



National Health Expenditure Trends, 1975 to 2018



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	9
Total health expenditure by source of finance	11
Health expenditure by use of funds	15
Health expenditure in the provinces and territories	19
Analysis	22
Appendix A: Health expenditure data in brief	32
Appendix B: Text alternative for figures	34
References	43

Key findings

National Health Expenditure Trends, 1975 to 2018 — the Canadian Institute for Health Information's 22nd annual health expenditure trends publication — provides detailed, updated information on health expenditure in Canada.

Total health expenditure is expected to reach \$253.5 billion or \$6,839 per Canadian in 2018

- It is anticipated that, overall, health expenditure will represent 11.3% of Canada's gross domestic product in 2018. The trend over the last 40+ years shows that when there is economic growth, there is more health care spending.

In 2018, total health expenditure is expected to rise by 4.2%, a slight increase in the rate of growth compared with earlier in the decade

- Between 2014 and 2018, health spending per capita is estimated to increase in real terms by an average of 1.7% per year. This reflects continuous economic growth and the prospects of higher government revenues in the next few years, which may lead to sustained health spending increases in the near future.

Provincial per capita health expenditures vary

- In 2018, total health expenditure per capita is expected to range from \$7,552 in Alberta and \$7,443 in Newfoundland and Labrador to \$6,597 in British Columbia and \$6,584 in Ontario.

Drugs expenditure growth fastest among 3 largest health spending categories

- Hospitals (28.3%), Drugs (15.7%) and Physicians (15.1%) are expected to continue to account for the largest shares of health dollars (close to 60% of total health spending) in 2018.
- Over the last couple of years, the pace of drug spending growth has increased. Drug expenditures are expected to grow by an estimated 4.2% in 2018. Spending on hospitals in 2018 is estimated to grow by 4.0%, while physician spending growth is forecast at 3.1%.

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

- Among 36 countries in the Organisation for Economic Co-operation and Development in 2017, the latest year for which comparable data is available, spending per person on health care remained highest in the United States (CA\$12,865). Canada's per capita spending on health care was among the highest internationally, at CA\$6,082 — less than in the Netherlands (CA\$6,786) and France (CA\$6,177), and more than in Australia (CA\$5,725) and the United Kingdom (CA\$5,373).

About this report

National Health Expenditure Trends, 1975 to 2018 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 2018* report are available on CIHI's website at cihi.ca/en/nhex:

- *National Health Expenditure Trends, 1975 to 2018 — Data Tables* (.xlsx)
- *National Health Expenditure Trends, 1975 to 2018 — Methodology Notes* (.pdf)
- *National Health Expenditure Trends, 1975 to 2018 — Infographics*
- *National Health Expenditure Trends, 1975 to 2018 — Briefing Deck* (.pptx)
- *Health Expenditures in the Provinces and Territories — Provincial and Territorial Chartbook, 2018* (.pptx)
- *How Canada Compares Internationally: A Health Spending Perspective — International Chartbook, 2018* (.pptx)

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

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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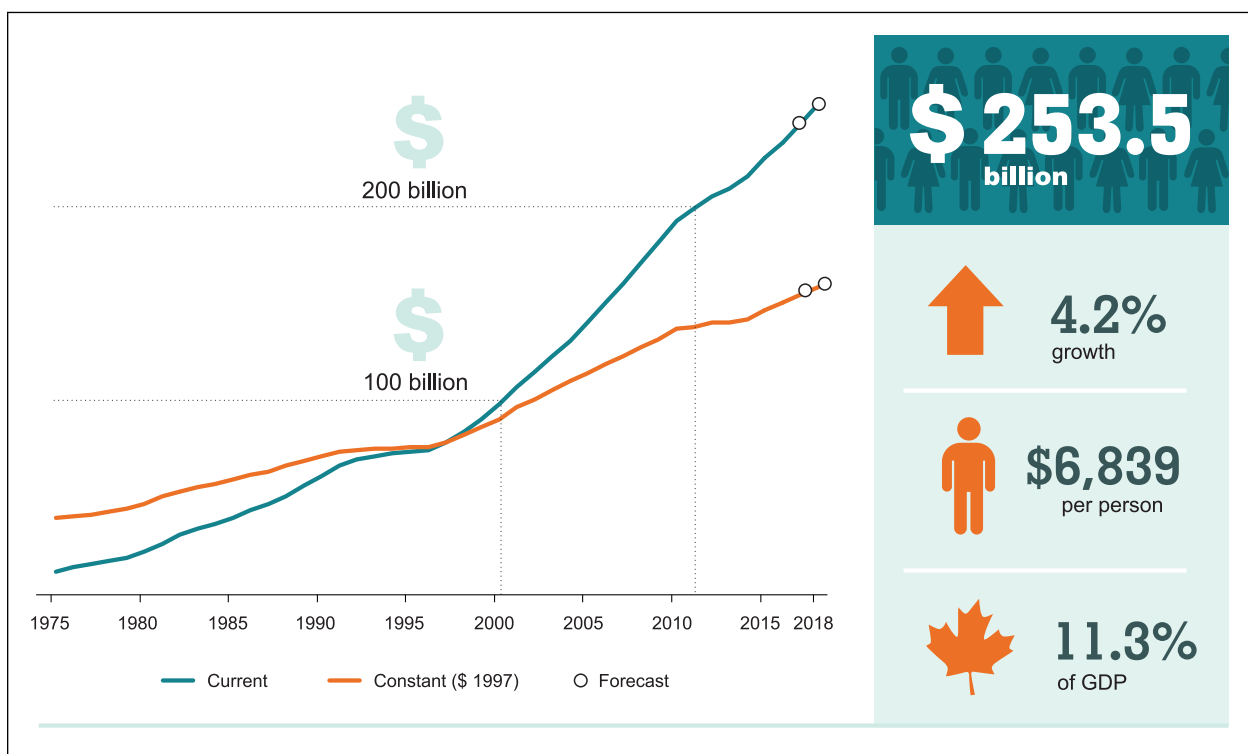
Overview of health spending in Canada

Total health expenditure is expected to amount to \$6,839 per Canadian in 2018

Health spending in Canada is projected to reach \$253.5 billion in 2018, representing 11.3% of Canada's gross domestic product (GDP). This amounts to \$6,839 per Canadian.

Total health expenditure growth in 2018 is forecast to be 4.2% (Figure 1).

Figure 1 How much will we spend on health in 2018?

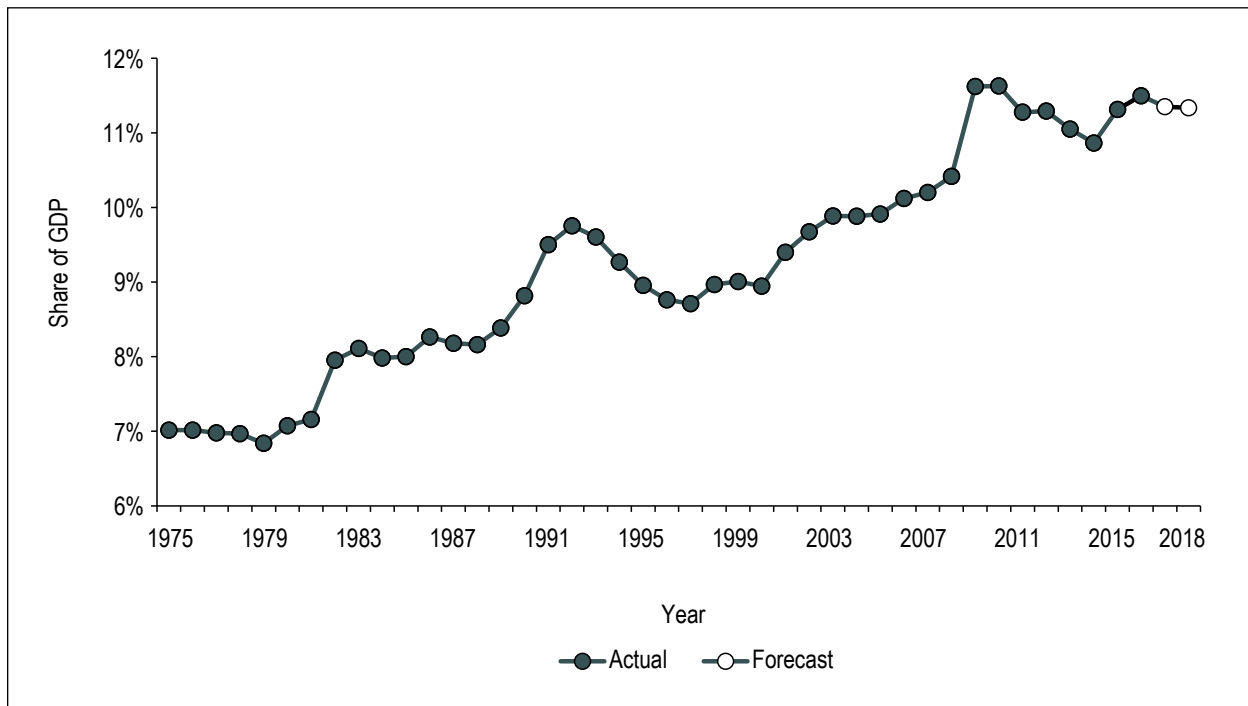


Source
National Health Expenditure Database, Canadian Institute for Health Information.

Health as a share of GDP has trended upward

It is anticipated that, overall, health expenditure will represent 11.3% of Canada's GDP in 2018. The trend over the last 40+ years shows that when there is more economic growth, there is more health care spending.

Figure 2 Total health expenditure as a percentage of GDP, Canada, 1975 to 2018



Note

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

Source

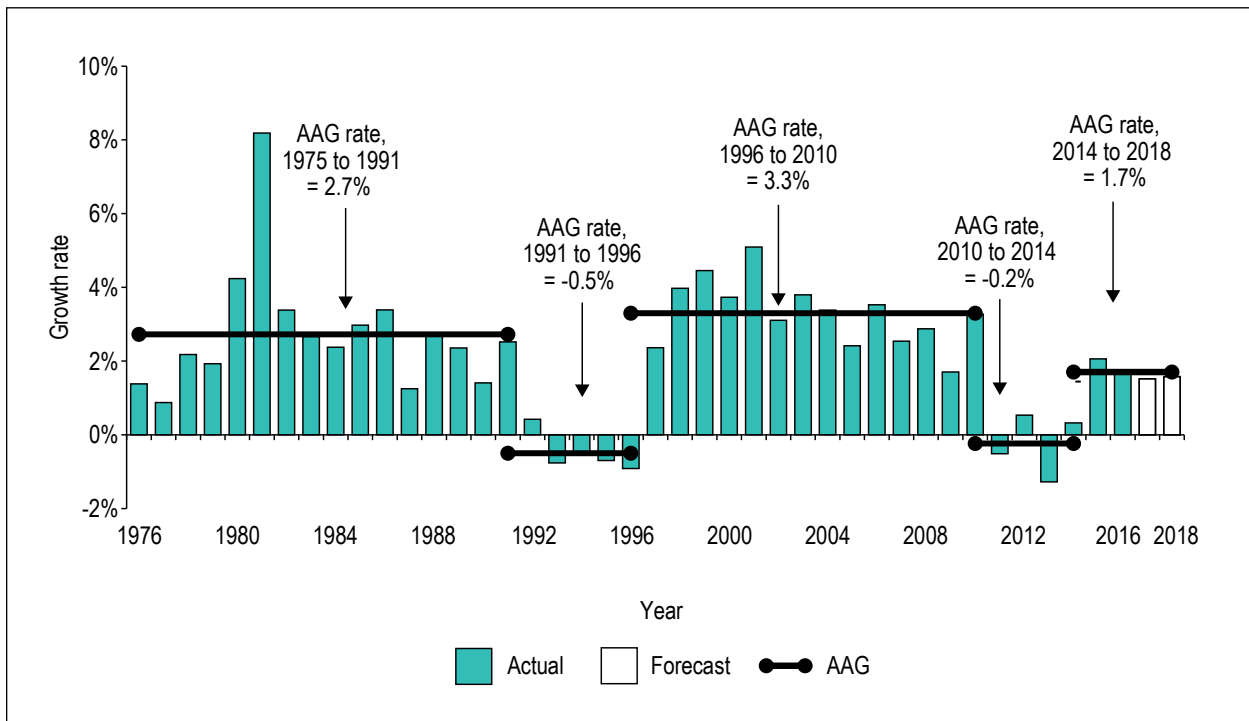
National Health Expenditure Database, Canadian Institute for Health Information.

- **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.
- **2010 to 2014:** Following the 2009 recession, governments focused on restraining program spending to manage budgetary deficits. Health spending growth was slower than or close to the growth in the overall economy. As a result, the health-to-GDP ratio fell to 10.9% in 2014.
- **2014 to 2018:** This has been a period of emerging growth. The health-to-GDP ratio is estimated to be 11.3% in 2018.

Total health expenditure in 2018 is expected to rise by 4.2%, a slight increase in the rate of growth compared with earlier in 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. Since 2014, health spending per capita has increased in real terms by an average of 1.7% per year.

Figure 3 Total health expenditure per capita, annual growth rates,* Canada, 1976 to 2018



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.
- **2010 to 2014:** In this period of fiscal restraint, total health expenditure declined by an annual average rate of 0.2%.
- **2014 to 2018:** This has been a period of emerging growth, and health spending per capita is estimated to increase in real terms by an average of 1.7% per year.

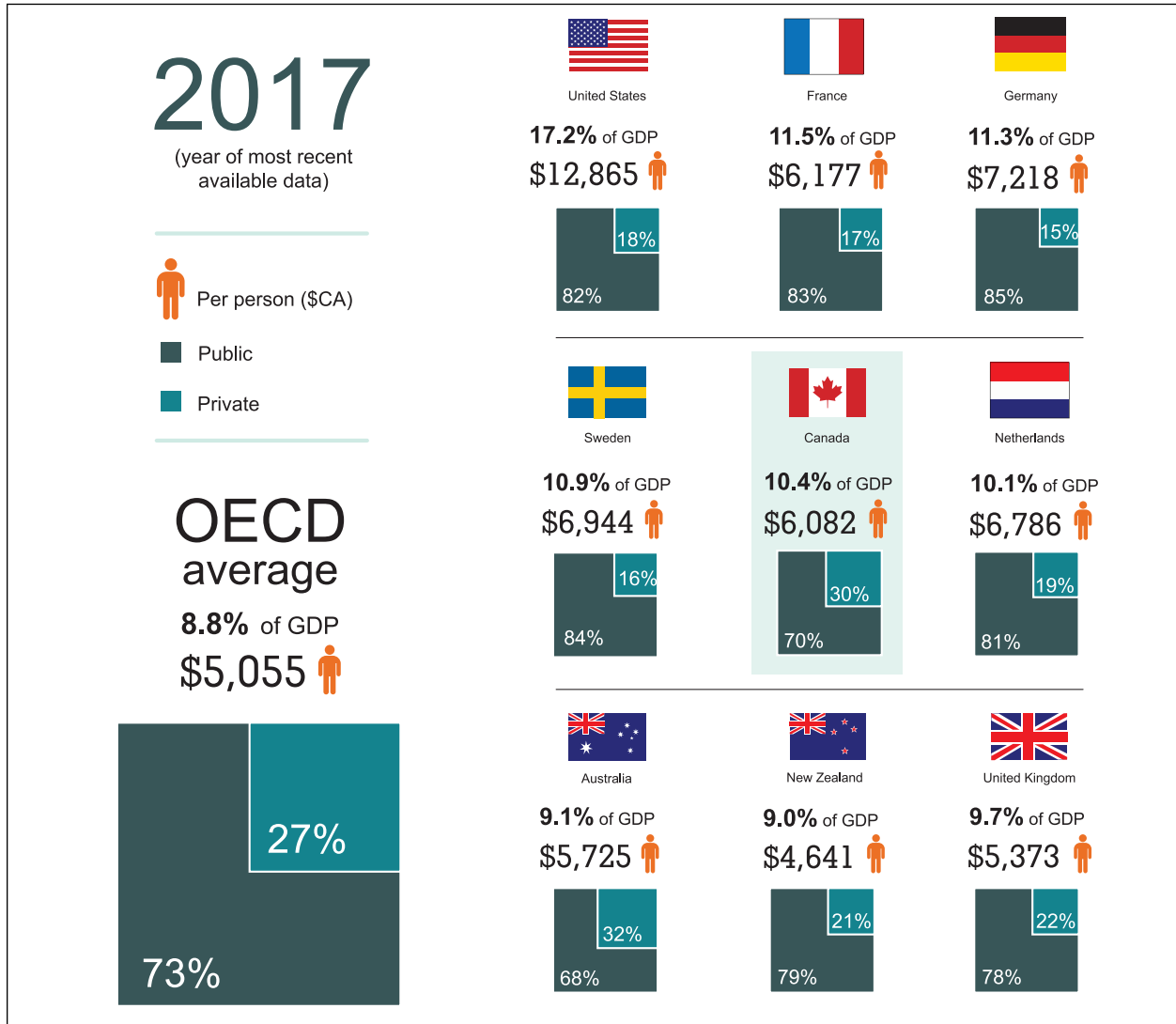
International comparisons

Canada is among the highest spenders in the OECD

Among 36 Organisation for Economic Co-operation and Development (OECD) countries in 2017, the latest year for which comparable data is available, spending per person on health care remained highest in the United States (CA\$12,865). Canada's per capita spending on health care was among the highest internationally, at CA\$6,082 — less than in the Netherlands (CA\$6,786) and France (CA\$6,177), and more than in Australia (CA\$5,725) and the United Kingdom (CA\$5,373).

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 (Figure 4).

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 2018](#). 2018.

Total health expenditure by source of finance

About 70% of total health expenditure in 2018 will come from public-sector funding

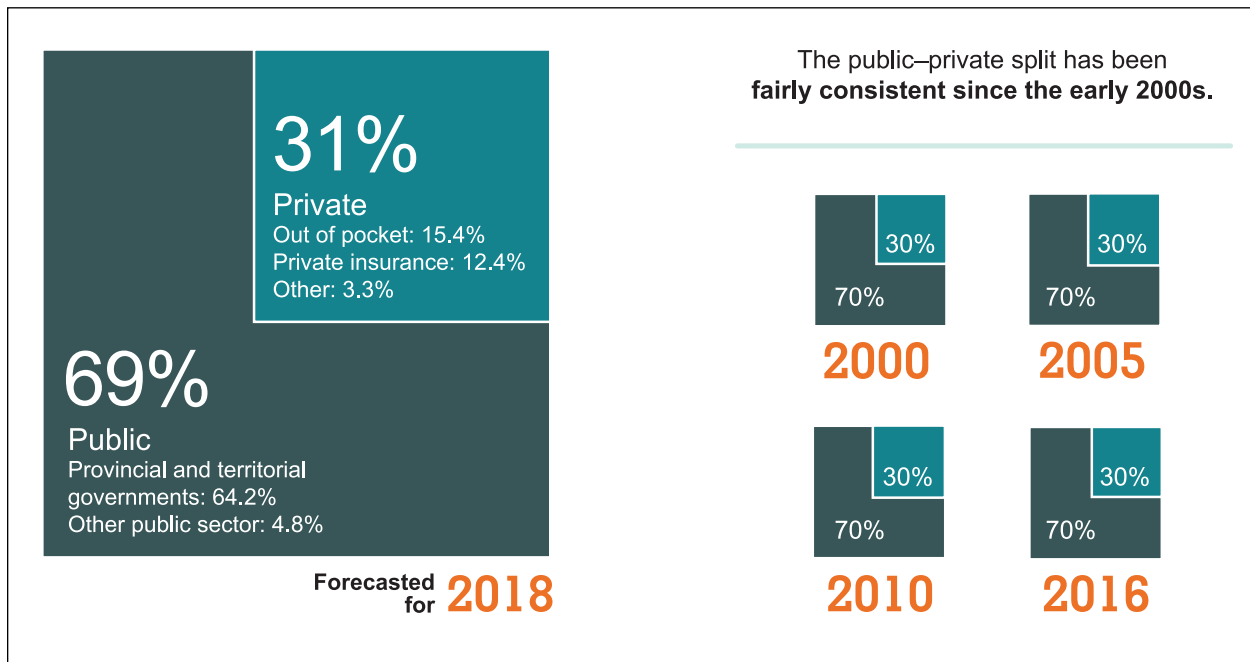
Both the public and private sectors finance Canada's health systems. Public-sector funding includes payments by governments at the federal, provincial/territorial and municipal levels and by workers' compensation boards and other social security schemes. Private-sector funding consists primarily of health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

Provincial and territorial government spending on health is expected to account for 64.2% of total health expenditure in 2018.ⁱ Another 4.8% 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.

It is estimated that private-sector spending will account for 31% of total health expenditure in 2018. The private sector is made up of 3 spending categories, the largest of which is expected to be out-of-pocket spending (15.4%), followed by private health insurance (12.4%) and non-consumptionⁱⁱ (3.3%) (Figure 5).

Figure 5 Who is paying for these services?



Source

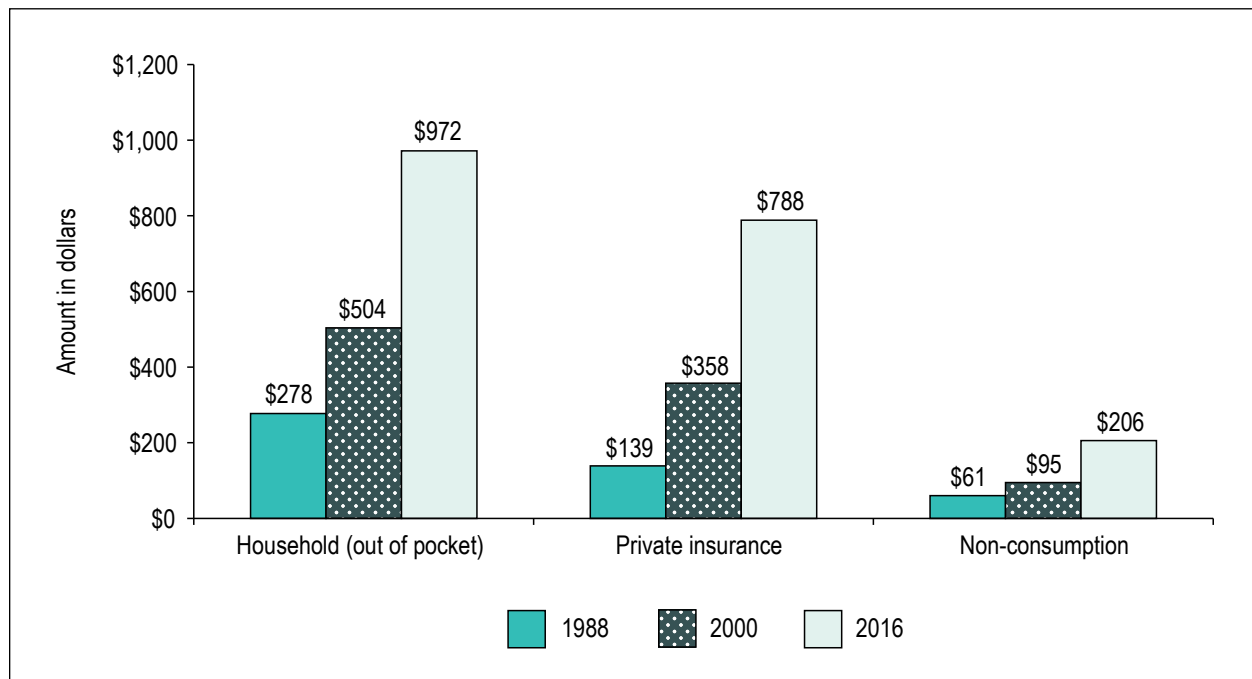
National Health Expenditure Database, Canadian Institute for Health Information.

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.

Out-of-pocket health expenditure more than \$970 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 \$972 in 2016, representing a 4.6% annual growth rate. Private health insurance expenditure per person increased from \$139 to \$788 over the same period, a 6.4% annual growth rate (Figure 6).

Figure 6 Private-sector health expenditure per capita, source of finance, Canada, 1988, 2000 and 2016

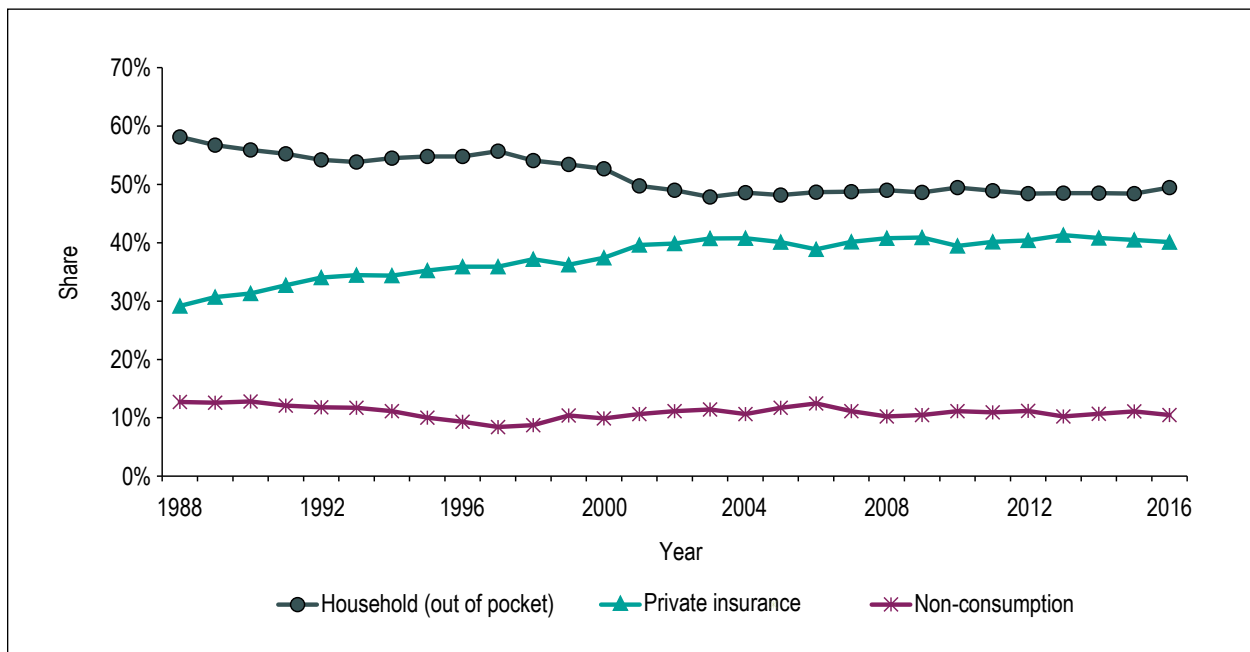


Source

National Health Expenditure Database, Canadian Institute for Health Information.

In 2016, out-of-pocket expenditure accounted for 49.4% 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 40.1% in 2016, up from 29.2% in 1988 (Figure 7). On the other hand, non-consumption accounted for 10.5% of private-sector health expenditure in 2016, down slightly from 12.7% in 1988.

Figure 7 Share of private-sector health expenditure by source of finance, Canada, 1988 to 2016



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.

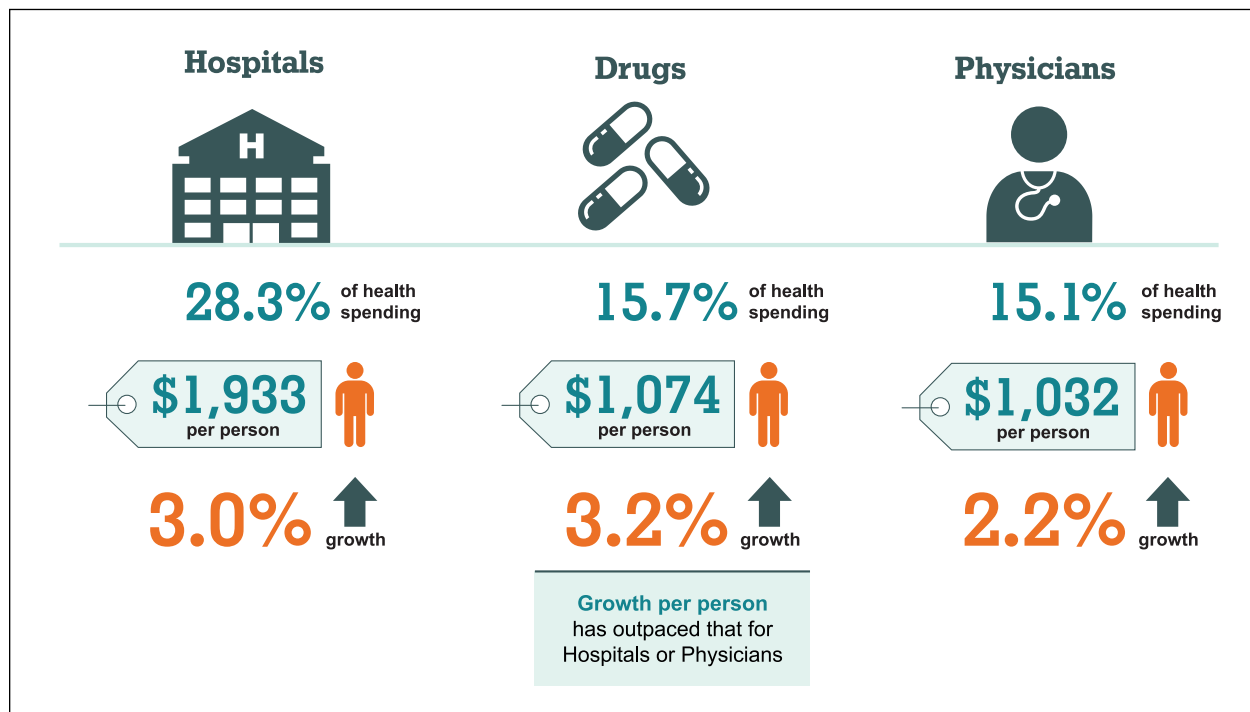
Health expenditure by use of funds

Drugs expenditure growth highest among 3 largest health spending categories

Hospitals (28.3%), Drugs (15.7%) and Physicians (15.1%) are expected to continue to account for the largest shares of health dollars (close to 60% of total health spending) in 2018 (Figure 8). Although spending continues to grow in all 3 categories, the pace varies:

- **Hospitals** spending will grow by an estimated 3.0% in 2018, reaching \$1,933 per person. The majority (more than 60%) of Hospitals expenditure is spent on compensation for the hospital workforce.
- **Drugs** spending is projected to be \$1,074 per person, an increase of 3.2% in 2018. The growth of Drugs expenditure has outpaced that of Hospitals or Physicians, due in part to the increased use of high-cost patented drugs.
- **Physicians** spending is forecast to be \$1,032 per person in 2018, a growth rate of 2.2% over last year.

Figure 8 Per capita growth for Drugs will outpace that for Hospitals or Physicians in 2018



Source

National Health Expenditure Database, Canadian Institute for Health Information.

Among the provinces,

- **Per capita Hospitals** spending growth in 2018 will range from 5.6% in Quebec and 3.5% in Ontario to 0.6% in Prince Edward Island and 0.5% in Alberta (see table below).
- **Per capita Drugs** spending growth in 2018 will range from 4.3% in Ontario and 3.4% in Nova Scotia and Alberta to 1.1% in Manitoba and Prince Edward Island.
- **Per capita Physicians** spending growth in 2018 will range from 3.8% in Nova Scotia and 2.9% in British Columbia to 1.3% in Saskatchewan and 0.3% in Newfoundland and Labrador.

Table Health expenditure per capita and annual growth rate, selected health spending categories, by province/territory, 2018^f

Province/territory	Hospitals		Drugs		Physicians	
	Per capita expenditure (\$)	Annual growth rate (%)	Per capita expenditure (\$)	Annual growth rate (%)	Per capita expenditure (\$)	Annual growth rate (%)
Newfoundland and Labrador	2,622	1.3	1,040	2.6	929	0.3
Prince Edward Island	2,211	0.6	927	1.1	958	2.3
Nova Scotia	2,295	0.7	1,192	3.4	937	3.8
New Brunswick	2,283	3.2	1,198	2.0	900	2.0
Quebec	1,618	5.6	1,186	2.1	994	2.1
Ontario	1,766	3.5	1,119	4.3	1,024	2.1
Manitoba	2,275	1.1	841	1.1	1,077	1.8
Saskatchewan	1,929	0.9	937	2.0	992	1.3
Alberta	2,483	0.5	1,054	3.4	1,238	1.7
British Columbia	2,100	3.1	838	2.4	982	2.9
Yukon	2,719	-2.7	870	1.6	1,270	4.7
Northwest Territories	6,428	4.5	855	3.5	479	3.3
Nunavut	5,390	-3.4	737	0.0	1,721	-3.7
Canada	1,933	3.0	1,074	3.2	1,032	2.2

Notes

f: Forecast.

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

Source

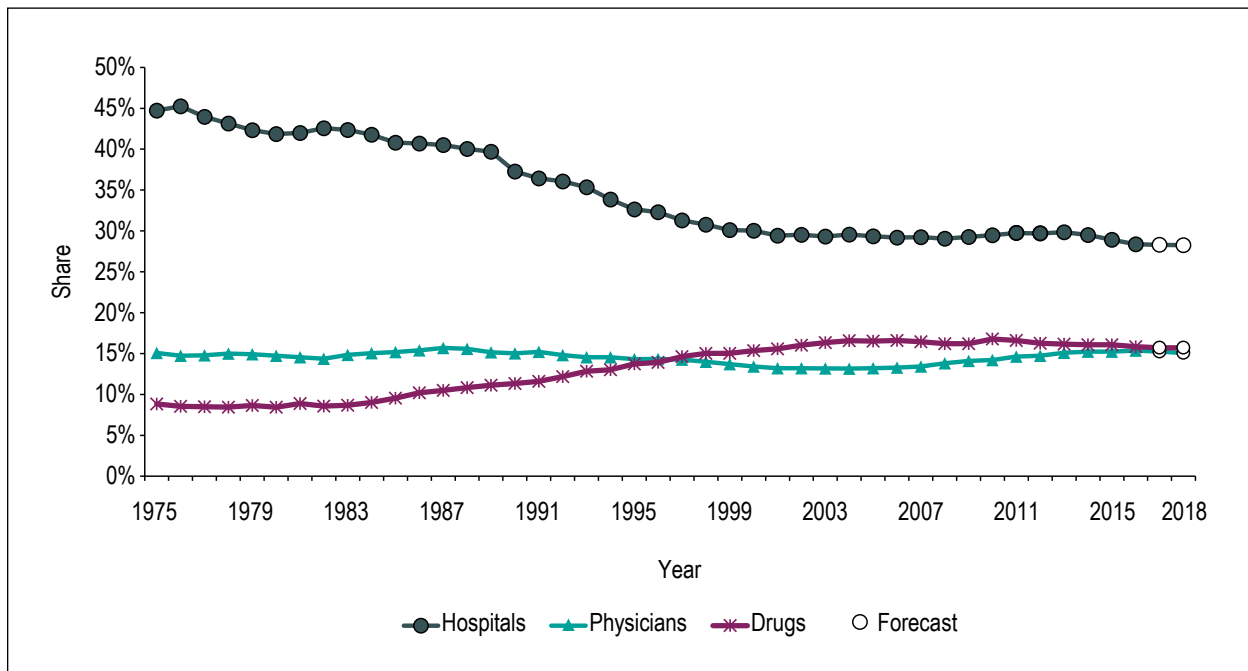
National Health Expenditure Database, Canadian Institute for Health Information.

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 **Hospitals** spending share decreased from 45% of total health expenditure in the mid-1970s to 28.3% in 2018.
- **Physicians** spending as a percentage of total health expenditure started edging down in 1988. However, this trend reversed in the mid-2000s. Since 2005, Physicians spending as a share of total health care spending has increased, due in part to the sustained increase in the number of physicians. In 2018, the share (15.1%) recovered to levels comparable with those in the late 1980s.
- The **Drugs** spending share has been increasing since the mid-1980s, and this category has accounted for the second-largest share (15.7% in 2018) of health spending, after Hospitals, since 1997.

Figure 9 Total health expenditure, share of selected health spending categories, Canada, 1975 to 2018



Note

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

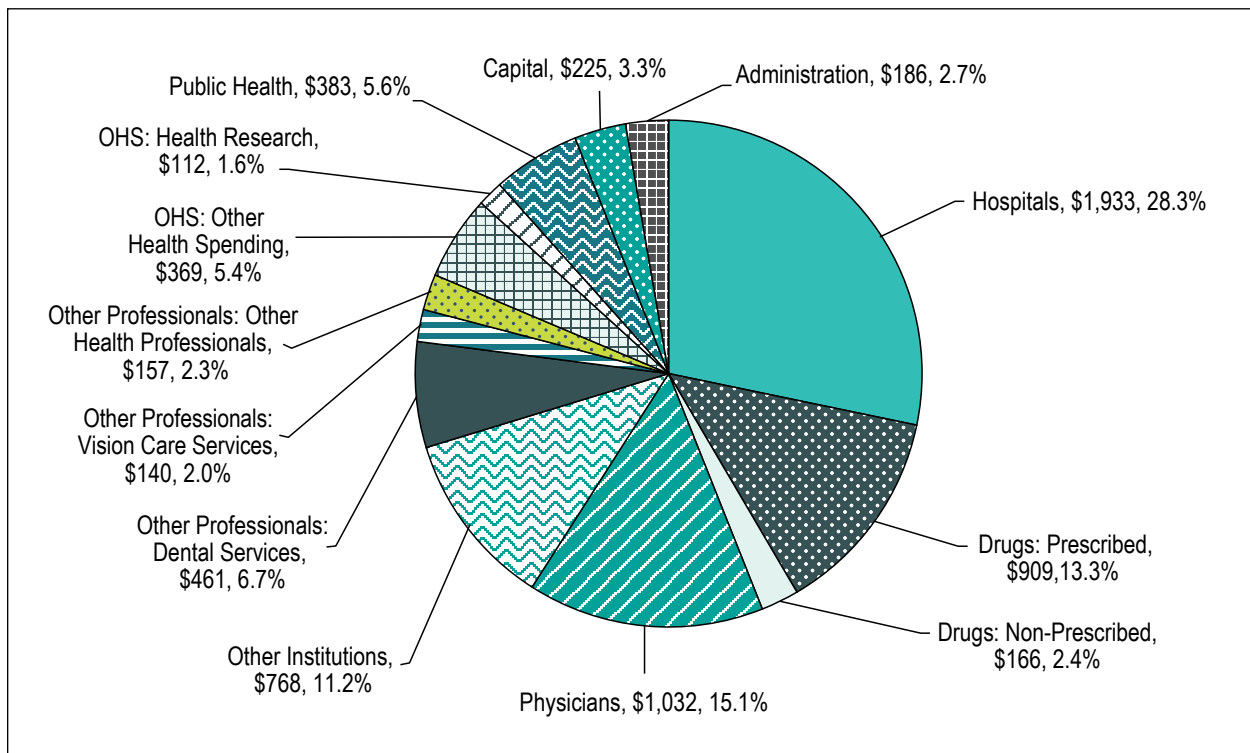
Source

National Health Expenditure Database, Canadian Institute for Health Information.

After Hospitals, Drugs and Physicians, the majority of the remaining 41% 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 40.9% of health expenditure — after Hospitals, Drugs and Physicians — Other Institutions (long-term care facilities) will account for 11.2% of the total in 2018, while Other Health Professionals (dental, vision, other) will account for 11.1% (Figure 10).ⁱⁱⁱ

Figure 10 Total health expenditure per capita by health spending category, Canada, 2018 (dollars and percentage share)



Notes

OHS: Other Health Spending.

For information on the development of home and community care spending estimates in Canada, see the Methodology Notes. See data tables A.3.1.2 and A.3.1.3 in the companion Excel file. See the Methodology Notes for definitions.

Source

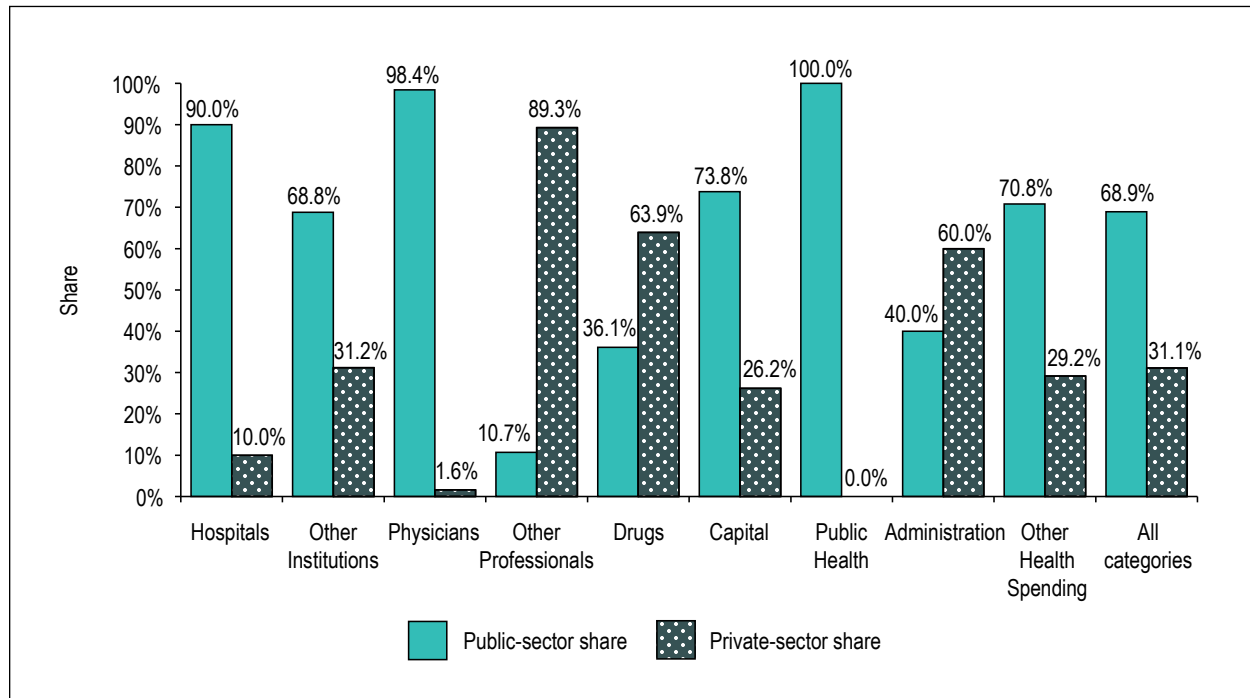
National Health Expenditure Database, Canadian Institute for Health Information.

iii. For information on the development of home and community care spending estimates in Canada, see the Methodology Notes.

Financing of health care goods and services differs

Services covered under the *Canada Health Act*, such as those in the Hospitals and Physicians categories, are financed mainly by the public sector, while the Drugs and Other Professionals categories are financed primarily from private-sector sources (Figure 11).

Figure 11 Public and private shares of total health expenditure, by health spending category, Canada, 2018



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

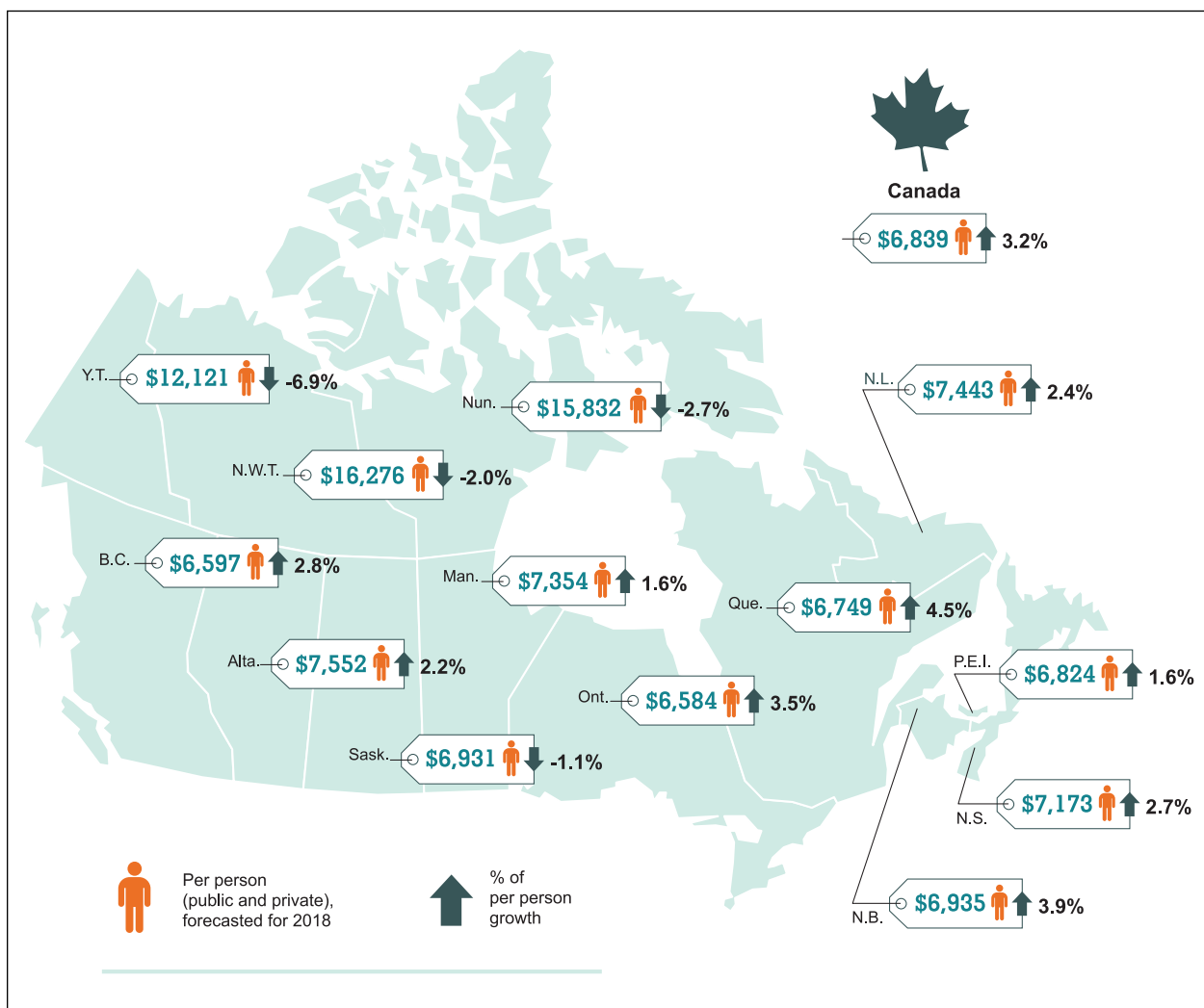
Health expenditure per capita varies among provinces/territories in part because of different age distributions.^{iv} Population density and geography also affect health expenditure, particularly in the case of the territories. Other factors that affect health expenditure include population health needs, the manner in which health care is delivered (including the balance

iv. Provincial/territorial comparisons in this discussion are based on figures that are not adjusted for variations in age and sex.

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 2018, total health expenditure per capita is forecast to range from \$7,552 in Alberta and \$7,443 in Newfoundland and Labrador to \$6,597 in British Columbia and \$6,584 in Ontario (Figure 12).^v

Figure 12 How do the provinces and territories compare?



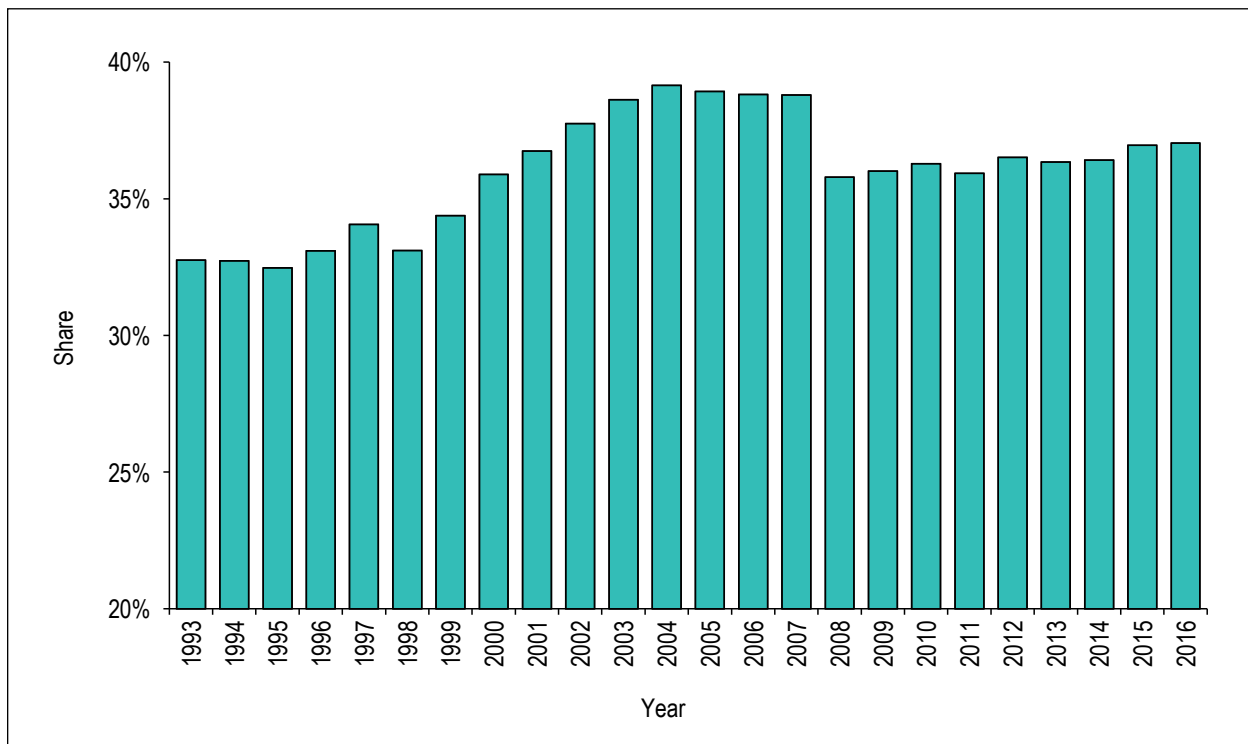
Source
National Health Expenditure Database, Canadian Institute for Health Information.

v. The provincial/territorial NHEX chartbook presents trends for each jurisdiction.

Health spending is 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 2016 (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 2016



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 2016.^{vi}

Sources

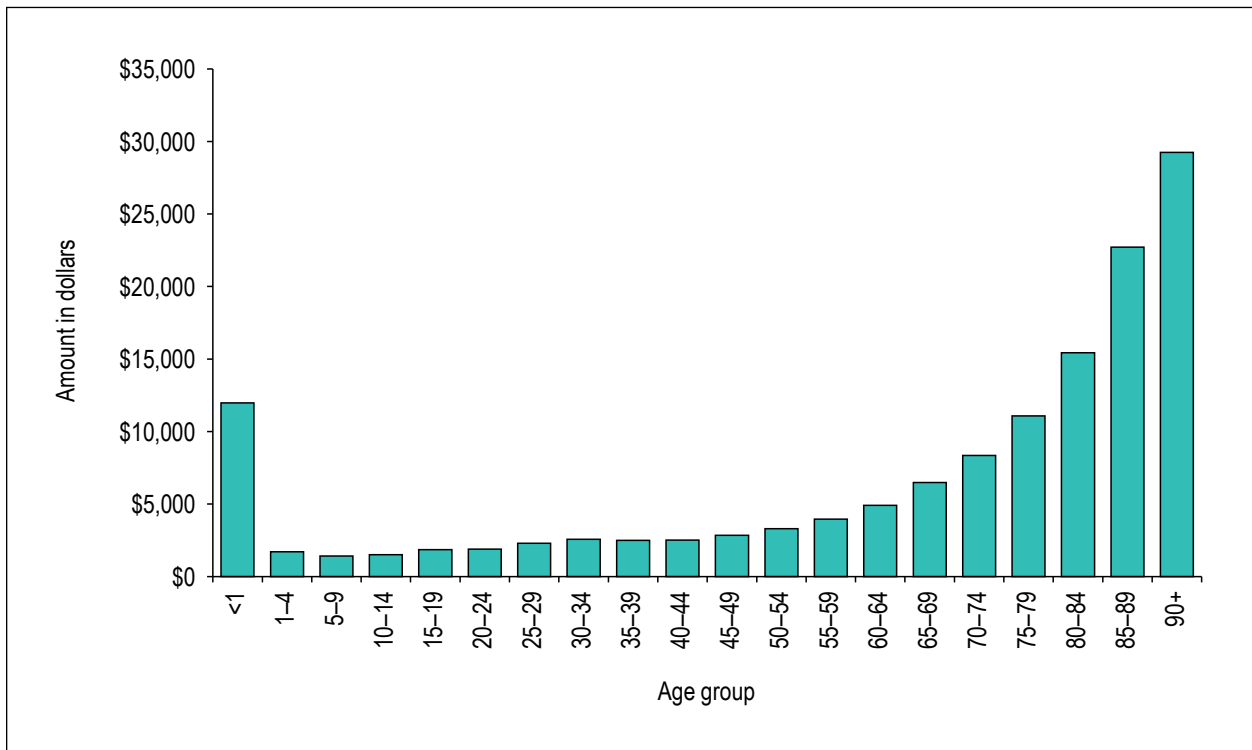
National Health Expenditure Database, Canadian Institute for Health Information; Statistics Canada.

vi. 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 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 2016 (the latest available year for data broken down by age group), the cost for Canadians younger than age 1 was an estimated \$11,973 per person, on average. For youths age 1 to 14, per-person average spending on health was \$1,539; the equivalent for those age 15 to 64 was \$2,883, and the average was \$11,301 for those 65 and older.

Figure 14 Provincial/territorial government health expenditure per capita, by age group, Canada, 2016



Note

See data table E.1.19.2 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

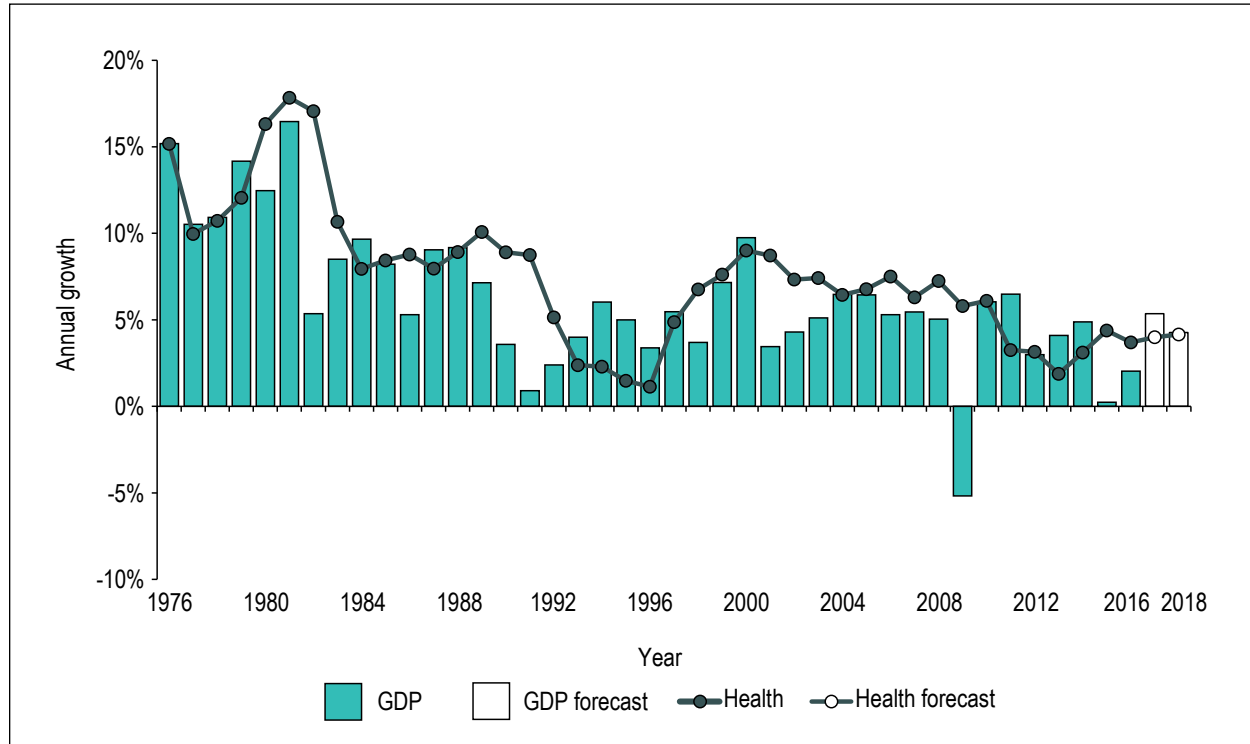
More economic growth, more health care spending

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, comes more spending on health care. The exception is the fiscal restraint periods from 1993 to 1996 and from 2011 to 2014, 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 2018



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

Starting in 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.

In the 2017 federal budget, the government confirmed an investment of \$11 billion over 10 years, provided to the provinces and territories, specifically targeted at improving home and community care and mental health and addictions services. It also allocated \$544 million over 5 years to federal and pan-Canadian health organizations to support health innovation and pharmaceutical initiatives.

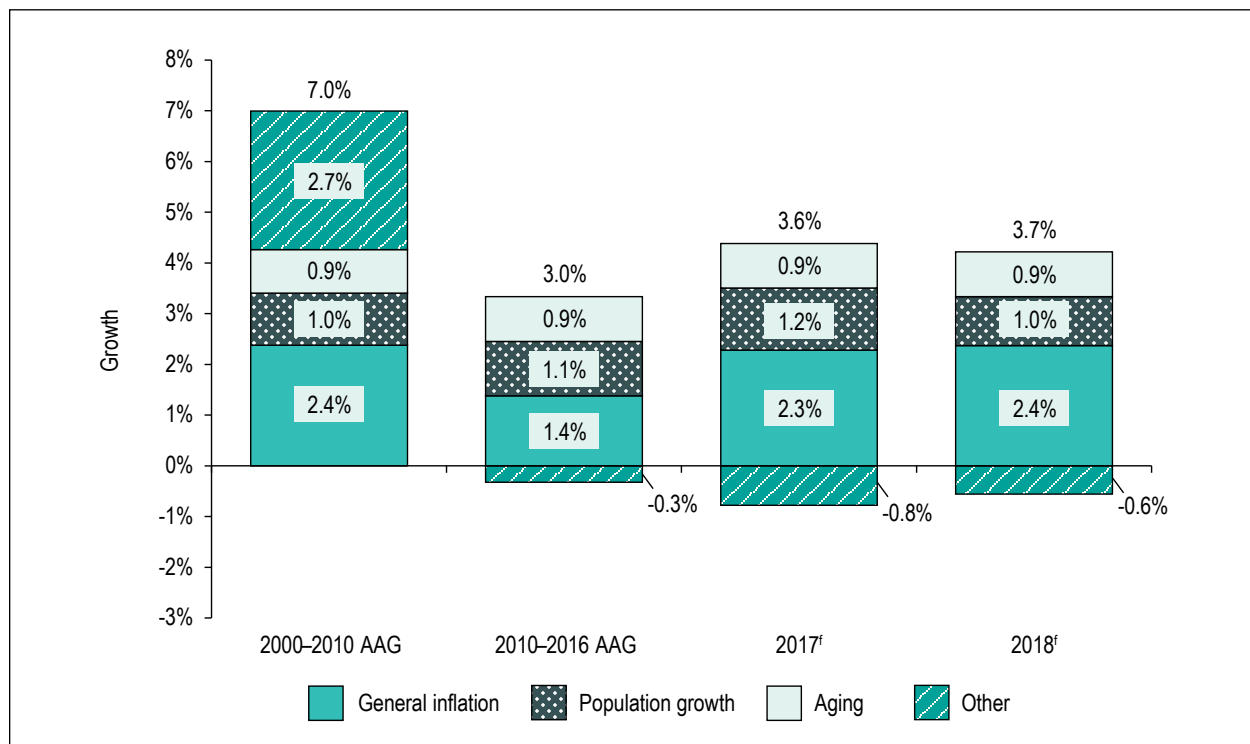
Health care cost drivers

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 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.^{vii} 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.

“Other” 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 (Figure 16).

Figure 16 Cost driver shares of average annual growth in public-sector health spending, 2000 to 2010 and 2010 to 2016, compared with annual growth in 2017 and 2018



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 2016.

Sources

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

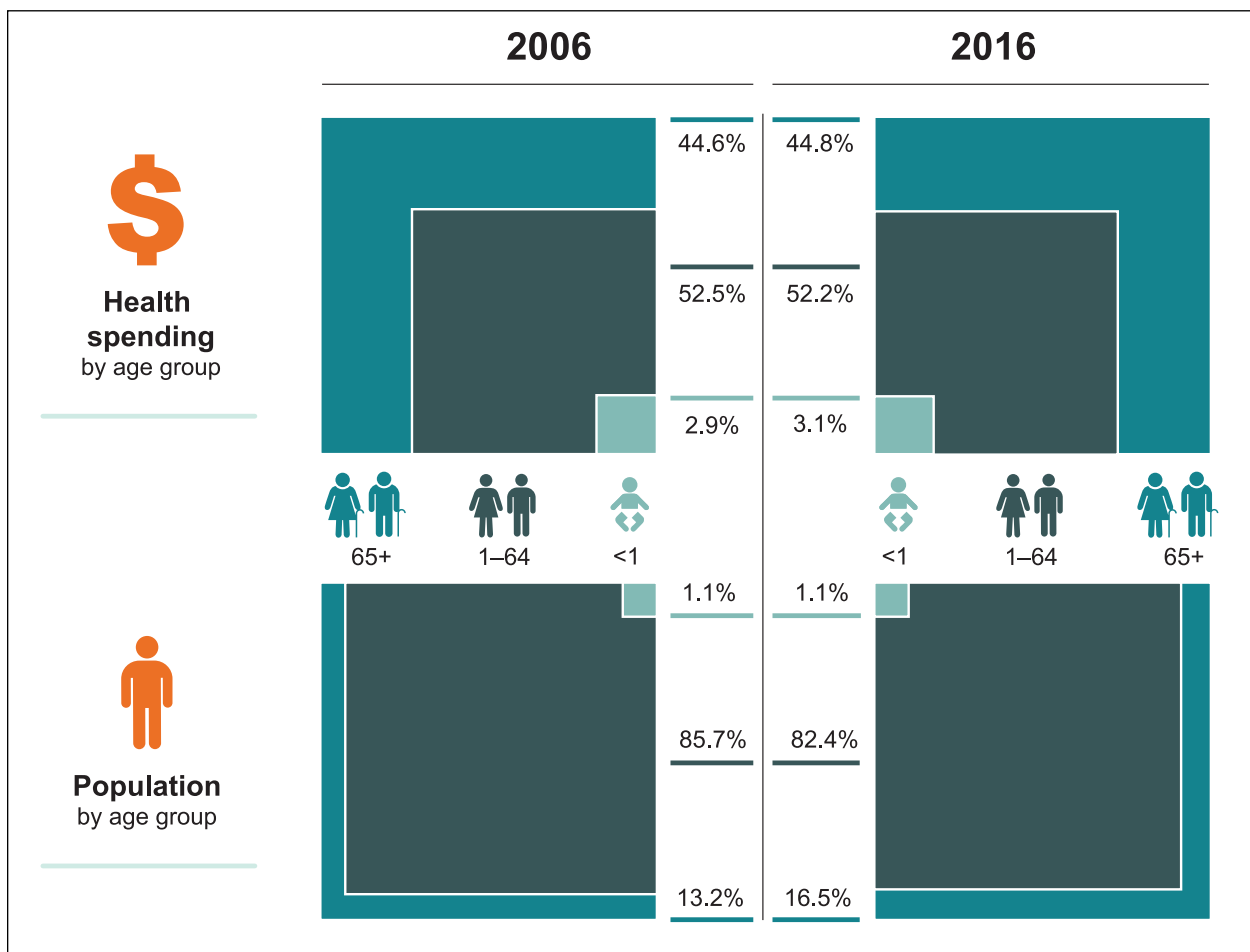
vii. Since no ideal measure of inflation for the entire health care sector exists, economy-wide inflation was used for the purpose of the cost drivers study.

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

While Canadians age 65 and older account for about 17% of the Canadian population, they use almost 45% of all public-sector health care dollars spent by the provinces and territories. However, seniors are a diverse group. In 2016 (the latest available year for data broken down by age group), per-person spending for seniors increased considerably with age: \$6,481 for those age 65 to 69, \$8,348 for those 70 to 74, \$11,081 for those 75 to 79, and \$20,397 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 44.6% in 2006 to 44.8% in 2016. During the same time period, the percentage of seniors in the population grew from 13.2% to 16.5% (Figure 17).

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

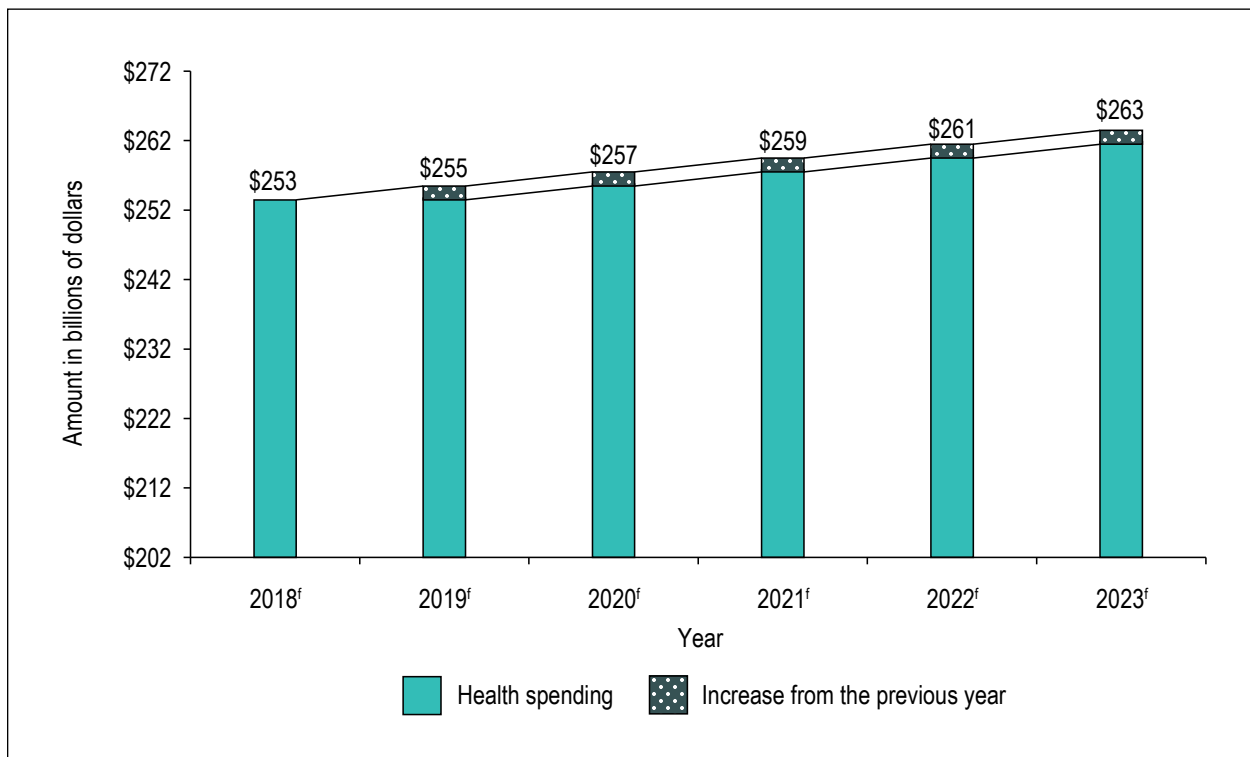


Source

National Health Expenditure Database, Canadian Institute for Health Information.

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



Note

f: Forecast.

Sources

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

Issues to monitor in the future

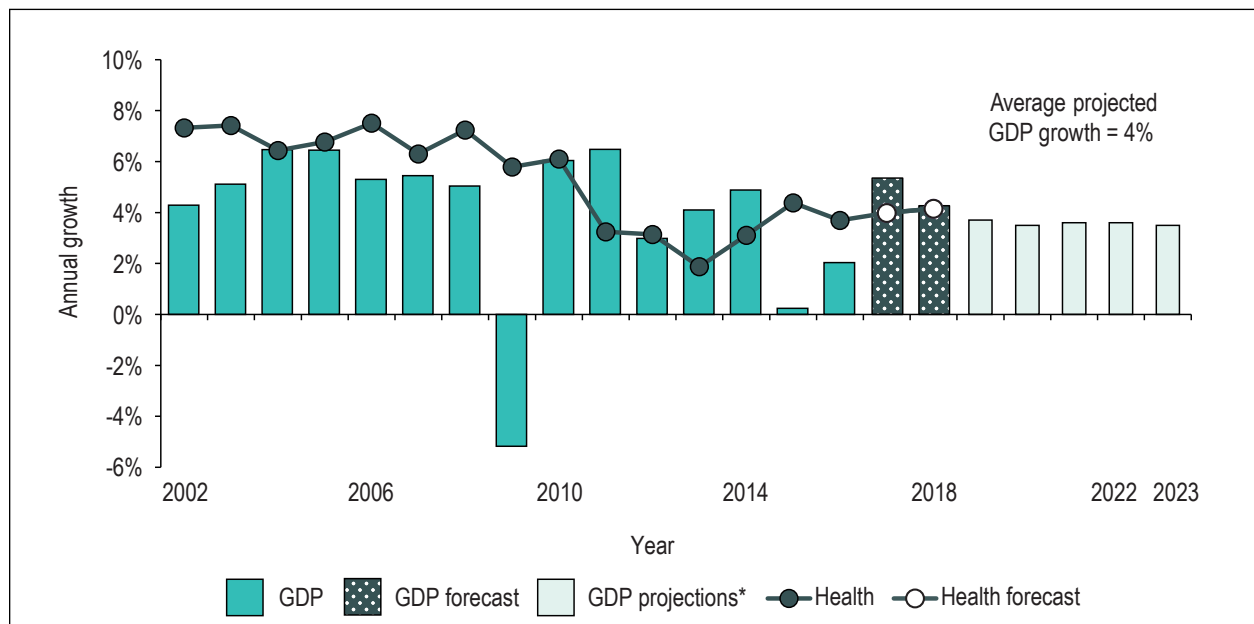
Continuous growth

Economic growth increased in Canada and across all OECD countries in 2017, as shown in the [OECD Economic Outlook, Volume 2018 Issue 1: Preliminary Version](#): “After a lengthy period of weak growth, the world economy is finally growing around 4%, the historical average of the past few decades. The expansion is set to persist over the next 2 years, with global GDP projected to rise by close to 4% in 2018 and 2019.”⁵

In Canada, economic activity has grown more strongly, 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.”⁶ However, uncertainty over the future of the North American Free Trade Agreement (NAFTA) is a significant issue affecting the outlook for Canada’s economy.

Historically, Canada, like other OECD countries, has seen health spending grow similar to, and at times faster than, the overall economy. At the start of the current decade, slower health spending growth was due, in part, to weak economic conditions and fiscal deficits. Looking forward, Canada’s economy is projected to grow by about 4% per year. Continuous economic growth and the prospects of higher government revenues in the next few years may lead to sustained health spending increases in the near future (Figure 19).

Figure 19 Total health expenditure, and nominal GDP and projection, annual growth, Canada



Note

* Data from *Extended April 2018 Economic and Fiscal Outlook*.

Sources

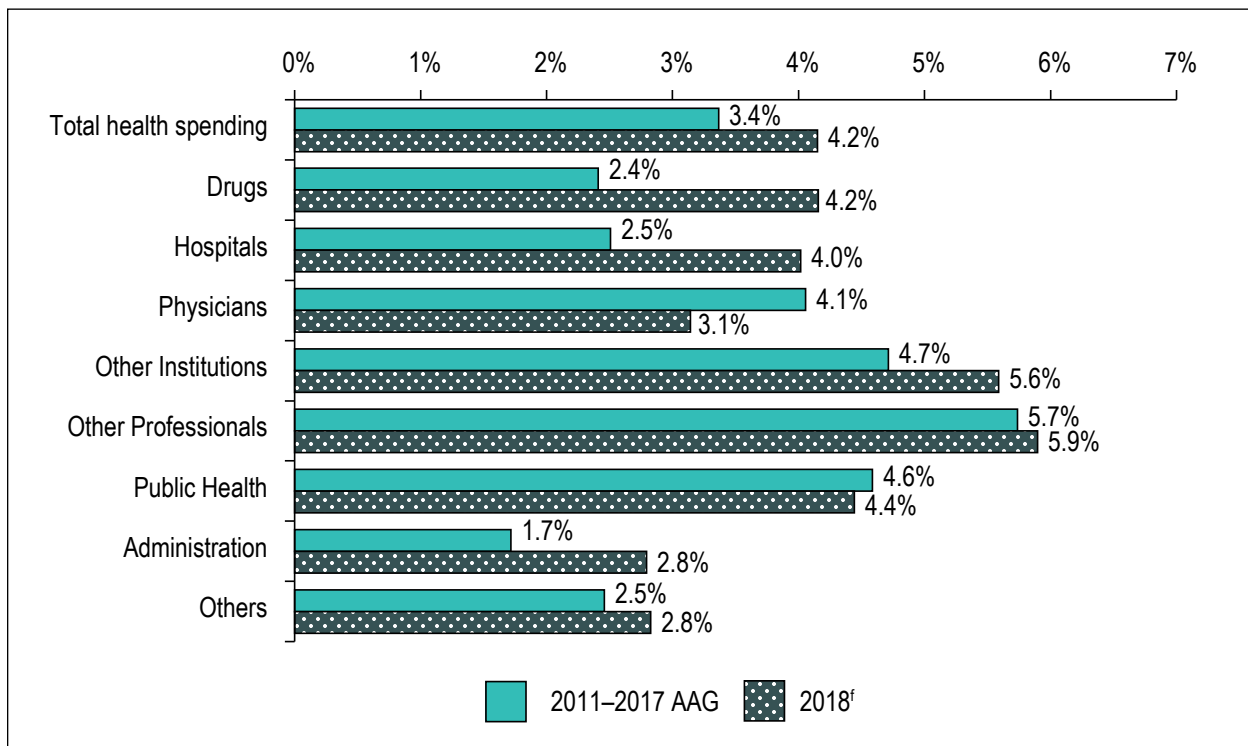
National Health Expenditure Database, Canadian Institute for Health Information.
Office of the Parliamentary Budget Officer. [Extended April 2018 Economic and Fiscal Outlook](#). 2018.

At the provincial/territorial level, the recent Statistics Canada article “[Gross domestic product by industry: Provinces and territories, 2017](#)” showed that “real GDP increased in every province in 2017 for the first time since 2011.”⁷ Looking forward, uncertainty around the strength of economic growth prospects in some jurisdictions could lead to uneven health spending growth that is less broad-based. As a result, growth in health expenditures across provinces and territories will continue to vary.

Shifts in selected areas of health spending

As shown in Figure 20, the pace of overall health spending is projected to increase to 4.2% in 2018. This growth is higher than the annual average for the period from 2011 to 2017. Drilling down to areas of spending, 2018 growth rates for 3 categories — Drugs, Hospitals and Other Institutions (long-term care facilities) — are projected to exceed those seen earlier this decade. Most other areas of health will achieve sustained rates of growth.

Figure 20 Total health expenditure by health spending category, average annual growth from 2011 to 2017, compared with annual growth in 2018



Notes

AAG: Average annual growth.

f: forecast.

“Others” includes Capital and Other Health Spending.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

Drugs spending represents the second-largest component of overall health care costs, and its growth is highest among the 3 largest health spending categories. Earlier this decade, moderate growth in Drugs spending was achieved, largely due 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. A key finding in CIHI's report [Prescribed Drug Spending in Canada, 2018](#) is that savings from generic entries and pricing policies continued to offset some of the growth in the Drugs category.⁸

Looking ahead, a study by IQVIA⁹ (formerly IMS Health and Quintiles) shows that over the next few years, more expensive drugs (next-generation biotherapeutics, such as DNA vaccines, genetic therapy and stem cell therapy) will be coming to the market. These high-cost medicines will drive spending growth. However, patent expirations will continue in the next few years, so the savings from generic substitution will continue to have a dampening effect.^{viii}

Another area of change is in the **Hospitals category**. During the most recent period of fiscal restraint, hospital funding slowed and institutions had to reduce the growth in their expenditures accordingly. As public facilities, hospitals have no profit motive. Instead, they attempt to maximize health care delivery within their funding envelope.

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.

Data reported by the OECD shows that the number of hospital beds per 1,000 population in Canada decreased from 3.0 in 2006 to 2.5 in 2017 for publicly owned hospitals in Canada.¹⁰ 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.”¹¹

In 2018, with improved spending prospects, some provinces have identified new investments in hospital infrastructure. For example, in the [2018 Ontario budget](#), about \$19 billion in grants over the next 10 years was allocated for building and renovating hospitals.¹² [The Québec Economic Plan: Health — Accessible, Quality Health Services](#) from March 2018¹³ stated that “the government has carried out major works in Quebec hospitals and other projects are underway, which will continue in the coming years.”

viii. Discussions about a potential national pharmacare program are currently ongoing. The impact of potential changes to how prescription drugs are delivered and paid for in the future remains unclear.

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.¹⁴ Based on the number of MD degrees awarded by Canadian universities, the number of physicians is likely to continue to grow.¹⁵ The proportion of recent physician graduates (10 years or less since graduation) rose from 16.2% in 2012 to 20.0% in 2016. As a result, more physician services and an increase in utilization will continue to contribute to a rise in Physicians expenditure in the future.

It is important to note that the provision of health care in Canada continues to evolve. For example, governments and policy-makers have prioritized home-based care and community services as essential elements of patient-centred and integrated health care systems. Recent budgets have committed new investments targeted at improving home and community care services.

Currently, these home and community care expenditures are not shown as a separate category in NHEX. The variation in definitions, the mix of services provided and the funding sources across jurisdictions creates challenges for identifying a complete estimate. Unlike hospital or physician services, home and community care services are not insured services legislated by the *Canada Health Act*.¹⁶ Each jurisdiction (federal, provincial and territorial) has developed its own unique system. An initiative is under way at CIHI to enhance the quality of existing data and, most importantly, to estimate home and community care spending as its own category. As a result of these ongoing efforts, an initial estimate of publicly funded home and community care expenditures by provincial and territorial governments in Canada can be made: \$8.2 billion in 2016–2017.^{ix} Future NHEX reports will refine and build upon this initial estimate.

ix. For information on the development of home and community care spending estimates in Canada, see the Methodology Notes.

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	2018	253.5	243.4	4.2%
Health spending per capita at current price	Dollars	2018	6,839	6,630	3.2%
Health spending at constant price	Billions of dollars	2018	159.2	155.2	2.6%
Health spending per capita at constant price	Dollars	2018	4,295	4,228	1.6%
Total health expenditure as a percentage of GDP	Percentage	2018	11.3	11.3	-0.1%
By health spending category					
Hospitals share of total health spending	Percentage	2018	28.3	28.3	-0.1%
Drugs share of total health spending	Percentage	2018	15.7	15.7	0.0%
Physicians share of total health spending	Percentage	2018	15.1	15.2	-1.0%
By sector					
Public-sector share of total spending	Percentage	2018	68.9	69.3	-0.5%
Private-sector share of total spending	Percentage	2018	31.1	30.7	1.1%
Out-of-pocket expenditure per capita	Dollars	2016	971.9	904.4	7.5%
Private insurance expenditure per capita	Dollars	2016	788.3	756.1	4.2%

Health spending data category and component	Unit description	Period of latest data	Latest data	Data for previous period	Change from previous period
Total health expenditure per capita					
Newfoundland and Labrador	Dollars	2018	7,443	7,266	2.4%
Prince Edward Island	Dollars	2018	6,824	6,715	1.6%
Nova Scotia	Dollars	2018	7,173	6,982	2.7%
New Brunswick	Dollars	2018	6,935	6,676	3.9%
Quebec	Dollars	2018	6,749	6,456	4.5%
Ontario	Dollars	2018	6,584	6,363	3.5%
Manitoba	Dollars	2018	7,354	7,238	1.6%
Saskatchewan	Dollars	2018	6,931	7,007	-1.1%
Alberta	Dollars	2018	7,552	7,390	2.2%
British Columbia	Dollars	2018	6,597	6,415	2.8%
Yukon	Dollars	2018	12,121	13,020	-6.9%
Northwest Territories	Dollars	2018	16,276	16,602	-2.0%
Nunavut	Dollars	2018	15,832	16,264	-2.7%
Provincial/territorial spending by age					
Cost per capita for infants (younger than age 1)	Dollars	2016	11,973	11,205	6.9%
Cost per capita for youths (age 1 to 14)	Dollars	2016	1,539	1,507	2.1%
Cost per capita for those age 15 to 64	Dollars	2016	2,883	2,772	4.0%
Cost per capita for seniors (age 65 and older)	Dollars	2016	11,301	11,765	-3.9%
International comparison (Canadian dollar purchasing power parity)					
Total per capita for Canada	Dollars	2017	6,082	5,913	2.9%
Total per capita for OECD average	Dollars	2017	5,055	4,862	4.0%

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 2018](#). 2018.

Appendix B: Text alternative for figures

Text alternative for Figure 1: How much will we spend on health in 2018?

Total health spending in Canada is projected to reach \$253.5 billion in 2018, with growth of around 4.2%. This will represent 11.3% of Canada's gross domestic product and equal \$6,839 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 \$6,082 per person in 2017.

That year, among 36 selected OECD countries, spending per person remained the highest in the United States, at \$12,865.

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 (73%).

Here are the numbers for 2017 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: \$5,055 per person; 8.8% of GDP; 73% public/27% private
- Canada: \$6,082 per person; 10.4% of GDP; 70% public/30% private
- United States: \$12,865 per person; 17.2% of GDP; 82% public/18% private
- France: \$6,177 per person; 11.5% of GDP; 83% public/17% private
- Germany: \$7,218 per person; 11.3% of GDP; 85% public/15% private
- Sweden: \$6,944 per person; 10.9% of GDP; 84% public/16% private
- Netherlands: \$6,786 per person; 10.1% of GDP; 81% public/19% private
- Australia: \$5,725 per person; 9.1% of GDP; 68% public/32% private
- New Zealand: \$4,641 per person; 9.0% of GDP; 79% public/21% private
- United Kingdom: \$5,373 per person; 9.7% of GDP; 78% public/22% 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 2018](#). 2018.

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

In 2018, the public sector will pay for about 69% of total health expenditures (64.2% from the provincial and territorial governments and 4.8% from other parts of the public sector).

Private-sector spending will account for the other 31% of total health expenditure in 2018.

The private sector has 3 components, the largest of which is out-of-pocket spending (15.4%), followed by private health insurance (12.4%) and non-consumption (3.3%).

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, 2010 and 2016, the split was 70% public/30% private.

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 2016

Year	Household (out of pocket)	Private insurance	Non-consumption
1988	\$278	\$139	\$61
2000	\$504	\$358	\$95
2016	\$972	\$788	\$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 2018

Most health spending continues to be for Hospitals, Drugs and Physicians. Over the last couple of years, the pace of Drugs spending growth has increased, and Drugs is forecast to have the highest growth of these 3 categories in 2018.

Here's the forecast for each category in 2018:

- Hospitals spending: 28.3% of total health expenditure; \$1,933 per person; 3.0% annual growth per person
- Drugs spending: 15.7% of total health expenditure; \$1,074 per person; 3.2% annual growth per person
- Physicians spending: 15.1% of total health expenditure; \$1,032 per person; 2.2% 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 health spending category, Canada, 2018 (dollars and percentage share)

Category	Per capita health expenditure	Share of health expenditure
Hospitals	\$1,933	28.3%
Drugs: Prescribed	\$909	13.3%
Drugs: Non-Prescribed	\$166	2.4%
Physicians	\$1,032	15.1%
Other Institutions	\$768	11.2%
Other Professionals: Dental Services	\$461	6.7%
Other Professionals: Vision Care Services	\$140	2.0%
Other Professionals: Other Health Professionals	\$157	2.3%
OHS: Other Health Spending	\$369	5.4%
OHS: Health Research	\$112	1.6%
Public Health	\$383	5.6%
Capital	\$225	3.3%
Administration	\$186	2.7%

Notes

OHS: Other Health Spending.

For information on the development of home and community care spending estimates in Canada, see the Methodology Notes. 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 health spending category, Canada, 2018

Category	Public-sector share	Private-sector share
Hospitals	90.0%	10.0%
Other Institutions	68.8%	31.2%
Physicians	98.4%	1.6%
Other Professionals	10.7%	89.3%
Drugs	36.1%	63.9%
Capital	73.8%	26.2%
Public Health	100.0%	0.0%
Administration	40.0%	60.0%
Other Health Spending	70.8%	29.2%
All categories	68.9%	31.1%

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 2018, total health spending per person is forecast to range from \$7,552 in Alberta and \$7,443 in Newfoundland and Labrador to \$6,597 in British Columbia and \$6,584 in Ontario.

Here are the 2018 forecasts for per-person spending and the corresponding growth rates for Canada as a whole and for each province and territory:

- Canada: \$6,839 per person; 3.2% increase
- Newfoundland and Labrador: \$7,443 per person; 2.4% increase
- Prince Edward Island: \$6,824 per person; 1.6% increase
- Nova Scotia: \$7,173 per person; 2.7% increase
- New Brunswick: \$6,935 per person; 3.9% increase
- Quebec: \$6,749 per person; 4.5% increase
- Ontario: \$6,584 per person; 3.5% increase
- Manitoba: \$7,354 per person; 1.6% increase
- Saskatchewan: \$6,931 per person; 1.1% decrease
- Alberta: \$7,552 per person; 2.2% increase
- British Columbia: \$6,597 per person; 2.8% increase
- Yukon: \$12,121 per person; 6.9% decrease

- Northwest Territories: \$16,276 per person; 2.0% decrease
- Nunavut: \$15,832 per person; 2.7% 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 2016

Year	Health as a proportion of provincial/territorial 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	35.9%
2012	36.5%
2013	36.3%
2014	36.4%
2015	37.0%
2016	37.0%

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 2016. (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 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.](#)")

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 2018

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	6.8%	6.4%
2006	7.5%	5.3%
2007	6.3%	5.4%
2008	7.2%	5.0%
2009	5.8%	-5.2%
2010	6.1%	6.0%
2011	3.3%	6.5%

Year	Health expenditure	GDP
2012	3.1%	3.0%
2013	1.9%	4.1%
2014	3.1%	4.9%
2015	4.4%	0.2%
2016	3.7%	2.0%
2017 ^f	4.0%	5.3%
2018 ^f	4.2%	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 2016, compared with annual growth in 2017 and 2018

Period	General inflation	Population growth	Aging	Other
2000 to 2010 AAG	2.4%	1.0%	0.9%	2.7%
2010 to 2016 AAG	1.4%	1.1%	0.9%	-0.3%
2017 ^f	2.3%	1.2%	0.9%	-0.8%
2018 ^f	2.4%	1.0%	0.9%	-0.6%

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 2016.

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 2006 to 2016, the share of health expenditure spent on Canadians age 65 and older rose slightly from 44.6% to 44.8%. At the same time, the percentage of seniors in the population grew from 13.2% to 16.5%.

By comparison, over the same time period, the share spent on Canadians age 1 to 64 dropped slightly from 52.5% to 52.2%, and this age group's share of the population dropped from 85.7% to 82.4%.

Finally, the share spent on Canadian infants younger than age 1 grew slightly from 2.9% in 2006 to 3.1% in 2016. 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	2018 ^f	2019 ^f	2020 ^f	2021 ^f	2022 ^f	2023 ^f
Health spending	\$253 billion	\$253 billion	\$255 billion	\$257 billion	\$259 billion	\$261 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.

Sources

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

Text alternative for Figure 19: Total health expenditure, and nominal GDP and projection, annual growth, Canada

Year	Health expenditure	GDP
2002	7.3%	4.3%
2003	7.4%	5.1%
2004	6.4%	6.5%
2005	6.8%	6.4%
2006	7.5%	5.3%
2007	6.3%	5.4%
2008	7.2%	5.0%
2009	5.8%	-5.2%
2010	6.1%	6.0%
2011	3.3%	6.5%
2012	3.1%	3.0%
2013	1.9%	4.1%
2014	3.1%	4.9%
2015	4.4%	0.2%
2016	3.7%	2.0%
2017	4.0%	5.3%
2018	4.2%	4.3%
2019	n/a	3.7%*
2020	n/a	3.5%*
2021	n/a	3.6%*
2022	n/a	3.6%*
2023	n/a	3.5%*

Notes

* GDP projections data from *Extended April 2018 Economic and Fiscal Outlook*.

n/a: Not applicable.

Sources

National Health Expenditure Database, Canadian Institute for Health Information.

Office of the Parliamentary Budget Officer. [Extended April 2018 Economic and Fiscal Outlook](#). 2018.

Text alternative for Figure 20: Total health expenditure by health spending category, average annual growth from 2011 to 2017, compared with annual growth in 2018

Category	2011 to 2017 AAG	2018 ^f
Total health spending	3.4%	4.2%
Drugs	2.4%	4.2%
Hospitals	2.5%	4.0%
Physicians	4.1%	3.1%
Other Institutions	4.7%	5.6%
Other Professionals	5.7%	5.9%
Public Health	4.6%	4.4%
Administration	1.7%	2.8%
Others	2.5%	2.8%

Notes

AAG: Average annual growth.

f: forecast.

“Others” includes Capital and Other Health Spending.

Source

National Health Expenditure Database, Canadian Institute for Health Information.

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