

Intelligence MEMOS



From: Rosalie Wyonch and Tingting Zhang
To: Canadians Health Spending Watchers
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Re: **HEALTH SPENDING – THE LATEST DATA.**

Canada spent more than \$75 billion on COVID-19 healthcare response, the Canada Institute for Health Information [reported](#) yesterday in its annual National Health Expenditure Trends database that includes finalized 2020 spending and preliminary estimates for 2021 and 2022.

The COVID-19 Response Funding represents about 10 percent of public spending on healthcare from 2020 through 2022. This translates to an average of \$1,997 per capita across the country.

That obscures some notable interprovincial variation: More emergency-response funding was spent per capita in Quebec (\$2,845) than other provinces, while PEI and Newfoundland and Labrador spent the least (\$1,013 and \$1,192 respectively). Quebec, however, was handling overwhelming COVID-19 cases, and the highest death toll, in 2020 that threatened its healthcare capacity.

Not surprising, therefore, that more funding went to emergency response. In total, Quebec spent the highest proportion of its budget on emergency response: 14.6 percent, followed by Ontario with 11.2 percent, while the remaining provinces and territories spent less than 10 percent.

Overall, projected increases in total public spending from 2021 to 2022 (excluding COVID-19 Response Funding) were highest in Quebec and Nova Scotia in terms of both percentage increases (9.6 and 10.2 percent) and per capita (\$528 and \$604). Alberta showed the smallest increase at \$91.36 per capita.

Following the time-limited COVID-19 response funding bubble, per capita public spending on healthcare continues its steady upward march, ranging from 1.6 percent to 10.2 percent in 2022 compared to 2021. It's also worth noting that governments often [overshoot](#) these preliminary estimates.

In 2020 when the pandemic started, total health spending in Canada increased to \$305 billion, representing 13.8 percent of Canada's gross domestic product. Compared to 2019, this represented 13.2-percent growth, surpassing the average pre-pandemic growth rate (4 percent for 2015-2019).

For 2022, CIHI estimates total health spending at another record high, \$331 billion. This continuous growth is driven by surgical backlogs, pent-up demand for healthcare services, increased wait times, the aging population and generally high levels of inflation. For the past 20 years, hospitals, drugs and physicians represented the largest spending categories for healthcare. 2020 was no different in that regard, hospitals (24.1 percent), drugs (13.6 percent), and physician compensation (12.5 percent) still accounted for the largest shares of health spending. However, spending on physicians declined by 3.6 percent compared to 2019. Among the provinces, Newfoundland and Labrador saw the largest decrease (down 18 percent) in physician spending. This reflects pandemic knock-ons, such as delays in non-essential care, fewer routine visits for chronic illness, laboratory tests and screenings. As services resumed in 2021 and 2022, growth in physician expenditures rebounded. In 2022, physician spending is expected to reach 13.6 percent of total health spending, tying with drugs for the second largest share of health spending.

Quebec experienced the largest percentage increases in hospital spending (30.6 percent) and drugs (5.6 percent) in 2020. In terms of percentage distribution of provincial government health expenditure, Northwest Territories spent almost half its money on hospitals, followed by New Brunswick and Nova Scotia (42 percent each). Meanwhile, Ontario and Alberta spent the most on their doctors, at 20.9 percent of their total.

As Canada's healthcare systems move beyond COVID-19, attention moves to other challenges that continue to strain the capacity of care.

Better data can only help understand spending and differences between provinces to highlight areas for concern, categories that are absorbing the majority of new public spending and facilitate learning from the successes in other provinces. As inflation, largely uncaptured in this latest CIHI data, drives up costs across the economy and the healthcare system, it becomes more important to make strategic use of all available resources to meet the dual challenge of addressing care backlogs and constraining cost growth.

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