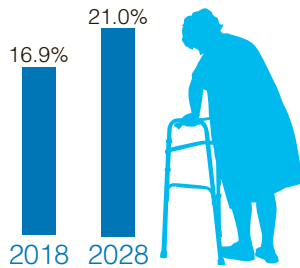


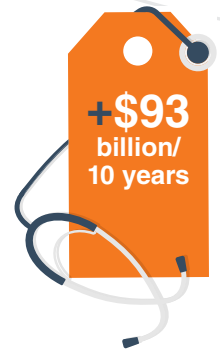


Meeting the Care Needs of Canada's Aging Population.

Canada's population is aging. The proportion of seniors in the Canadian population will rise from **16.9%** to **21.0%** over the next **10 years**.



The provinces and territories are struggling to meet the care needs of our aging population, and over the next 10 years population **aging** will add **\$93 billion** to health care costs.



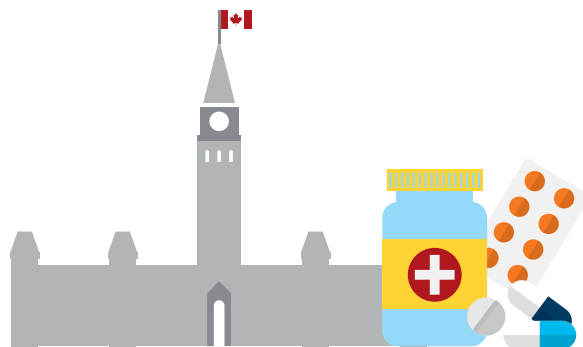
Meeting the health care needs of an aging population will drive the costs of Canada's publicly funded health care system higher: the cost of health care for the average senior is about **\$12,000 per year**, compared with **\$2,700** per person for the rest of the population.

This additional **\$93 billion** is roughly equivalent to **1.8%** of all provincial and territorial **government spending** over the next 10 years.

Federal health transfers to the provinces and territories do not currently account for population aging. With no further action, the federal share of **health care funding** will **fall below 20%** by 2026.



The federal, provincial, and territorial governments need to work together to ensure that Canadians have the care they need.





Over the next 10 years, **5.1 million** Canadians will reach age 65.

Canada's Aging Population

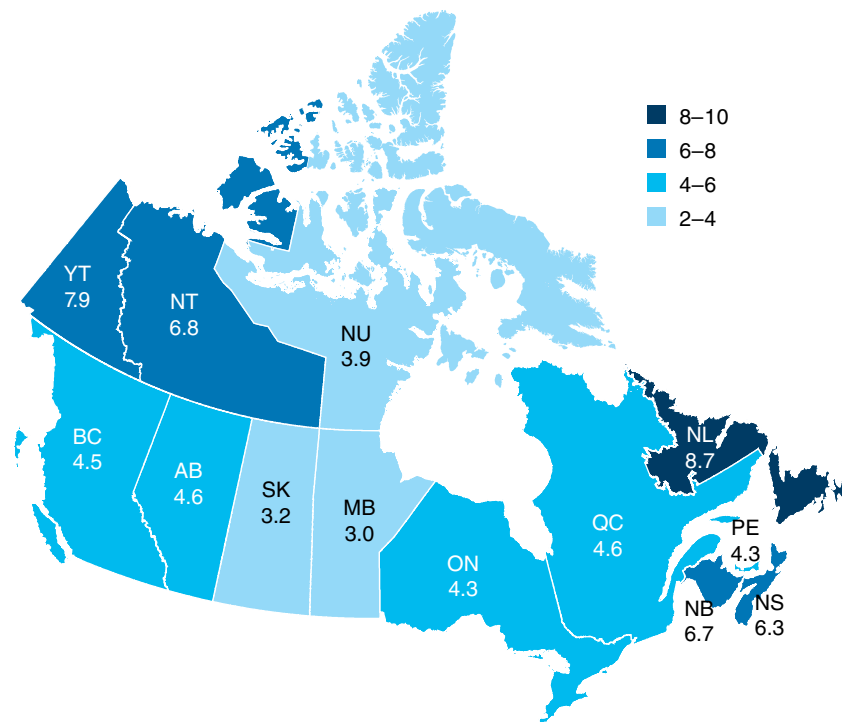
Canada, like much of the developing world, has an aging population.

The large baby-boom generation born in the post-war years has dominated Canadian demographic trends since the 1950s. That generation began entering retirement earlier this decade, a process that will accelerate over the next few years. Over the next 10 years, 5.1 million Canadians will reach age 65. (See Exhibit 1.)

Exhibit 1

Every Province and Territory Is Getting Older

(percentage change of over-65 population, 2017–28)



Source: The Conference Board of Canada.

This report focuses on the challenge of ensuring Canada's health care systems can meet the needs of this aging population.

Canadians aged 65 and above make up less than one-fifth of the population, but nearly half of all health care spending.

The Health Care Costs of an Aging Population

Canada’s demographics were very different when universal Medicare was introduced five decades ago.

In 1966, the median Canadian was 25.5 years old. In 2017, the median age was 40.6, and in the next decade we expect that to rise to 42.4 years.

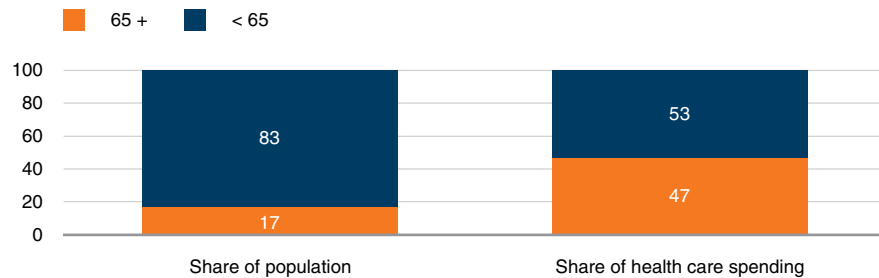
An aging population can make a significant difference in the cost of health care. The average per-person spending on health care for Canadians aged 64 and below is \$2,700. The average per-person spending on Canadians aged 65 and over is more than four times higher at \$12,000.

As a result, although Canadians aged 65 and over are currently less than one-fifth of the population, they consume nearly half of all health care dollars. (See Chart 1.) This cohort will make up a greater share of the population over the next decade, and meeting their care needs will drive health care spending higher.

Chart 1

Seniors Are One-Fifth of Population But Half of Health Spending

(forecast, per cent, 2017–18)



Sources: The Conference Board of Canada; Statistics Canada; Canadian Institute for Health Information.

The Conference Board of Canada estimates that provincial and territorial governments will need to find \$93 billion in funding for health care over the next 10 years because of population aging. At the same time, an aging population will reduce labour participation, and consequently employment and tax revenues.



Federal government transfers for health care in 2017–18: **\$37 billion.** Total health care costs (public): **\$167 billion.**

There are four main drivers that will push up demand for health services over the next 10 years: population growth, population aging, improvements in quality of care, and inflation due to rising drug prices, physician services, hospital maintenance, and other expenses.

Aging is a significant driver of increased health care costs. After isolating the impact of each of the four major drivers of health spending, the Conference Board estimates that population aging by itself will drive 20 per cent of all health care spending growth over the next 10 years.

Federal Funding Does Not Currently Address Population Aging

While providing health care is primarily the responsibility of the provinces and territories, the federal government shares responsibility for funding the system.

The federal government fulfills this role by transferring funds to provincial and territorial governments for health care, primarily through the Canada Health Transfer (CHT).

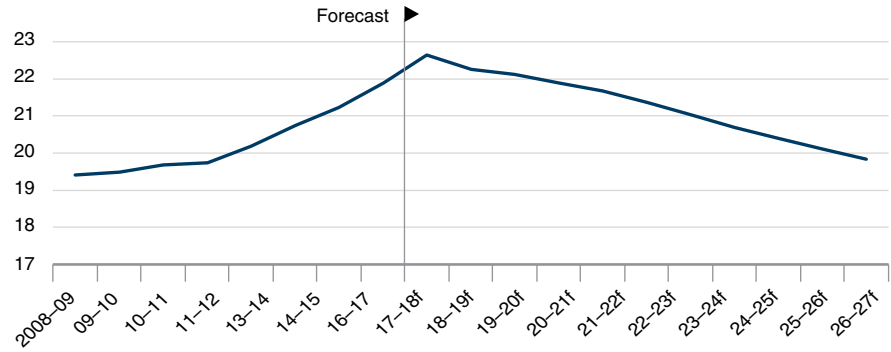
Today, the Canada Health Transfer accounts for about 22 per cent of the total public funding for the health care system. (See Chart 2.) The amount of funding under the CHT that each province and territory receives is shared out on an equal per capita basis. Over the past decade, the CHT grew by 6.0 per cent per year. As of 2017, the growth rate of the CHT is limited to 3.0 per cent or the growth of the economy, whichever is greater.

If health care costs grow faster than the economy, provincial and territorial governments must absorb the shortfall, and that is exactly the situation we foresee over the coming years. While we forecast that the federal health transfer will grow at an average of 3.7 per cent per year over the next decade, we expect health care costs to grow by 5.1 per cent per year. (See Chart 3.) That means the federal government's contribution will not keep up with health care costs. We project that, with no further action, the federal share of health care funding will fall below 20 per cent by 2026.

Chart 2

Federal Funding Covers Approximately 22 Per Cent of Health Care Spending

(CHT as percentage of total public health spending)

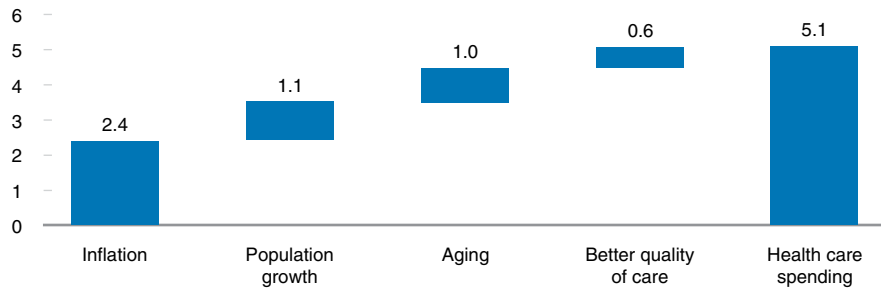


Source: The Conference Board of Canada.

Chart 3

Why Are Health Care Costs Increasing?

(forecast average annual percentage increase, 2017-26)



Source: The Conference Board of Canada.

How Will We Fund Health Care Into the Future?

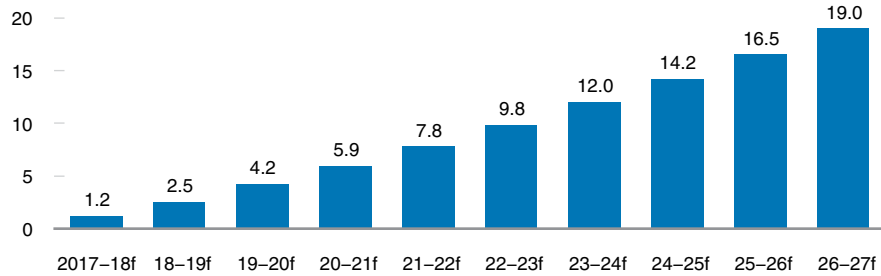
Health care is an essential service, and governments need to figure out how they will continue to fund it in the future.

Chart 4 below shows the Canada-wide total cost associated with caring for our aging population; Exhibit 2 shows how the funding burden is distributed between the provinces and territories over the next 10 years.

Chart 4

Health Care Costs Attributable to Population Aging

(\$ billions, all provinces and territories relative to 2016–17 demographics)



f = forecast

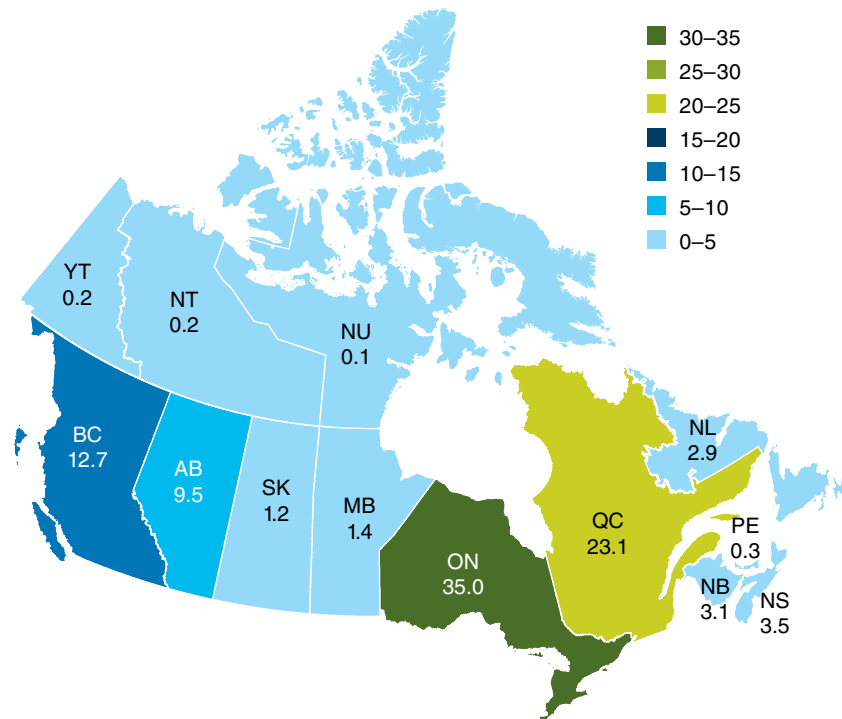
Source: The Conference Board of Canada.

Not surprisingly, the most populous provinces will experience the largest costs. But what Exhibit 2 does not reveal is the relative burden facing provinces. Population aging will be most acute in Atlantic Canada and Quebec, and these regions will incur the largest relative increase in health care costs.

Exhibit 2

Health Care Costs Associated With Population Aging

(\$ billions, 2017–26)



Source: The Conference Board of Canada.

The provincial, territorial, and federal governments will need to work together to ensure Canadians continue to have access to the health care they need. Ensuring the sustainability of the health care system may include tightening on other budget items, additional sources of revenue, or working toward more efficient delivery of care. Given the cost pressures created by population aging, the federal government could provide additional funding to help provinces deal with the cost of caring for our aging population. We calculated how much it would cost the federal government to cover the same fraction of the costs associated with caring for our aging population as they currently contribute to the health care system as a whole (roughly 22 per cent at present). As shown in Table 1, the costs to the federal government start at \$281 million in 2017–18 and rise to \$4.3 billion by 2026–27.

Table 1
Potential Demographic Top-Up
(\$ millions)

	2017*	2018	2019	2020	2021	2022	2023	2024	2025	2026	Cumulative 10-year total
Canada**	281	573	948	1,342	1,765	2,224	2,716	3,219	3,748	4,312	21,127
N.L.	5	13	23	33	43	53	62	73	83	95	483
P.E.I.	1	1	2	3	5	7	10	13	16	19	78
N.S.	8	21	35	50	66	85	105	125	146	168	810
N.B.	10	23	37	52	67	85	103	121	140	160	798
Que.	79	157	241	328	420	517	620	735	857	986	4,940
Ont.	108	210	368	535	715	915	1,129	1,345	1,569	1,805	8,699
Man.	2	6	12	18	25	32	41	45	49	53	282
Sask.	1	5	9	13	18	23	30	38	47	56	241
Alta.	28	59	91	125	163	202	247	291	339	393	1,938
B.C.	40	80	136	194	257	325	397	467	541	620	3,057
Y.T.	0.3	1	1	1	2	2	3	4	4	5	24
N.W.T.	0.1	0.4	1	1	1	2	2	3	3	4	17
Nun.	0.1	0.2	0.3	1	1	1	1	1	1	2	8

*fiscal years

**total provincial-/territorial-level spending on health care across all provinces and territories (i.e., the sum of the other figures in the column), not spending by the federal government

Source: The Conference Board of Canada.

This additional funding would be worth a total of \$21.1 billion to the provinces and territories over the next decade, or from the perspective of federal affordability, roughly 0.6 per cent of federal government revenues over that time. For the provinces and territories, this additional funding would make a significant difference in their ability to meet the care needs of their populations. For instance, the funding would be equivalent to the cost of building approximately 66,000 new long-term care beds.



Provincial and territorial governments will need to find an additional **\$93 billion** over the next 10 years to care for our aging population.

Summary

The provinces and territories are having challenges meeting the increased care needs of our aging population.

The Conference Board estimates that, over the next decade, provincial and territorial governments will need to find an additional \$93 billion to meet the care needs of our aging population. This comes at the same time as an aging population reduces labour participation, and consequently employment and tax revenues.

As it stands now, the Canada Health Transfer does not factor aging into its payments, and as such, federal transfers are not sufficient to support the additional care needs of Canada's aging population. While the federal government is currently facing its own fiscal challenges, funding for health care should be a priority.

In Canada, governments have collaborated for decades to provide health care for Canadians, and they must continue to do so to ensure we can meet the health care needs of our aging population.

Acknowledgements

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Insights. Understanding. Impact.

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