

The Price of Public Health Care Insurance, 2022

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SUMMARY

■ Canadians often misunderstand the true cost of our public health care system. This occurs partly because Canadians do not incur direct expenses for their use of health care, and partly because Canadians cannot readily determine the value of their contribution to public health care insurance.

■ In 2022, preliminary estimates suggest the average payment for public health care insurance ranges from \$4,907 to \$15,917 for six common Canadian family types, depending on the type of family.

■ Between 1997 and 2022, the cost of public health care insurance for the average Canadian family increased 3.9 times as fast as the cost of clothing, 2.2 times as fast as the cost of food, 1.8 times as fast as the cost of shelter, and 1.8 times as fast as the average income.

■ The 10 percent of Canadian families with the lowest incomes will pay an average of about \$690 for public health care insurance in 2022. The 10 percent of Canadian families who earn an average income of \$76,704 will pay an average of \$7,374 for public health care insurance, and the families among the top 10 percent of income earners in Canada will pay \$41,914.

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Introduction

Health care in Canada is not “free.” While Canadians may not be billed directly when they use medical services, they pay a substantial amount of money for health care through the country’s tax system. Unfortunately, the size of these tax payments is hard to determine because there is no “dedicated” health insurance tax. As a result, individuals and families often cannot fully appreciate the true cost they pay towards the public health care system.

The purpose of this research bulletin is to help individual Canadians and their families better understand how much health care actually costs them personally so they can determine whether they are receiving good value for their tax dollars.

Why the misunderstanding?

One reason why Canadians don’t know the true cost of health care is because the physician and hospital services that are covered by tax-funded health care insurance are free at the point of use.¹ This situation leads many people to grossly underestimate the true cost of health care. When people speak of “free” health care in Canada, they are entirely ignoring the substantial taxpayer-funded cost of the system.²

Furthermore, health care in Canada is financed through general government revenues rath-

er than through a dedicated tax,³ which blurs the true dollar cost of the service. Indeed, Canadians cannot easily work out precisely what they pay to government each year for health care because there are many different sources of government revenues that may contribute to funding health care, including income taxes, Employment Insurance (EI) and Canada Pension Plan (CPP) premiums, property taxes, profit taxes, sales taxes, taxes on the consumption of alcohol and tobacco, and import duties, among others. Some Canadians might assume that in those provinces that assess them, employer health taxes and contributions cover the cost of health care.⁴ However, the reality is that these premiums cover just a fraction of the cost of health care and are paid into general revenue from which health care is funded.

The available numbers can be difficult to digest. For example, health spending figures are often presented in aggregate, resulting in numbers so large they are almost meaningless. For instance, approximately \$202.1 billion of our tax dollars were spent on publicly funded health care in 2021, the most recent year for which data is available from the Canadian Institute of Health Information (CIHI, 2021). This

¹ Free in a monetary sense. There are, however, costs associated with health care use in Canada that are not monetized, such as wait times for access to medical services. For more on this, see Globerman (2013).

² It is also important to consider the costs associated with funding health care through tax revenues. For more on this, see Esmail (2008).

³ A dedicated tax is earmarked and separated from other taxes; its revenues are used for a particular purpose.

⁴ In British Columbia and Ontario, the government levies the “employer health tax,” which is an annual tax on an employer’s remuneration paid to employees. In 2022/23, revenues from these taxes were equivalent to 8.2 and 6.3 percent of provincial health spending in BC and Ontario respectively (British Columbia, Ministry of Finance, 2022; Ontario Finance, 2022). In Quebec, the “contribution to health services” is a similar scheme paid by employers; revenues from it were about 13.5 percent of the total health and social services spending in 2022/23 (Quebec, Ministère des Finances, 2022).

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figure includes health spending from provincial and territorial government funds, federal health transfers to the provinces and territories, and provincial government health transfers to local governments. It does not include federal direct, municipal government, and social security funds, which together accounted for 12.1 percent of total public sector spending on health care in 2021—significantly more than the 7.7 percent they accounted for in 2019, before the COVID-19 pandemic (CIHI, 2021). It should be noted that federal direct spending on health care (which is not accounted for in this report) increased notably during COVID-19 compared to preceding years. Specifically, average federal direct spending during the pandemic (in 2020 and 2021) was \$23.9 billion, which is 145 percent greater than in 2019 when it was \$9.8 billion (CIHI, 2021).

It is more informative to measure the cost of our health care system in per capita dollars: the \$202.1 billion spent equates to approximately \$5,284 per Canadian in 2021 (CIHI, 2021; Statistics Canada, 2021a; authors' calculations).

However, Canadians do not pay equal amounts of tax each year. Some Canadians are children and dependents and are not taxpayers. Further, higher-income earners bear a greater proportion of the tax burden than lower-income earners and thus contribute proportionally more to our public health care system. Various tax exemptions and credits also further complicate matters. Clearly, the per capita spending measure does not accurately represent the true cost of public health care insurance for Canadian individuals and families.

The cost of health care by family type

In order to estimate the cost of public health care insurance for the average Canadian family

in 2022, we must determine how much tax an average family pays to all levels of government and the percentage of the family's total tax bill⁵ that pays for public health care insurance. In 2022/23, an estimated 23.9 percent of tax revenues (income) will be spent on health care (Statistics Canada, 2009, 2022b, and 2022c; CIHI, 2021; authors' calculations).

Table 1 shows six Canadian family types, the estimated average income⁶ for those family types in 2022, and their estimated dollar contribution to health care. The calculations presented in this bulletin assume that the health care insurance each Canadian family pays comes from their total tax bill.

In 2022, the average unattached (single) individual, earning an average income of \$50,140, will pay approximately \$4,907 for public health care insurance. An average Canadian family consisting of two adults and two children (earning approximately \$156,086) will pay about \$15,847 for public health care insurance.

⁵ The total tax bill includes income taxes (personal and business), property taxes, sales taxes, payroll taxes, health taxes, import duties, taxes on the consumption of alcohol and tobacco, fuel taxes, carbon taxes, motor vehicle licence fees, natural resource fees, and a host of other levies. For further details on how the total tax bill is calculated for the average Canadian family, see the methodology section at Palacios et al. (2022).

⁶ The definition of “income” used throughout this article is cash income, which includes wages and salaries, self-employment income (farm and non-farm), interest, dividends, private and government pension payments, old age pension payments, and other transfers from governments (such as the universal child care benefit).

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Table 1: Average Income and Average Total Tax Bill of Representative Families, 2022*

Family Type	Average Cash Income (\$)	Average Total Tax Bill (\$)	Tax Rate	Health Care Insurance (\$)
Unattached Individuals	50,140	20,528	40.9%	4,907
2 Parents, 0 Children	128,073	63,718	49.8%	15,229
2 Parents, 1 Child	154,287	66,593	43.2%	15,917
2 Parents, 2 Children	156,086	66,303	42.5%	15,847
1 Parent, 1 Child	73,805	24,318	32.9%	5,812
1 Parent, 2 Children	80,134	21,404	26.7%	5,116

* Preliminary estimates

Source: The Fraser Institute's Canadian Tax Simulator, 2022.

The impact of the increasing cost of health care on Canadian individuals and families

Figures 1 and 2 show the inflation-adjusted⁷ cost of public health care insurance for the six representative family types from 1997⁸ to 2022.

Since 1997 (the earliest year for which data can be generated for comparison), the cost of public

⁷ Calculated using the consumer price index (CPI) and presented in constant 2022 dollars. For the year 2022, the CPI index was forecast to December based on the average of the monthly index up to April (the most recent month for which information was available).

⁸ Estimates in this study are based calculations by Palacios et al. (2022), who use Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) to allocate federal taxes to the provinces as well as cash income and tax shares to various family types. 1997 is used as a base year for comparison in this study because it is the earliest year for which the SPSPD/M (version 29.0) is capable of generating results.

health care insurance (adjusted for inflation) has increased by:

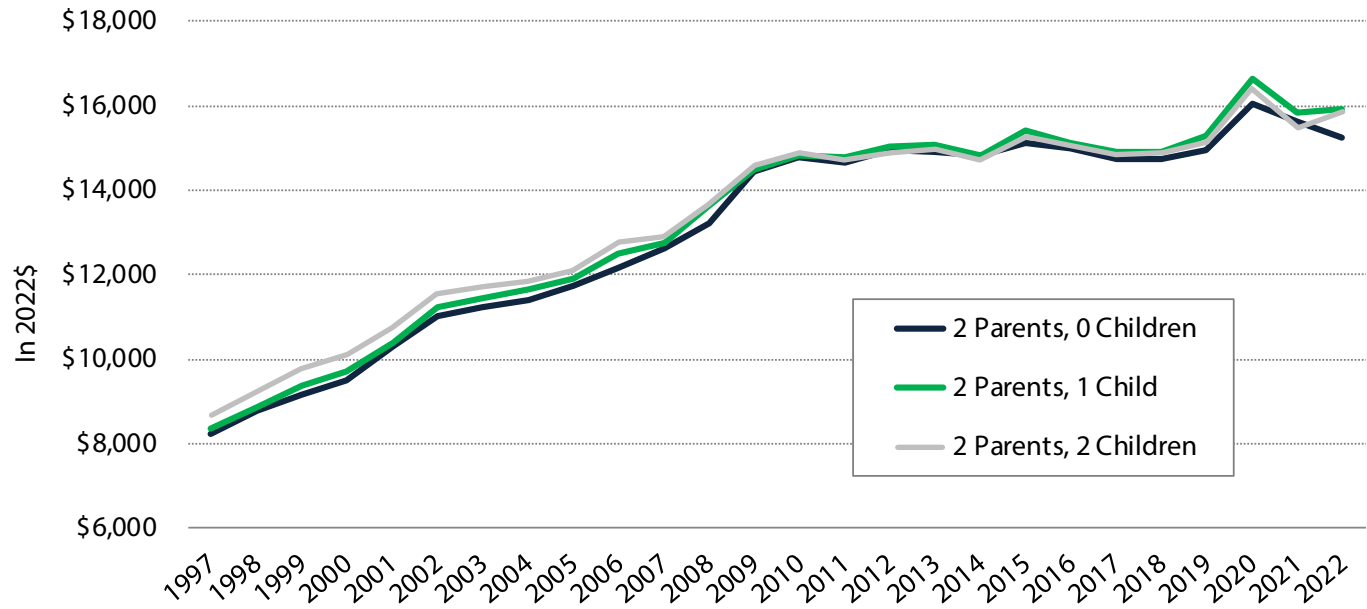
- 85.1% for the average family consisting of 2 adults and no children⁹ (from \$8,225 to \$15,229);
- 90.2% for the average family consisting of 2 parents and 1 child (from \$8,367 to \$15,917);
- 82.5% for the average family consisting of 2 parents and 2 children (from \$8,684 to \$15,847);
- 107.8% for the average unattached individual (from \$2,361 to \$4,907);
- 131.9% for the average family consisting of 1 parent and 1 child (from \$2,506 to \$5,812);
- 114.3% for the average family consisting of 1 parent and 2 children (from \$2,387 to \$5,116).

Examining only the last 10 years (i.e., from 2012 to 2022), the cost of public health care insur-

⁹ "2 adults and no children" includes elderly couples who might have children but whose children do not live with them.

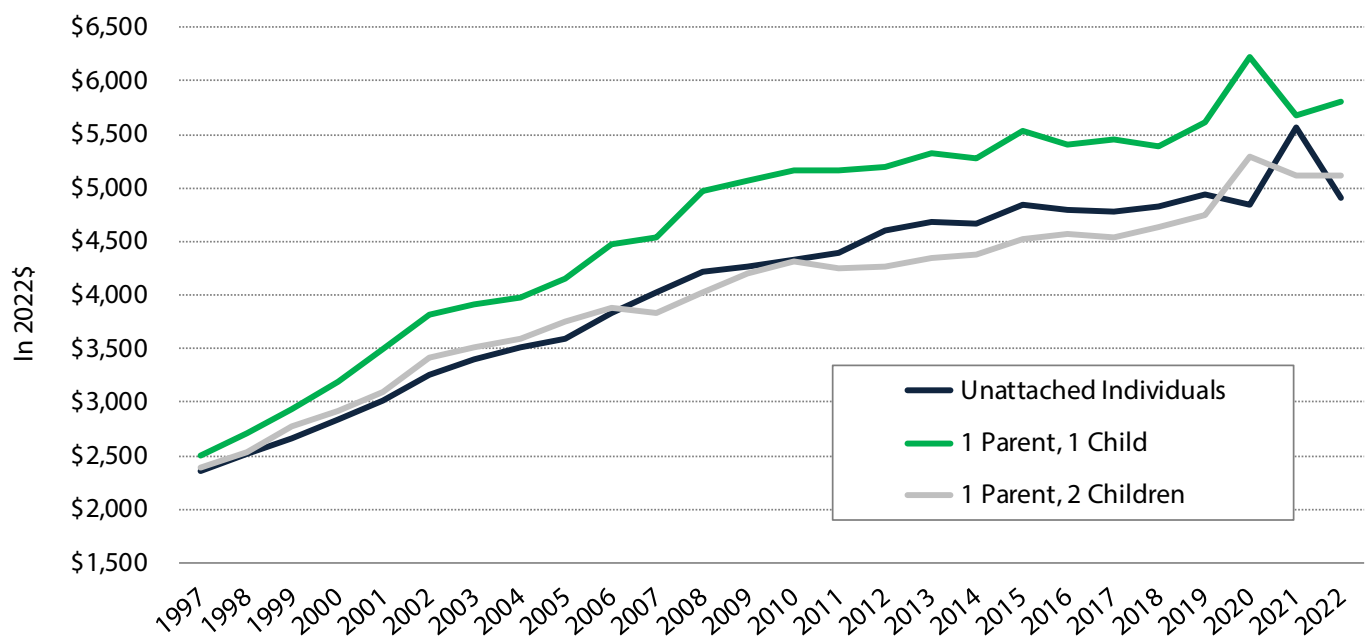
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Figure 1: Inflation-adjusted Cost of Public Health Care Insurance for Selected Types of 2-parent Families, 1997-2022



Sources: The Fraser Institute's Canadian Tax Simulator, 2022; Statistics Canada, 2022a; authors' calculations.

Figure 2: Inflation-adjusted Cost of Public Health Care Insurance for Selected Types of Other Families, 1997-2022



Sources: The Fraser Institute's Canadian Tax Simulator, 2022; Statistics Canada, 2022a; authors' calculations.

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ance (adjusted for inflation) for the six representative family types has increased by:

- 1.9% for the average family consisting of 2 adults and no children (from \$14,939 to \$15,229);
- 6.0% for the average family consisting of 2 parents and 1 child (from \$15,022 to \$15,917);
- 6.4% for the average family consisting of 2 parents and 2 children (from \$14,891 to \$15,847);
- 6.6% for the average unattached individual (from \$4,603 to \$4,907);
- 11.7% for the average family consisting of 1 parent and 1 child (from \$5,202 to \$5,812);
- 20.0% for the average family consisting of 1 parent and 2 children (from \$4,262 to \$5,116).

One way to understand the impact of the financial burden of public health care insurance on Canadian families is to compare it with changes in income and the cost of basic necessities (food, clothing, and shelter).

Table 2 and figure 3 show that between 1997 and 2022, the average Canadian family's cash income increased by 116.3 percent.¹⁰ At the same time, spending on shelter increased by 119.7 percent, spending on food increased by 94.2 percent, expenditures on clothing rose by 53.3 percent. By contrast, since 1997, the cost of health care insurance for the average Canadian family (all family types) increased by 210.3 percent.

¹⁰ The results shown in table 2 and figure 3 are not adjusted for inflation since the consumer price index (CPI) is used as one of the measures to compare health care insurance, income, and other expenditures.

Put differently, the cost of public health care insurance for the average Canadian family grew 1.8 times faster than its average income between 1997 and 2022. Further, since 1997, the cost of public health care insurance increased 3.9 times as fast as the cost of clothing, 2.2 times as fast as the cost of food, and 1.8 times as fast as the cost of shelter.

It is notable that when examining only the last 10 years (i.e., from 2012 to 2022), the cost of health care insurance for the average Canadian family (all family types) increased by 26.8 percent. This increase in the cost of health care insurance is higher than the increase in the cost of clothing (4.1 percent), but lower than the increase in the average Canadian family's cash income (28.5 percent) as well as spending on food (29.7 percent), and spending on shelter (45.3 percent).

Although a comprehensive examination of this departure over the last 10 years from the longer historical trend observed between 1997 and 2022 is beyond the scope of this paper, it is partially explained by the fact that the cost of health care insurance for the average family has increased at a much slower pace over the last 10 years (2.5 percent per year) than it did between 1997 and 2012 (6.2 percent per year). There has also been a slowdown in the average annual growth over the last 10 years on spending on clothing (0.8 percent) and shelter (2.7 percent) in comparison to the observed spending growth for each between 1997 and 2012 (2.7 percent and 3.6 percent, respectively).

The cost of health care by income group

Table 3 divides Canadian families into 10 income groups (or “deciles”) to show what families from various income brackets will pay for public health care insurance in 2022.

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Table 2: Income, Cost of Health Care, and Selected Expenditures of the Average Canadian Family* (Current Dollars)

Year	Average Cash Income (\$)	Health Care Insurance (\$)	Consumer Price Index (2002=100)	Average Expenditures (\$)***		
				Shelter	Food	Clothing
1997	46,410	3,381	90.4	9,892	6,070	2,074
1998	48,464	3,639	91.3	10,207	6,032	2,132
1999	50,626	3,913	92.9	10,432	6,206	2,182
2000	54,042	4,188	95.4	10,657	6,380	2,233
2001	55,655	4,601	97.8	11,184	6,684	2,303
2002	56,280	5,062	100.0	11,711	6,989	2,373
2003	57,652	5,325	102.8	12,013	7,120	2,392
2004	60,288	5,506	104.7	12,316	7,250	2,411
2005	63,489	5,825	107.0	12,420	7,312	2,539
2006	66,865	6,165	109.1	12,864	7,484	2,492
2007	70,684	6,466	111.5	14,393	7,717	2,848
2008	72,529	6,953	114.1	13,965	8,024	2,893
2009	72,463	7,485	114.4	14,377	7,452	2,758
2010	73,749	7,773	116.5	14,578	7,556	2,705
2011	76,248	7,995	119.9	15,975	8,646	2,991
2012	78,112	8,274	121.7	16,760	8,113	3,054
2013	80,356	8,379	122.8	16,496	8,440	3,745
2014	82,301	8,453	125.2	17,341	9,008	3,656
2015	84,929	8,783	126.6	18,821	9,555	3,561
2016	84,138	8,841	128.4	17,577	9,124	3,677
2017	87,460	8,853	130.4	18,799	9,128	3,780
2018	88,425	8,814	133.4	19,180	9,295	3,812
2019	92,349	9,404	136.0	19,683	10,662	3,228
2020***	97,237	10,288	137.0	20,023	10,911	3,171
2021***	99,030	10,220	141.6	20,800	11,180	3,161
2022***	100,378	10,492	141.6	21,736	11,787	3,179
% increase 2012-2022	28.5%	26.8%	16.4%	29.7%	45.3%	4.1%
% increase 1997-2022	116.3%	210.3%	56.6%	119.7%	94.2%	53.3%

Notes:

* The average family includes unattached individuals.

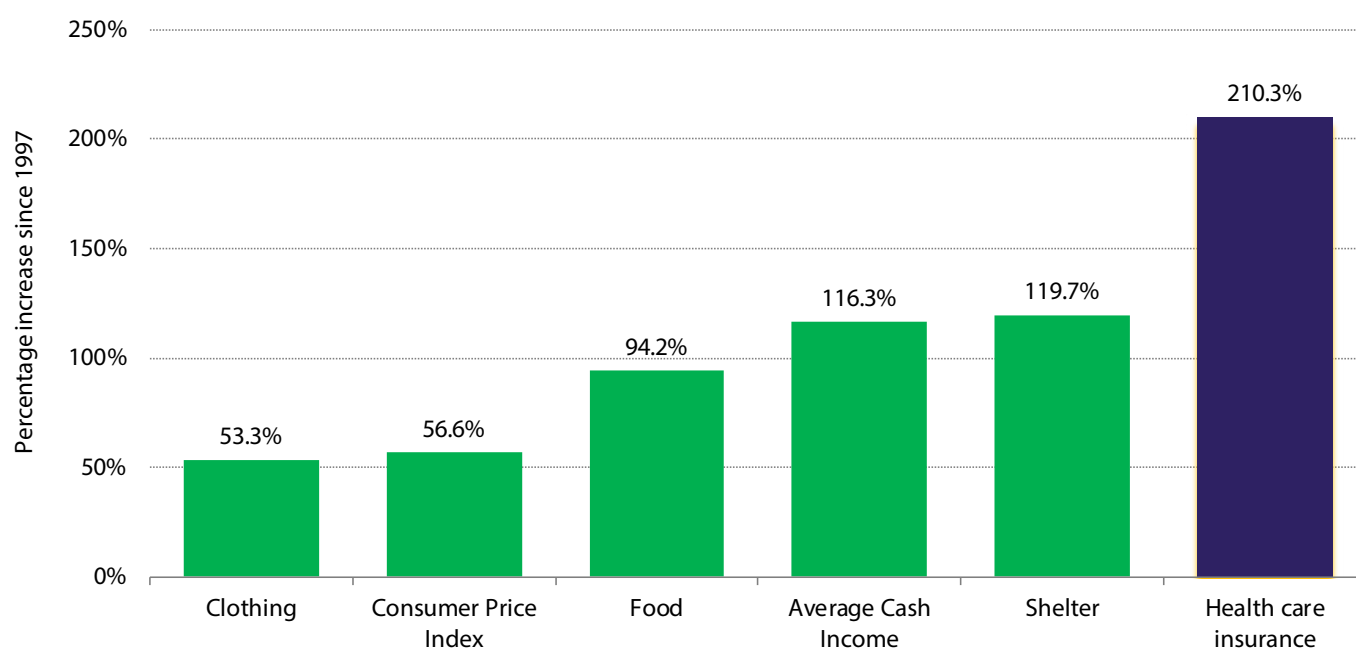
** All expenditure items include indirect taxes.

*** Expenditures for 2020, 2021, and 2022 were estimated using the results of the 2019 *Survey of Household Spending* and adjusting final results for inflation. Inflation numbers for 2022 are estimates.

Sources: Statistics Canada (various issues), *Spending Patterns in Canada*; Statistics Canada, 2021b and 2022a; The Fraser Institute's Canadian Tax Simulator, 2022; authors' calculations.

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Figure 3: How Health Care Insurance Has Increased Relative to Other Costs, 1997-2022



Source: Table 2.

Table 3: Average Income and Total Tax Bill in Each Decile, 2022*

Decile**	Average Cash Income (\$)	Average Total Tax Bill (\$)	Tax Rate	Health Care Insurance (\$)
1	18,827	2,885	15.3%	690
2	36,803	7,439	20.2%	1,778
3	49,261	14,793	30.0%	3,536
4	61,889	22,516	36.4%	5,382
5	76,704	30,853	40.2%	7,374
6	94,096	39,340	41.8%	9,403
7	113,195	50,177	44.3%	11,993
8	138,850	63,463	45.7%	15,168
9	175,333	85,387	48.7%	20,408
10	300,055	175,364	58.4%	41,914

Notes:

* Preliminary estimates

** Deciles group families from lowest to highest incomes with each group containing 10 percent of all families. The first decile, for example, represents the 10 percent of families with the lowest incomes.

Source: The Fraser Institute's Canadian Tax Simulator, 2022.

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According to this calculation, the 10 percent of Canadian families with the lowest incomes will pay an average of about \$690 for public health care insurance in 2022. The 10 percent of Canadian families who earn an average income of \$76,704 will pay an average of \$7,374 for public health care insurance, and the families among the top 10 percent of income earners in Canada will pay \$41,914.

Conclusion

Through the lens of a variety of representative Canadian families, tables 1 and 3 present a much different perspective on the costs of public health care insurance than the per capita figures from CIHI. In addition, the large gap between the growth rate of income and that of public health care insurance between 1997 and 2022 provides an important insight into the impact of changes in the cost of health care for Canadian individuals and families. Our hope is that these figures will enable Canadians to more clearly understand just how much they pay for public health care insurance, and how that amount is changing. With a more precise estimate of what they really pay, Canadians will be in a better position to decide whether they are getting a good return on the money they spend on health care.

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