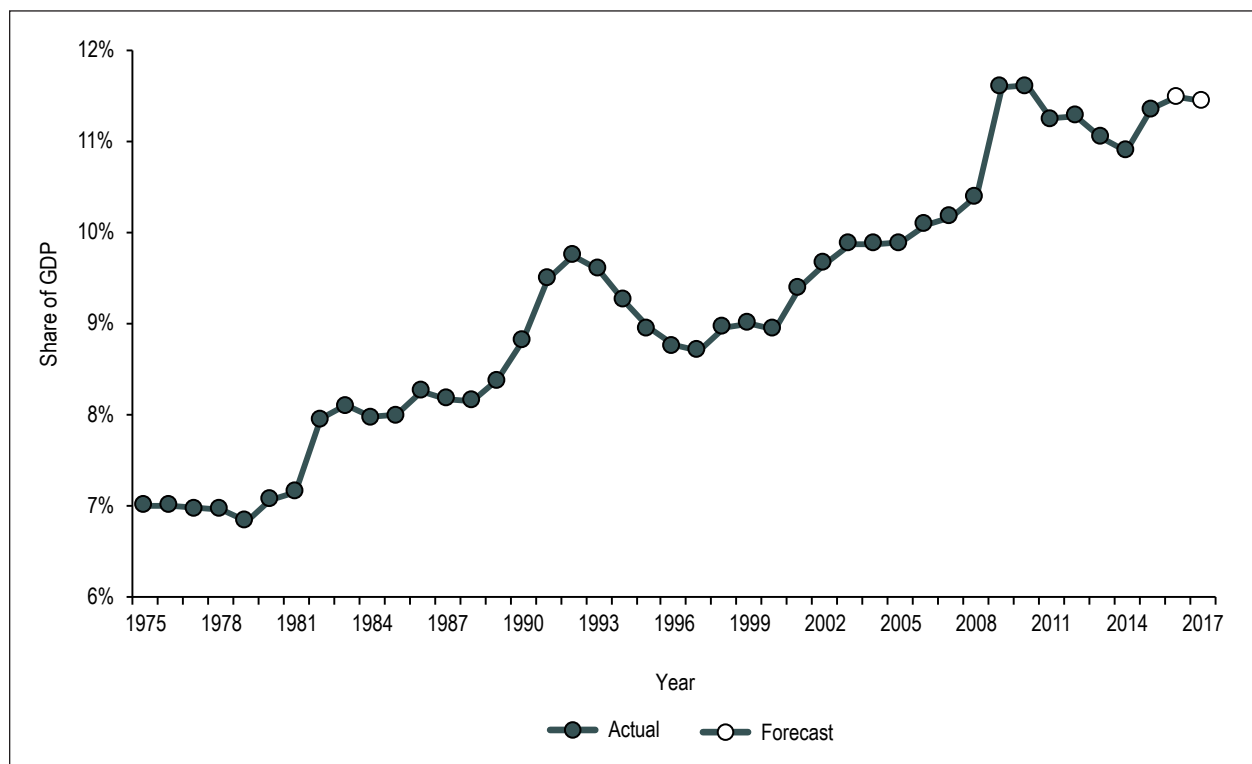
Source
National Health Expenditure Database, Canadian Institute for Health Information.

Total health expenditure growth in 2017 is forecast to be 3.9%.

Health as a share of GDP has trended upward

It is anticipated that, overall, health expenditure will represent 11.5% of Canada's gross domestic product (GDP) in 2017. The trend over the last 40+ years shows that when there is more economic growth, more is spent on health care.

Figure 2 Total health expenditure as a percentage of GDP, Canada, 1975 to 2017



Note

See data table A.1 in the companion Excel file.

Source

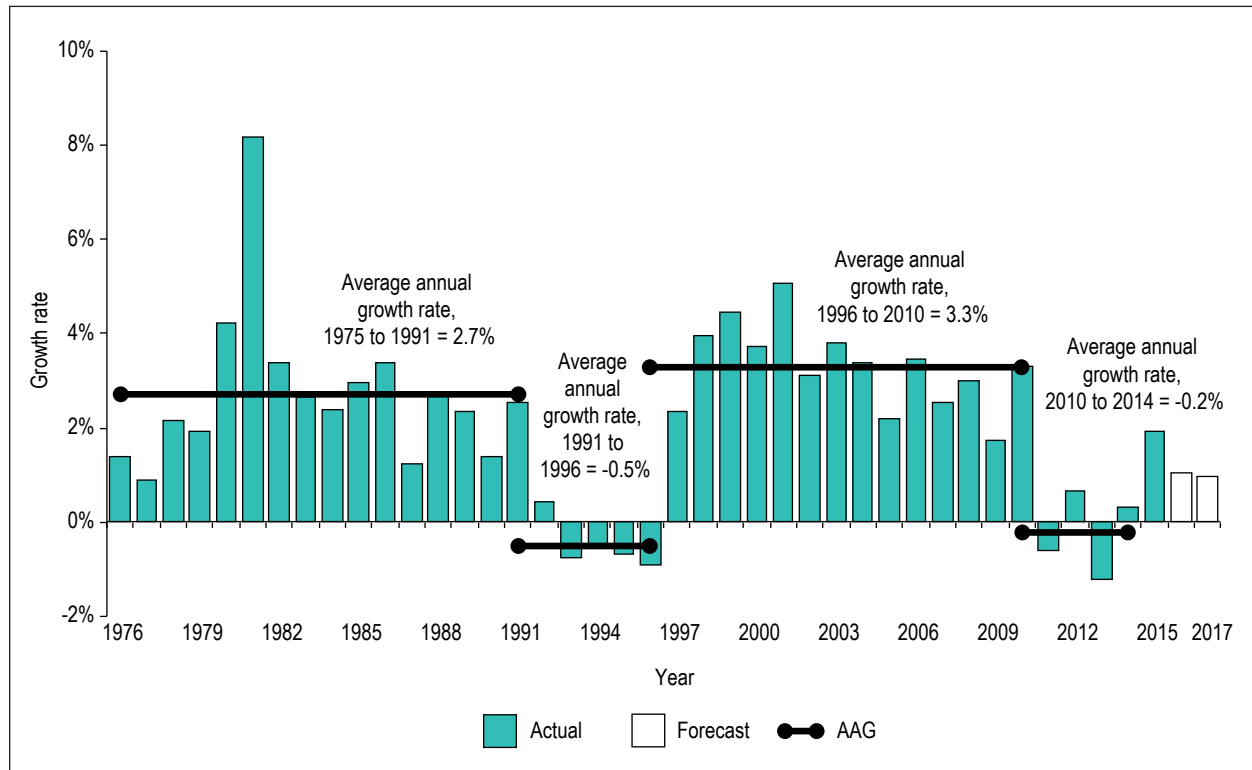
National Health Expenditure Database, Canadian Institute for Health Information.

- **1975 to early 1990s:** Health expenditure grew during this period. Total health expenditure as a proportion of GDP was 7.0% in 1975. With GDP falling during the 1982 recession, the ratio of total health expenditure to GDP increased sharply, from 6.8% in 1979 to 8.1% in 1983. The ratio continued to increase significantly, reaching 9.8% for the first time in 1992 (Figure 2).
- **Mid-1990s:** As governments focused on fiscal restraint, total health expenditures grew more slowly than GDP between 1993 and 1997. Consequently, the health-to-GDP ratio fell each year in that period, reaching 8.7% in 1997.
- **Late 1990s to 2010:** Major investments were made in health care. Health expenditure grew faster than or close to GDP from 1998 to 2010, with the result that the health-to-GDP ratio trended upward. It peaked at 11.6% in 2010.
- **2011 to 2017:** Since the 2009 recession, governments have focused on restraining program spending to manage budgetary deficits. Health spending growth has been slower than or close to the growth in the overall economy. The health-to-GDP ratio is estimated to be 11.5% in 2017.

Total health expenditure in 2017 is expected to rise by 3.9%, a slight increase in the rate of growth compared with the start of the decade

Between 2010 and 2014, health spending per capita decreased in real terms by an average of 0.2% per year (Figure 3), similar to the rate experienced during the mid-1990s. This was mainly due to Canada's modest economic growth and fiscal restraint as governments focused on balancing budgetary deficits.

Figure 3 Total health expenditure per capita, annual growth rates,* Canada, 1976 to 2017



Notes

* Calculated using constant 1997 dollars.

AAG: Average annual growth.

See data table A.1 in the companion Excel file.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

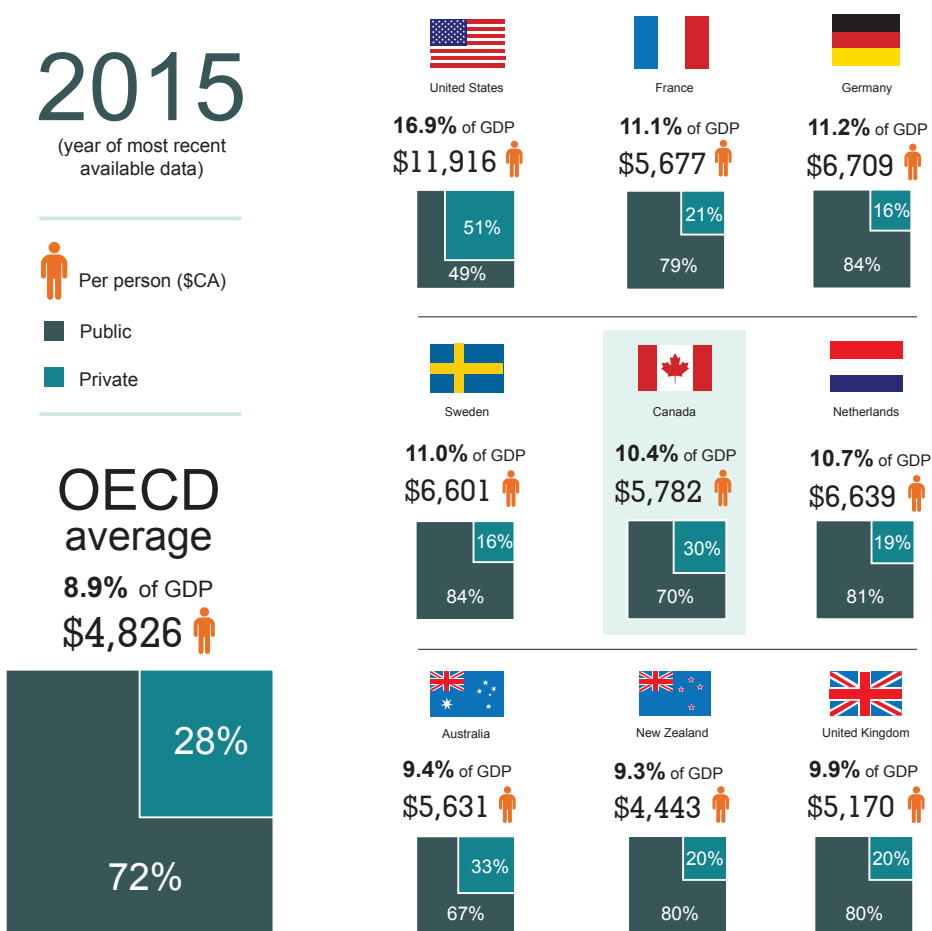
- **1975 to 1991:** This was a period of sustained growth in health spending. The average annual growth rate was 2.7%, with a spike of spending growth in the early 1980s.
- **Mid-1990s:** Total health expenditure declined by an annual average rate of 0.5% during this period of fiscal restraint.
- **Late 1990s to 2010:** This period of reinvestment in health care saw health spending increase by an average rate of 3.3% per year.
- **2011 to 2014:** In this period of fiscal restraint, total health expenditure declined by an annual average rate of 0.2%.

International comparisons

Canada is among the highest spenders in the OECD

Among 35 OECD countries in 2015, the latest year for which comparable data is available, spending per person on health care remained highest in the United States (CA\$11,916). Canada's per capita spending on health care was among the highest internationally, at CA\$5,782 — less than in the Netherlands (CA\$6,639) and more than in France (CA\$5,677), Australia (CA\$5,631) and the United Kingdom (CA\$5,170).

Figure 4 How does Canada's health spending compare?



Notes

Total current expenditure (capital excluded).

Expenditure data is based on the System of Health Accounts.

Source

Organisation for Economic Co-operation and Development. [OECD Health Statistics 2017](#). 2017.

Although Canada is above the OECD average in terms of per-person spending on health care, the public-sector share of total health expenditure is below the OECD average.

Total health expenditure by source of finance

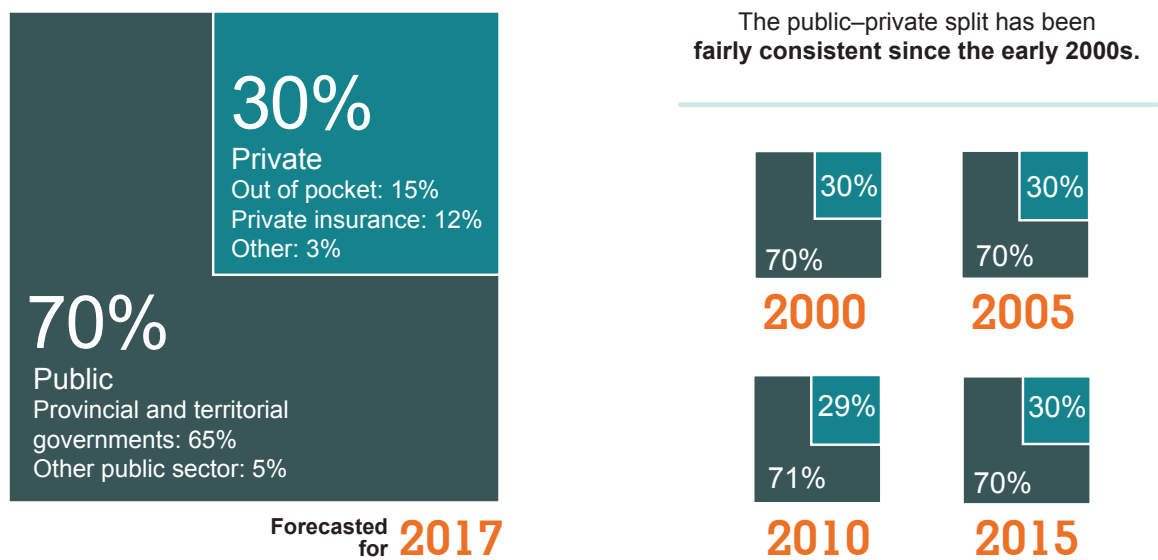
About 70% of total health expenditure in 2017 will come from public-sector funding

Both the public and private sectors finance Canada's health systems. Public-sector funding includes payments by governments at the federal, provincial/territorial and municipal levels and by workers' compensation boards and other social security schemes. Private-sector funding consists primarily of health expenditures by households and private insurance firms.

Provincial and territorial government spending on health is expected to account for 65% of total health expenditure in 2017.ⁱ Another 5% will come from other parts of the public sector: federal direct government, municipal government and social security funds. Since 1997, the public-sector share of total health expenditure has remained relatively stable at around 70%.

i. National health expenditures are reported based on the principle of *responsibility for payment* rather than on the original source of the funds. It is for this reason, for example, that federal health transfers to the provinces/territories are contained within the provincial government sector, since it is the responsibility of provincial/territorial governments to expend federal transfers on health services.

Figure 5 Who is paying for these services?



Source
National Health Expenditure Database, Canadian Institute for Health Information.

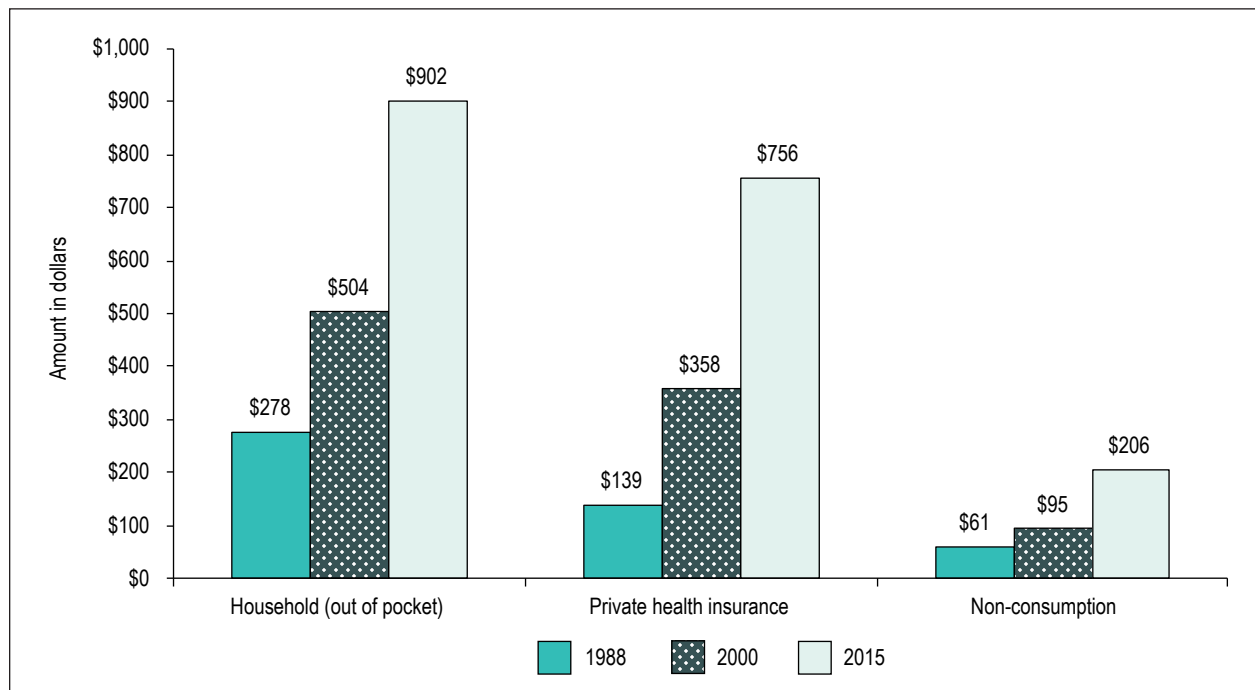
It is estimated that private-sector spending will account for 30% of total health expenditure in 2017. The private sector is made up of 3 spending categories, the largest of which is expected to be out-of-pocket spending (14.8%), followed by private health insurance (12.2%) and non-consumptionⁱⁱ (3.2%).

Out-of-pocket health expenditure more than \$900 per person

Out-of-pocket health expenditure per person increased from \$278 in 1988 (the first year for which data at this level of detail is available) to \$902 in 2015, representing a 4.5% annual growth rate. Private health insurance expenditure per person increased from \$139 to \$756 over the same period, a 6.5% annual growth rate (Figure 6).

ii. Non-consumption expenditure includes a number of diverse components, such as hospital non-patient revenue, capital expenditures for privately owned facilities and health research.

Figure 6 Private-sector health expenditure per capita, source of finance, Canada, 1988, 2000 and 2015

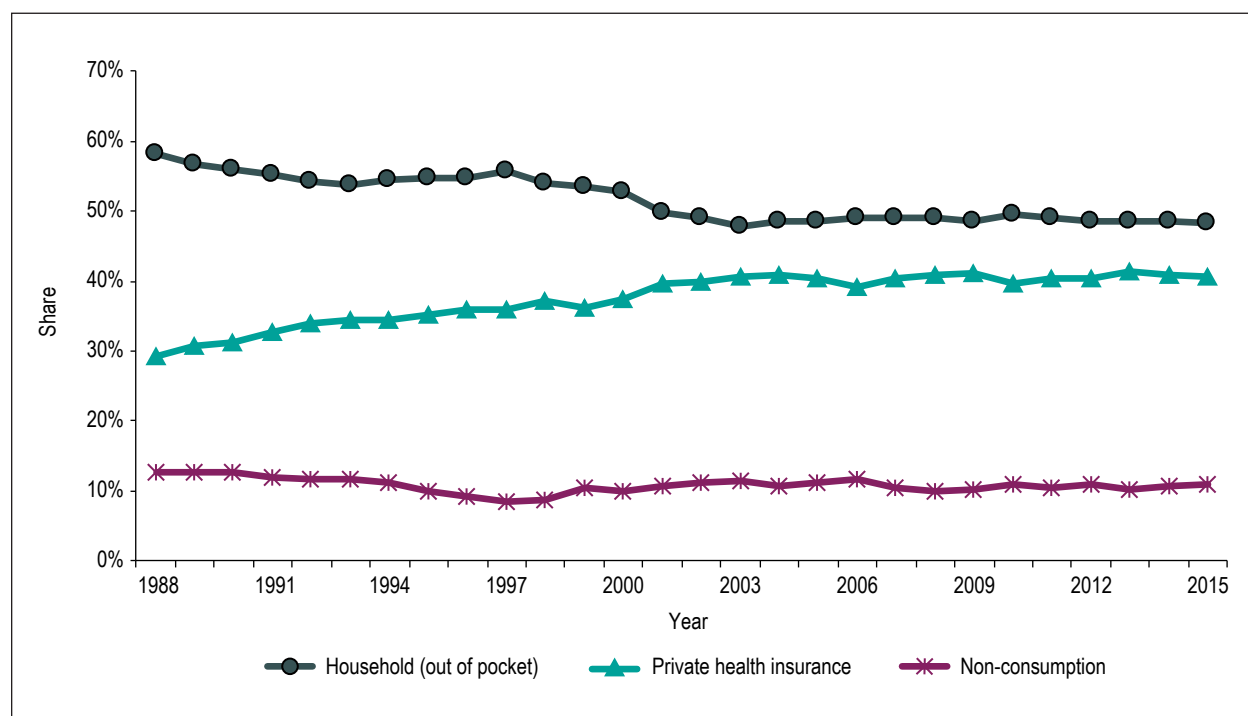


Source

National Health Expenditure Database, Canadian Institute for Health Information.

In 2015, out-of-pocket expenditure accounted for 48.4% of private-sector expenditure, down from 58.1% in 1988. Private health insurance expenditure has grown more rapidly than out-of-pocket spending. As a result, the share of private health insurance has steadily increased, reaching 40.6% in 2015, up from 29.2% in 1988 (Figure 7). On the other hand, non-consumption accounted for 11.1% of private-sector health expenditure in 2015, down slightly from 12.7% in 1988.

Figure 7 Share of private-sector health expenditure by source of finance, Canada, 1988 to 2015



Note

See data tables H.2, H.3 and H.4 in the companion Excel file.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Health expenditure by use of funds

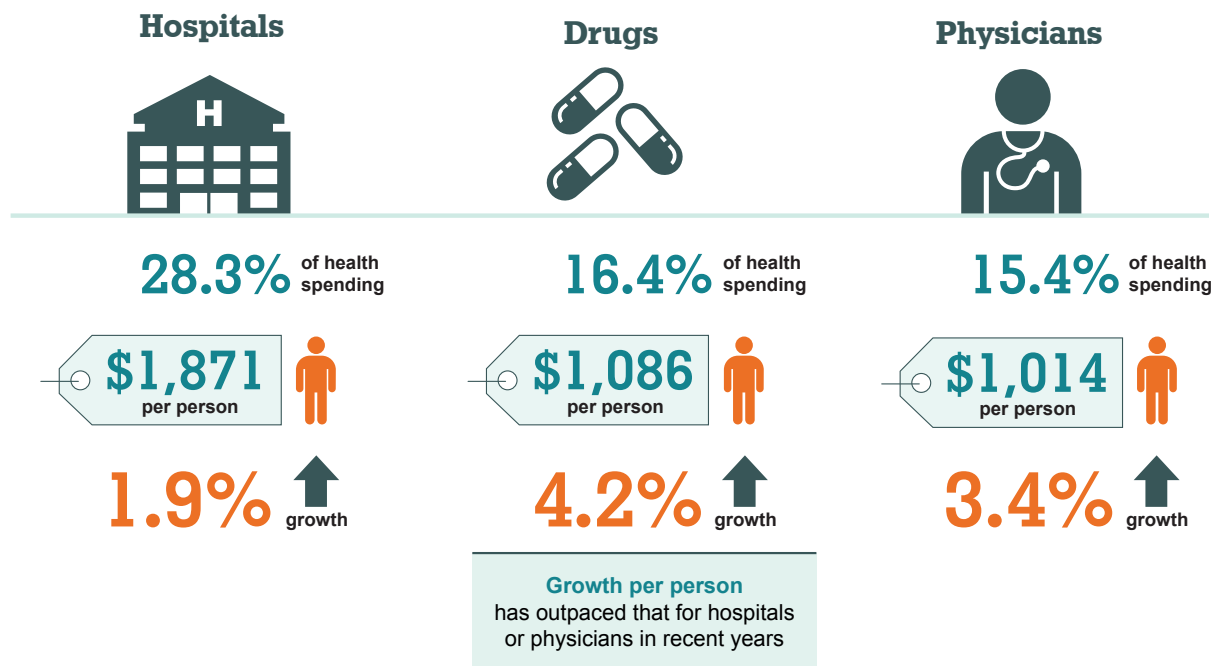
Drug expenditure growth highest among 3 largest health spending categories

Hospitals (28.3%), drugs (16.4%) and physician services (15.4%) are expected to continue to account for the largest shares of health dollars (more than 60% of total health spending) in 2017. Although spending continues to grow in all 3 categories, the pace varies:

- **Hospital** spending will grow by an estimated 1.9% in 2017, reaching \$1,871 per person. The majority (more than 60%) of hospital expenditure is spent on compensation for the hospital workforce.

- **Drug** expenditure is projected to be \$1,086 per person, an increase of 4.2% in 2017. The growth of drug expenditure has outpaced that of hospitals or physicians since 2015, due in part to the increased use of high-cost patented drugs. The introduction of new and expensive chemicals to treat hepatitis C contributed the most to the growth in high-cost drugs.
- **Physician** spending is forecast to be \$1,014 per person in 2017, a growth rate of 3.4% over last year.

Figure 8 Per capita growth for drugs will outpace that for hospitals or physicians in 2017



Source

National Health Expenditure Database, Canadian Institute for Health Information.

- **Per capita hospital** spending growth in 2017 will range from 2.7% in British Columbia and 2.2% in Newfoundland and Labrador to 1.2% in Manitoba and 0.9% in New Brunswick.
- **Per capita drug** expenditure growth in 2017 will range from 4.9% in Alberta and 4.7% in Ontario to 2.5% in Manitoba and 2.4% in British Columbia.
- **Per capita physician** spending growth in 2017 will range from 4.8% in British Columbia and 4.4% in Quebec to -0.9% in Saskatchewan and -2.1% in Prince Edward Island.

Table 1 Health expenditure per capita and annual growth rate, selected use of funds, by province/territory, 2017^f

Province/ territory	Hospitals		Drugs		Physicians	
	Per capita expenditure (\$)	Annual growth rate (%)	Per capita expenditure (\$)	Annual growth rate (%)	Per capita expenditure (\$)	Annual growth rate (%)
N.L.	2,628	2.2	1,057	3.3	945	4.3
P.E.I.	2,153	1.5	969	4.2	873	-2.1
N.S.	2,272	1.2	1,171	3.7	884	1.9
N.B.	2,157	0.9	1,241	3.9	853	0.7
Que.	1,523	1.9	1,190	4.3	966	4.4
Ont.	1,708	2.0	1,148	4.7	1,012	2.9
Man.	2,149	1.2	868	2.5	1,068	2.8
Sask.	1,943	1.5	972	3.3	958	-0.9
Alta.	2,465	1.2	1,046	4.9	1,213	3.3
B.C.	2,036	2.7	819	2.4	989	4.8
Y.T.	2,868	3.6	899	0.2	1,140	-4.4
N.W.T.	6,218	4.8	922	6.0	458	4.0
Nun.	4,956	-1.6	817	4.4	1,629	-0.8
Canada	1,871	1.9	1,086	4.2	1,014	3.4

Notes

f: Forecast.

See data table D.1 in the companion Excel file.

Source

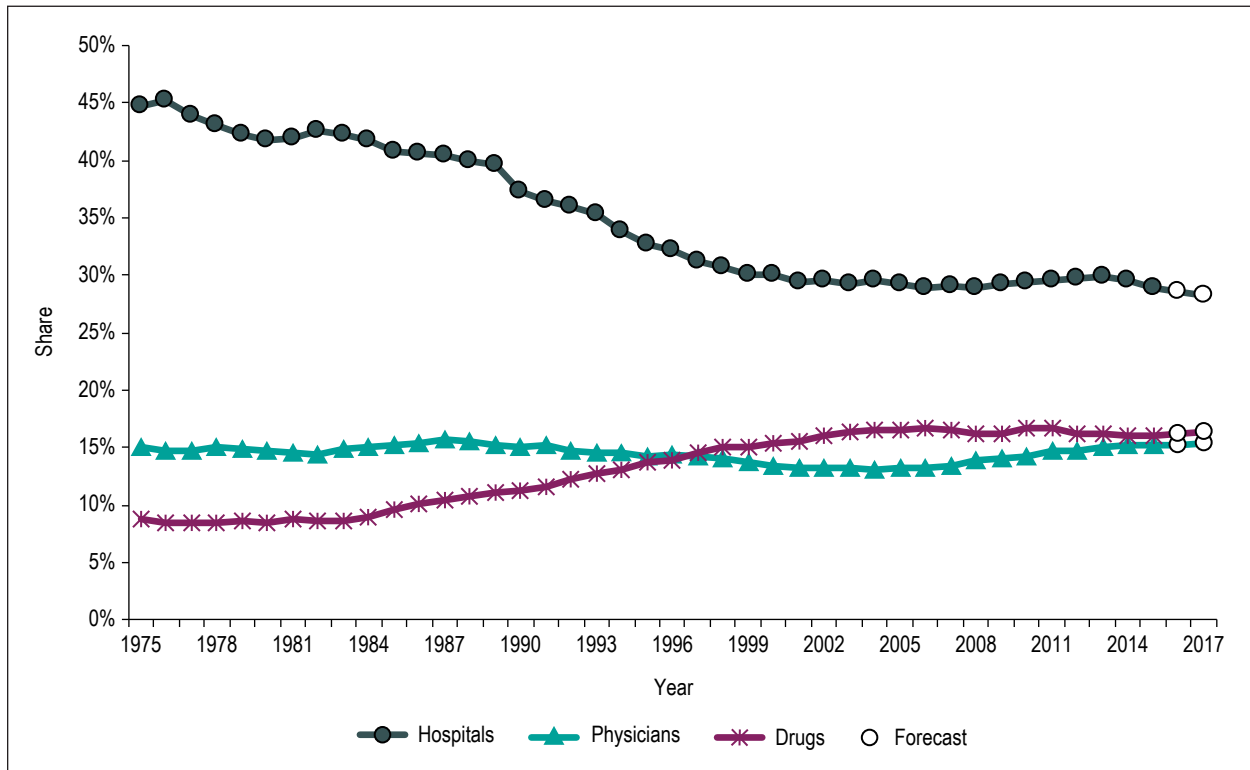
National Health Expenditure Database, Canadian Institute for Health Information.

Shifting shares of health spending over time

The shares of health expenditure have changed over time for the 3 largest spending categories: hospitals, physicians and drugs (Figure 9).

- The **hospital** spending share decreased from 45% of total health expenditure in the mid-1970s to 28.3% in 2017.
- The **drug** expenditure share has been increasing since the mid-1980s, and it has accounted for the second-largest share (16.4% in 2017), after hospital spending, since 1997.
- **Physician** spending as a percentage of total health expenditure started edging down in 1988. However, this trend reversed in the mid-2000s. Since 2005, physician spending as a share of total health care spending has increased, due in part to the sustained increase in the number of physicians. In 2017, the share (15.4%) recovered to levels comparable with those in the late 1980s.

Figure 9 Total health expenditure, share of selected use of funds, Canada, 1975 to 2017



Note

See data table A.3.1.2 in the companion Excel file.

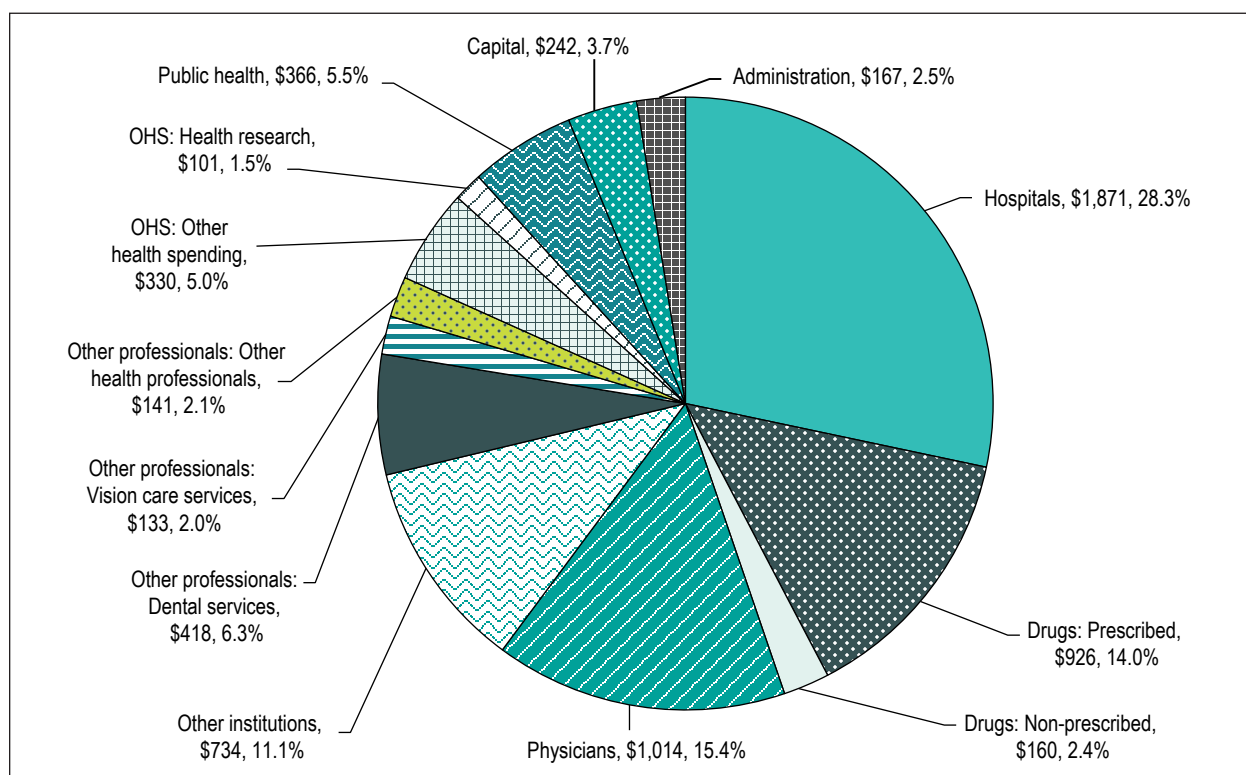
Source

National Health Expenditure Database, Canadian Institute for Health Information.

After hospitals, drugs and physicians, about 40% is spent on other health care goods and services

Health dollars are used to purchase health care goods and services, to provide capital investment, to administer public and private insurance plans as well as public-sector health programs, and to fund research. These uses are grouped into major categories (uses of funds) throughout most of the national health expenditure data series. Of the remaining 39.9% of health expenditure — after hospitals, drugs and physicians — long-term care (other) institutions will account for 11.1% of the total in 2017, while allied health professionals (dental, vision, other) will account for 10.5% (Figure 10).

Figure 10 Total health expenditure per capita by use of funds, Canada, 2017
(dollars and percentage share)



Notes

OHS: Other health spending.

See data tables A.3.1.2 and A.3.1.3 in the companion Excel file. See the Methodology Notes for definitions.

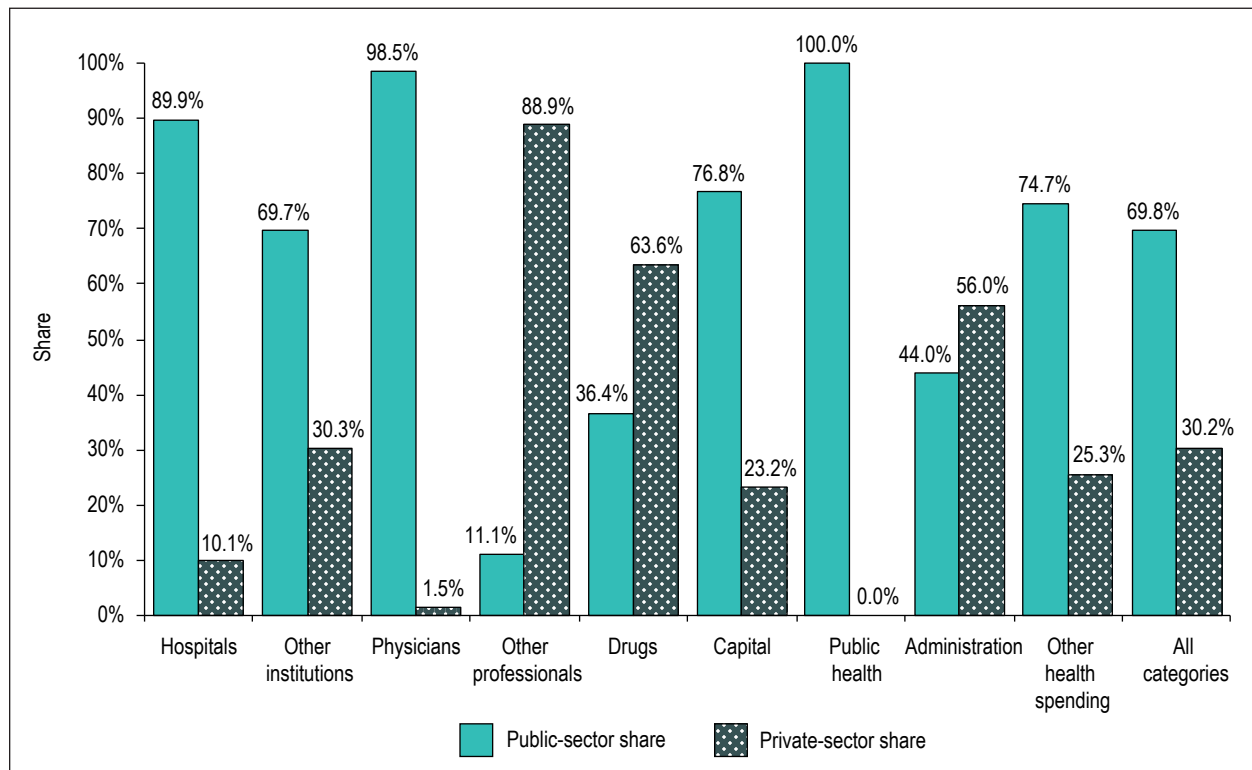
Source

National Health Expenditure Database, Canadian Institute for Health Information.

Financing of health care goods and services differs

Services covered under the *Canada Health Act*, such as hospitals and physicians, are financed mainly by the public sector, while drugs and other professionals are financed primarily from private-sector sources (Figure 11).

Figure 11 Public and private shares of total health expenditure, by use of funds, Canada, 2017



Note

See data tables C.2.4 and C.3.4 in the companion Excel file. See the Methodology Notes for definitions.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Health expenditure in the provinces and territories

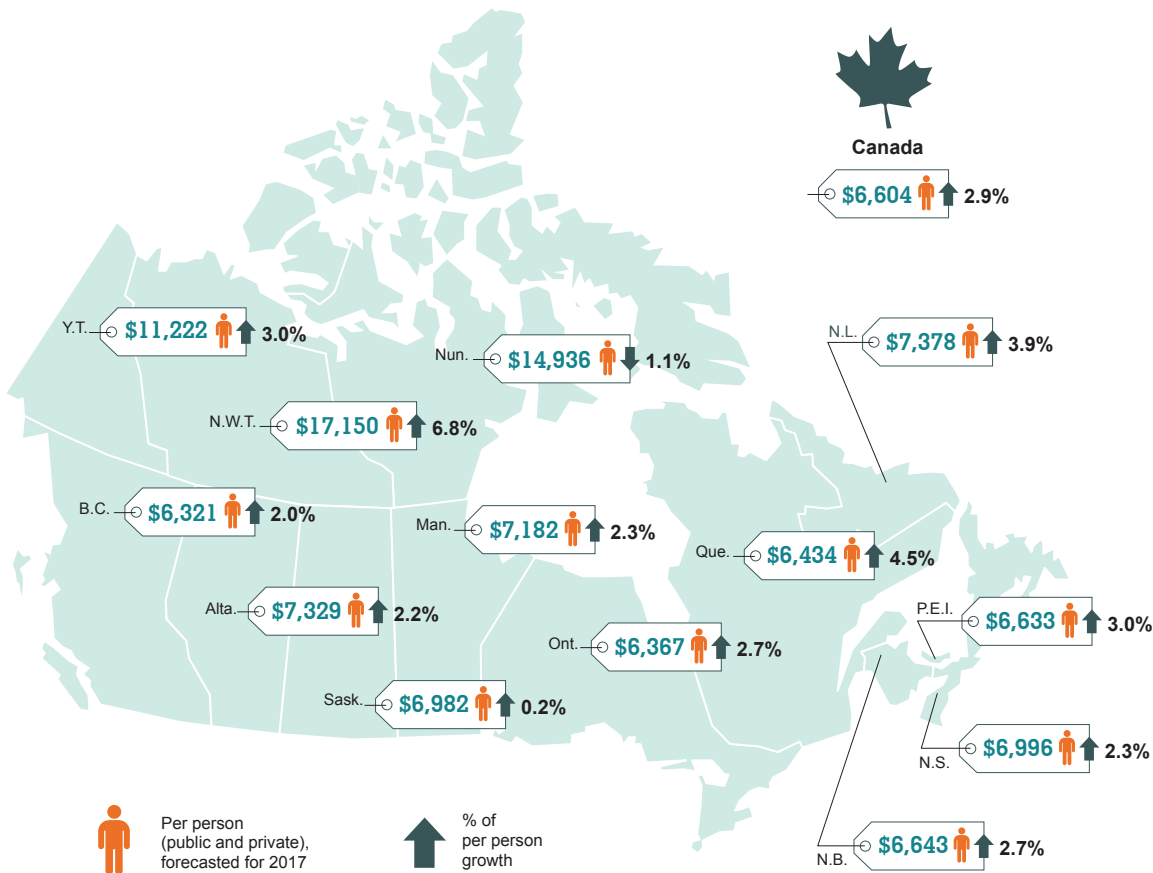
Provincial/territorial health expenditures vary

Health expenditure per capita varies among provinces/territories in part because of different age distributions.ⁱⁱⁱ Population density and geography also affect health expenditure, particularly in the case of the territories. Other factors that affect health expenditure include population health needs, the manner in which health care is delivered (including the balance between institutional and ambulatory care) and differences in the remuneration of health care workers across the country. The manner in which health care is financed is also an important consideration, including the degree of public coverage and private insurance for services not included in the *Canada Health Act*.

Health expenditure per capita is highest in the territories because of, among other things, their large geographical areas and low populations. In the provinces in 2017, total health expenditure per capita is forecast to range from \$7,378 in Newfoundland and Labrador and \$7,329 in Alberta to \$6,367 in Ontario and \$6,321 in British Columbia.^{iv}

iii. Provincial/territorial comparisons in this discussion are based on figures that are not adjusted for variations in age and sex.
iv. The provincial/territorial NHEX chartbook presents trends for each jurisdiction.

Figure 12 How do the provinces and territories compare?

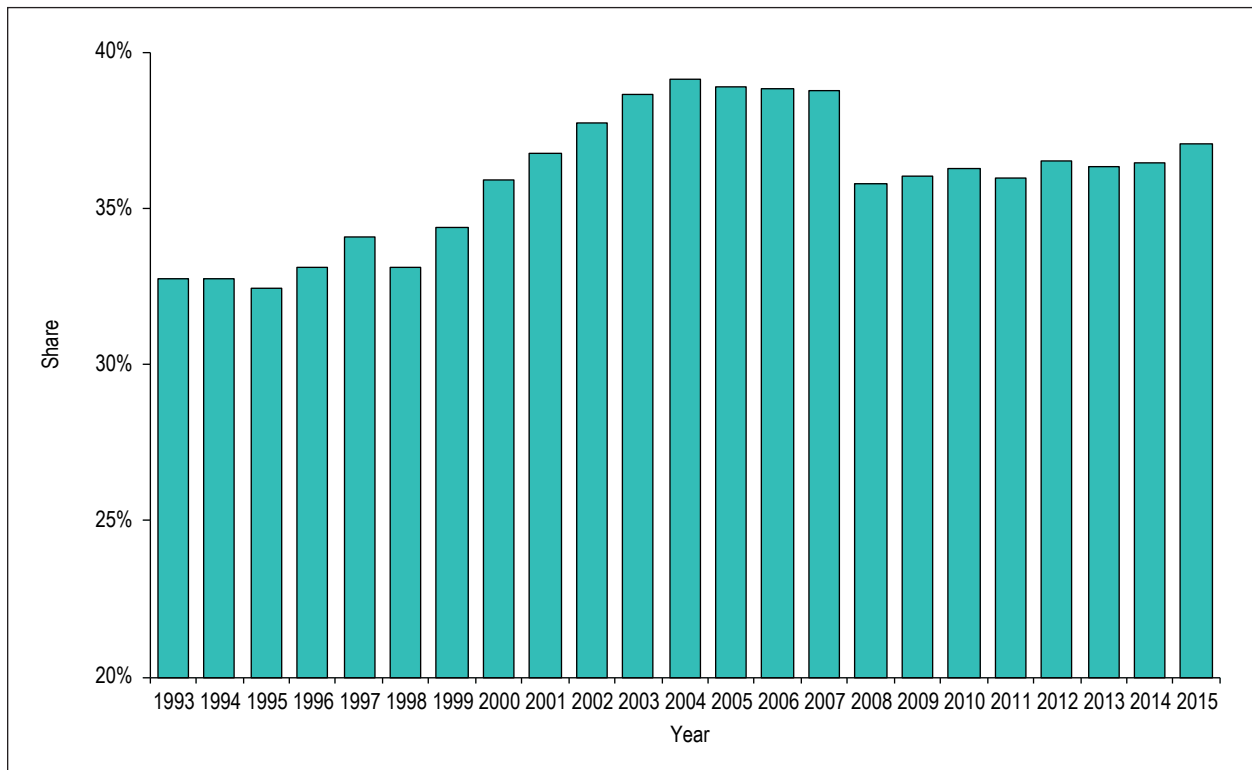


Source
National Health Expenditure Database, Canadian Institute for Health Information.

Health spending a significant share of total program spending

The health expenditure share of total provincial/territorial government program expenditures (e.g., on health, education, transportation/communication, social services) was around 37% in 2015 (Figure 13), the most recent year of data available.

Figure 13 Provincial/territorial government health expenditure as a proportion of total provincial/territorial government programs, Canada, 1993 to 2015



Notes

See data table B.4.4 in the companion Excel file.

Financial Management System (FMS) data is available for 1993 to 2007 only, due to Statistics Canada's decision to move toward reporting government statistics on a Government Finance Statistics (GFS) 2001 basis. GFS data is available from 2008 to 2015.^v

Sources

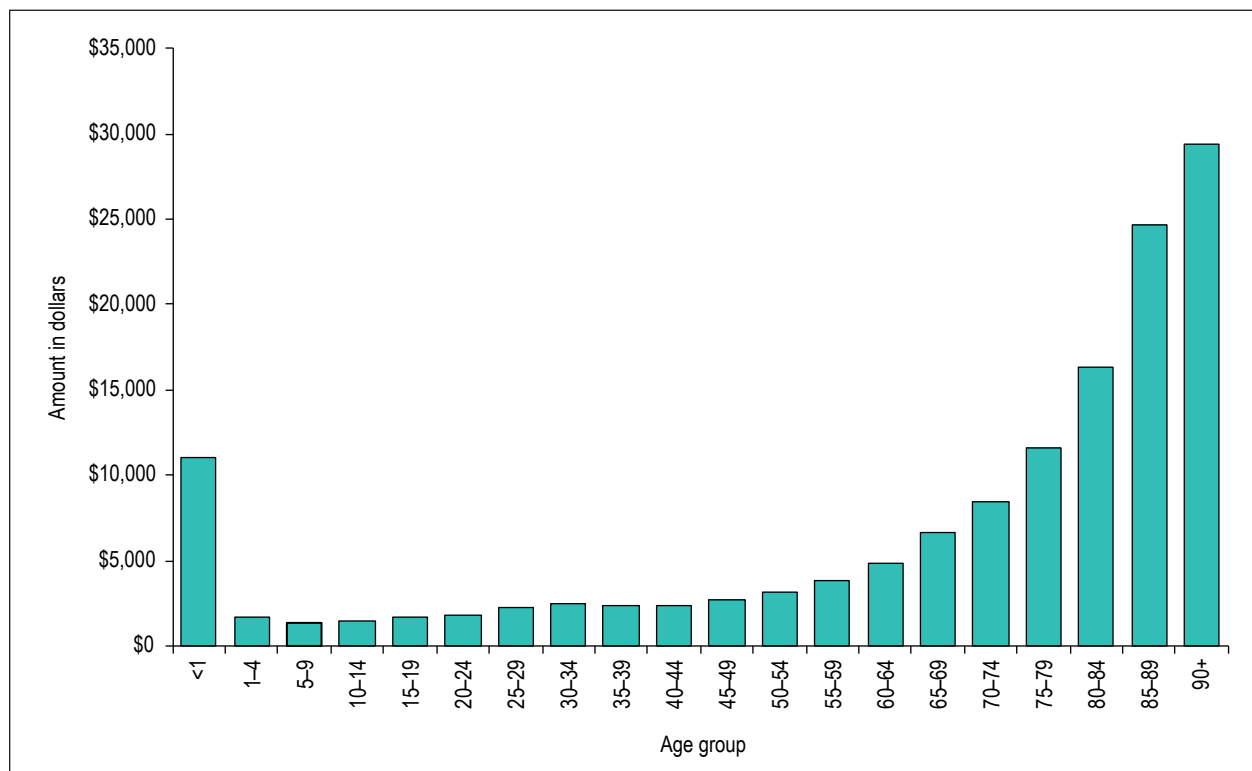
National Health Expenditure Database, Canadian Institute for Health Information; Statistics Canada.

v. The FMS was founded on a modified cash-based system of accounting. Recently, Canadian governments have decided to move from that modified cash-based accounting system to an accrual-based accounting system. In addition, an internationally accepted Government Finance Statistics (GFS) manual has been developed. Given the significant work effort to transition to the GFS standard, most FMS-based government finance statistics have not been updated since reference year 2007–2008. More information on the move from FMS- to GFS-based government finance statistics can be found in the article "[Moving from the Financial Management System to Government Finance Statistics.](#)"

Provincial/territorial government health spending differs among age groups

Per capita health care spending by provincial and territorial governments is highest for seniors and infants (Figure 14). In 2015 (the latest available year for data broken down by age group), the cost for Canadians younger than age 1 was an estimated \$11,037 per person, on average. For youths age 1 to 14, per-person average spending on health was \$1,503; the equivalent for those age 15 to 64 was \$2,772, and the average was \$11,758 for those 65 and older.

Figure 14 Provincial/territorial government health expenditure per capita, by age group, Canada, 2015



Note

See data table E.1.18.2 in the companion Excel file.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

The companion data tables (Series E1) for this report present results for each province/territory and age group, back to 1996.

Analysis

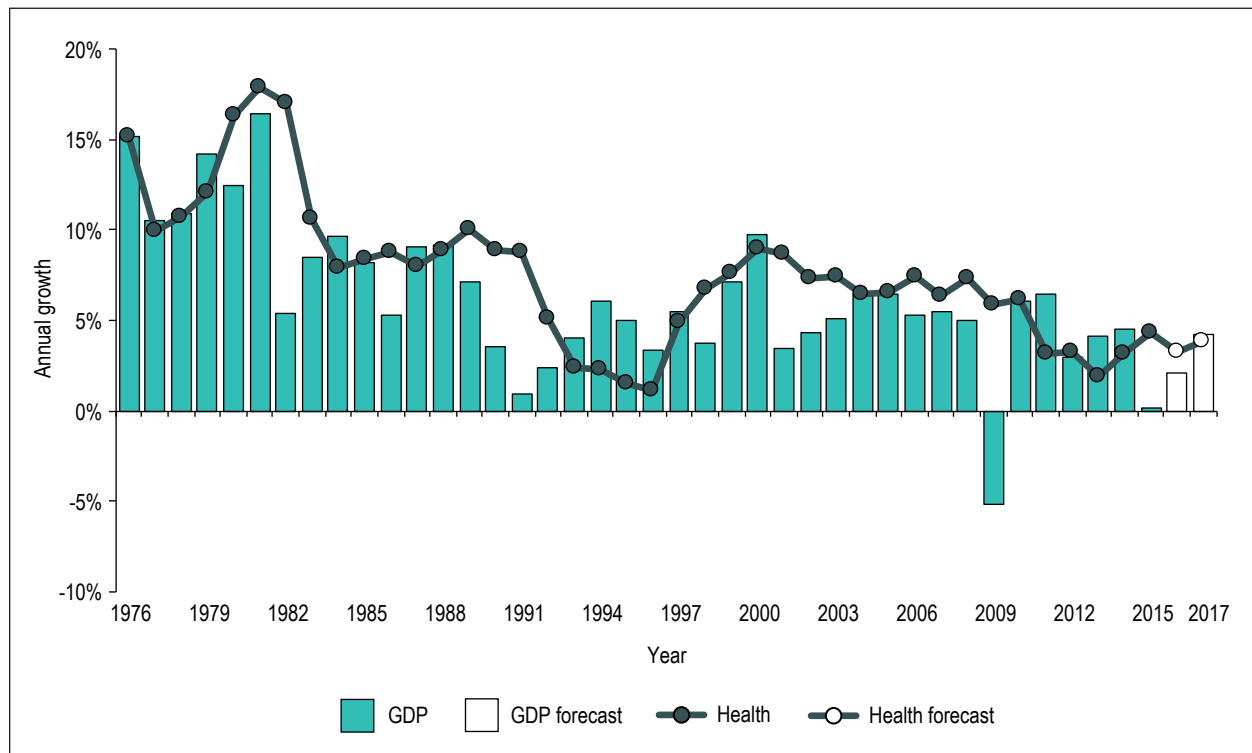
More economic growth, more health care spending

There has been a positive relationship between economic growth and health care spending growth in Canada since the mid-1970s. In general, with more economic growth and thus income, more has been spent on health care. The exception is the fiscal restraint period from 1993 to 1996, when governments attempted to reduce or eliminate budget deficits.

When viewing Canada's health care spending trends in the larger global context, Canada's experience parallels that of other countries in the OECD. The most obvious similarity is the positive correlation between growth in health care spending and growth in the economy between 2000 and 2010.¹

Current trends show modest health care spending in line with economic growth (Figure 15).

Figure 15 Total health expenditure and nominal GDP, annual growth, Canada, 1976 to 2017



Note

See data table A.1 and Appendix A.1 in the companion Excel file.

Sources

National Health Expenditure Database, Canadian Institute for Health Information; gross domestic product, Statistics Canada.

Governments' fiscal position influences health spending trends

From the late 1990s and through the last decade, public-sector health spending grew faster than government revenue. However, spending growth in other major sectors, including transportation/communication and education, also exceeded revenue growth. This was a result of the fiscal dividend that governments earned through eliminating deficits and bringing down debt loads in the 1990s, thereby reducing — quite substantially — the interest they had to pay on outstanding debt in the years following. However, not all of the fiscal dividends were invested in government programs such as health care. Some of the dividend was returned to Canadians in the form of tax cuts, thus also explaining the relatively weak growth of government revenues during the decade.

In the wake of the global recession in 2009 and the return of fiscal deficits, the foundation for a fiscal dividend has not continued. Furthermore, total Canada Health Transfer (CHT) levels were set in legislation to grow at 6% until 2016–2017. Starting in 2017–2018, the total CHT has been set to grow in line with a 3-year moving average of nominal GDP, with funding guaranteed to increase by at least 3% per year. Historically, changes in the growth of the CHT have affected the growth of provincial/territorial government health care spending.

Health care cost drivers

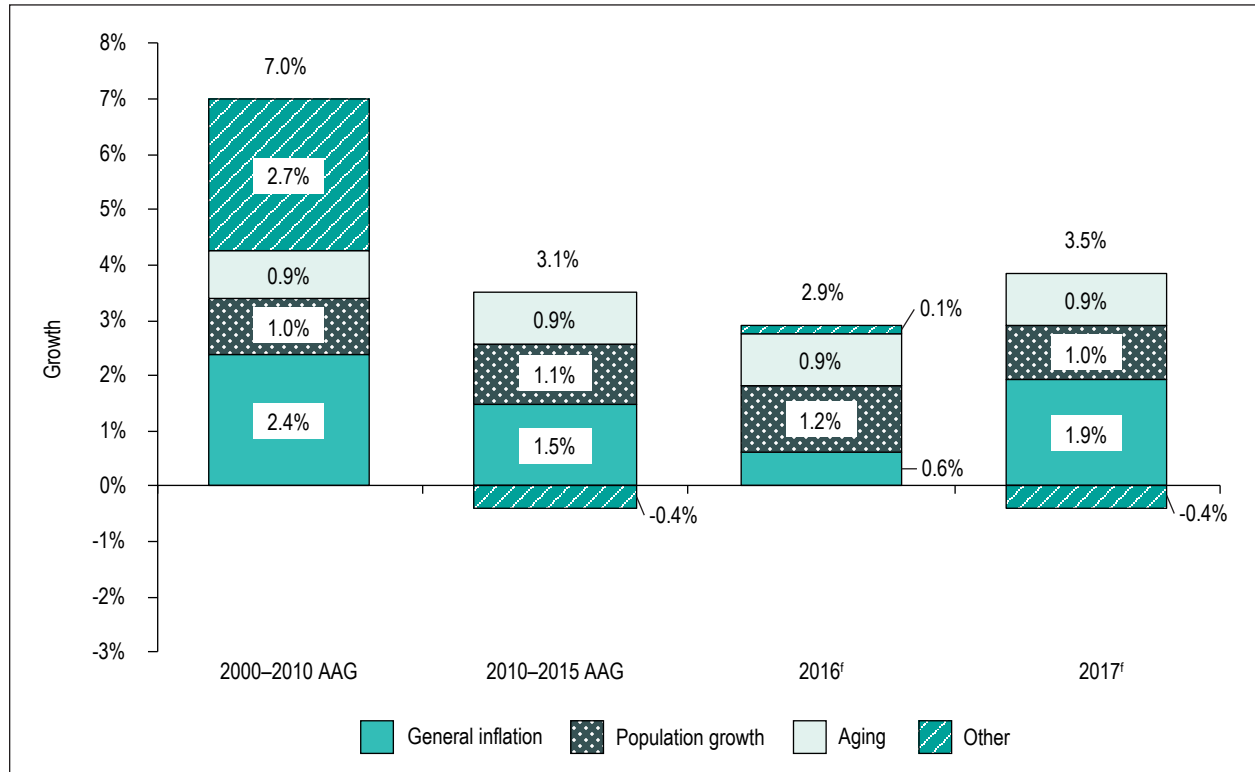
In November 2011, CIHI published a special report titled *Health Care Cost Drivers: The Facts.*, which shed light on the underlying factors influencing health care costs.^{1–4} The report examined growth in public-sector health care spending from 1998 to 2008 in relation to macroeconomic factors such as fiscal capacity and growth in GDP. As well, the major spending categories of hospitals, drugs and physicians were analyzed. The analysis used a common analytical framework that focused on price effects, demographics (population growth and aging) and other effects, such as volume and mix of services, technology and innovation.

Price effects have been a significant driver of overall health spending.^{vi} Population growth added, on average, 1.0 to 1.2 percentage points per year to public-sector health care spending, while population aging, at 0.9 percentage points per year, added even less to the total growth (Figure 16). Demographic factors (population growth and aging), estimated at 2% combined, have been a relatively modest contributor to the growth in health spending in the last decade. However, these 2 factors vary considerably among provinces and territories.

The “other” category (see Figure 16) includes all other factors as a residual, such as health-sector inflation above the rate of general inflation, health system efficiency, and changes in technology and service utilization.

vi. Since no ideal measure of inflation for the entire health care sector exists, economy-wide inflation was used for the purpose of the cost drivers study.

Figure 16 Cost driver shares of average annual growth in public-sector health spending, 2000 to 2010 and 2010 to 2015, compared with annual growth in 2016 and 2017



Notes

AAG: Average annual growth. Totals might not add up due to rounding.

f: Forecast.

Health spending data by age and sex is available up to 2015.

Sources

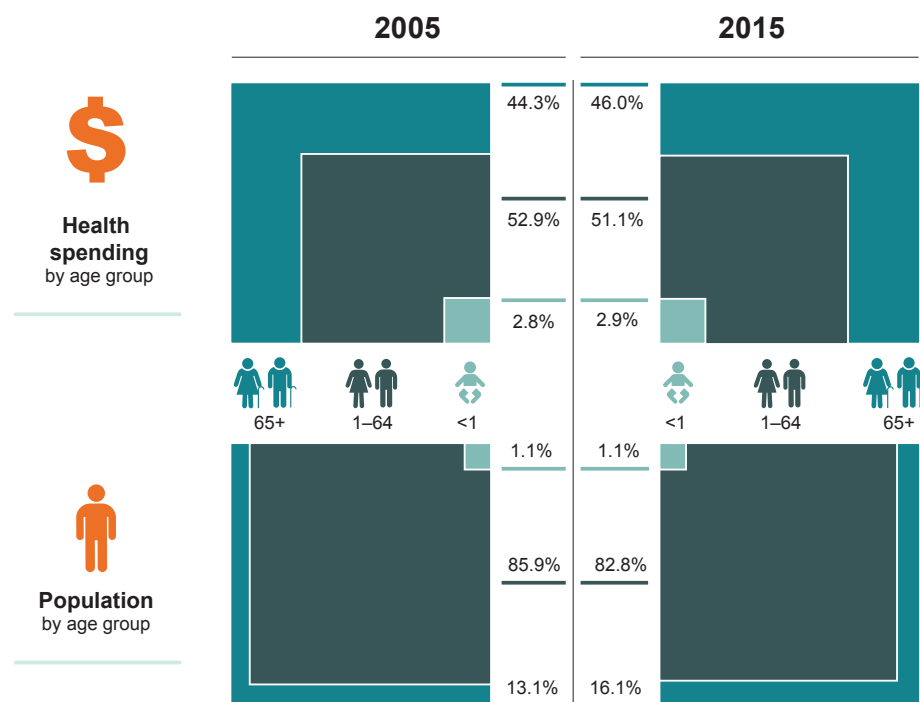
National Health Expenditure Database, Canadian Institute for Health Information; gross domestic product, Statistics Canada.

Spending is highest on seniors, but population aging is a modest cost driver

While Canadians age 65 and older account for about 16% of the Canadian population, they use almost 46% of all public-sector health care dollars spent by the provinces and territories. However, seniors are a diverse group. In 2015 (the latest available year for data broken down by age group), per-person spending for seniors increased with age: \$6,607 for those age 65 to 69, \$8,495 for those 70 to 74, \$11,570 for those 75 to 79, and \$21,407 for those 80 and older.

Overall, population aging is a modest driver of increasing health care costs, estimated at 0.9% per year. The share of public-sector health care dollars spent on Canadian seniors has not changed significantly over the past decade — from 44.3% in 2005 to 46.0% in 2015. During the same time period, the percentage of seniors in the population grew from 13.1% to 16.1%.

Figure 17 Has the share of health spending on seniors changed?

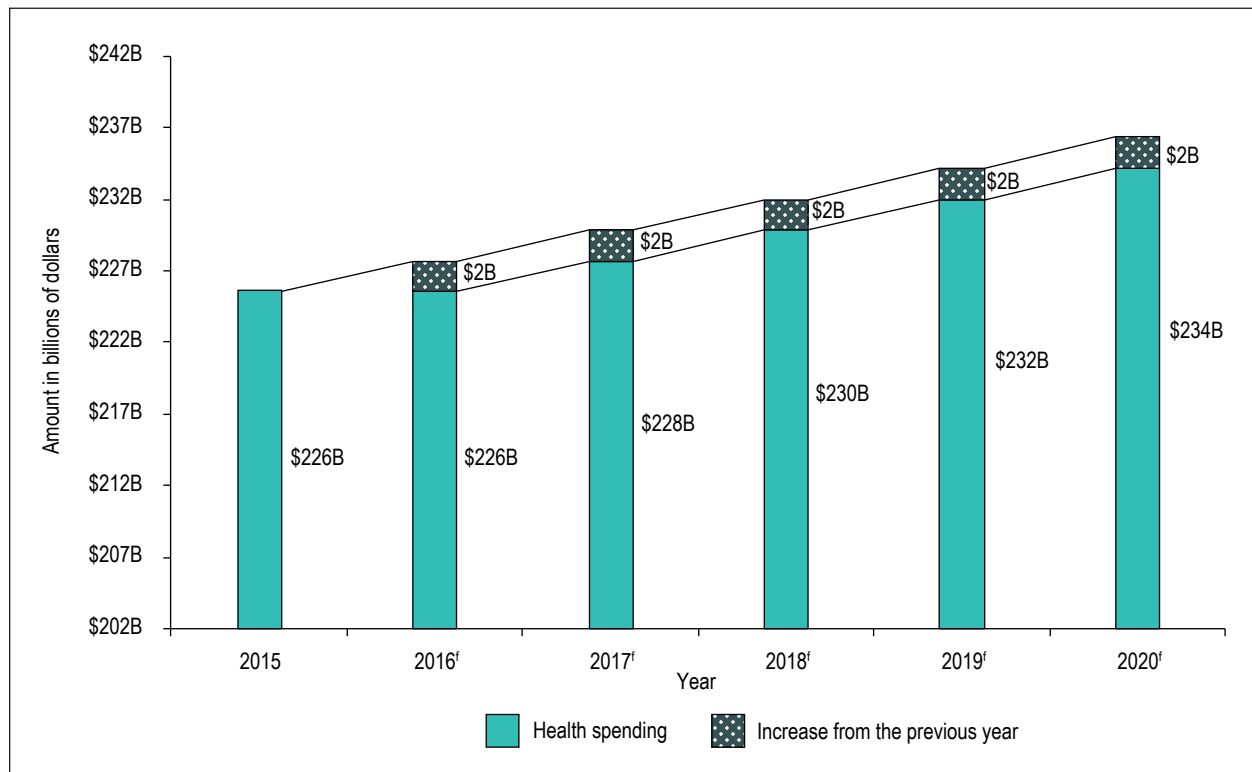


Source
National Health Expenditure Database, Canadian Institute for Health Information.

Population aging modest but steady cost driver

Although a modest cost driver, the continued aging of the population will steadily increase future health spending. Assuming population aging continues to contribute approximately 1 percentage point per year to total health expenditure in the near future, aging alone will add around \$2 billion per year to health spending in Canada. Figure 18 presents the potential contribution of population aging (at 0.9% annual growth) to overall health expenditure for the next 5 years. As the population continues to age, decision-makers will be faced with the challenge of determining the level of care (hospital, long-term institutional and community) for older Canadians that balances access to and quality and appropriateness of care with the cost of care.

Figure 18 Potential near-term contribution of population aging to total health expenditure



Notes

f: Forecast.

Health spending data by age and sex is available up to 2015.

Sources

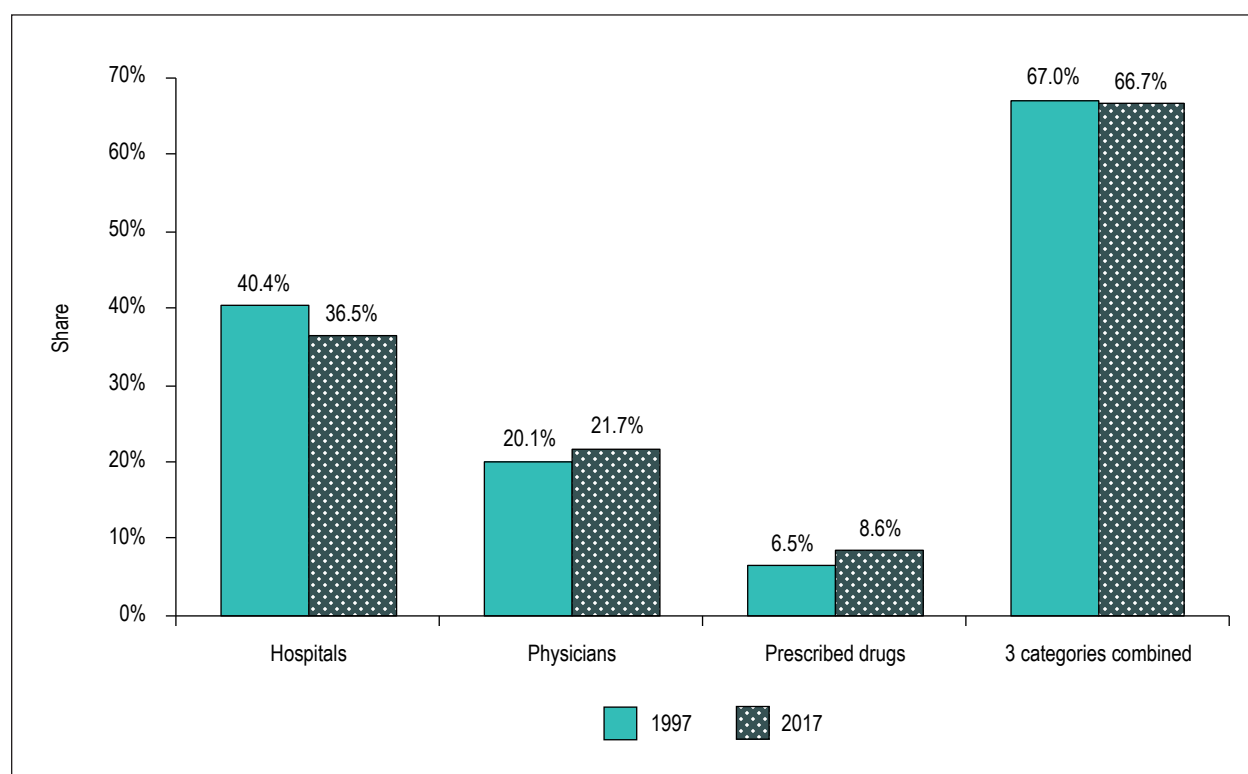
National Health Expenditure Database, Canadian Institute for Health Information; Statistics Canada.

Issues to monitor in the future

Since the global economic crisis in 2009, health spending growth across OECD countries has been modest. In Canada, at the start of the decade, health spending growth barely kept pace with inflation and population growth combined. This was due, in part, to Canada's weak economic conditions and fiscal deficits. However, economic activity has grown more strongly in 2017 as the negative effect of the oil shock in recent years has dissipated. As noted by the Bank of Canada, "economic data have been stronger than expected, supporting the Bank's view that growth in Canada is becoming more broadly-based and self-sustaining."⁵ As prospects for economic growth improve, growth in health spending could be higher in the future.

Health care system policy- and decision-makers will continue to be challenged to innovate in order to reform the way health care is provided and to evolve to better serve the changing needs of an aging population. Over the last 20 years, hospitals, prescribed drugs and physicians have accounted for more than two-thirds of public-sector health care spending. However, there has been a shift in the shares of spending among these categories over time.

Figure 19 Share of public-sector health expenditure by selected use of funds, Canada, 1997 versus 2017^f



Note

f: Forecast.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

In 2017, hospital spending is still expected to account for the largest share of total health spending by the public sector, at 36.5%. However, this share has been declining. Current growth in hospital spending continues to be modest, reflecting the restraints of provincial and territorial budgets (Canadian MIS Database, CIHI).

As public facilities, hospitals have no profit motive. Instead, they attempt to maximize health care delivery within their funding envelope. During the current period of fiscal restraint, growth in hospital funding has slowed and institutions have had to reduce the growth in their expenditures accordingly. Hospitals have responded by changing how they deliver care.

Less-complex cases that were once treated as inpatients are increasingly treated on an outpatient basis, leading to an increase in the complexity of both inpatients and outpatients. Over time, this has led to a large overall rise in ambulatory and community visits, while inpatient activity has seen only modest growth.

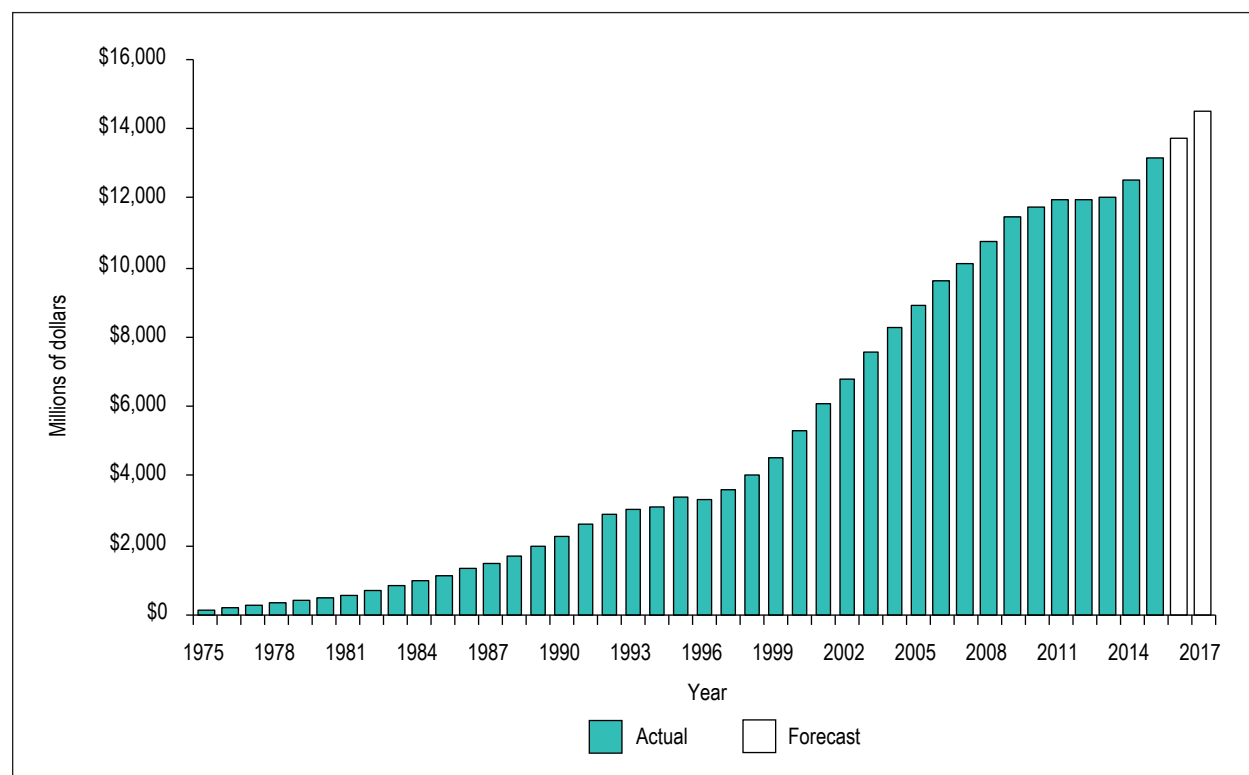
As reported by the OECD, the number of hospital beds per 1,000 population in Canada decreased from 3.0 in 2006 to 2.6 in 2016 for publicly owned hospitals in Canada.⁶ As noted by the OECD, “the number of hospital beds per capita has decreased over the past decade in most OECD countries. This reduction is part of a voluntary effort in most countries, partly driven by progress in medical technology, which has enabled a move to day surgery for a number of procedures and a reduced need for hospitalisation.”⁷

Physician spending as a share of total health expenditure began increasing in 2005, due in part to more rapid growth in the supply of physicians and the rise in physician fees. Higher demand for physician services from an aging population may be contributing to these increases.

For the 10th year in a row, as described in CIHI’s report [Physicians in Canada, 2016](#), the number of physicians increased at a faster rate than the number of people in the population, resulting in more physicians per person than ever before — 230 doctors per 100,000 population.⁸ Based on the number of MD degrees awarded by Canadian universities, the number of physicians is likely to continue to grow.⁹ The proportion of recent physician graduates (10 years or less since graduation) rose from 16.2% in 2012 to 20.0% in 2016.

The current trend of shifting services from hospital to the community increases the demand for physician services. As a result, more physician services and an increase in utilization will continue to contribute to a rise in physician expenditure in the future.

Drug spending in Canada represents a significant component of overall health care costs. Growth in drug spending began to moderate in 2010 due, in large part, to the expiration of patents on many widely used blockbuster medications like statins (commonly used to lower cholesterol). In addition, public drug programs implemented policies that limited the prices they were willing to pay for generic drugs. However, a key finding in CIHI’s report [Prescribed Drug Spending in Canada, 2016](#) is that although the savings achieved by patent expirations and generic pricing policies persist, they are no longer leading to significant reductions in year-over-year growth.

Figure 20 Public-sector drug spending, Canada, 1975 to 2017^f**Note**

f: Forecast.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Additionally, the introduction of new and expensive chemicals is leading to increases in drug spending, particularly for specialized medications, such as biologics and antivirals to treat hepatitis C. Biologic drugs are one of the fastest-growing market segments in the pharmaceutical industry. 2 of the top 3 drug classes in terms of public drug program spending are biologic drugs: tumour necrosis factor alpha inhibitors (anti-TNF drugs, used to treat conditions such as rheumatoid arthritis and Crohn's disease) and antineovascularization agents (used to treat age-related macular degeneration).¹⁰ New pipeline drugs are increasingly more expensive and it is challenging to cap drug expenditures, both of which could potentially lead to more pressure on both public and private drug programs in the future.

Appendix A: Health expenditure data in brief

Health spending data category and component	Unit description	Period of latest data	Latest data	Data for previous period	Change from previous period
Total					
Health spending at current price	Billions of dollars	2017	242.0	232.9	3.9%
Health spending per capita at current price	Dollars	2017	6,604	6,419	2.9%
Health spending at constant price	Billions of dollars	2017	152.9	150.0	2.0%
Health spending per capita at constant price	Dollars	2017	4,174	4,134	1.0%
Total health expenditure as a percentage of GDP	Percentage	2017	11.5	11.5	-0.4%
By use of funds					
Hospitals share of total health spending	Percentage	2017	28.3	28.6	-0.9%
Drugs share of total health spending	Percentage	2017	16.4	16.2	1.3%
Physicians share of total health spending	Percentage	2017	15.4	15.3	0.5%
By sector					
Public-sector share of total spending	Percentage	2017	69.8	70.1	-0.4%
Private-sector share of total spending	Percentage	2017	30.2	29.9	1.0%
Out-of-pocket expenditure per capita	Dollars	2015	901.8	873.0	3.3%
Private insurance expenditure per capita	Dollars	2015	755.8	734.3	2.9%
Total health expenditure per capita					
Newfoundland and Labrador	Dollars	2017	7,378	7,098	3.9%
Prince Edward Island	Dollars	2017	6,633	6,440	3.0%
Nova Scotia	Dollars	2017	6,996	6,839	2.3%
New Brunswick	Dollars	2017	6,643	6,471	2.7%
Quebec	Dollars	2017	6,434	6,159	4.5%
Ontario	Dollars	2017	6,367	6,199	2.7%

Health spending data category and component	Unit description	Period of latest data	Latest data	Data for previous period	Change from previous period
Manitoba	Dollars	2017	7,182	7,019	2.3%
Saskatchewan	Dollars	2017	6,982	6,967	0.2%
Alberta	Dollars	2017	7,329	7,168	2.2%
British Columbia	Dollars	2017	6,321	6,194	2.0%
Yukon	Dollars	2017	11,222	10,899	3.0%
Northwest Territories	Dollars	2017	17,150	16,052	6.8%
Nunavut	Dollars	2017	14,936	15,104	-1.1%
Provincial/territorial spending by age					
Cost per capita for infants (younger than age 1)	Dollars	2015	11,037	10,780	2.4%
Cost per capita for youths (age 1 to 14)	Dollars	2015	1,503	1,427	5.3%
Cost per capita for those age 15 to 64	Dollars	2015	2,772	2,668	3.9%
Cost per capita for seniors (age 65 and older)	Dollars	2015	11,758	11,635	1.1%
International comparison (Canadian dollar purchasing power parity)					
Total per capita for Canada	Dollars	2015	5,782	5,572	3.8%
Total per capita for OECD average	Dollars	2015	4,826	4,621	4.4%

Note

OECD: Organisation for Economic Co-operation and Development.

Sources

National Health Expenditure Database, Canadian Institute for Health Information; Statistics Canada; Organisation for Economic Co-operation and Development. [OECD Health Statistics 2017](#). 2017.

Appendix B: Text alternative for figures

Text alternative for Figure 1: How much will we spend on health in 2017?

Total health spending in Canada is projected to reach \$242 billion in 2017, with growth of around 3.9%. This will represent 11.5% of Canada's gross domestic product and equal \$6,604 per Canadian.

Health spending has trended upward since 1975, both in current dollars and in 1997 constant dollars. In current dollars, health spending reached \$100 billion around 2000 and \$200 billion around 2011.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 4: How does Canada's health spending compare?

Canada is among the highest spenders on health care in the Organisation for Economic Co-operation and Development (OECD), at \$5,782 per person in 2015.

That year, among 35 selected OECD countries, spending per person remained the highest in the United States, at \$11,916.

Although Canada was above the OECD average in terms of per-person spending on health care, our public-sector share of total health expenditure (70%) was below the OECD average (72%).

Here are the numbers for 2015 per-person spending in Canadian dollars, health spending as a percentage of gross domestic product (GDP) and the public/private split for the OECD as a whole and 9 selected OECD countries, including Canada:

- OECD: \$4,826 per person; 8.9% of GDP; 72% public/28% private
- Canada: \$5,782 per person; 10.4% of GDP; 70% public/30% private
- United States: \$11,916 per person; 16.9% of GDP; 49% public/51% private
- France: \$5,677 per person; 11.1% of GDP; 79% public/21% private
- Germany: \$6,709 per person; 11.2% of GDP; 84% public/16% private
- Sweden: \$6,601 per person; 11.0% of GDP; 84% public/16% private
- Netherlands: \$6,639 per person; 10.7% of GDP; 81% public/19% private

- Australia: \$5,631 per person; 9.4% of GDP; 67% public/33% private
- New Zealand: \$4,443 per person; 9.3% of GDP; 80% public/20% private
- United Kingdom: \$5,170 per person; 9.9% of GDP; 80% public/20% private

Note that these numbers reflect total current expenditure, excluding capital. Spending data is based on the System of Health Accounts.

Notes

Total current expenditure (capital excluded).

Expenditure data is based on the System of Health Accounts.

Source

Organisation for Economic Co-operation and Development. [OECD Health Statistics 2017](#). 2017.

Text alternative for Figure 5: Who is paying for these services?

In 2017, the public sector will pay for about 70% of total health expenditures (65% from the provincial and territorial governments and 5% from other parts of the public sector).

Private-sector spending will account for the other 30% of total health expenditure in 2017. The private sector has 3 components, the largest of which is out-of-pocket spending (15%), followed by private health insurance (12%) and non-consumption (3%).

The public/private split has been fairly consistent since the early 2000s, with the public-sector share of total health spending remaining relatively stable at around 70%.

- In 2000, 2005 and 2015, the split was 70% public/30% private.
- In 2010, the split was slightly different, at 71%/29%.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 6: Private-sector health expenditure per capita, source of finance, Canada, 1988, 2000 and 2015

Year	Household (out of pocket)	Private health insurance	Non-consumption
1988	\$278	\$139	\$61
2000	\$504	\$358	\$95
2015	\$902	\$756	\$206

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 8: Per capita growth for drugs will outpace that for hospitals or physicians in 2017

Most health spending continues to be for hospitals, drugs and physician services. Over the last couple of years, the pace of drug spending growth has increased, and drugs are forecast to have the fastest growth of these 3 categories in 2017.

Here's the forecast for each category in 2017:

- Hospital spending: 28.3% of total health expenditure; \$1,871 per person; 1.9% annual growth per person
- Drug spending: 16.4% of total health expenditure; \$1,086 per person; 4.2% annual growth per person
- Physician spending: 15.4% of total health spending; \$1,014 per person; 3.4% annual growth per person

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 10: Total health expenditure per capita by use of funds, Canada, 2017 (dollars and percentage share)

Use of funds	Per capita health expenditure	Share of health expenditure
Hospitals	\$1,871	28.3%
Drugs: Prescribed	\$926	14.0%
Drugs: Non-prescribed	\$160	2.4%
Physicians	\$1,014	15.4%
Other institutions	\$734	11.1%
Other professionals: Dental services	\$418	6.3%
Other professionals: Vision care services	\$133	2.0%
Other professionals: Other health professionals	\$141	2.1%
OHS: Other health spending	\$330	5.0%
OHS: Health research	\$101	1.5%
Public health	\$366	5.5%
Capital	\$242	3.7%
Administration	\$167	2.5%

Notes

OHS: Other health spending.

See data tables A.3.1.2 and A.3.1.3 in the companion Excel file. See the Methodology Notes for definitions.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 11: Public and private shares of total health expenditure, by use of funds, Canada, 2017

Use of funds	Public-sector share	Private-sector share
Hospitals	89.9%	10.1%
Other institutions	69.7%	30.3%
Physicians	98.5%	1.5%
Other professionals	11.1%	88.9%
Drugs	36.4%	63.6%
Capital	76.8%	23.2%
Public health	100.0%	0.0%
Administration	44.0%	56.0%
Other health spending	74.7%	25.3%
All categories	69.8%	30.2%

Note

See data tables C.2.4 and C.3.4 in the companion Excel file. See the Methodology Notes for definitions.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 12: How do the provinces and territories compare?

Health spending per person varies among the provinces and territories, and it is highest in the territories.

Among the provinces in 2017, total health spending per person is forecast to range from \$7,378 in Newfoundland and Labrador and \$7,329 in Alberta to \$6,367 in Ontario and \$6,321 in British Columbia.

Here are the 2017 forecasts for per-person spending and the corresponding growth rates for Canada as a whole and for each province and territory:

- Canada: \$6,604 per person; 2.9% increase
- Newfoundland and Labrador: \$7,378 per person; 3.9% increase
- Prince Edward Island: \$6,633 per person; 3.0% increase
- Nova Scotia: \$6,996 per person; 2.3% increase
- New Brunswick: \$6,643 per person; 2.7% increase
- Quebec: \$6,434 per person; 4.5% increase
- Ontario: \$6,367 per person; 2.7% increase
- Manitoba: \$7,182 per person; 2.3% increase
- Saskatchewan: \$6,982 per person; 0.2% increase
- Alberta: \$7,329 per person; 2.2% increase
- British Columbia: \$6,321 per person; 2.0% increase

- Yukon: \$11,222 per person; 3.0% increase
- Northwest Territories: \$17,150 per person; 6.8% increase
- Nunavut: \$14,936 per person; 1.1% decrease

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 13: Provincial/territorial government health expenditure as a proportion of total provincial/territorial government programs, Canada, 1993 to 2015

Year	Health as a proportion of provincial programs (total expenditure less debt charges)
1993	32.8%
1994	32.7%
1995	32.5%
1996	33.1%
1997	34.1%
1998	33.1%
1999	34.4%
2000	35.9%
2001	36.7%
2002	37.7%
2003	38.6%
2004	39.1%
2005	38.9%
2006	38.8%
2007	38.8%
2008	35.8%
2009	36.0%
2010	36.3%
2011	36.0%
2012	36.5%
2013	36.4%
2014	36.5%
2015	37.1%

Notes

See data table B.4.4 in the companion Excel file.

Financial Management System (FMS) data is available for 1993 to 2007 only, due to Statistics Canada's decision to move toward reporting government statistics on a Government Finance Statistics (GFS) 2001 basis. GFS data is available from 2008 to 2015.

Sources

National Health Expenditure Database, Canadian Institute for Health Information; Statistics Canada.

Text alternative for Figure 15: Total health expenditure and nominal GDP, annual growth, Canada, 1976 to 2017

Year	Health expenditure	GDP
1976	15.2%	15.2%
1977	10.0%	10.5%
1978	10.7%	10.9%
1979	12.1%	14.2%
1980	16.3%	12.5%
1981	17.8%	16.5%
1982	17.1%	5.4%
1983	10.7%	8.5%
1984	7.9%	9.7%
1985	8.4%	8.2%
1986	8.8%	5.3%
1987	8.0%	9.1%
1988	8.9%	9.2%
1989	10.1%	7.1%
1990	8.9%	3.6%
1991	8.7%	0.9%
1992	5.1%	2.4%
1993	2.4%	4.0%
1994	2.3%	6.0%
1995	1.5%	5.0%
1996	1.1%	3.4%
1997	4.9%	5.5%
1998	6.8%	3.7%
1999	7.6%	7.2%
2000	9.0%	9.7%
2001	8.7%	3.5%
2002	7.3%	4.3%
2003	7.4%	5.1%
2004	6.4%	6.5%
2005	6.6%	6.4%
2006	7.4%	5.3%
2007	6.3%	5.4%
2008	7.4%	5.0%
2009	5.8%	-5.2%
2010	6.1%	6.0%
2011	3.2%	6.5%

Year	Health expenditure	GDP
2012	3.3%	3.0%
2013	1.9%	4.1%
2014	3.1%	4.5%
2015	4.3%	0.2%
2016 ^f	3.3%	2.0%
2017 ^f	3.9%	4.3%

Notes

f: Forecast.

See data table A.1 and Appendix A.1 in the companion Excel file.

Sources

National Health Expenditure Database, Canadian Institute for Health Information; gross domestic product, Statistics Canada.

Text alternative for Figure 16: Cost driver shares of average annual growth in public-sector health spending, 2000 to 2010 and 2010 to 2015, compared with annual growth in 2016 and 2017

Period	General inflation	Population growth	Aging	Other	Total
2000 to 2010 AAG	2.4%	1.0%	0.9%	2.7%	7.0%
2010 to 2015 AAG	1.5%	1.1%	0.9%	-0.4%	3.1%
2016 ^f	0.6%	1.2%	0.9%	0.1%	2.9%
2017 ^f	1.9%	1.0%	0.9%	-0.4%	3.5%

Notes

AAG: Average annual growth. Totals might not add up due to rounding.

f: Forecast.

Health spending data by age and sex is available up to 2015.

Sources

National Health Expenditure Database, Canadian Institute for Health Information; gross domestic product, Statistics Canada.

Text alternative for Figure 17: Has the share of health spending on seniors changed?

From 2005 to 2015, the share of health expenditure spent on Canadians age 65 and older rose slightly from 44.3% to 46.0%. At the same time, the percentage of seniors in the population grew from 13.1% to 16.1%.

By comparison, over the same time period, the share spent on Canadians age 1 to 64 dropped slightly from 52.9% to 51.1%, and this age group's share of the population dropped from 85.9% to 82.8%.

Finally, the share spent on Canadian infants younger than age 1 stayed almost the same: 2.8% in 2005 and 2.9% in 2015. The percentage of infants in the population stayed at 1.1%.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 18: Potential near-term contribution of population aging to total health expenditure

Expenditure	2015	2016 ^f	2017 ^f	2018 ^f	2019 ^f	2020 ^f
Health spending	\$226 billion	\$226 billion	\$228 billion	\$230 billion	\$232 billion	\$234 billion
Increase from the previous year	n/a	\$2 billion	\$2 billion	\$2 billion	\$2 billion	\$2 billion

Notes

f: Forecast.

n/a: Not applicable.

Health spending data by age and sex is available up to 2015.

Sources

National Health Expenditure Database, Canadian Institute for Health Information; Statistics Canada.

Text alternative for Figure 19: Share of public-sector health expenditure by selected use of funds, Canada, 1997 versus 2017^f

Use of funds	1997	2017
Hospitals	40.4%	36.5%
Physicians	20.1%	21.7%
Prescribed drugs	6.5%	8.6%
3 categories combined	67.0%	66.7%

Note

f: Forecast.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Text alternative for Figure 20: Public-sector drug spending, Canada, 1975 to 2017^f

Year	Amount spent
1975	\$159
1976	\$216
1977	\$267
1978	\$328
1979	\$386
1980	\$465
1981	\$567
1982	\$684
1983	\$817
1984	\$943
1985	\$1,119
1986	\$1,319

Year	Amount spent
1987	\$1,493
1988	\$1,703
1989	\$1,971
1990	\$2,278
1991	\$2,605
1992	\$2,905
1993	\$3,042
1994	\$3,087
1995	\$3,366
1996	\$3,331
1997	\$3,599
1998	\$4,008
1999	\$4,551
2000	\$5,295
2001	\$6,071
2002	\$6,816
2003	\$7,575
2004	\$8,272
2005	\$8,923
2006	\$9,596
2007	\$10,144
2008	\$10,740
2009	\$11,493
2010	\$11,737
2011	\$11,986
2012	\$11,988
2013	\$12,044
2014	\$12,524
2015	\$13,154
2016 ^f	\$13,696
2017 ^f	\$14,475

Notes

f: Forecast.

Amounts in millions of dollars.

SourceNational Health Expenditure Database,
Canadian Institute for Health Information.

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