Executive Summary

National Health Expenditure Trends, 1975 to 2013
Our Vision
Better data. Better decisions.
Healthier Canadians.

Our Mandate
To lead the development and maintenance of comprehensive and integrated health information that enables sound policy and effective health system management that improve health and health care.

Our Values
Respect, Integrity, Collaboration, Excellence, Innovation
Executive Summary

Health Spending Slows

Health spending in Canada is projected to reach $211 billion this year, or $5,988 per person.

Overall, this represents 11.2% of Canada’s gross domestic product (GDP), a share that has fallen gradually in the past few years—down from 11.3% in 2012, 11.4% in 2011 and the all-time high of 11.6% in 2010 and 2009.

The rate of growth in health spending (2.6%) is less than inflation and population growth. In fact, after adjusting for these factors, health spending has decreased by an average of 0.2% per year in the last three years.

After nearly 15 years of growth in health spending, this recent downward trend may indicate the start of a “bending of the spending curve.” It reflects, in large part, Canada’s modest economic growth and government efforts to balance budgets.

How Much Will We Spend on Health in 2013?

- $211 billion
- 2.6% growth
- $5,988 per person
- 11.2% of GDP
Share of Health Dollars Spent on Drugs Declines

About 60% of total health spending is directed to hospitals, drugs and physicians. Although spending continues to grow in all three categories, the pace has slowed in recent years.

Hospitals account for 30% of total health spending. The share of total health spending on hospitals decreased from close to 45% in 1975 to approximately 30% in the early 2000s. It has remained stable since then.

The majority of hospital spending (more than 60%) relates to compensation for the hospital workforce, which has grown faster than compensation in non-health sectors in the past decade.

Drugs represent 16.3% of total health spending—a share that has edged down from a peak of 16.8% in 2010. With a government focus on controlling drug costs, the 2013 public-sector growth rate in drug spending is projected to be flat at 0%.

In recent years, the savings resulting from drug price regulation, expiration of some major patents and the substitution of brand name drugs for lower-priced generics have offset the increase in volume and changes in the types of drugs used.

Physicians represent approximately 15% of all health spending, up from 13% in the early 2000s. Physician spending has been among the fastest-growing health categories in recent years, largely due to increases in physician compensation.

<table>
<thead>
<tr>
<th>Where Is Most of the Money Being Spent?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
</tr>
<tr>
<td>30% of health spending</td>
</tr>
<tr>
<td>$62.6 billion</td>
</tr>
<tr>
<td>2.6% growth</td>
</tr>
<tr>
<td>Drugs</td>
</tr>
<tr>
<td>16% of health spending</td>
</tr>
<tr>
<td>$34.5 billion</td>
</tr>
<tr>
<td>2.4% growth</td>
</tr>
<tr>
<td>Physicians</td>
</tr>
<tr>
<td>15% of health spending</td>
</tr>
<tr>
<td>$31.4 billion</td>
</tr>
<tr>
<td>3.6% growth</td>
</tr>
</tbody>
</table>
Public/Private Split Unchanged

The public share of total health spending has remained relatively stable at around 70% since the late 1990s. Currently, 65% comes from provincial/territorial governments and 5% from federal/municipal governments and social security funds such as workers’ compensation boards.

Of the 30% of total health spending financed privately, half (15%) comes directly out of pocket. The remainder is financed through private health insurance (12%) and other private sources (3%). The majority of private-sector funding is spent on drugs and dental care, while hospitals and physicians are financed primarily by the public sector.

Compared with other Organisation for Economic Co-operation and Development (OECD) countries, Canada is slightly below average in the share of health spending funded by the public sector. In the Netherlands, Norway and Denmark, 85% of health expenditures are funded by the public sector, while less than half of health spending in the United States and Mexico is publicly financed (48% and 47%, respectively).

Public/Private Split, 1995 to Present

<table>
<thead>
<tr>
<th>Year</th>
<th>Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>2000</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>2005</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>2010</td>
<td>30%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Projected for 2013
Health Spending Continues to Vary Across Canada

How Do the Provinces and Territories Compare?

The map shows variations in per person health spending across the country. It also illustrates the percentage spent on health by government in each province and territory, relative to the size of its budget. On average, provincial and territorial governments spend almost 40% of their budgets on health care.

The amount spent per person reflects the population of each province and territory and its health care needs, as well as how health services are organized, health personnel compensation and the sharing of costs between public and private sectors. Note that per person spending on health is expected to be higher in the territories due to their small, dispersed populations.
Canada Among the Top Spenders in the OECD

Since the start of the global economic recession in 2008, the ratio of health spending to GDP has stabilized or fallen in most OECD countries. In Canada, this ratio peaked in 2009 then fell in the following two years (2011 is the most recent year for which comparable data is available).

Canada remains among the five countries with the highest proportion of GDP spending on health care (below the United States, the Netherlands, France and Germany) and among the top quartile of 30 comparator countries in terms of health spending per person.

How Does Canada Compare?

<table>
<thead>
<tr>
<th>Country</th>
<th>Year of Most Recent Data</th>
<th>% of GDP</th>
<th>Per person ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2011</td>
<td>17.7%</td>
<td>$8,508</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2011</td>
<td>11.9%</td>
<td>$5,099</td>
</tr>
<tr>
<td>France</td>
<td>2011</td>
<td>11.6%</td>
<td>$4,118</td>
</tr>
<tr>
<td>Germany</td>
<td>2011</td>
<td>11.3%</td>
<td>$4,495</td>
</tr>
<tr>
<td>Canada</td>
<td>2011</td>
<td>11.2%</td>
<td>$4,522</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2011</td>
<td>11.0%</td>
<td>$5,643</td>
</tr>
<tr>
<td>OECD Average</td>
<td>2011</td>
<td>9.3%</td>
<td>$3,410</td>
</tr>
</tbody>
</table>

Per person ($US)

- Public: 23% (United States), 30% (Canada), 35% (Switzerland)
- Private: 77% (United States), 70% (Canada), 65% (Switzerland)

- Public: 73% (OECD Average), 77% (United States)
- Private: 27% (OECD Average), 23% (United States)
More Information

The annual report *National Health Expenditure Trends, 1975 to 2013* provides an overview of

- How much is spent on health care every year;
- What the money is used for; and
- Where that 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.

The *National Health Expenditure Trends* annual report series is based on CIHI’s National Health Expenditure Database (NHEX), Canada’s most comprehensive source of information on health spending. NHEX tracks macro-level spending on health goods and services, and capital investments in health care infrastructure.

To download the latest annual report, information sheets, presentations, methodological notes or up-to-date data tables, all free of charge, visit our website at [www.cihi.ca/nhex](http://www.cihi.ca/nhex).

Feedback and questions are welcome at [nhex@cihi.ca](mailto:nhex@cihi.ca).
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