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Promises Made...Promises Broken --

# The Real Story on Health Care Spending in Ontario

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## Promises Made

***“We will not cut health care spending. It’s far too important. And frankly, as we all get older, we are going to need it more and more. Under this plan, health care spending will be guaranteed.”***

Mike Harris, Common Sense Revolution, May 1994

***“Not only is this year’s projected health care spending of \$18.7 billion an increase of more than \$1 billion from 1995-96, it is more than any Ontario government has ever spent on health care.”***

Elizabeth Witmer, Ministry of Health 1998-99 Business Plan, June 1998

***“Myth: Closing hospitals is about cutting health spending.  
Fact: Health care spending is up \$1.5 billion.”***

Ontario government advertizement, January 1999

Did you ever wonder how it is possible to spend more on health care while at the same time:

- thirty-five hospitals have been closed;
- emergency rooms regularly stop accepting patients;
- expectant mothers are shipped around the province in search of beds;
- cancer patients are sent to the U.S. while more than 2,000 suffer on waiting lists; and
- ordinary citizens have lost confidence in our once-solid health care system?

It is not possible. An analysis of independently prepared data on health spending in Ontario shows that, when spending is measured and compared on a consistent basis, nearly \$2 billion has been cut since Mike Harris was elected.

Who has been paying the price? Ordinary Ontarians. Health care funding has been falling behind growing needs. User fees are going up, and increasingly, people are having to rely on their own resources and the private market to fill gaps left by health cuts.

Why? Because the Harris Government needs every cent it can squeeze from health to pay for its income tax cut. Ordinary Ontarians are digging into their own pockets, and are being forced to accept less from their public health care system, in order to pay for the tax cut. And the lion’s share of the tax cut goes to people at the top of the income scale.

## Promises Broken

Figures released by the Canadian Institute for Health Information (CIHI)<sup>1</sup> last November now allow us to examine what is really happening to health care funding in Ontario. As a federally chartered but independent agency, CIHI is charged with the important task of monitoring public and private health care expenditures across the country. Created in 1995 to consolidate the health care information functions of several government agencies, including Statistics Canada and Health Canada, CIHI operates as an arms-length body from government. To many observers, CIHI is an important source of information allowing measurement of health care spending and comparisons across provinces.

Analysis of CIHI data reveals that, rather than increasing health care funding by \$1.5 billion as claimed, funding has actually been cut in Ontario by \$1.97 billion over the term of this government. When the Mike Harris government claims that it is spending more money than ever on health care they fail to account for a 4.2% increase in the population and inflation of 4.5% in the price of health care<sup>2</sup>. That's simply dishonest.

In terms of real spending, the Mike Harris government has cut an increasing amount from health care each year since coming to power. The government cut \$266.4 million in 1996, a further \$628.1 million in 1997 and \$1.1 billion in 1998 (see Table 1). On top of trying to hide the facts by ignoring simple factors such as inflation and population growth, the government has also attempted to inflate expenditures for the 1998-99 year by including half a billion dollars in one-time costs associated with hospital closures and layoffs, and by double-counting more than \$200 million in transfers to the municipalities<sup>3</sup>. Health experts have clearly rejected these budget claims. Although the attempts to artificially inflate spending account for 3.93% of the estimated 1998-1999 expenditures, even choosing to ignore this still means health care funding comes up \$1.93 billion short over the last three years.

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<sup>1</sup>Canadian Institute for Health Information, *Health Expenditure Trends 1975-1998*, Ottawa: Ontario, November 19, 1998.

<sup>2</sup> Health care prices climbed by 4.5% from 1995 to 1998 based on the Statistics Canada Health Care Price Index for Ontario.

<sup>3</sup> 1998-99 health expenditures include \$529 million in one-time funds for transitional assistance for restructuring (largely for layoffs and severance), and \$206 million that will be reimbursed by the municipalities. As a result, 1998 CIHI current dollar expenditures have been adjusted downward by 3.93%

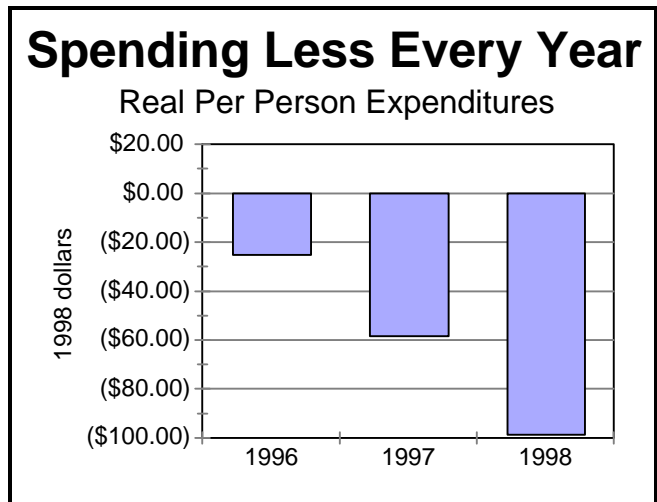
**TABLE 1. PROVINCIAL GOVERNMENT SPENDING ON HEALTH CARE**

	Expenditures Current \$  (millions)	Per Person Expenditures Current \$  (dollars)	Health Care Price Index, Ontario  (1992=100 )	Real Expenditures 1992 \$  (millions)	Population	Real Per Person Expenditures  (1992 \$)	Cumulative Per Person Deficit  (1992 \$)	Cumulative Total Deficit 1992 \$  (millions)
<b>1995</b>	18,572.4	1,673.50	104.2	17,823.8	11,098,137	1,606.02	0.00	0.0
<b>1996</b>	18,704.0	1,661.50	105.0	17,813.3	11,257,501	1,582.35	23.66	266.4
<b>1997</b>	18,842.8	1,651.80	106.5	17,692.8	11,407,641	1,550.96	78.72	894.5
<b>1998</b>	19,044.0	1,647.20	108.9	17,487.6	11,561,162	1,512.61	172.13	1,974.4
<b>Change fr. 1995</b>	471.6	-26.20	4.5%	-336.2	463,025	-93.40	172.13	1,974.4

Source: Canadian Institute for Health Information, National Health Expenditure Trends, 1975-1998

Per person spending is now at its lowest level ever, with the provincial government spending \$97.60 less in today's dollars than when they came to power. Over the course of the past three years health care funding has been cut by a total of \$172.13 per person, or \$516.39 for a family of four.

Recent government announcements of "new" money for health care have largely been media-fueled, stop-gap measures that come nowhere close to making up for previous spending reductions.



**Public services down; private costs up -- moving to a two-tier health system**

When you get sick, you do what you can afford to do to get better. And if you can't afford to supplement the system, you go without. That's how two-tier medicine gets started. And that's where we're going in Ontario.

The data from the CIHI show clearly that, during the term of the Harris Government, Ontarians who can afford it have been relying increasingly on the private market, using private funds, to get what they need.

How much will you pay next time you get sick? Faced with a declining level of health care, Ontarians are spending more than ever out of their own pocket and through private insurance for health services. Ontarians face new user fees for chronic care, pay for more home care, now have to pay for de-listed services and face increased drug costs as they are shuffled out of hospitals “quicker and sicker.” We now have the highest private health expenditures in Canada, as annual spending has risen by more than \$1 billion over the last three years.

Some of this increase would have happened anyway. Ontario has always had a mix of public and private spending in its health system, and private costs are going up along with public sector costs. But 41% of that \$1.06 billion increase in private spending can be attributed to cuts in the public system.

New analysis of the patterns of private health care expenditure reveals the relationship between increased private spending and public cutbacks<sup>4</sup>.

Real private spending on drugs has soared 17% percent since 1995, although drug prices have only climbed 2.2%. The remainder of this increase can be attributed to earlier discharges from hospitals, increasing use of day surgery and new co-payments by seniors and those on social assistance. Private expenditures on non-physician health professionals is largely concentrated on vision and dental care, meaning 13% of real increases in this category is attributed to new areas of private spending.

Forty percent of real changes in private spending on hospital services arise from out-of-pocket and private insurance, with the remainder being made up from various sources, including private foundations and charities. And real changes in private expenditures on physicians, though minor, can be attributed to household spending. Although minor fluctuations show Ontarians are spending slightly less in some areas, these decreases are quickly outstripped by rising costs elsewhere.

#### **Private Spending Changes Per Person, Per Year**

	1998 \$
Hospitals	-3.38
Other Institutions	-2.19
Physicians	-0.16
Other Professionals	3.83
Drugs	32.47
Other Spending	5.43
Total	35.99
Provincial Total	\$416.1 million

After factoring-out the private spending on health services that Ontarians have always had to pay for (such as for dentists, eye glasses and the regular use of prescription drugs) new data reveals that Ontarians are now spending an average of \$35.99 more per person, per year for health care<sup>5</sup>. For a family of four that means \$431.88 over three years. (See Table 2)

<sup>4</sup> The November 1998 CIHI report includes an analytical study of *Private Sector Spending In Canada*, providing an analysis of private health care expenditure by source of funds and category of service.

<sup>5</sup> Drug costs have been deflated by the Medicinal and Pharmaceutical Price Index for Ontario. All other costs have been deflated by the overall Health Care Price Index for Ontario.

While some may argue that these increases are simply the result of higher demand, even 5% growth in real, after-inflation, consumption would only cut per person new user fees by less than two dollars to \$34.19.

Of course the burden of higher private expenditures does not fall evenly. Those without any private insurance pay out-of-pocket directly, while those with some insurance pay in the form of lower overall compensation and often contribute directly to higher premiums. While an upper-income family of four can more easily afford \$144 per year in new private health care spending, this amount represents a much higher proportion of income for those with lower earnings. As a result of this shift away from a universal social program, you now have to gamble with a growing burden new private costs – now totaling more than \$400 million. If you are lucky you get to keep some of your money. If you, or someone in your family, gets sick, you pay.

<b>TABLE 2. HIGHER PRIVATE COSTS</b>							
<b>Private Sector Health Expenditures by Use of Funds, Ontario</b>							
<b>Per Capita, 1992 \$</b>							
	Hospitals	Other Institutions	Physicians	Other Professionals	Drugs	Other Spending	Total
<b>1995</b>	98.71	70.92	3.13	285.68	251.03	83.20	777.60
<b>1996</b>	87.57	70.67	3.07	294.80	258.63	84.02	780.90
<b>1997</b>	91.79	69.87	3.03	306.14	269.81	87.79	806.76
<b>1998</b>	90.60	68.82	2.98	313.43	286.67	89.32	817.53
<b>Change from 1995</b>	(8.12)	(2.10)	(0.15)	27.74	35.64	6.120	39.93
<b>New Spending</b>	39.9%	100.0%	100.0%	13.2%	87.2%	84.8%	86.3%
<b>New Costs 1992 \$</b>	(3.24)	(2.10)	(0.15)	3.66	31.07	5.193	34.44
<b>New Costs 1998 \$</b>	(3.38)	(2.19)	(0.16)	3.83	32.47	5.43	35.99

Source: Canadian Institute for Health Information, National Health Expenditure Trends, 1975-1998

## **The People of Ontario Deserve Better**

In the past few months, Ontario has been flooded with taxpayer-paid advertising from the Harris Conservatives. The ads have been designed to convince Ontarians that the things they read about every day about the health care system and that they and their families experience in the system aren't really happening.

Rather than choosing to divert money away from important services to pay for tax give-aways to top income earners, the government could have maintained confidence in our health care system.

Recent attempts to mask this reality in the face of a \$1.97 billion reduction in health spending and \$416 million in new private costs are inexcusable.

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