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The Price of Public Health Care Insurance, 2024

Nathaniel Li, Milagros Palacios, and Nadeem Esmail

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 2024, preliminary estimates suggest the average payment for public health care insurance ranges from $4,908 to $17,713 for six common Canadian family types, depending on the type of family.
- Between 1997 and 2024, the cost of public health care insurance for the average Canadian family increased 2.2 times as fast as the cost of food, 1.7 times as fast as the average income, and 1.6 times as fast as the cost of shelter. It also increased much more rapidly than the cost of clothing, which has been falling in recent years.
- The 10 percent of Canadian families with the lowest incomes will pay an average of about $639 for public health care insurance in 2024. The 10 percent of Canadian families who earn an average income of $81,825 will pay an average of $7,758 for public health care insurance, and the families among the top 10 percent of income earners in Canada will pay $47,071.

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 often misunderstand 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 rather 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, $225.1

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 2024/25, revenues from these taxes are expected to be equivalent to 7.8 and 10.3 percent of provincial health spending in BC and Ontario respectively (British Columbia, Ministry of Finance, 2024; Ontario Finance, 2024). In Quebec, the "contribution to health services" is a similar scheme paid by employers; revenues from it are expected to be about 14.0 percent of the total health and social services spending in 2024/25 (Quebec, Ministère des Finances, 2024).

Table 1: Average income and average total tax bill of representative families, 2024*

Family Type	Average Cash Income ($)	Average Total Tax Bill ($)	Tax Rate	Health Care Insurance ($)
Unattached Individuals	55,925	24,122	43.1%	5,629
2 Parents, 0 Children	147,542	70,824	48.0%	16,528
2 Parents, 1 Child	171,329	73,693	43.0%	17,198
2 Parents, 2 Children	176,266	75,904	43.1%	17,713
1 Parent, 1 Child	72,608	22,903	31.5%	5,345
1 Parent, 2 Children	80,862	21,032	26.0%	4,908

*Preliminary estimates

Source: The Fraser Institute's Canadian Tax Simulator, 2024.

billion of our tax dollars were spent on publicly funded health care in 2023, the most recent year for which data is available from the Canadian Institute of Health Information (CIHI, 2023).[5]

It is more informative to measure the cost of our health care system in per capita dollars: the $225.1 billion spent equates to approximately $5,614 per Canadian in 2023 (CIHI, 2023; Statistics Canada, 2024e; 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 2024, we must determine how much tax an average family pays to all levels of government and the percentage of the family's total tax bill[6] that pays for public

5 This 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 an estimated 7.8 percent of total public sector spending on health care in 2023 (CIHI, 2023; authors' calculations).

6 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 in Palacios et al. (2024).

health care insurance. In 2024/25, an estimated 23.3 percent of tax revenues (income) will be spent on health care (Statistics Canada, 2009, 2024b, and 2024c; CIHI, 2023; authors' calculations).

Table 1 shows six Canadian family types, the estimated average income[7] for those family types in 2024, 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 2024, the average unattached (single) individual, earning an average income of $55,925, will pay approximately $5,629 for public health care insurance. An average Canadian family consisting of two adults and two children (earning approximately $176,266) will pay about $17,713 for public health care insurance.

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

Figures 1 and 2 show the inflation-adjusted[8] cost of public health care insurance for the six representative family types from 1997[9] to 2024.

Since 1997 (the earliest year for which data can be generated for comparison), the cost of public health care insurance (adjusted for inflation) has increased by:

- 82.8% for the average family consisting of 2 adults and no children10 (from $9,044 to $16,528);
- 91.1% for the average family consisting of 2 parents and 1 child (from $9,001 to $17,198);
- 85.1% for the average family consisting of 2 parents and 2 children (from $9,570 to $17,713);
- 125.5% for the average unattached individual (from $2,496 to $5,629);
- 137.1% for the average family consisting of 1 parent and 1 child (from $2,254 to $5,345);
- 104.8% for the average family consisting of 1 parent and 2 children (from $2,397 to $4,908).

Examining only the last 10 years (i.e., from 2014 to 2024), the cost of public health care insurance (adjusted for inflation) for the six representative family types has increased by:

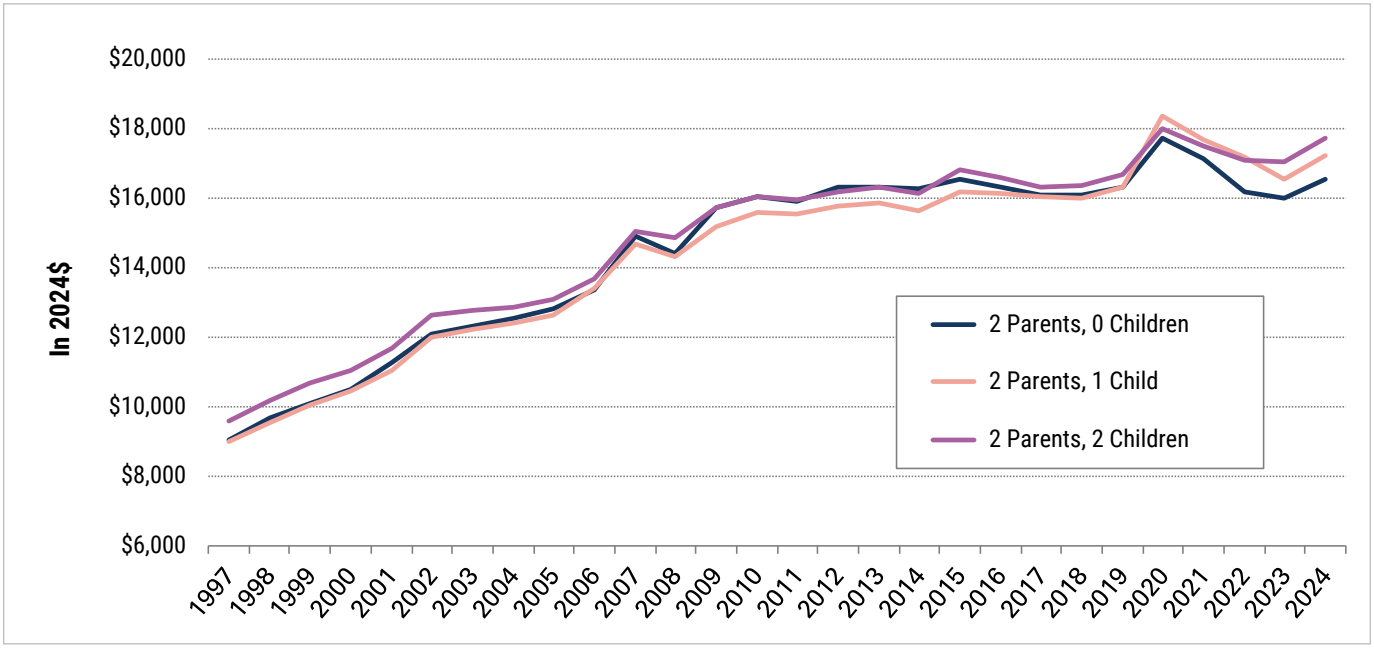
7 The definition of "income" used throughout this bulletin is cash income, which includes wages and salaries, self-employment income (farm and non-farm), interest, dividends, private and government pension payments, old age pension payments, and other transfers from governments (such as the universal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

8 Calculated using the consumer price index (CPI) and presented in constant 2024 dollars. For the year 2024, 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).

9 Estimates in this study are based calculations by Palacios et al. (2024), 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 SPSD/M (version 30.1) is capable of generating results.

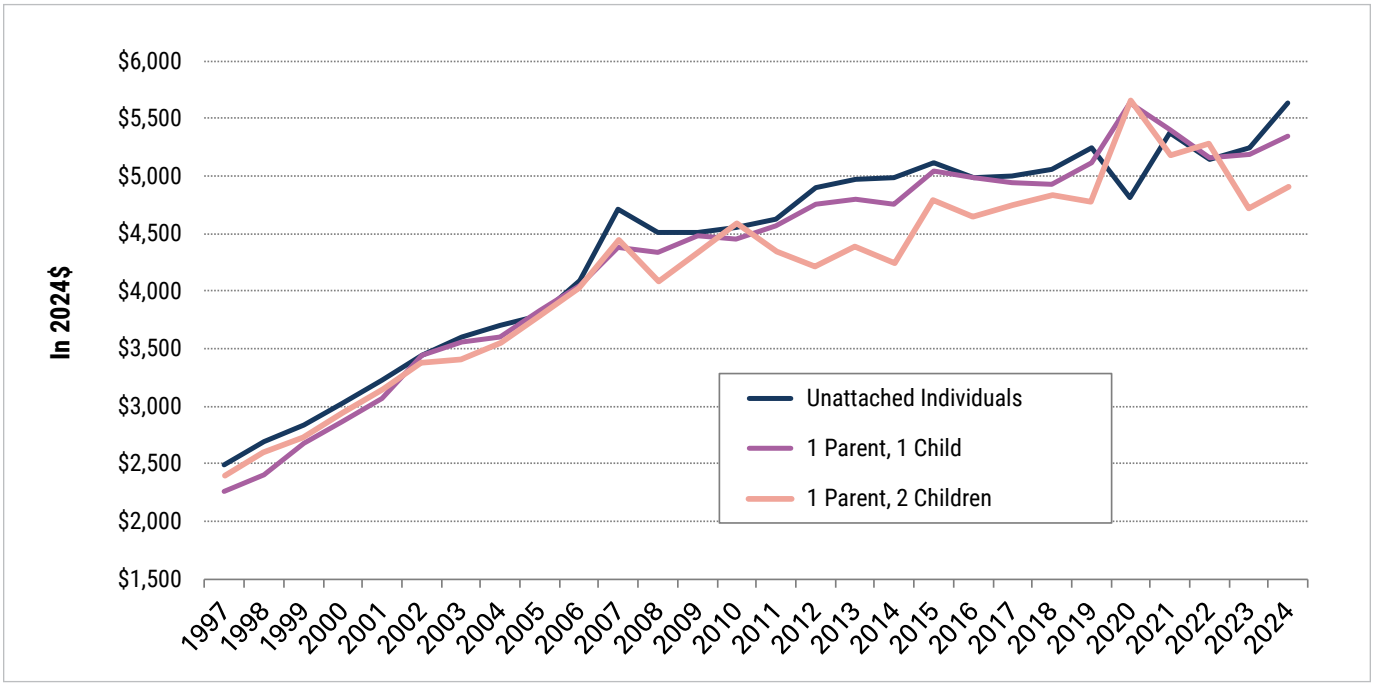
10 "2 adults and no children" includes elderly couples who might have children but whose children do not live with them.

Figure 1: Inflation-adjusted cost of public health care insurance for selected types of 2-parent families, 1997-2024



Sources: The Fraser Institute's Canadian Tax Simulator, 2024; Statistics Canada, 2024a; authors' calculations.

Figure 2: Inflation-adjusted cost of public health care insurance for selected types of other families, 1997–2024



Sources: The Fraser Institute's Canadian Tax Simulator, 2024; Statistics Canada, 2024a; authors' calculations.

1.8% for the average family consisting of 2 adults and no children (from $16,232 to $16,528);

- 10.0% for the average family consisting of 2 parents and 1 child (from $15,637 to $17,198);
- 9.9% for the average family consisting of 2 parents and 2 children (from $16,118 to $17,713);
- 13.0% for the average unattached individual (from $4,982 to $5,629);
- 12.4% for the average family consisting of 1 parent and 1 child (from $4,754 to $5,345);
- 15.8% for the average family consisting of 1 parent and 2 children (from $4,237 to $4,908).

As figures 1 and 2 show, the cost of public health care insurance for the six representative family types was significantly affected by the economic response to COVID-19 and should be interpreted with caution for this period. Specifically, the cost for 5 (of the 6) family types examined in this study rose considerably in 2020 (rising 7.7 to 18.6 percent compared to 2019)[11] and then fell for 5 family types in 2022 (falling between 2.4 to 5.4 percent compared to 2021) on an inflation-adjusted basis. It is notable that despite these fluctuations, the preliminary estimates of the cost of public health care insurance for all family types included in this study is higher in 2024 than in pre-pandemic years (i.e., 2019 and earlier).

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 2024, the average Canadian family's cash income increased by 141.7 percent.[12] At the same time, spending on shelter increased by 150.5 percent, spending on food increased by 111.1 percent, and expenditures on clothing rose by 18.5 percent, which in part reflects a decline in expenditures on clothing in recent years. By contrast, since 1997, the cost of health care insurance for the average Canadian family (all family types) increased by 239.6 percent.

Put differently, the cost of public health care insurance for the average Canadian family grew 1.7 times faster than its average income between 1997 and 2024. Further, since 1997, the cost of public health care insurance increased 2.2 times as fast as the cost of food and 1.6 times as fast as the cost of shelter. The cost of public health care insurance also ballooned between 1997 and 2024 in comparison to the cost of clothing, which has fallen in recent years.

When examining only the last 10 years (i.e., from 2014 to 2024), the cost of health care insurance for the average Canadian family (all family types) increased by 33.7 percent. This increase in the cost of health care insurance is lower than the increase in the average Canadian family's cash income (36.0 percent) as well as spending on food (42.3 percent), and spending on shelter (42.9 percent). Conversely,

11 The cost of health care for unattached individuals fell by 8.4 percent in 2020, but then rose by 11.9 percent in 2021.

12 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.

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	46,429	3,356	90.4	9,893	6,071	2,075
1998	48,362	3,611	91.3	10,209	6,033	2,132
1999	50,470	3,878	92.9	10,433	6,207	2,182
2000	54,468	4,209	95.4	10,658	6,380	2,233
2001	55,678	4,581	97.8	11,193	6,689	2,305
2002	56,488	5,056	100.0	11,727	6,999	2,377
2003	57,901	5,324	102.8	12,038	7,134	2,399
2004	60,547	5,513	104.7	12,348	7,270	2,421
2005	63,576	5,784	107.0	12,432	7,318	2,545
2006	67,021	6,150	109.1	12,876	7,490	2,498
2007	76,559	6,966	111.5	15,265	7,934	3,026
2008	72,852	6,971	114.1	13,973	8,030	2,895
2009	72,953	7,530	114.4	14,397	7,455	2,764
2010	74,139	7,783	116.5	14,598	7,560	2,711
2011	76,638	8,003	119.9	16,001	8,664	2,986
2012	78,577	8,310	121.7	16,779	8,118	3,049
2013	80,574	8,418	122.8	16,503	8,446	3,742
2014	82,552	8,523	125.2	17,341	9,008	3,656
2015	85,137	8,856	126.6	18,853	9,572	3,569
2016	84,085	8,869	128.4	17,584	9,127	3,690
2017	87,380	8,899	130.4	18,857	9,123	3,819
2018	89,778	9,122	133.4	19,240	9,290	3,851
2019	92,600	9,465	136.0	19,821	10,696	3,314
2020	96,683	10,286	137.0	20,164	10,945	3,255
2021	99,876	10,229	141.6	21,076	10,773	2,454
2022***	104,274	10,424	151.2	22,539	11,731	2,488
2023***	109,235	10,830	157.1	23,809	12,607	2,514
2024***	112,235	11,395	159.7	24,786	12,814	2,459
% increase 2014–2024	36.0%	33.7%	27.6%	42.9%	42.3%	-32.7%
% increase 1997–2024	141.7%	239.6%	76.7%	150.5%	111.1%	18.5%

Notes:

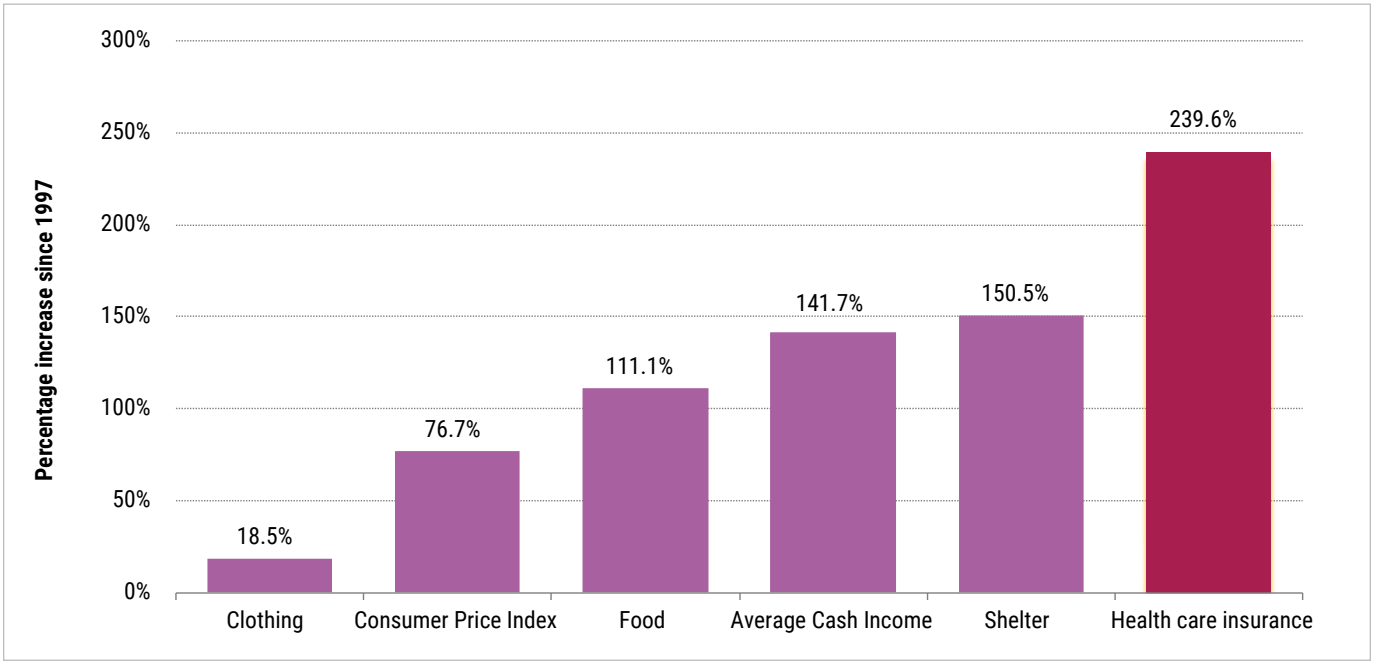
* The average family includes unattached individuals.

** All expenditure items include indirect taxes.

*** Expenditures for 2022-2024 were estimated using the results of the 2021 Survey of Household Spending and adjusting final results for inflation. Inflation numbers for 2024 are estimates.

Sources: Statistics Canada (various issues), Spending Patterns in Canada; Statistics Canada, 2024a and 2024d; The Fraser Institute's Canadian Tax Simulator, 2024; authors' calculations.

Figure 3: How Health Care Insurance has increased relative to other costs, 1997–2024



Source: Table 2.

Table 3: Average income and total tax bill in each decile, 2024*

Decile**	Average Cash Income ($)	Average Total Tax Bill ($)	Tax Rate	Health Care Insurance ($)
1	19,771	2,773	14.0%	639
2	38,984	8,368	21.5%	1,929
3	52,736	15,842	30.0%	3,651
4	66,629	24,230	36.4%	5,585
5	81,825	33,659	41.1%	7,758
6	100,305	42,816	42.7%	9,869
7	122,470	53,929	44.0%	12,430
8	151,017	68,027	45.0%	15,680
9	194,226	91,759	47.2%	21,150
10	355,181	204,218	57.5%	47,071

Notes:

* Preliminary estimates.

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

Source: The Fraser Institute's Canadian Tax Simulator, 2024.

the cost of clothing for the average Canadian family (all family types) declined by 32.7 percent between 2014 and 2024.

Although a comprehensive examination of this departure over the last 10 years from the longer historical trend observed between 1997 and 2024 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 (an average of 3.0 percent per year) than it did between 1997 and 2014 (an average of 5.7 percent per year).

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 2024.

According to this calculation, the 10 percent of Canadian families with the lowest incomes will pay an average of about $639 for public health care insurance in 2024. The 10 percent of Canadian families who earn an income of $81,825 on average, will pay an average of $7,758 for public health care insurance, and the families among the top 10 percent of income earners in Canada will pay $47,071.

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 2024 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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NATHANIEL LI is a Senior Economist at the Fraser Institute. He holds a B.A. from the Fudan University in China and a Ph.D. in Food, Agricultural and Resource Economics from the University of Guelph.

MILAGROS PALACIOS is the Director of the Addington Centre for Measurement at the Fraser Institute. She holds a BSc in Industrial Engineering from the Pontifical Catholic University of Peru and an MSc in Economics from the University of Concepción, Chile.

NADEEM ESMAIL first joined the Fraser Institute in 2001, served as director of Health System Performance Studies from 2006 to 2009, and has been a senior fellow since 2010. He has authored or co-authored more than 30 comprehensive studies and over 150 articles on topics that include the cost of public health care insurance, international comparisons of health care systems, hospital performance, medical technology, and physician shortages.

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