

## **Putting Health-care Spending in Perspective**

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According to many health care advocates, including most doctors' and nurses' groups, recent cuts in funding have left our health care system struggling.

Critics of the system tend to paint a different picture. Runaway health care costs, they suggest, are becoming unaffordable.

Which picture is accurate? The answer comes through recognizing the different ways of looking at costs. We can think about absolute levels of spending alone, or in relation to buying power and need. For instance, Ontario government health spending rose from 17.7 billion in 1995 to 18.4 billion in 1999, a 3.82% rise. However, after correcting for inflation and population growth, real spending per person fell by 6.7%.

The Ontario experience reflects the entire nation. Between 1992 and 1997, per person spending on health care decreased across the country. With an aging population, and an explosion in expensive technology and drugs, it is no wonder that health care has suffered.

In the last two years, Ontario's reported health expenditures have risen at a more rapid rate than in the prior five years. Provincial auditor Eric Peters has found, however, that the Harris government inflated reports of health spending by counting planned spending for the future in the current year's budget. Even so, reported spending, which is expected to reach 22.5 billion in 2001, represents a real increase in per person funding for health care over 1999 spending levels.

The story so far is a decrease in per person health spending in the mid-1990's, with the beginning of make-up expenditures in the last two years. To get an even clearer picture of health spending, we must take the buying power of our society into account. After all, an individual family's expenditure of \$10,000 per year on housing means something very different if the family income is \$20,000 or \$200,000.

Canada's equivalent of a family income is the Gross Domestic Product, or GDP. As a percentage of GDP, health spending rose every year in the two decades leading up to 1992. In that year, health spending as a percentage of GDP reached its peak at 10.2%.

Since 1992, health spending as a proportion of GDP has dropped substantially. The most recent estimates suggest Canada's health care spending is approximately 9.2% of the GDP, a drop of a full 1% of the GDP.

Comparison with other countries gives us a final useful perspective. In 1992, the year of highest spending in relation to the GDP, Canada stood 2nd in the world in health spending as a proportion of GDP, behind only the United States. The years of belt-tightening have left us 5th, behind the US, France, Germany, and Switzerland.

Furthermore, we are now spending far less than the United States. In 1999, the US spent \$3898 in US dollars per citizen on health care, and Canada \$2065.

So, what is the bottom line? In dollars spent per citizen on health care, Canada is now more or less in the same place as a decade ago. In relation to our wealth, and in relation to other industrialized countries, our health care spending has dropped substantially.

What does this mean for Canada's ongoing debate about how best to deliver our nation's health care? There is no "correct" amount of our GDP we should be spending on health. That is a matter of how we value health care in relation to other ways we can spend our wealth – on education, the military, or tax cuts to allow higher levels of private spending.

Still, the numbers are important. They tell us that critics who warn of out-of-control health care spending are wrong. We could make a large reinvestment in health care before we approached our relative levels of spending of a decade ago, or of other countries. If we value high quality health care for all Canadians, we will make that reinvestment.