



Budget 2004-2005

Understanding Health Care Spending in Saskatchewan

Health care comes first

The budget menu arrives and for many the selection is an easy one. Health care.

It's the top priority for Saskatchewan people, who expect the health care system to be there for their family, for their friends, and for themselves when they need it.

But it comes at considerable cost. In Saskatchewan and across Canada, the cost of health care has been growing faster than the rate of inflation. Faster than the growth in revenues used to pay for health care. Faster than the growth in health care transfers from Ottawa.

Over the next year, the province will spend \$2.69 billion on health care to meet rising costs and address priority areas like surgical and diagnostic services. It's an increase of 6.3 per cent over last year, and accounts for most of the new program spending in the provincial budget.

In a period of financial restraint, the emphasis on protecting the health and well-being of Saskatchewan people has required difficult decisions across government. It has also reinforced the need to ensure the health system is being managed in the most effective way possible, so scarce dollars are going where the health need is the greatest.

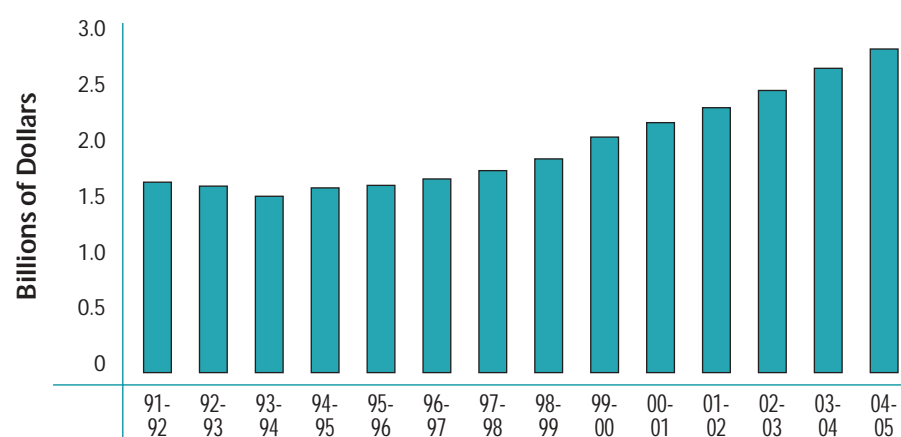
So where do our health dollars go and why are costs rising so quickly? These are important questions and the answers can be found in the pages that follow.

How can we ensure the long-term sustainability of our public health care system without compromising patient care? It's another important question that offers no easy, overnight solutions.

Through initiatives like the 24-hour telephone advice line, the Surgical Care Network, and the Health Quality Council, the province has been working with its health partners to promote more effective ways of delivering health services and to reduce the over-use, under-use, and misuse of health services.

Saskatchewan residents also have a role to play by taking steps to improve their own health, and by making appropriate use of emergency rooms and other health services.

HEALTH SPENDING
1991-92 to 2004-05



Where your health dollar goes

73¢ Health care providers.

You don't have to look far to find out where the majority of your health dollar is spent. It's going to the thousands of health care providers located in hospitals, special care homes, laboratories, ambulance stations, public health offices and physician clinics across the province.

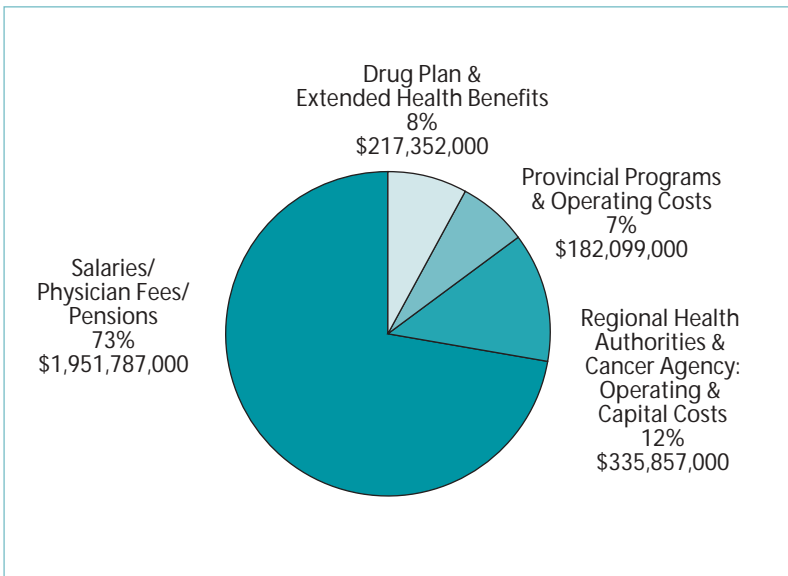
It's true that our health care system is more reliant than ever on high-tech equipment, computer technology, and high-cost drugs and medical supplies. But health care is, and always will be, about people caring for people. And that's where nearly three-quarters of your health dollar goes: to professional fees, salaries, pensions and benefits for all of the doctors, nurses, paramedics, therapists, technicians, pharmacists, social workers and health support workers who make up the health care system.

12¢ Medical supplies, drugs, equipment and other operating costs.

From high-cost chemotherapy drugs to sterile needles and dressings. From a new piece of diagnostic imaging equipment to the electricity that's needed to run it. Once the payroll is covered, the second biggest cost in the health care system is equipping, operating and maintaining the facilities operated by our health authorities and the cancer agency.

Investments in health care facilities and equipment are an essential part of providing safe patient care in a modern health care system. Capital equipment and facilities account for \$46 million, while medical and surgical supplies (\$96 million) and drugs for hospital and cancer patients (\$47 million) represent the largest operating costs.

2004-05 HEALTH CARE BUDGET



8¢ Saskatchewan Drug Plan and extended benefit programs.

The Drug Plan provides assistance to over 113,000 Saskatchewan families with high drug costs in relation to their income. Last year, the Drug Plan helped to offset the cost of 4.3 million prescriptions at a cost of \$155 million. The level of support provided depends on the recipient's family income and eligible drug costs. In addition to the main support program, the Drug Plan also covers 100 per cent of drug costs for people with terminal illness.

The province also provides extended health benefits to families with low incomes and to people with long-term disabilities or illnesses. More than 100,000 low-income residents, including nearly 50,000 children, receive assistance in paying for dental, drug and eye care. The Saskatchewan Aids to Independent Living program covers the cost of home oxygen, wheelchairs, artificial limbs, and ostomy supplies so people with long-term disabilities or illnesses can enjoy more independent and active lifestyles.

7¢ Provincial programs, transfers and operating costs.

While most health care services are delivered through Regional Health Authorities and the Saskatchewan Cancer Agency, there are many programs and services that are delivered or funded by Saskatchewan Health. Here are some examples:

- The provincial laboratory: the lab conducts 1.3 million clinical tests and 100,000 water tests a year.
- Canadian Blood Services: provinces and territories support the operation of the national blood agency.
- Air ambulance: the province funds the air ambulance service and has programs to assist patients with air ambulance costs.
- Immunizations: the province purchases and distributes vaccines for childhood immunization programs and for targeted adult immunization programs.

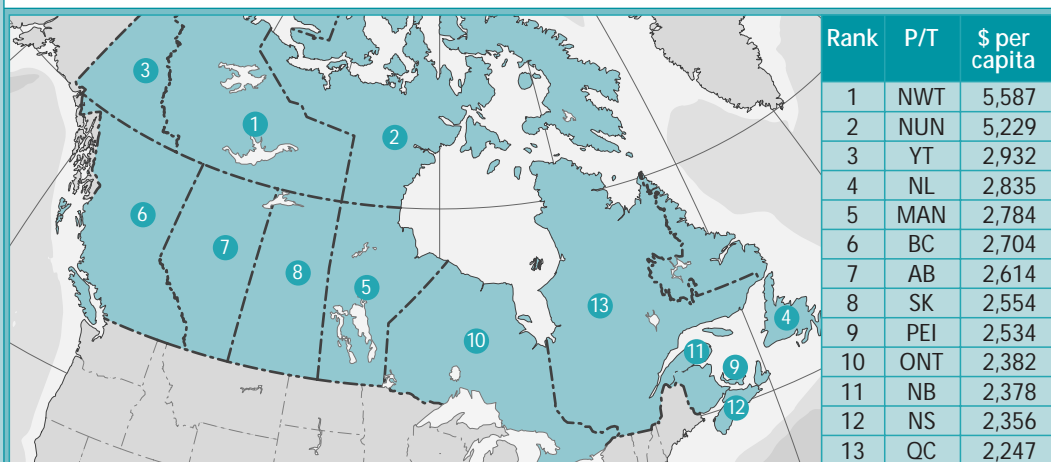
Other provincial programs include health provider bursaries; funding to municipalities for West Nile Virus mosquito control; the Health Quality Council and research grants; and payments for medically necessary services provided outside of Saskatchewan.

How do we compare with other provinces?

Saskatchewan's experience with rising health costs is not unique.

Over the past five years, health spending has increased by an average of 6.5 per cent a year, compared with the national average of 7.4 per cent. In our neighbouring provinces of Alberta and Manitoba, health costs have gone up by an average of 11 per cent and nine per cent respectively.

Another method of comparison is the amount provinces and territories spend on health care per resident. The table below shows that Saskatchewan's per-capita health spending was \$2,554 in 2003, just slightly above the national average of \$2,450. Our province ranked fifth highest among provinces and eighth highest among the 13 provinces and territories.





Did you know?

Here are some approximate costs, including the government's and patient's share (where applicable) of health services we use every day:

- routine office visit to a family physician (excluding tests) – \$24.33.
- average cost of a day in hospital – \$750.
- average annual cost of one nursing home bed – \$51,600.
- average annual cost of home care for one person – \$3,600.
- cataract surgery (day surgery) – \$1,550 (including physician and hospital costs).
- hip replacement (in-patient surgery) – \$10,400 (including physician and hospital costs).
- average cost of a mammogram to screen for breast cancer – \$64.
- estimated cost of a typical childbirth in hospital (including pre-natal physician care) – \$3,930.
- cost of providing routine immunizations to one child from birth to age 16 – \$187.

Here are some examples of what the provincial health budget covers annually, based on the most recent data available:

- 4,590,900 visits to family physicians and 993,500 visits to specialists.
- approximately 800,000 days of in-patient hospital care.
- approximately 94,000 surgeries, or about 258 a day.
- approximately 41,500 calls to the provincial health advice telephone line over seven months.
- partial coverage for over 82,000 trips by road ambulance and approximately 1,280 air ambulance trips.
- coverage for an average of 77 per cent of the cost of nursing home care for 8,700 residents in special care homes, hospitals and health centres.
- approximately 72,000 CT scans and 12,750 MRIs.

Budget targets surgery, diagnostics, cancer care and front-line providers

The provincial budget provides a substantial increase in health care funding that will support top public priorities, including surgical access, diagnostic testing, cancer treatment and health provider compensation. But the budget will not meet all of the rising costs and rising demands throughout the health care system. Changes will be needed to make our health care system more efficient and to place it on a sustainable course for the future.

Of the \$160 million in new health spending this year, just over \$115 million will cover negotiated increases in physician fees, health provider salaries, pensions and benefits.

These settlements allow us to remain competitive with other provinces, so we can keep our front-line health care providers in Saskatchewan and attract the new graduates our system needs for the future.

Other funds will be targeted to key priorities identified in the Action Plan for Saskatchewan Health Care:

- \$2.5 million to increase the number of **surgeries** performed. Funding will be targeted to high-priority surgeries, including the backlog of patients waiting for elective surgery;
- \$2 million toward the purchase of a **new MRI** in Regina. When operational, it will provide 5,000 to 6,000 more MRI scans annually;
- \$1.8 million to expand **diagnostic testing** capacity by approximately 4,000 additional MRI scans and an additional 2,700 CT scans;
- \$6.6 million for the **Saskatchewan Cancer Agency** to accommodate growing patient numbers, provide more chemotherapy treatments, and meet rising drug costs; and
- \$1 million to **assess and support people with fetal alcohol spectrum disorder** (FASD) and other cognitive disabilities.

Additional funding is also available for primary health care expansion, so communities have access to teams of doctors, nurses and other front-line providers.

NEW SPENDING FOR HEALTH PROVIDER COMPENSATION – 2004-05

Physician payments	\$	46.4 million
Health provider contracts – nurses, emergency response personnel, health sciences	\$	26.7 million
Pay equity – health support staff	\$	19.7 million
Benefits and pensions – salaried employees	\$	20.6 million
Medical interns and residents	\$	1.1 million
Other	\$	690,000
Total	\$	115.2 million

Health included in fiscal restraint

Health care is not immune from the budgetary realities facing Saskatchewan and the need for sound financial management. A 6.3-per-cent funding increase will meet some of the most pressing needs in our health care system, but it won't eliminate all of our health funding challenges.

Reforms aimed at improving the quality and efficiency of health delivery will be accelerated. Further measures will be taken to contain the growth in health care spending for the coming year and into the future.

- Saskatchewan Health will cut its administration costs by six per cent.
- Grants to some third-party organizations will be reduced or eliminated.

- Regional Health Authorities will find administrative savings and implement system changes that may include changes in staff mix, facility closures or conversions, and reductions in long-term care bed numbers.
- Some fees will be increased to reflect the cost of service delivery. These will include charges for water quality testing, vital statistics documents, hearing aids and podiatry services.
- Drug Plan coverage will be capped for certain categories of prescription drugs. The level of coverage will be based on the least expensive product that is proven to be effective. Exemptions will be provided to those who need a higher-cost drug for medical reasons.

In the months ahead, the government will assess how health dollars are being used to make sure the management and administration of the system is as lean as it can be.



What is driving up health costs?

Health spending is outpacing economic growth across Canada and in most industrialized countries. Studies have identified a series of factors that are responsible for this situation.

HEALTH PROVIDER COMPENSATION

Health care salaries and professional fees have grown significantly in recent years in response to widespread shortages of doctors, nurses and other front-line providers. In Saskatchewan, where labour costs represent over 70 per cent of the health budget, the rising cost of salaries, fees, pensions and benefits is the largest growth area in the health budget.

PRESCRIPTION DRUG COSTS

Drug costs have soared over the past decade as new products come on the market, higher-cost drugs replace existing ones, and pharmaceuticals are prescribed for an ever-expanding list of medical conditions. In Saskatchewan, the average cost of a prescription covered by the Drug Plan has gone from \$29.22 to \$38 over the past four years – an increase of 30 per cent. Rising drug costs have had a dramatic affect on the Drug Plan, which provides assistance to about 113,000 families, and on hospitals and cancer clinics where prescription drugs are fully covered.

CHOLESTEROL-LOWERING DRUGS

	# of Beneficiaries	# of Prescriptions	Drug Plan Share of Cost	Cost Increase
1999	28,644	205,237	\$ 4,152,922	
2003	52,843	404,625	\$ 7,894,536	90%

NEW MEDICAL TECHNOLOGY

Medical advances that provide new techniques for detecting, managing and treating illness have extended lives and provided greater quality of life to many residents.

However, these breakthroughs come with an enormous cost. The cost of introducing and expanding new technology can be significant: a sophisticated MRI machine costs approximately \$2.8 million and the annual operating cost of about \$1 million is an even greater cost driver over the long-term.

“OECD countries are spending record amounts on health care, largely due to the rising cost of pharmaceuticals and the diffusion of modern medical technologies.”
 Organization for Economic Co-operation and Development, June 2003.

CHANGING DISEASE PATTERNS

Continuous improvement in health care practice and in our social and economic conditions mean that Saskatchewan residents, and people across Canada, are living longer, healthier lives than ever before. But as

our population ages, we are seeing growing numbers of certain chronic diseases that can require health care services ranging from prescription drug therapy to high-cost medical interventions.

From 1997 to 2001, the incidence of diabetes in Saskatchewan increased from 29 to 41 cases per thousand residents – an increase of 41 per cent. The Saskatchewan Cancer Agency reports that from 1970 to 2001, the number of people with invasive cancer increased by an average of three per cent a year and that pattern is expected to continue.

The number of people experiencing kidney failure is growing at a rate of 10 per cent a year. The health care costs for maintaining a patient on hemodialysis can be as much as \$55,000 a year.

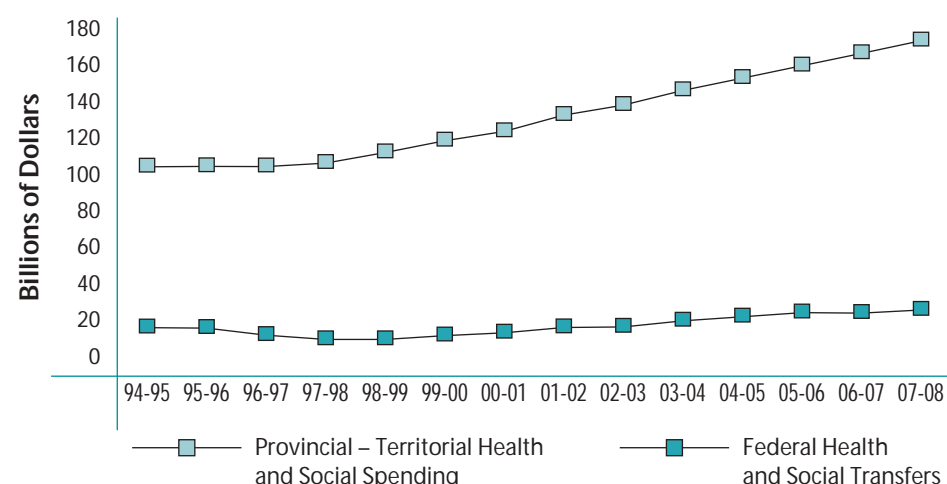
Federal health care spending

Reductions in Canada Health and Social Transfer (CHST) funding during the 1990s have resulted in a major shift in the distribution of federal and provincial health care funding over the past decade.

As the federal government withdrew funding, Saskatchewan and the other provinces were forced to assume a greater share of health care costs. Even with the recent funding increases contained in the 2003 First Ministers' Health Accord, the federal government is only paying 16 per cent of national health and social programming costs.

The recent federal budget provided an additional \$2 billion to provinces and territories for health care in 2003-04. The extra \$62 million for Saskatchewan offers welcome short-term assistance, but does not address the ongoing challenges associated with insufficient federal health and social transfers. The fact that this one-time payment is not built into the funding base means that Saskatchewan will see a 7.3-per-cent reduction in its 2004-05 federal health and social transfers. This decline will occur at the same time that health spending is increasing by 6.3 per cent.

FEDERAL SHARE OF PROVINCIAL-TERRITORIAL HEALTH AND SOCIAL SPENDING



For further information, please contact

Saskatchewan Finance at 1-866-862-6246 or visit www.gov.sk.ca/finance
 Saskatchewan Health at 1-800-667-7766 or visit www.health.gov.sk.ca