

The water keeps rising: A perspective article on Canadian health expenditure

Noah Williams, MSc¹

1. Faculty of Medicine, Memorial University, St. John's, NL, Canada

This article is meant to bring attention to a recent update published by the Canadian Institute for Health Information (CIHI), sparking discussion on the topic of money and healthcare and includes personal opinion regarding the current state and future of private health expenditure in Canada.

Each year, the CIHI releases a publication on national health expenditure trends.¹ This yearly document provides a breakdown on healthcare and money in Canada, outlining how spending is divided up in terms of public and private expenditure, while highlighting comparisons in spending at provincial, territorial, and international levels. This document is developed using information from the National Health Expenditure Database (NHEX). Estimates of health expenditures are made for 2023 and 2024, and the actual health expenditures for 2022 are included.

The national health expenditure trends have been broken down into three documents for 2024, with an infographics document, snapshot document and a larger release summary. Diving first into “the big one”, total healthcare spending in Canada is expected to reach \$372 billion in 2024.

Take a moment and look at that number again.

\$372 billion.

\$372 billion would represent 12.4% of Canada's Gross Domestic Product (GDP), making it the highest ratio of GDP allocated to healthcare ever in Canada, excluding 2020 and 2021 when a global pandemic threw healthcare expenditure and the healthcare world upside down.¹ Health expenditure is expected to increase in all areas, with hospital expenditures increasing over 6% both in 2023 and 2024, physician expenditures jumping by 7.5% in 2023 and 4.4% in 2024, and drug expenditure rising by 5.6% in 2023 and 3.8% in 2024.

All these increases are expected to result in a 4.5% and 5.7% increase in total health expenditure in 2023 and 2024, respectively. The last time total healthcare expenditure rose by this much was between 2008 and 2010, where they increased by an average of 5.9% per year. If you're trying to remember what happened in 2008-2010, they were the years of the most recent economic recession in Canada.² Some reasons that have been provided for this spike in expenditure include the “tail-end” of the pandemic and an aging population in Canada.¹ Of note, a record increase of population growth also occurred in 2023, which was the first time where population growth in Canada exceeded one million since comparable population data has been collected.³

So what?

What's the impact?

Why does it matter if the costs keep increasing in a free healthcare system?

The answer is that it wouldn't matter if we actually had a “free” healthcare system in Canada, but many times there are some forms of private expense for access to healthcare. The Organization for Economic Co-operation and Development (OECD) is an organization centered in economic policy improvement by providing insight and statistics on multiple countries.⁴ Based on OECD data, Canada's share of private health expenditure in 2022 was 28.8%. Outside of the United States (US), this was the highest share of private health expenditure when comparing other similar OECD countries, including: Australia, New Zealand, United Kingdom, Netherlands, France, Sweden and Germany. This percentage was also higher than the OECD average of all 38 member countries (25.3%), placing Canada in the highest quarter in terms of share of private health expenditure for OECD member countries.⁵

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Applying this percentage to Canada's expected total health expenditure of \$372 billion dollars means that the share of private health expenditure would equal \$107.1 billion. It's hard to argue that we have a free healthcare system when we could spend over \$100 billion dollars on private healthcare in 2024.

Again, so what?

I don't pay to go to the hospital, so what even is included in private health expenditure?

In the national health expenditure trends document, private health expenditure consists of private, voluntary health insurance payments and out-of-pocket costs.¹ Out-of-pocket costs are expenditures that are borne directly by a patient where neither public nor private insurance cover the full cost of the health good or service.⁶

Though not specified within the national health expenditure trends document, other studies have identified the growing amount of out-of-pocket costs in Canada.⁶⁻⁸ To start, the Canadian household average for private payments in six categories of healthcare services (prescription drugs, dental care, eye care, physicians, hospitals and nursing homes, and for other healthcare practitioners) was 37% higher in 2009 when compared to costs in 1998, totalling \$19.8 billion in

2009.⁷ Expenditures in every category were still higher on average after adjusting for inflation, demonstrating that the cost to access healthcare is not encompassed by Canadian Medicare. These rising costs only bring trouble to the Canadian population, as increased private financing is found to negatively affect accessibility, universality, and quality of care without improving health outcomes or health expenditure growth rates.⁸

Of special consideration is this journal's home province of Newfoundland and Labrador (NL), where there is a much lower population density compared to the national average, with over 50% of the population living outside of a census metropolitan area or a census agglomeration.⁹ This higher proportion of the population living rurally means that patients are more likely to have to travel for healthcare in larger centres for specialized treatments, have a longer length of stay, and are more likely to incur out-of-pocket costs related to productivity loss, temporary housing, transportation, and many more.⁶

If people are spending so much, what's being done?

Why isn't anyone talking about this?

The national health expenditure trends article discussed how new healthcare legislation is focusing on reducing Canadians' out-of-pocket medical expenses. This includes the Canadian Dental Care Plan (CDCP) and Bill C-64 (An Act Respecting Pharmacare). As noted in the article, while these policies will reduce the out-of-pocket costs for these services, total health expenditures could increase as more patients begin using these services.¹

There was also discussion about how provinces and territories are starting to fund more surgeries in private clinics. This would certainly have an impact on public health expenditure, as more surgical sites would mean that more surgeries could happen each day, meaning more billing could be processed each day. Apart from the public health cost, the funding of private clinic surgeries could also be expected to reduce wait times for in-hospital surgeries, which would be of benefit to the patient population.

In terms of the lack of discourse surrounding out-of-pocket costs in Canada, I believe that other prominent issues in medical care (shortages in primary care staff, emergency department wait times, etc.) are overshadowing thoughts of how cost is impacting access to care. Along with this, there is still a popular notion that the Canadian healthcare system is free. This idyllic belief brings comfort to many, but continuing to ignore these costs is only treading water. In the most recent cycle of the Canadian Social Survey on Quality of Life and Cost of Living from 2022, over one-quarter (26%) of Canadians reported they would be unable to cover an unexpected expense of \$500.¹⁰

To fix this, innovative interventions need to be implemented continuously to work towards reducing the cost of healthcare. There is no one solution, nor is there any idea/initiative that

is better than another, and I am not someone who has all the answers. As stated at the beginning of this article, I want to bring awareness to the current and future state of expenditure in the Canadian healthcare system, enabling more people to be aware and consider what this means from their perspective for the future of healthcare. Take a moment and consider what solutions you believe could help with navigating this issue.

To close, I leave everyone with one question. Should we allow people to continue thinking that we have a free healthcare system, or is it better to be open and honest about the expensive nature of healthcare in Canada so we can work towards finding solutions before we all have to start wading through costs to access care?

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