

Health Spending and Revenues in Ontario

A closer look at financial trends and the recommendations of TD Economics

Introduction

Public health care in Canada is founded upon principles of equity and compassion. As Canada's largest social program, it serves to remove the financial barrier from care when people are in need. The importance of the health system to millions of Canadians is underlined by the fact that despite major cutbacks and decades of opposition from well-heeled interests, public support for Medicare remains strong. The debate about the future of health care in Canada persists at the top of the public agenda. But far too often, Canadians are not given a full range of choices about that future.

TD's economists criticize Roy Romanow, Chair of the Commission on the Future of Health Care in Canada, for stating that "health care is sustainable as you want it to be". Romanow was emphasizing that budget priorities are choices of government and the public. Eminent economist Robert Evans echoes the sentiment expressed by Romanow and calls unsustainability rhetoric "bluntly...a lie." In this report we look at the choices our governments have made in public budgets, and how these affect health care spending trends.

TD Economics Report

Create a Crisis, Then Privatize

Ontario's government has commissioned a report by TD Economics on the sustainability of health care that was released in May. In it, the authors invokes a potent image of health care unsustainability. Calling health care spending the "Pac Man" that ate the provincial budget, the authors use extreme spending and growth assumptions to lean on the panic button. Health spending, they say, will take up 80% of the provincial budget by 2030.

TD Economics is part of the TD Bank Financial Group. TD Bank and TD Securities Inc. are investors in the Niagara privatized P3 hospital. TD Insurance sells private health insurance. Unsurprisingly, interspersed among several innocuous recommendations, the authors of the TD Economics' report repeatedly call for the privatization of health care delivery systems and experimentation with two-tier health care.

These recommendations are incongruous in a report in which the authors recognize that the growing costs in health care are in the areas dominated by the private sector, particularly the pharmaceutical industry. In fact, a closer look at the data shows that the more public and non-profit the sector, the more that costs are under control.

The TD report is rife with inaccuracies and contradictions. The authors appear to fail to understand the extent of restructuring in the 1990s, and they draw no lessons from it. Similarly their analysis of health care privatization is perfunctory and incomplete. There is no costing of the recommendations, and while the report is ostensibly about containing health costs, a number of the recommendations would likely increase expenditures.

TD's support of profit-driven health care is not a solution. It is not an amelioration of the public health system. It is fundamentally incompatible with the principles of equity and universality in Canada Health Act. It would undermine and dismantle efforts to create an effective health system that is organized to meet human need for care.

Ontario Health Spending is Second Lowest In Canada

Tax cuts, not health care, are eating the provincial budget

A comparative analysis of Ontario's health spending reveals that Ontario spends significantly less than other provinces on health care. So, how are proponents of privatization claiming that Ontario's health spending is a "Pac Man" eating up the provincial budget? If other provinces and territories can do it, why can Ontario not?

Any look at health spending as a proportion of the provincial budget compares two figures. One is health spending. The other is the size of the provincial budget.

Ontario health spending on a per person basis is actually *lower* than almost all of Canada. On the same basis - per person - our entire provincial budget is the lowest compared to the rest of the country. Though health care takes up a relatively larger proportion of provincial expenditures, this is not because health care expenditures are higher. In truth they are lower than in other provinces. The reason that health care appears higher is because total provincial expenditure is less. It is easy to look like a bigger fish when the pond keeps getting smaller.

What if Ontario pursued budgeting trends more like those in the rest of Canada? If Ontario had not dismantled so much fiscal capacity by tax cuts (which have primarily benefitted corporations and the highest income categories) and had followed the Canadian average in total program spending, we would be spending less than 38% of our provincial budget on health care.

In fact, Ontario has seen the sharpest loss in public revenue due to tax cuts of anywhere in the country. Ontario's corporate tax cuts have been the steepest in the country, both in absolute and relative terms. This province's personal tax cuts are the second deepest in the country. More than \$16 billion has been removed from the provincial budget by 2006, and more corporate tax cuts are underway.

Ontario Health Spending

The Trends

A closer look at Ontario's health spending reveals clear trends. There is no evidence that the public non-profit parts of the health system are unsustainable in terms of spending (though continued reduction of the tax base could make any spending unsustainable). It is the private for-profit sectors that are growing fast, particularly drugs.

When measured against our economic output - provincial GDP - Ontario government health spending is increasing, and has grown faster on average than in other provinces. However, Ontario's health spending is in line with health spending across the country. Six other provinces have higher health to GDP ratios and only the three richest provinces have lower ratios (Alberta, Saskatchewan and Newfoundland).

Despite government rhetoric, hospitals are shrinking, both as a percentage of the health care budget in total dollars and on a per person basis, and have remained stable as a percentage of provincial GDP. According to the best available information, homecare is shrinking. Pharmaceuticals continue to be the fastest growing cost.

Recent initiatives by the Ontario government to create a pan-Canadian purchasing program for drugs

should be applauded. Even better would be a national drug program, which could provide universal coverage and save up to \$10.7 billion, according to a recent report by the Canadian Centre for Policy Alternatives.