

2015 health care outlook Canada

Like the United States and Western Europe, Canada's public spending on health care has risen at a high rate over the past decade, raising concerns about the sustainability of the country's health care system. Total spending on health care in 2013 amounted to an estimated US\$206 billion, or 11.3 percent of gross domestic product (GDP). Spending is forecast to rise by an average of 4.5 percent a year (in nominal local-currency terms) in 2014-2018, to US\$464.3

**Estimated health care expenditure:
C\$212 billion/US\$206 billion in 2013**

**Health care as a share of GDP:
11.3 percent in 2013¹**

billion.² Health care's share of GDP is expected to increase marginally by 2018, to 11.6 percent. Given the significance of health care's share of Canada's GDP and broader fiscal constraints in the country, the focus has shifted from total spend to relative value being realized from public investment in the health system. Also, global comparative reports suggest that other industrialized countries similar to Canada are realizing better health and system outcomes from government investment in health.

2015 is expected to be a positive but challenging year for Canada's health care system, as the same old approaches will no longer gain traction. That said, the system is embracing the importance of maturing its approach to innovation adoption from a variety of sources of disruptive change including technology, scope of practice, setting of care, clinical and therapeutic advances, policy, funding levers and novel business models.

Canada's health care system is primarily, but not exclusively, publicly funded and publicly delivered. High-level national health policy is set by the federal government, and partially funded through macro transfer payments to the provinces and territories. However, the provincial and territorial governments play a significant role in health policy, funding, system oversight, and administration. The result is a national framework for health with discrete, separately designed and administered provincial/territorial health systems addressing population needs. Public funding accounts for around 71 percent of Canada's total health care spending.³ Most of the rest is split between private insurers (13 percent) and consumers' out-of-pocket (OOP) expenses (14 percent).⁴ While public funding and open access to health is a Canadian tenant, the important role of private providers should not be overlooked. Private providers are a meaningful part of the health delivery system providing both publicly and privately funded services to Canadians. As health systems seek solutions to pressing challenges in meeting escalating health demands with limited resources, there is an emerging focus on seeking new models beyond the traditional public models in place across the country. This focus is not on privatization of the health system

¹ *Industry Report, Healthcare: Canada*, The Economist Intelligence Unit, March 2014

² *Ibid*

³ *Industry Report, Healthcare: Canada*, The Economist Intelligence Unit, March 2014, citing OECD data

⁴ *Industry Report, Healthcare: Canada*, The Economist Intelligence Unit, March 2014

but rather social innovation whereby novel approaches are being considered in health and human services which maintain social values of access and equity, while delivering improved outcomes through alternative business models involving public, private, and non-profit sectors.

Canada's public health system is experiencing service demand increases resulting from the advance of chronic diseases and an aging population. To address these issues, early stages of population management are emerging with a focus on key population segments and the resulting shift from episodic care to alternative approaches to managing longitudinal needs across settings of care with expectations for outcomes not volumes/outputs. This is requiring government and health providers to shift funding models and delivery models. Simultaneously, citizen expectations continue to increase, driving the need for care that is personal, innovative, and reflects engagement of the citizen in their health management. This is a significant cultural shift from "doing to" patients to "partnering with" individuals in their health management; the culture shift is equally significant for health professionals as it is for patients and their caregivers and is expected to be a long journey.

Meeting health demands will be an ongoing challenge, as Canada's supply of doctors, nurses, hospital beds, and acute care beds is quite low relative to the size of its population compared with other OECD economies. There were 1.9 doctors per 1,000 population in 2011,⁵ and 2.1 hospital beds for the same population size.⁶ This combined with fiscal constraint requires new models of service delivery to shift the demands on limited health human resources and acute resources to other settings of care and care providers.

A shift to outcomes-based, patient-driven health care and increasing pressure to demonstrate value for money spent are all major drivers of change in Canada. Government and health system leaders are focusing on advancing innovation and productivity as catalysts to addressing systemic challenges. The Canadian health system has a strong clinical, research, education, and administrative foundation to build upon. These strengths have fostered research discovery and front-line innovation in care delivery and clinical practices. The challenge remains to spread those innovations and accelerate adoption to advance health systems' change and realize improved outcomes at a population level.

⁵ The Economist Intelligence Unit

⁶ *Industry Report, Healthcare: Canada*, The Economist Intelligence Unit, March 2014



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