

# The Price of Public Health Care Insurance, 2019



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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 2019, the estimated average payment for public health care insurance ranges from \$4,544 to \$13,311 for six common Canadian family types, depending on the type of family.

■ Between 1997 and 2019, the cost of public health care insurance for the average Canadian

family increased 3.2 times as fast as the cost of food, 2.1 times as fast as the cost of clothing, 1.8 times as fast as the cost of shelter, and 1.7 times faster than average income.

■ The 10% of Canadian families with the lowest incomes will pay an average of about \$464 for public health care insurance in 2019. The 10% of Canadian families who earn an average income of \$67,226 will pay an average of \$6,155 for public health care insurance, and the families among the top 10% of income earners in Canada will pay \$39,486.

## 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.<sup>1</sup> 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.<sup>2</sup>

Furthermore, health care in Canada is financed through general government revenues rather than through a dedicated tax,<sup>3</sup> which blurs the

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<sup>1</sup> 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.

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

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

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, health care premiums cover the cost of health care. 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 \$163 billion of our tax dollars were estimated to have been spent on publicly funded health care in 2018 (CIHI, 2018).<sup>4</sup>

It is more informative to measure the cost of our health care system in per capita dollars: the \$163 billion spent equates to approximately \$4,389 per Canadian (CIHI, 2018; Statistics Canada, 2019b; authors’ calculations). This would be the cost of the public health care insurance plan if every Canadian resident paid an equal share.

However, Canadians do not pay equal tax amounts each year. Some Canadians are chil-

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<sup>4</sup> 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.

**Table 1: Average Income and Average Total Tax Bill of Representative Families, 2019\***

Family Type	Average Cash Income (\$)	Average Total Tax Bill (\$)	Tax Rate	Health Care Insurance (\$)
Unattached Individuals	44,813	19,864	44.3%	4,544
2 Parents, 0 Children	116,846	57,541	49.2%	13,163
2 Parents, 1 Child	137,826	57,739	41.9%	13,208
2 Parents, 2 Children	140,049	58,190	41.5%	13,311
1 Parent, 1 Child	60,087	19,533	32.5%	4,468
1 Parent, 2 Children	65,858	16,755	25.4%	3,833

\* Preliminary estimates

Source: The Fraser Institute's Canadian Tax Simulator, 2019.

dren and dependents and are not taxpayers. Conversely, 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 more precisely estimate the cost of public health care insurance for the average Canadian family in 2019, 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<sup>5</sup> that pays for public health

<sup>5</sup> The total tax bill includes income taxes (personal and business); property taxes; sales taxes; payroll taxes; health taxes; import duties; taxes on the con-

sumption 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 and Fuss (2019).

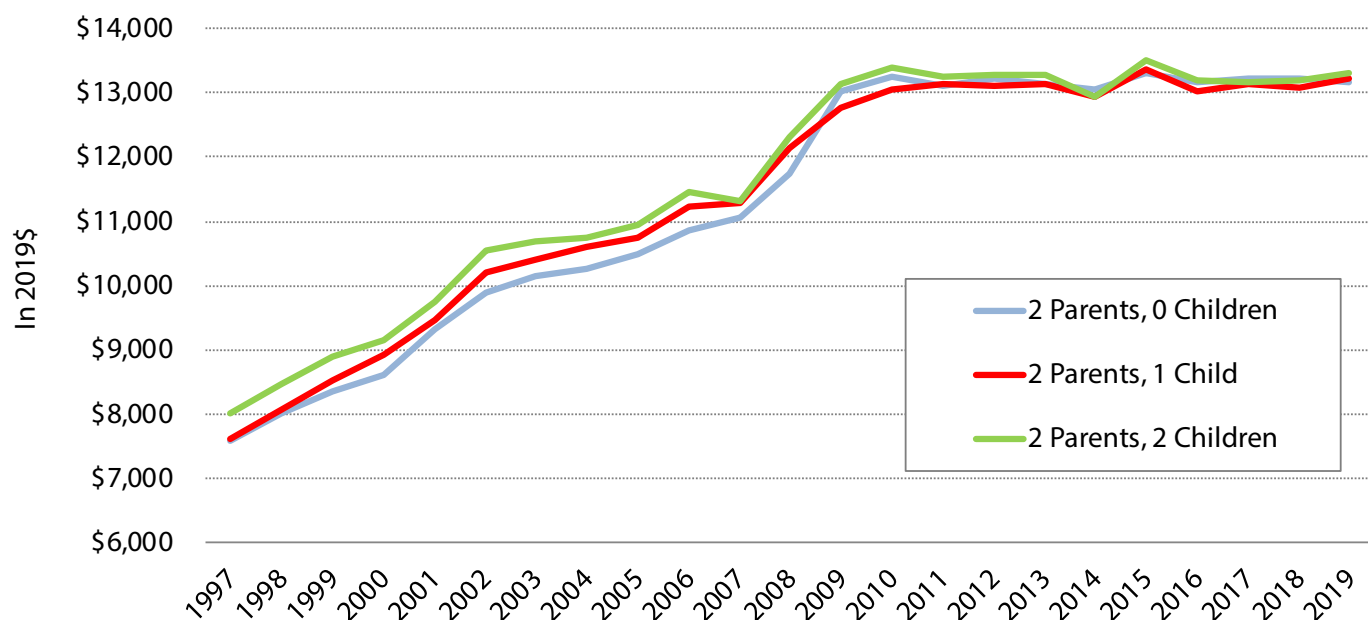
care insurance. In 2018/19, an estimated 22.9% of tax revenues (income) was spent on health care (Statistics Canada, 2019a, 2019d, and 2019e; CIHI, 2018; authors' calculations).<sup>6</sup>

Table 1 shows six Canadian family types, the estimated average income<sup>7</sup> for those family types

<sup>6</sup> The calculations presented in this bulletin assume that the health care insurance paid by each Canadian family comes from their total tax bill. The proportion of the family's tax bill devoted to health care insurance is assumed to be the same proportion of tax revenues spent on health care by the government.

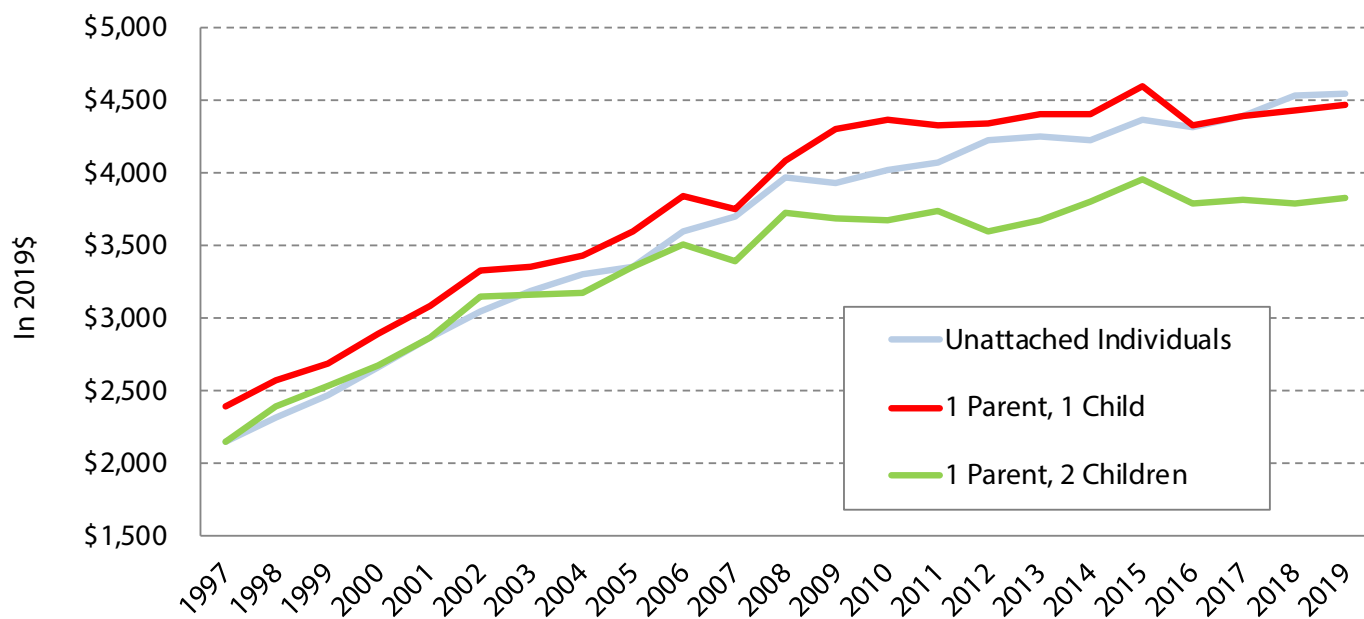
<sup>7</sup> The definition of "income" used throughout this article is cash income, which includes wages and salaries, self-employment income (farm and non-

**Figure 1: Inflation-adjusted Cost of Public Health Care Insurance, for Selected Types of 2-Parent Families, 1997–2019**



Sources: The Fraser Institute's Canadian Tax Simulator, 2019; Statistics Canada, 2019c; authors' calculations.

**Figure 2: Inflation-adjusted Cost of Public Health Care Insurance, for Selected Types of Other Families, 1997–2019**



Sources: The Fraser Institute's Canadian Tax Simulator, 2019; Statistics Canada, 2019c; authors' calculations.

**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	43,952	3,194	90.4	9,686	5,999	2,036
1998	45,668	3,413	91.3	9,796	5,890	2,055
1999	47,635	3,665	92.9	10,123	6,099	2,125
2000	51,732	4,010	95.4	10,451	6,309	2,194
2001	55,129	4,571	97.8	11,071	6,643	2,280
2002	55,882	5,040	100.0	11,690	6,976	2,366
2003	57,260	5,307	102.8	11,982	7,101	2,383
2004	60,039	5,499	104.7	12,274	7,225	2,399
2005	63,010	5,771	107.0	12,390	7,298	2,523
2006	66,363	6,114	109.1	12,832	7,469	2,476
2007	70,189	6,290	111.5	14,327	7,700	2,835
2008	72,210	6,937	114.1	13,930	7,996	2,884
2009	72,458	7,524	114.4	14,350	7,447	2,749
2010	73,750	7,799	116.5	14,551	7,551	2,696
2011	75,955	7,972	119.9	15,921	8,609	3,001
2012	77,882	8,151	121.7	16,702	8,099	3,069
2013	79,809	8,185	122.8	16,413	8,371	3,792
2014	81,856	8,293	125.2	17,281	9,014	3,650
2015	84,159	8,605	126.6	18,681	9,479	3,528
2016	82,722	8,559	128.4	17,549	9,110	3,631
2017	85,867	8,740	130.4	18,754	9,132	3,750
2018***	88,865	8,990	133.4	19,134	9,299	3,782
2019***	90,641	9,100	135.1	19,514	9,515	3,818
% increase 2009-2019	25.1%	20.9%	18.1%	36.0%	27.8%	38.9%
% increase 1997-2019	106.2%	184.9%	49.5%	101.5%	58.6%	87.5%

Notes:

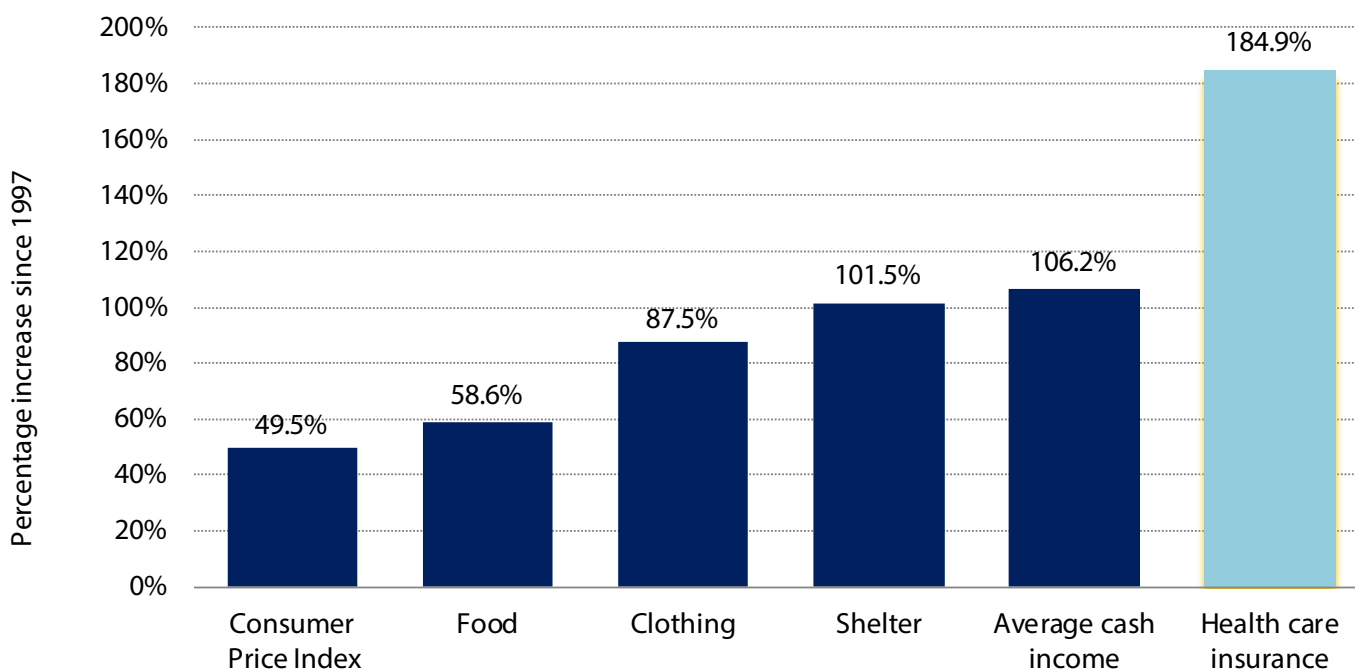
\* The average family includes unattached individuals.

\*\* All expenditure items include indirect taxes.

\*\*\* Expenditures for 2018 and 2019 were estimated using the results of the 2017 *Survey of Household Spending* and adjusting final results for inflation. Inflation numbers for 2019 are estimates.

Sources: Statistics Canada (various issues), *Spending Patterns in Canada*; Statistics Canada, 2019c and 2019f; The Fraser Institute's Canadian Tax Simulator, 2019; authors' calculations.

**Figure 3: How Health Care Insurance has Increased Relative to Other Costs, 1997–2019**



Source: Table 2.

in 2019, and their estimated dollar contribution to health care. In 2019, the average unattached (single) individual, earning an average income of \$44,813, will pay approximately \$4,544 for public health care insurance. An average Canadian family consisting of two adults and two children (earning approximately \$140,049) will pay about \$13,311 for public health care insurance.

farm), interest, dividends, private and government pension payments, old age pension payments, and other transfers from governments (such as the universal child care benefit).

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

Figures 1 and 2 show the inflation-adjusted<sup>8</sup> cost of public health care insurance for the six representative family types from 1997<sup>9</sup> to 2019.

<sup>8</sup> Calculated using the consumer price index (CPI), and presented in constant 2019 dollars. For the year 2019, 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).

<sup>9</sup> Estimates in this study are based calculations by Palacios and Fuss (2019), 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 com-



**Table 3: Average Income and Total Tax Bill in Each Decile, 2019\***

Decile	Average Cash Income (\$)	Average Total Tax Bill (\$)	Tax Rate	Health Care Insurance (\$)
1	15,070	2,029	13.5%	464
2	30,610	6,147	20.1%	1,406
3	41,872	12,312	29.4%	2,816
4	53,329	19,794	37.1%	4,528
5	67,226	26,908	40.0%	6,155
6	83,298	35,808	43.0%	8,191
7	101,308	44,919	44.3%	10,275
8	125,403	57,218	45.6%	13,089
9	160,096	75,741	47.3%	17,326
10	298,872	172,613	57.8%	39,486

Notes:

\* Preliminary estimates

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

Source: The Fraser Institute's Canadian Tax Simulator, 2019.

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:

- 73.4% for the average family consisting of 2 adults and no children<sup>10</sup> (from \$7,589 to \$13,163);
- 73.3% for the average family consisting of 2 parents and 1 child (from \$7,623 to \$13,208);

parison in this study because it is the earliest year for which the SPSD/M (version 27.0) is capable of generating results.

<sup>10</sup> “2 adults, 0 children” includes elderly couples who might have children, but whose children do not live with them.

- 65.8% for the average family consisting of 2 parents and 2 children (from \$8,026 to \$13,311);
- 111.4% for the average unattached individual (from \$2,150 to \$4,544);
- 86.6% for the average family consisting of 1 parent and 1 child (from \$2,395 to \$4,468);
- 77.7% for the average family consisting of 1 parent and 2 children (from \$2,157 to \$3,833).

Examining only the last 10 years (ie., from 2009 to 2019), the cost of public health care insurance (adjusted for inflation) for the six representative family types has increased by:

- 1.0% for the average family consisting of 2 adults and no children (from \$13,033 to \$13,163);

- 3.4% for the average family consisting of 2 parents and 1 child (from \$12,768 to \$13,208);
- 1.4% for the average family consisting of 2 parents and 2 children (from \$13,128 to \$13,311);
- 15.4% for the average unattached individual (from \$3,936 to \$4,544);
- 3.8% for the average family consisting of 1 parent and 1 child (from \$4,305 to \$4,468);
- 3.9% for the average family consisting of 1 parent and 2 children (from \$3,688 to \$3,833).

One way to understand the impact of the growing financing 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 2019, the average Canadian family's cash income increased by 106.2%.<sup>11</sup> At the same time, spending on shelter increased by 101.5%, spending on clothing increased by 87.5%, expenditures on food rose by 58.6%. Since 1997, the cost of health care insurance for the average Canadian family (all family types) increased by 184.9%.

Put differently, the cost of public health care insurance for the average Canadian family grew 1.7 times faster than the average income between 1997 and 2019. Further, since 1997, the cost of public health care insurance increased 3.2 times as fast as the cost of food, 2.1 times as fast as the cost of clothing, and 1.8 times as fast as the cost of shelter.

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<sup>11</sup> The results shown in table 2 and figure 3 are not adjusted by inflation since the consumer price index (CPI) is used as one of the measures to compare health care insurance, income, and other expenditures.

It is notable that when examining only the last 10 years (ie., from 2009 to 2019), the cost of health care insurance for the average Canadian family (all family types) increased by 20.9%. This increase in the cost of health care insurance is, however, lower than the increase in the average Canadian family's cash income (25.1%) as well as spending on clothing (38.9%), spending on shelter (36.0%), and expenditures on food (27.8%).

Although a comprehensive examination of this departure over the last 10 years from the longer historical trend observed between 1997 and 2019 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 slower pace over the last 10 years (1.9% per year) compared to the period between 1997-2009 (7.4% per year). By contrast, there has been a marked increase in the average annual growth over the last 10 years on spending on food (2.6%) and clothing (3.6%) in comparison to their observed spending growth between 1997 and 2009 (1.9% and 2.6%, 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 2019.

According to this calculation, the 10% of Canadian families with the lowest incomes will pay an average of about \$464 for public health care insurance in 2019. The 10% of Canadian families who earn an average income of \$67,226 will pay an average of \$6,155 for public health care insurance, and the families among the top 10% of income earners in Canada will pay \$39,486.



## Conclusion

Tables 1 and 3 present a much different perspective on the costs of public health care insurance from the CIHI figure of \$4,389 per capita given earlier. In addition, the large gap between the growth rate of income and that of public health care insurance between 1997 and 2019 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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