Healthcare Cost Drivers: Where Does the Money Go?

• Healthcare spending continues to grow in Canada; it is expected to surpass the $200 billion milestone for the first time in 2011. However, the speed of growth is the slowest in the last 15 years.
• Canada is forecast to spend about $7 billion more on healthcare in 2011 than in 2010—or about $150 more per citizen (about $5800 per capita). This represents an estimated annual growth rate of 4%, the lowest since 1996.
• While healthcare spending continues to increase faster than inflation and population growth, it is expected to grow more slowly than the overall economy.
• The major cost drivers of public-sector healthcare spending from 1998 to 2008 were compensation of healthcare providers, increased use of services and an evolution in the types of services provided and used.
• Hospitals represent the largest category of public healthcare spending. Compensation represents about 60% of total hospital budgets.
• Drug utilization in Canada increased by about 6% a year between 1998 and 2007—even after adjusting for population growth and aging.
• An important driver of drug spending, particularly during the last five years, was a change in the types of drugs used. New cancer drugs and immunosuppressants were two of the fastest-growing drug classes during this period.
• Between 1997 and 2010, the number of CT scanners operating in Canada nearly doubled while the number of MRI machines increased more than fivefold.
• Over the past decade, the proportion of health dollars spent on seniors by provincial and territorial governments has remained relatively stable. This helps illustrate that our aging population is not a significant cost driver, relative to other categories.

Sources
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