

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. **HQ**



Sources

Health Care Cost Drivers: The Facts. Canadian Institute for Health Information (CIHI). <https://secure.cihi.ca/estore/productFamily.htm?locale=en&pf=PFC1672>

National Health Expenditure Trends, 1975 to 2011. Canadian Institute for Health Information (CIHI). <https://secure.cihi.ca/estore/productFamily.htm?locale=en&pf=PFC1671>

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