



Ontario Health Sector

An Updated Assessment of Ontario Health Spending

Technical Briefing

March 6, 2019

fAO

Financial
Accountability
Office of Ontario

Report outline

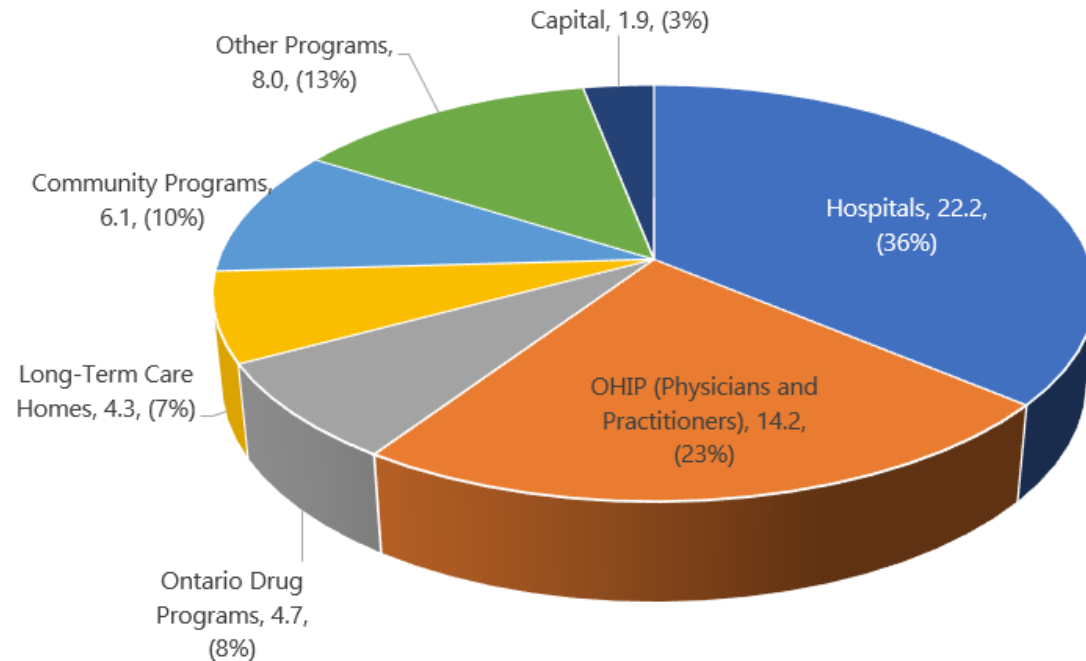
This report:

1. Analyzes recent changes in Ontario's health sector and the impact on health spending in 2017-18 and 2018-19.
2. Estimates the budget impact of the new physician services agreement, reached through binding arbitration between the Province and Ontario's doctors.
3. Presents the FAO's medium-term health spending projection to 2022-23.
4. Explores the implications for health spending of balancing budget without raising new revenue.

1. Health Spending in 2017-18 and 2018-19

Health spending is 41 per cent of total program spending

Health sector expense by program area, 2018-19 (\$ billions)

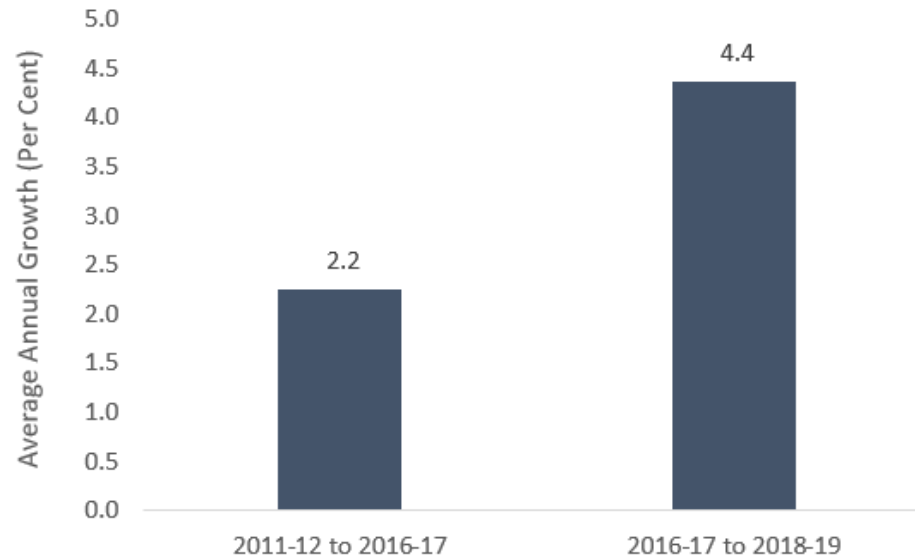


Source: FAO analysis of data from MOHLTC, TBS, the 2018 Fall Economic Statement and the February 19, 2019 Kaplan Board of Arbitration decision on physician compensation.

- Hospitals and the Ontario Health Insurance Plan (OHIP) account for almost 60 per cent of total health sector spending in 2018-19

Ontario's health spending grew significantly over the past two years

Average annual growth in Ontario's health spending doubled over the past two years

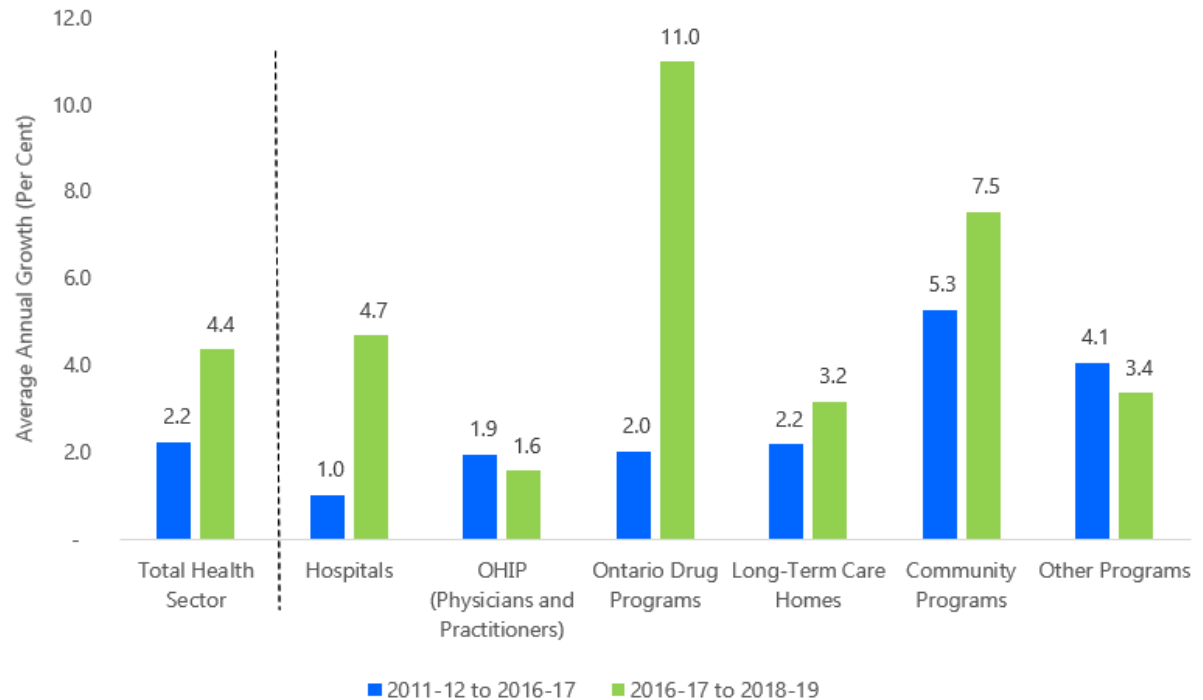


Source: FAO analysis of data from MOHLTC, TBS, the 2018 Fall Economic Statement and the February 19, 2019 Kaplan Board of Arbitration decision on physician compensation.

- After five years of restraint, health spending grew significantly in 2017-18 and 2018-19.

Health spending growth has increased in most program areas

Health spending growth has increased in most program areas



Note: Health capital spending grew by 4.6 per cent from 2011-12 to 2016-17 and by 4.7 per cent from 2016-17 to 2018-19.

Source: FAO analysis of data from MOHLTC, TBS, the 2018 Fall Economic Statement and the February 19, 2019 arbitration decision on physician compensation.

- The most significant increases in funding growth rates were for Ontario drug programs, hospitals, long-term care homes and community programs.

2. The New Physician Services Agreement

A new four-year physician services agreement was set through binding arbitration

The agreement includes:

- physician fee rate increases (averaging one per cent each year),
- the reversal of physician fee reductions made in 2013 and 2015,
- a mandate that \$480 million in annual savings be identified, and
- no cap in the physician services budget.

The new agreement will increase OHIP expense by \$1.5 billion over the four-year agreement

4-1 Arbitration decision will increase physician compensation by \$1.5 billion

(\$ millions)	2017-18	2018-19	2019-20	2020-21	Total
Impact on physician compensation	83	230	710	472	1,496
Impact on Provincial OHIP expense	713	-400	710	472	1,496

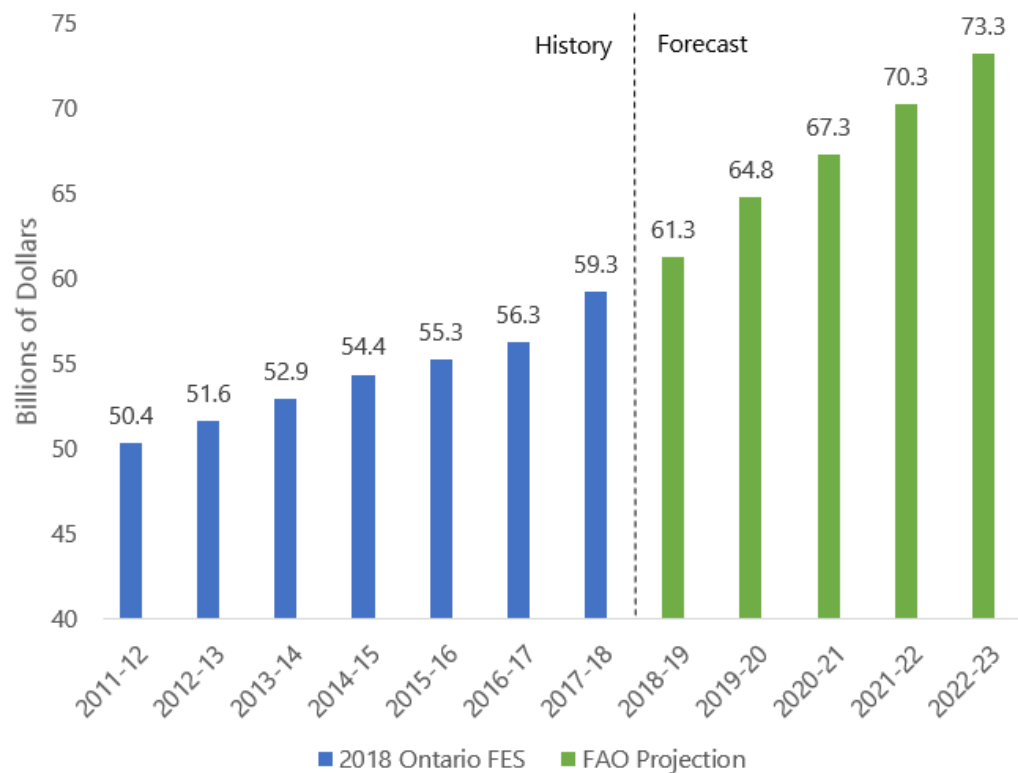
Source: FAO.

- The Province pre-booked \$713 million in fiscal year 2017-18 in anticipation of the arbitration decision.
- The FAO expects that \$400 million of this pre-booked expense will need to be reversed in 2018-19.

3. FAO's medium-term health spending projection

The FAO's health spending projection

FAO status quo health sector spending projection (\$ billions)

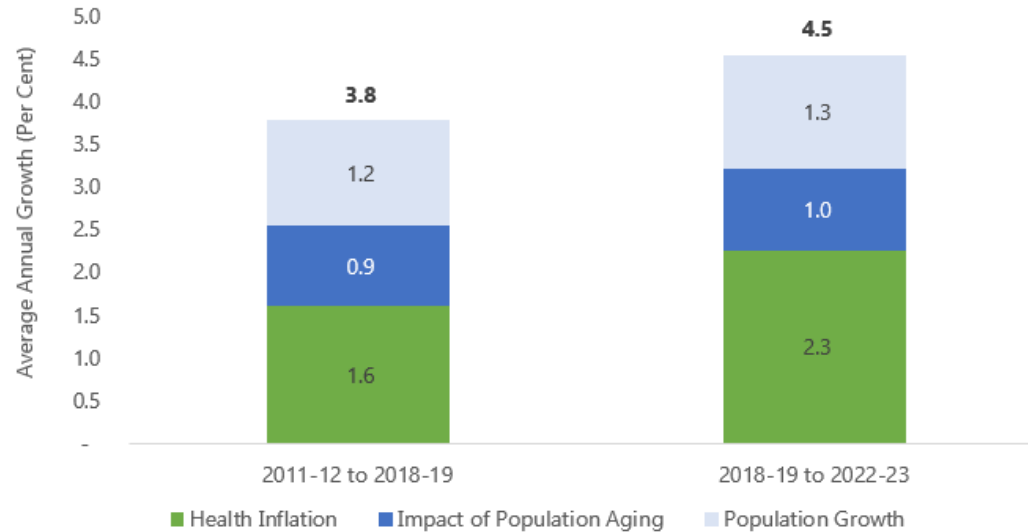


Source: 2018 Fall Economic Statement and FAO.

- Health spending levels projected to increase by \$12.0 billion by 2022, an average annual growth rate of 4.6%.

Health spending pressure will increase

Core health care cost drivers are accelerating



Source: 2018 Fall Economic Statement and FAO.

- The FAO projection also incorporates
 - Province's spending commitments for long-term care and mental health
 - The budget impact of the new physician services agreement

4. The implications for health spending of balancing budget without raising new revenue

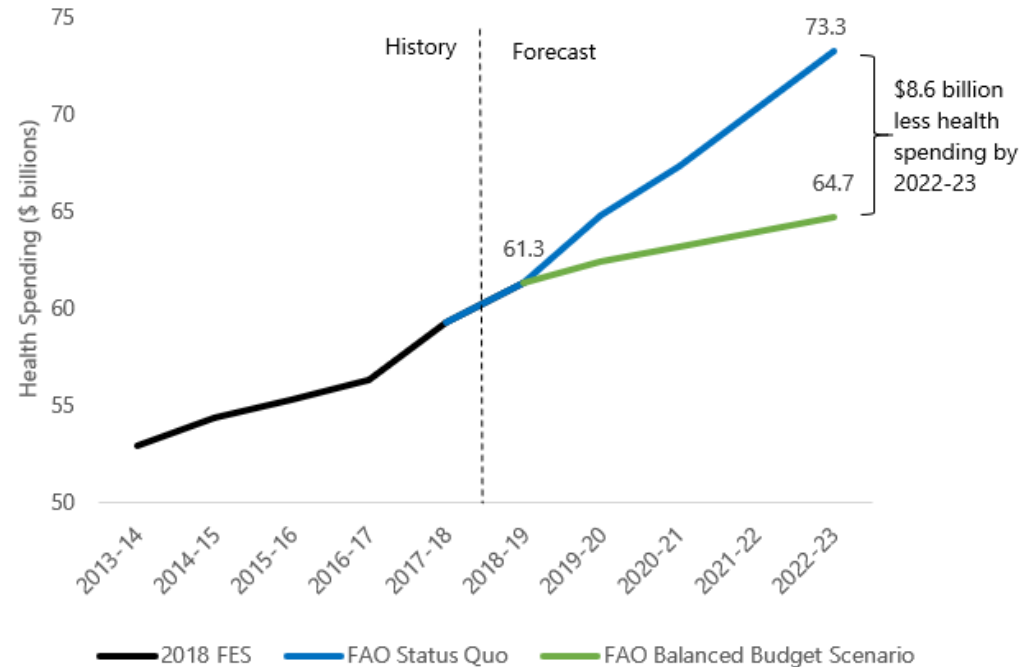
The Province's Commitments

- ▶ The Province has committed to transform the province's health care system, and address hospital capacity issues, wait times for long-term care and access to mental health and addictions services.
- ▶ The Province has also committed to "balance the budget on a modest, reasonable and pragmatic timetable" without raising taxes.¹

1. See pages 18 and 117 of the 2018 Fall Economic Statement.

Balancing the budget without raising taxes would require spending \$8.6 billion less on health care by 2022-23

Balancing the budget without raising new revenue would require spending \$8.6 billion less on health care by 2022-23



Source: 2018 Fall Economic Statement and FAO.

- Restraining health sector spending to this extent without compromising health care access or quality would be a significant challenge.

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

