

Economic Recession and Health Care Spending

According to the Conference Board of Canada, the Canadian economy is expected to contract for 3 consecutive quarters (going back to the fourth quarter of 2008), resulting in a 0.5% decline in real gross domestic product (GDP) this year.¹ Only 4 provinces are expected to record any growth this year — Prince Edward Island, New Brunswick, Manitoba and Saskatchewan. The last time Canada saw a similar decline was in 1992, when the country's GDP slipped by 0.7%.¹ Will the worsening economic conditions have any consequences on private health care services in general, and dental care in particular?

One of the factors to consider with the economic downturn is changes in the budgeting priorities of Canadian households. With less money coming in, what items do Canadians cut back on? Is spending on private health care (which includes dental care) significantly affected? This is a complex question, but one source of information that sheds some light on the subject is the aggregate household spending patterns of Canadians.

Household Spending

According to the 2007 Survey of Household Spending from Statistics Canada², Canadian households spent an average of \$69,950 in 2007, up 3.3% from 2006. This includes all expenditures, such as personal and property taxes, food, housing costs and transportation. The 3.3% increase was more than the annual rate of inflation of 2.2% for 2007, meaning that Canadians have been spending more than they earn. Households in Alberta had the highest expenditures (average of \$85,910), but this was the lowest rate of increase among the provinces, representing a 0.8% increase from the previous year. The highest rise in household spending was 7.7% in Saskatchewan, where the average household spending was \$63,910.

If we break down household spending, we can see the trends in average spending on health care per household between 2003 and 2007 (**Table 1**). Health care includes direct (out-of-pocket) costs and expenditures on insurance premiums. A large proportion of private health care costs are for dental care.

Table 1 Household spending on health care as a proportion of overall household spending

Province	Average expenditure on health care per household 2007 (\$)	Health care spending as a percentage of overall household budget in 2007 (%)	Average expenditure on health care per household 2003 (\$)	Health care spending as a percentage of overall household budget in 2003 (%)	Percentage increase in spending on health care from 2003 to 2007 (%)
Nfld/Labrador	1,582	2.9	1,327	2.8	19.2
P.E.I.	1,994	3.6	1,511	3.1	32.0
Nova Scotia	1,868	3.1	1,605	3.1	16.4
New Brunswick	1,817	3.1	1,484	3.1	22.4
Quebec	2,067	3.6	1,670	3.1	23.8
Ontario	1,721	2.2	1,279	1.9	34.6
Manitoba	1,786	2.8	1,426	2.7	25.2
Saskatchewan	1,738	2.7	1,474	2.8	17.9
Alberta	2,259	2.6	1,994	3.0	13.3
B.C.	2,177	3.0	1,863	3.2	16.9
Yukon	1,603	2.1	1,324	2.1	21.1
N.W.T.	1,306	1.5	1,053	1.4	24.0
Nunavut	874	1.2	632	0.9	38.3
Canada	1,932	2.8	1,553	2.6	24.4

Source: Statistics Canada.²

In **Table 1**, we can see that the proportion of the overall budget earmarked for private health care has remained constant or increased in all provinces except Alberta, British Columbia and Saskatchewan. The highest average increase in spending on health care between 2003 and 2007 was in Nunavut, followed by Ontario and Prince Edward Island. Alberta had the lowest average increase in spending on health care. It will be important to monitor these figures for 2008 and 2009 to determine if these trends have continued or were only a short-term issue.

Unemployment

Unemployment figures may also be an economic indicator affecting dentistry. There is a significant correlation between health insurance (through employer plans) and the use of dental care in Canada. For example, a recent Canadian study found that persons with dental insurance consulted a dentist over 50% more times on average during the year than those who did not have insurance.³ As unemployment rates rise and Canadians lose health insurance coverage, a direct potential consequence is reduced visits to the dentist.

Between January 2008 and January 2009, the increase of the employment rates in Canada ranged from 4.8% in New Brunswick to a high of 50.1% in British Columbia.⁴ It is clear that economic conditions affect provinces very differently, and therefore any potential changes in spending on private

health care will vary drastically from province to province. It will be important to monitor socio-economic data in 2009 and beyond to determine the effect of the current economic downturn on household spending in each province. ♦



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References

1. The Conference Board of Canada. Provincial outlook economic forecast: Winter 2009. Ottawa: March 2009.
2. Statistics Canada. Spending patterns in Canada 2007. Catalogue 62-202-X. December 2008. Available from: www.statcan.gc.ca/pub/62-202-x/62-202-x2006000-eng.htm.
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4. Statistics Canada. Latest release from the Labor Force Survey. *The Daily* 2009 March 13. Available from: www.statcan.gc.ca/daily-quotidien/090313/dq090313a-eng.htm.

In response to requests from CDA members, Costa Papadopoulos contributes a "Notable Numbers" column on a routine basis in JCDA. He presents and analyzes key statistical indicators and trends that have an impact on the Canadian dental profession. If you have suggestions for future topics, please send an email to: library@cda-adc.ca.