

Ontario Health Sector

An Updated Assessment of Ontario Health Spending

Technical Briefing

fAO

Financial
Accountability
Office of Ontario

Background

- Since 2012, health spending restraint has been a key measure to balance the budget.
- The 2017 Ontario Budget announced \$6.9 billion in additional health sector funding which relieved some of the spending restraint.
- This report provides an updated assessment of the Province's health sector expense plan in order to support Members of Provincial Parliament in evaluating health sector spending in the upcoming 2018 Ontario Budget.

Report Outline

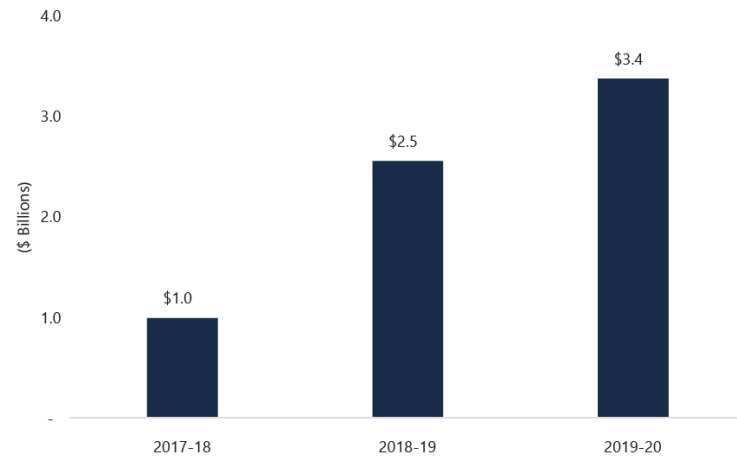
- This report:
 1. Examines the new health spending announced in the 2017 budget.
 2. Assesses the extent to which the new funding eases budget pressure in Ontario's health sector.
 3. Analyzes federal support for Ontario health spending.

1. New Health Spending in the 2017 Budget

Allocation of the 2017 Budget's New Health Spending

- \$6.9 billion in new spending announced in the 2017 budget.
 - \$1.2 billion is a pension accounting adjustment and does not involve any additional cash spending.
 - \$5.7 billion is an increase in spending on health care services.
 - \$4.2 billion in additional funding for existing programs.
 - \$1.5 billion in funding for new programs (mainly OHIP+).
- Most of the new spending is allocated to 2018-19 and 2019-20.

Allocation of the \$6.9 billion in new health sector expense by fiscal year

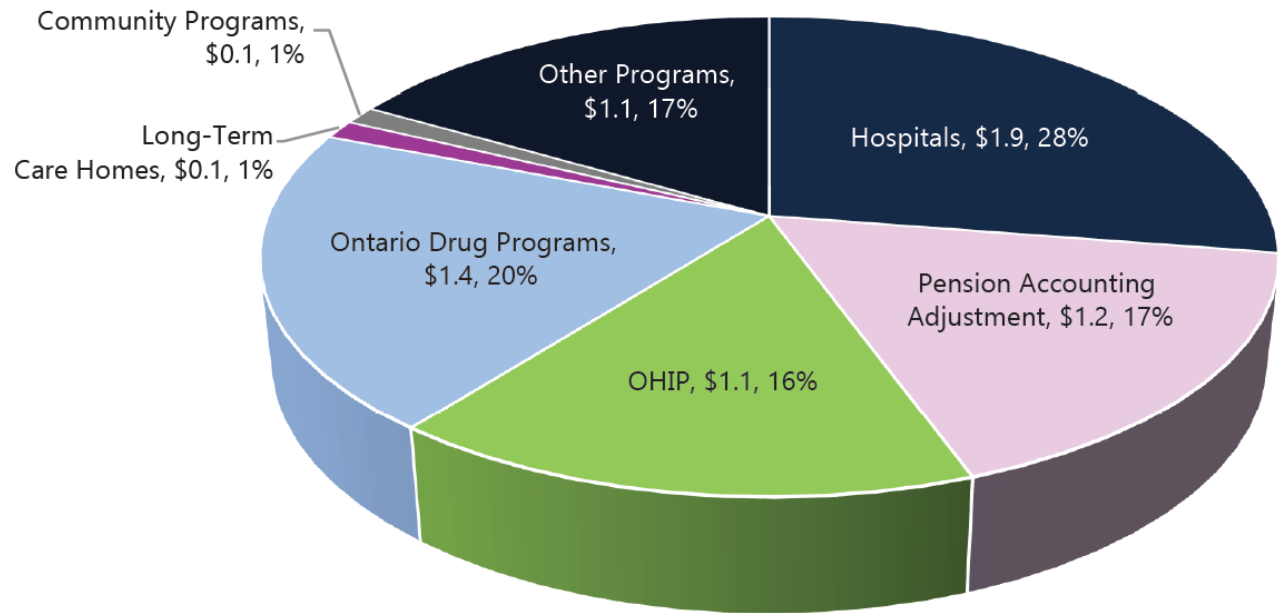


Source: FAO analysis of the 2016 and 2017 Ontario Budgets.

Allocation of the 2017 Budget's New Health Spending by Program Area

- Most of the additional funding is going to hospitals, OHIP, Ontario Drug Programs, and "other programs".

\$6.9 billion additional health sector expense by program area from 2017-18 to 2019-20 (\$ billions)

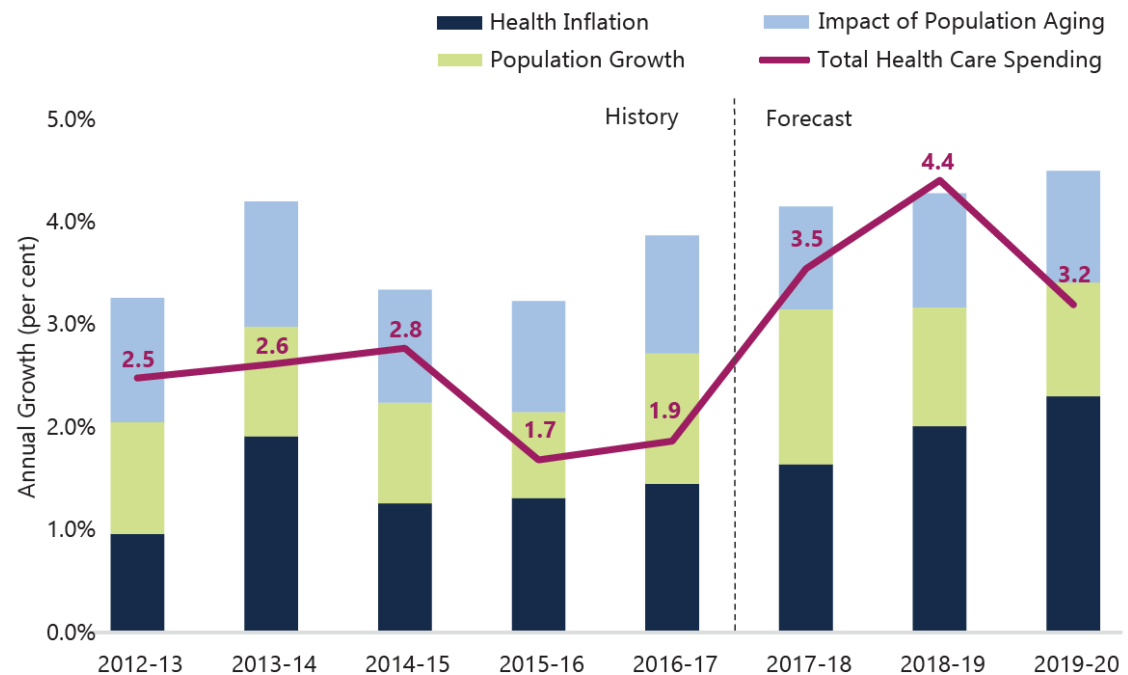


Source: FAO analysis of data provided by MOHLTC and TBS.

2. Health Spending and Budget Pressure in Ontario's Health Sector

Total health care spending has not kept pace with the funding pressure from inflation and Ontario's growing and aging population.

Health spending is growing slower than its core cost drivers every year except 2018-19

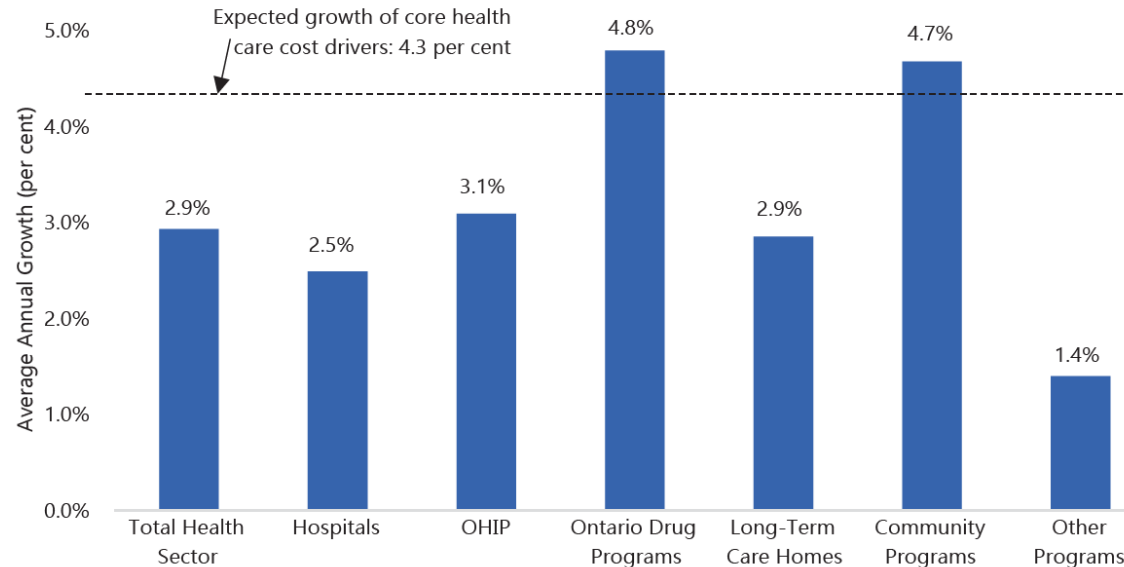


Source: 2017 Ontario Economic Outlook and Fiscal Review, and FAO analysis of data from MOHLTC and TBS.

Note: population growth, population aging and price inflation are three core drivers of health care costs.

Planned spending growth for existing health services is well below the expected growth of core cost drivers over the outlook.

Spending growth for existing health services in most program areas will not keep pace with core health care cost drivers over the planning period (2017-18 to 2019-20)



Source: FAO and analysis of data from MOHLTC and TBS.

Note: population growth, population aging and price inflation are three core drivers of health care costs.

How can the Province grow health spending more slowly than its core cost drivers?

- To grow health spending below the growth of core cost drivers the Province can:
 - Improve efficiency.
 - Temporarily cut spending.
 - Ration care, eliminate services or allow the quality of existing services to deteriorate.
- Since 2012, the Province has relied on a number of strategies, including:
 - Four-year freeze on hospital base operating funding.
 - Increases in hospital efficiency.
 - Restraining wage growth of health care workers, including doctors.

Health care services: access and quality

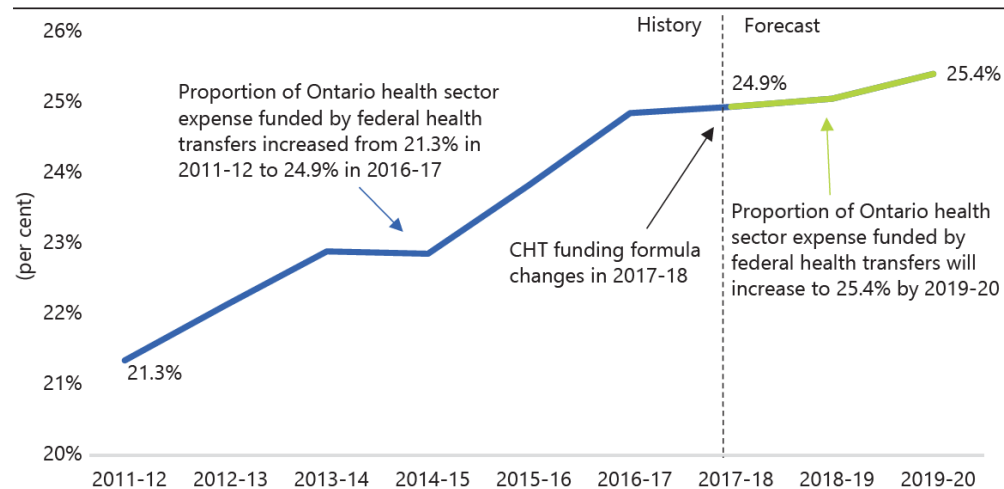
- With so many indicators of health care quality, it is difficult to identify key trends and to link these trends to recent health sector expense restraint.
 - For example, the FAO's review of wait time data shows a mix of system improvements and deteriorations.
- Going forward, unless the Province can continue to find significant efficiencies in the health sector, there is a risk that additional spending will be required to avoid reductions in health care access or quality in the coming years.

3. Federal support for Ontario health spending

Federal Support for Ontario Health Spending

- The federal government's Canada Health Transfer has been funding an increasing share of Ontario's health sector spending.
- Even with the CHT funding formula change, this trend is expected to continue under the government's current spending plans.
- However, over the long-term, CHT growth will not keep pace with the growth of health care cost drivers.

Share of Ontario health sector expense funded by federal health transfers will continue to increase



Source: FAO and analysis of data from MOHLTC and TBS.

Thank you

fAO

Financial
Accountability
Office of Ontario

2 Bloor Street West
Suite 900
Toronto, Ontario
M4W 3E2
416.644.0702
fao-on.org
info@fao-on.org

