

# Ontario Health Sector: 2023 Budget Spending Plan Review

Briefing Deck



# Purpose and Overview

- This report analyzes the Province's health sector spending plan from the 2023 Ontario Budget and 2023-24 Expenditure Estimates.

## Health Sector Spending Outlook

- Compares the FAO's projection vs. the 2023 Ontario Budget.
- Discusses what has changed since the FAO's last outlook.

## FAO Spending Projection by Program Area

- Outlines key assumptions, issues and uncertainties behind the FAO's health sector spending projection.

## Federal Funding for Ontario Health Sector Spending

- Reviews federal government transfers to support provincial health sector spending.

## 2023-24 Expenditure Estimates Review

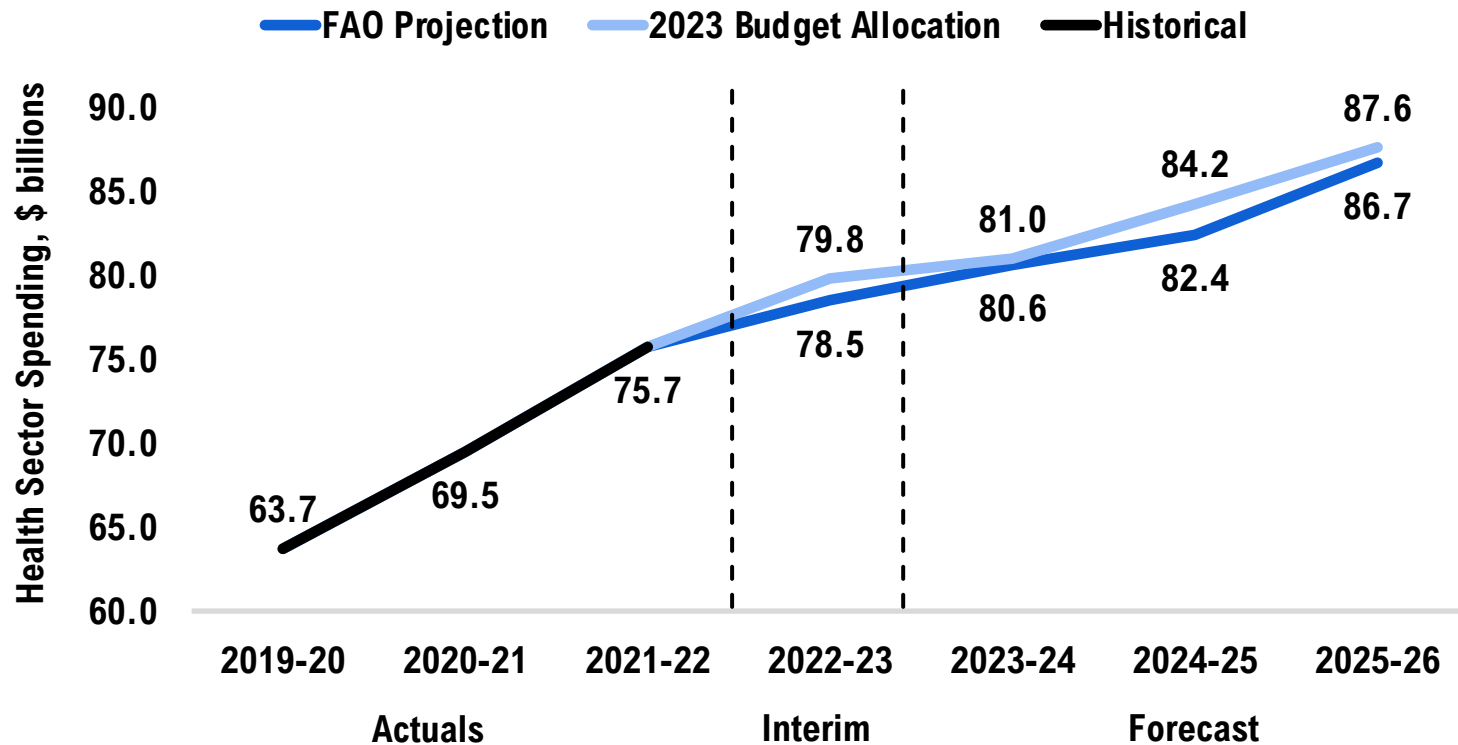
- Compares planned spending for the 2023-24 fiscal year against unaudited spending in 2022-23.

# Health Sector Spending Outlook



# Projected Health Sector Spending: FAO vs. Province

- FAO projects 3.4% growth rate vs. 3.7% growth rate in the 2023 budget.
- Overall, there is a cumulative \$4.4 billion in excess funds.



Source: Public Accounts of Ontario, 2023 Ontario Budget, and FAO analysis of information provided by the Province.

# Change from last FAO forecast

- In March 2023, FAO projected a \$10.0 billion shortfall in health sector funding from 2022-23 to 2025-26.
- Reversal is due to the Province adding \$15.2 billion in new funding to its health sector spending plan in the 2023 Ontario Budget.

\$ billions	Total from 2022-23 to 2025-26
<b>FAO estimated funding shortfall in the 2022 Budget/Fall Economic Statement</b>	<b>-10.0</b>
New health sector funding added in the 2023 Budget	15.2
Increase in the FAO's health sector spending forecast	-0.8
<b>FAO estimated excess funding in the 2023 Budget</b>	<b>4.4</b>

Source: 2023 Ontario Budget and FAO.

# Changes to the Province's Health Sector Spending Plan

- Of the \$15.2 billion in new health sector funding, the FAO estimates that:
  - \$9.4 billion is required to address the funding shortfall for current programs and announced commitments.
  - \$0.9 billion is required for higher compensation spending resulting from retroactive wage increases awarded to some health sector workers that were subject to wage restraint under Bill 124.
  - \$0.5 billion is required to fund new program changes including:
    - \$0.3 billion for health sector workforce investments.
    - \$0.2 billion for independent health facilities.
    - \$0.2 billion for public health.
    - a reduction of -\$0.2 billion for various other measures including savings to Ontario public drug programs.
  - \$4.4 billion is excess funds that are not required to fund health sector programs or announced commitments.

# FAO Spending Projection by Program Area



# FAO Spending Projection by Program Area

Program Area	2021-22 Actual Spending (\$ billions)	2027-28 Projected Spending (\$ billions)	Average Annual Growth Rate (%) 2021-22 to 2027-28	Average Annual Growth Rate (%) 2019-20 to 2027-28
Hospitals	26.4	32.6	3.6	4.5
OHIP (physicians and practitioners)	16.6	21.3	4.3	3.8
Ontario public drug programs	5.3	7.2	5.1	5.2
Community programs	5.2	7.1	5.1	5.7
Mental health and addictions programs	2.0	2.6	4.6	4.5
Long-term care	6.8	11.6	9.2	12.9
Other programs	11.2	10.1	-1.7	3.8
Health capital	2.2	2.6	3.2	4.3
<b>Total Health Sector</b>	<b>75.7</b>	<b>95.1</b>	<b>3.9</b>	<b>5.1</b>

Source: 2019-20 and 2021-22 Public Accounts of Ontario, and FAO calculations.



# Key Risks to FAO Spending Projection

## Wage settlements above the historical average

- FAO projection assumes wage growth consistent with existing collective agreements or historical long-term average wage growth.
- Factors such as high inflation and ongoing human resource shortages in the health sector could place significant upward pressure on health sector wages.

## The legal challenge to Bill 124

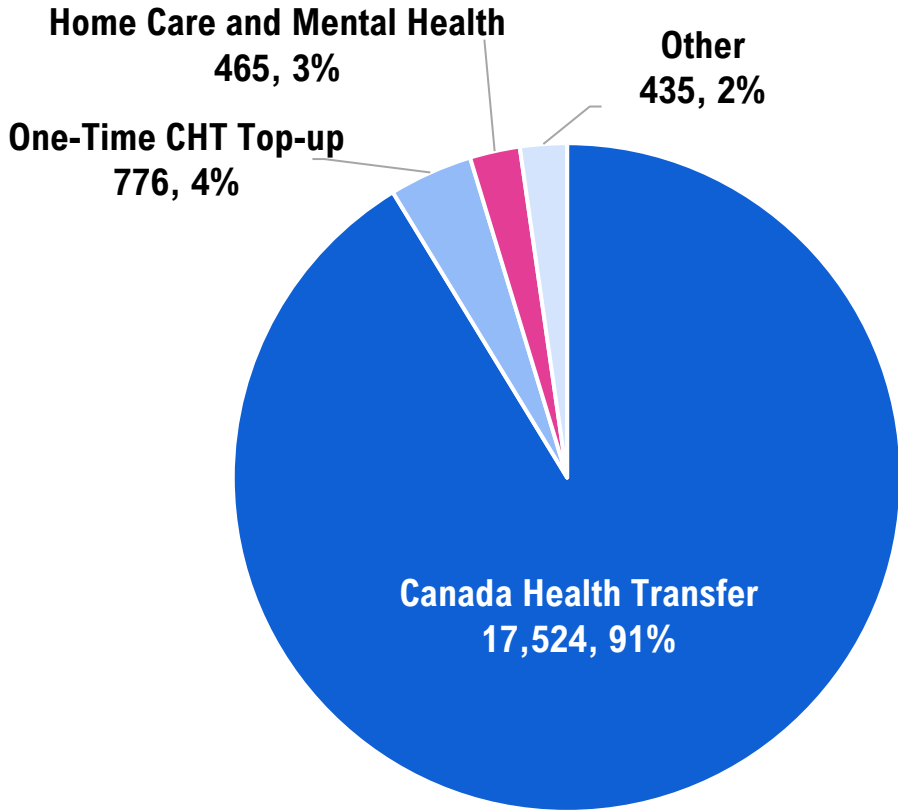
- Although the Bill 124 decision by the Ontario Superior Court of Justice is still under appeal, a number of unions have already been successful in obtaining retroactive wage increases.
- FAO estimates that, as of the writing of this report, publicly available Bill 124-related retroactive wage increases will cost the Province approximately \$0.9 billion to 2025-26.
- If the government is unsuccessful in its appeal and all hospital employees are awarded retroactive compensation, the FAO estimates that hospital spending could increase by an additional \$2.7 billion from 2022-23 to 2027-28.

# Federal Funding for Ontario Health Sector Spending



# Federal Health Transfers to Ontario in 2022-23

- Federal transfers to Ontario are estimated to total \$19.2 billion in 2022-23.
- The largest transfer is the Canada Health Transfer (CHT) which provided Ontario with \$17.5 billion in 2022-23.

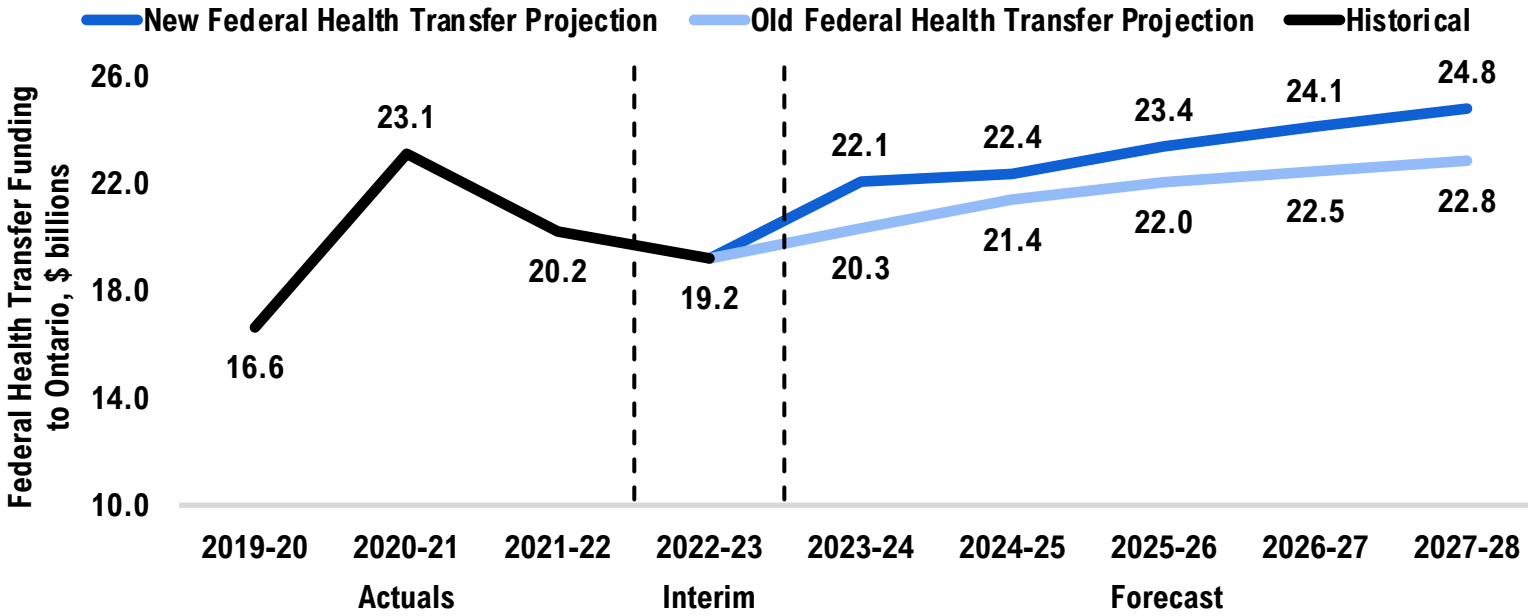


**\$ millions**

Note: "Home Care and Mental Health" is the Home and Community Care and Mental Health and Addictions Services Funding Agreement. Source: 2023 Ontario Budget, FAO analysis of information provided by the Province, and publicly available Government of Canada information.

# Changes to Federal Transfers in 2023

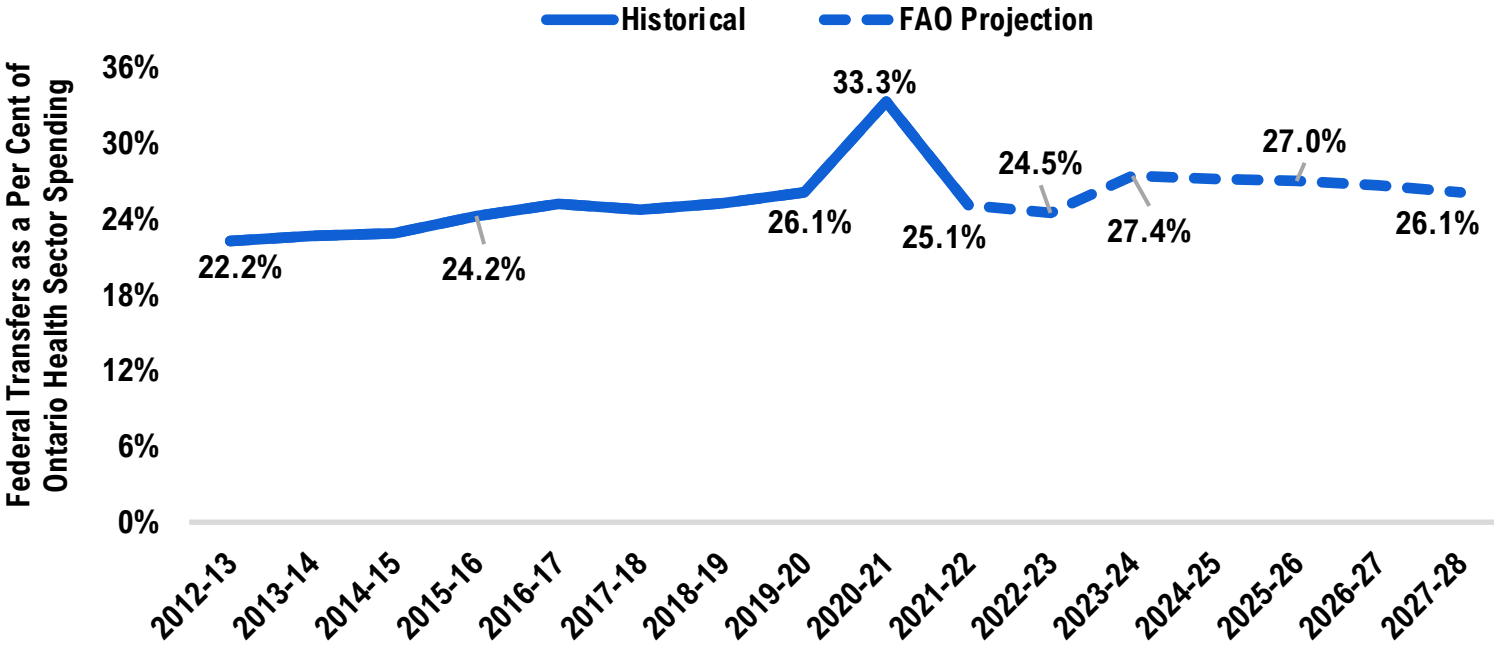
- In February 2023, Ontario and the federal government reached agreements that will increase transfers to the Province by an estimated \$7.7 billion from 2023-24 to 2027-28, including:
  - \$2.0 billion increase in CHT,
  - \$4.2 billion under a bilateral agreement,
  - \$0.8 billion one-time top-up to the CHT in 2023-24, and
  - \$0.7 billion under the Personal Support Workers Wage Support program.



Source: 2019-20 and 2021-22 Public Accounts of Ontario and FAO.

# Federal Transfers as a Share of Provincial Health Sector Spending

- The share of federal health transfers as a per cent of total health sector spending will increase to 27.4 per cent in 2023-24, then decline to 26.1 per cent in 2027-28.
- An additional \$35.6 billion would be needed to reach the Province’s 35 per cent funding target request for the period from 2023-24 to 2027-28.



Source: Public Accounts of Ontario, 2023 Ontario Budget, FAO analysis of information provided by the Province, and publicly available Government of Canada information.

# 2023-24 Expenditure Estimates Review



# Planned Spending in 2023-24 vs. 2022-23: Notable Changes

Vote	Program	2022-23 Spending (\$ millions)	2023-24 Estimates (\$ millions)	1-Year Change (\$ millions)	1-Year Growth (%)
1402	Clinical Education	875	1,023	148	17.0%
1405	Payments made for services and care provided by physicians and practitioners	17,586	18,201	615	3.5%
	Independent Health Facilities	59	121	62	106.2%
	Ontario Drug Programs	5,543	5,720	177	3.2%
	Official Local Health Agencies	1,069	939	-129	-12.1%
1406	Outbreaks of Diseases	289	445	155	53.7%
	Covid-19 Response	741	0	-741	

Note: "2022-23 Spending" is unaudited spending based on the FAO's analysis of transactions recorded in the Province's Integrated Financial Information System (IFIS) as of April 25, 2023. All figures are unaudited, as final audited figures are not available until the release of the Public Accounts of Ontario, approximately six months after the end of the fiscal year.

Source: FAO analysis of information provided by Treasury Board Secretariat and the 2023-24 Expenditure Estimates.

# Planned Spending in 2023-24 vs. 2022-23: Notable Changes Cont'd

Vote	Program	2022-23 Spending (\$ millions)	2023-24 Estimates (\$ millions)	1-Year Change (\$ millions)	1-Year Growth (%)
1407	Major Hospital Projects	910	1,965	1,055	116.0%
	Operation of Hospitals	22,831	23,010	180	0.8%
1416	Community Mental Health	1,055	1,219	164	15.6%
	Home Care	3,594	4,112	518	14.4%
4502	Long-Term Care Homes Program (Operating)	7,220	8,292	1,073	14.9%

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Source: FAO analysis of information provided by Treasury Board Secretariat and the 2023-24 Expenditure Estimates.



# Thank you!



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