

March 14, 2018

Ontario Health Sector
An Updated Assessment of Ontario Health Spending

Media Statement

Good morning.

My name is David Wake and I am serving as Ontario's Financial Accountability Officer on a temporary basis.

Today, the Financial Accountability Office released an updated assessment of Ontario's health spending, to support Members of Provincial Parliament in evaluating health sector spending in the upcoming 2018 Ontario Budget.

This report updates our previous assessment of health sector spending released in January of 2017 and echoes its main conclusion: that Ontario's public health sector continues to face funding pressures.

I will ask Jeffrey Novak, the FAO's Chief Financial Analyst, to provide an overview of some of the key results from the report.

Thank you Commissioner Wake.

Since 2012, limiting the growth of health sector spending has been a critical part of the Province's plan to achieve a balanced budget in 2017-18. However, in the 2017 budget, the Province announced an additional \$6.9 billion

in health sector spending over three years, which provided some relief from the planned spending restraint of the 2016 budget.

Our report examines the \$6.9 billion in additional health funding and assesses the extent to which this funding eases budget pressure in Ontario's health sector.

New Health Spending in the 2017 Budget

I would like to make two points regarding the 2017 budget's new health spending.

First, not all of this money constitutes new spending on health care services. The \$6.9 billion figure includes a \$1.2 billion "accounting adjustment" to the Healthcare of Ontario Pension Plan, which does not involve any additional cash spending, and leaves only \$5.7 billion for health care services.

Second, looking at the remaining \$5.7 billion, \$4.2 billion is allocated to relieve budget pressure in existing programs, while \$1.5 billion is funding for new programs, mainly the introduction of OHIP+, which will not directly ease budget pressure for existing health services.

Health Care Cost Drivers and Health Sector Spending

Turning to health sector budget pressures, since 2012, health sector spending has not kept pace with the funding pressure from inflation and Ontario's growing and aging population -- what the FAO calls the core cost drivers for health care. The Province slowed the growth of spending through a combination of temporary and permanent measures, including: imposing a four-year freeze in base

operating funding to hospitals, increasing hospital efficiency, and restraining wage growth in the health sector.

Looking forward over the next three years, even with the additional funding from the 2017 budget, planned spending growth for existing health services will still not keep pace with population and inflation pressures, especially in the hospitals, OHIP and long-term care program areas.

Based on the FAO's review, it is not clear if the Province can continue relying on temporary measures, such as wage restraint, to achieve this low level of health spending growth.

As a result, unless the Province can find significant efficiencies in the health sector, additional spending will be required in order to avoid reductions in health care access or quality in the coming years.

Thank you.

We are happy to take questions.

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